

UNITED STATES
INTERNATIONAL TRADE COMMISSION

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

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THE UNITED STATES INTERNATIONAL TRADE COMMISSION

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

Thursday,
 July 31, 2008

Room 101
 U.S. International
 Trade Commission
 500 E Street, SW
 Washington, D.C.

The hearing commenced, pursuant to notice, at
 9:32 a.m., before the Commissioners of the United States
 International Trade Commission, the Honorable SHARA L.
 ARANOFF, Chairman, presiding.

APPEARANCES:

On behalf of the International Trade Commission:Commissioners:

SHARA L. ARANOFF, CHAIRMAN (presiding)
 DANIEL R. PEARSON, VICE CHAIRMAN
 CHARLOTTE R. LANE, COMMISSIONER
 IRVING A. WILLIAMSON, COMMISSIONER
 DEAN A. PINKERT, COMMISSIONER

APPEARANCES (continued):

MARILYN R. ABBOTT, SECRETARY TO THE COMMISSION
BILL BISHOP, HEARINGS AND MEETINGS COORDINATOR
SHARON D. BELLAMY, HEARINGS AND MEETINGS ASSISTANT

Staff:

GABRIELLA ELLENBERGER, INVESTIGATOR
JENNIFER MERRILL, INVESTIGATOR
KAREN TAYLOR, INTERNATIONAL TRADE ANALYST
CATHERINE DeFILIPPO, ECONOMIST
JUSTIN JEE, ACCOUNTANT/AUDITOR
DAVID GOLDFINE, ATTORNEY
DOUGLAS CORKRAN, SUPERVISORY INVESTIGATOR

APPEARANCES (continued):

STATE GOVERNMENT WITNESS:

Boston City Council
Boston, MA

The Honorable Sam Yoon, Boston City Councilor At-Large

In Support of the Imposition of Antidumping Duties:

On behalf of M&B Metal Products Company, Inc.:

MILTON M. MAGNUS, III, President,
M&B Metal Products Company, Inc.

MICHAEL J. CARMODY, Design Engineer,
M&B Metal Products Company, Inc.

STEVEN M. PEDELTY, Sales Manager,
M&B Metal Products Company, Inc.

SELMA L. BOYD, Machine Operator,
M&B Metal Products Company, Inc.

DARMESH PATEL, President,
Shanti Industries, Inc.

DAVID H. MINDICH, President,
Minda Supply Company

THOMAS A. LITTLE, President,
Fuller Supply Company, Inc.

GARY R. DAWSON, President,
Belleair Bluffs Cleaners

PATRICK MAGRATH, Managing Director,
Georgetown Economic Consulting Services

GINA BECK, Economist,
Georgetown Economic Consulting Services

Of Counsel:

FREDERICK P. WAITE, Esquire
KIMBERLY R. YOUNG, Esquire
Vorys, Sater, Seymour & Pease, LLP
Washington, D.C.

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APPEARANCES (continued):

In Opposition to the Imposition of Antidumping Duties:

On behalf of United Wire Hanger Corp.; Laidlaw Company; Shangyu Baoxiang Metal Product Co., Ltd.; Zhejiang Lucky Cloud Hanger Co., Ltd.; Shaoxing Dingli Metal Clotheshores Co.; Shaoxing Liangbao Metal Products Co., Ltd.; Shaoxing Meideli Metal Products Co., Ltd.; Shaoxing Shunji Metal Clotheshorse Co., Ltd.; Pujiang County Command Metal Products Co., Ltd.; Ningbo Dasheng Hanger Ind. Co., Ltd.; Jiaxing Boyi Medical Device Co., Ltd.; Yiwu Ao-Si Metal Products Co., Ltd.; Shaoxing Guohao Metallic Products Co., Ltd.; and Shaoxing Zhongbao Metal Manufactured Co., Ltd.

THOMAS SCHULTZ, Chief Executive Officer,
Laidlaw Company

A. JOEL GOLDMAN, Executive Vice President,
United Wire Hanger Corporation

WALDEMAR SLEZAK, General (Manufacturing)
Manager, United Wire Hanger Corporation

Of Counsel:

JEFFREY S. NEELEY, Esquire
MICHAEL S. HOLTON, Esquire
Greenberg Traurig, LLP
Washington, D.C.

On behalf of Willert Home Products, Inc.; Willert Home Products (Shanghai) Co., Ltd. (collectively "Willert"):

BRIAN WARNER, Vice President Finance, Willert

Of Counsel:

JENNIFER A. SCHWESIG, Esquire
THOMAS H. BOTTINI, Esquire
Armstrong Teasdale, LLP
St. Louis, Missouri

and

JOEL D. KAUFMAN, Esquire
Steptoe & Johnson, LLP
Washington, D.C.

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(202) 628-4888

APPEARANCES (continued):

In Opposition to the Imposition of Antidumping Duties
(continued):On behalf of Fabricare Choice Distributors Group, Inc.
("Fabricare Choice")

Of Counsel:

JONATHAN FREED, Esquire
JI HYUN CATHIE TAK, Esquire
Trade Pacific, PLLC
Washington, D.C.

On behalf of National Dry Cleaners Institute, Inc.:

SANG DO KANG, President,
National Dry Cleaners Institute, Inc.

Of Counsel:

ALFRED S. LEE, Esquire
Johnson Westra Broecker Whittaker & Newitt, P.C.
Schaumburg, Illinois

On behalf of Best For Less Dry Cleaners Supply, LLC
Englishtown, New Jersey:

ALFREDO VASTOLA, Co-owner

On behalf of The Federation of Korean Dry Cleaners
Association, Los Angeles, California:

LAWRENCE LIM, Vice President

PAUL CHOE, Vice President

On behalf of Federation of Drycleaners Association,
Washington, D.C.:

DALE CHO, Board Member

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P R O C E E D I N G S

(9:32 a.m.)

CHAIRMAN ARANOFF: Good morning. On behalf of the U.S. International Trade Commission, I welcome you to this hearing on Investigation No. 731-TA-1123 (Final) involving Steel Wire Garment Hangers from China.

The purpose of this investigation is to determine whether an industry in the United States is materially injured, or threatened with material injury, by reason of less-than-fair-value imports of subject merchandise.

The schedule setting forth the presentation of this hearing, notices of investigation, and transcript order forms are available on the public distribution table. All prepared testimony should be given to the secretary. Please do not place testimony directly on the public distribution table.

All witnesses must be sworn in by the Secretary before presenting testimony.

I understand that parties are aware of the time allocations, and any questions regarding the time allocations should be directed to the Secretary.

Finally, if you will be submitting documents that contain information you wish classified as

1 Business Confidential, your request should comply with
2 Commission Rule 201.6.

3 Madam Secretary, are there any preliminary
4 matters?

5 MS. ABBOTT: No, Madam Chairman.

6 CHAIRMAN ARANOFF: Very well. Will you
7 please announce our state government witness?

8 MS. ABBOTT: Our first witness is the
9 Honorable Sam Yoon, Boston City Counselor At-Large.

10 MR. YOON: Chairwoman Aranoff, Members of
11 the Commission, we really thank you for this
12 opportunity to speak before you this morning. I am
13 speaking on behalf of the approximately 30,000, or
14 even more, dry cleaners who will be impacted by your
15 decision today.

16 Almost half of these small businesses are
17 owned by Korean-Americans. I happen to be a Korean-
18 American, but, today, my testimony, as well as the
19 testimony of my colleagues later in this hearing, will
20 apply to all dry cleaning businesses in this country.

21 As you can see, just by looking out in the
22 gallery, Korean member-serving dry cleaning
23 organizations have been organizing around this issue,
24 knowing full well that the benefit of their work will
25 be shared by the entire dry cleaning community, Korean

1 or otherwise.

2 This is, obviously, a critically important
3 issue to their economic future, and this is why they
4 came from all over the country to be here today. They
5 have come from New England, my home state;
6 Massachusetts; New Hampshire; New York; New Jersey;
7 the D.C. area here; from Maryland; from Virginia;
8 Northern California; and Los Angeles.

9 If I could just take a moment to ask that if
10 the members of the dry cleaning associations would
11 rise just for a moment -- don't say anything but just
12 stand where you are, please -- to give you an idea of
13 how important this issue is to this community. Thank
14 you very much. I think there will be more who will be
15 joining us later in the hearing.

16 The reason that they took the time to be
17 here for this hearing hangs on one important fact that
18 came from your preliminary investigation. ITC's
19 investigators found that 85 percent of steel wire
20 garment hangers are used by one single consumer class:
21 by dry cleaners.

22 Because of this, and because of the
23 concentrated impact of an ITC ruling to this class, I
24 would just go out on a limb and suggest that the issue
25 that we're going to be discussing today is unique and

1 warrants some special consideration.

2 So dry cleaners, as you probably know from
3 your own experience, are typically small, and they are
4 typically family-owned businesses. Later during this
5 hearing, you're going to hear from dry cleaners
6 themselves, and they will be offering some more facts
7 and figures and try to characterize the dry cleaning
8 business in some more detail.

9 But the typical dry cleaner operation, as
10 you probably know, is like a husband-and-wife team.
11 They are very often immigrants, and they are often
12 Asian or, as I said, about 40 percent across the
13 country are Korean-American.

14 They work hard. They work 12-hour days.
15 They work six, sometimes seven, days a week. They are
16 U.S. citizens who pay taxes and contribute to their
17 communities, and, for the most part, they are not
18 wealthy. The typical dry cleaner works very hard to
19 make a modest living.

20 As the ITC study noted, there is very little
21 that a dry cleaner can do about an increase in the
22 price of wire hangers. There are no good substitutes.
23 They can't cut back on volume, really, because wire
24 hangers are directly related to their end product.
25 The end product in the dry cleaning business is your

1 clothes, and the clothes have to come back to you on
2 wire hangers.

3 Cutting back on wire hangers, therefore,
4 would mean cutting back on their business. Now, many
5 dry cleaners, as I've been asked, as I've kind of
6 talked about this issue, have said, We're asking our
7 customers to kind of bring back their wire hangers,
8 recycle them, but, anecdotally, what we found is that
9 this is really not having a significant impact or an
10 effect on their behavior.

11 In the end, dry cleaners are, as you will
12 here and as I've heard, extremely reluctant to pass on
13 cost increases to their customers. In today's
14 economy, just as consumers are changing their driving
15 habits because of the price of gasoline, and because
16 of the price of food, we're changing our behavior, and
17 dry cleaners are fearful of losing customers by
18 raising prices.

19 It's a very competitive business. Almost
20 everyone who uses dry cleaners can think of more than
21 one that they could actually go to to get their
22 clothes cleaned.

23 So this means only one thing. It means that
24 dry cleaners have no choice but to pay more and absorb
25 the loss. Their pockets will get significantly

1 lighter, and, again, just as the price of everything
2 else in our economy seems to be going up.

3 So what will the economic impact be? For
4 simplicity's sake, let's look at what's been happening
5 to dry cleaners in my home state, Massachusetts, over
6 the last six months.

7 In anticipation of a duty on wire hangers,
8 supply has tightened, and prices have gone up. Now, a
9 box of shirt hangers, again, in the New England area,
10 was, about six months ago, about \$17 a box; now it's
11 over \$30. A box of pants hangers was about \$26 a box;
12 now it's over \$50.

13 So, on this basis, the average cleaner is
14 expecting to lose about, on average, \$7,000 a year.
15 It's about 10 percent of their net income.

16 If a duty on wire hangers were to have a
17 similar effect on every dry cleaning business across
18 this country, again, some estimate 30,000, some more,
19 the total economic impact would approach \$250 million
20 a year. That's a quarter-of-a-billion-dollars less in
21 the pockets of hard-working, tax-paying families in
22 this economy.

23 What would be the impact on employment? The
24 typical mom-and-pop cleaner in Massachusetts, and I
25 think this is generalizable, will hire maybe like one

1 or two other workers for a neighborhood dry cleaner,
2 and these jobs are typically entry-level jobs, and
3 these are people who will just help with pressing
4 clothes or bagging clothes. These jobs will be gone,
5 and this is already happening in Massachusetts, where,
6 clearly, people are not hiring or filling these
7 positions.

8 So now if half of the dry cleaners across
9 the country are affected in this way, by a sharp
10 increase in wire hangers, the impact would be on the
11 order of tens of thousands of jobs.

12 I acknowledge, in closing, that, as
13 Commissioners, your enabling legislation requires you
14 to base your decision on the impact of foreign
15 producers on domestic producers for this commodity.
16 The phrase that I believe you used, Chairwoman
17 Aranoff, in your opening remarks, is that what you
18 have to examine is "whether or not there is material
19 injury or material impact."

20 I, and many others behind me, are here to
21 tell you, respectfully, as Commissioners, that there
22 will be a very tangible and significant, and,
23 therefore, material injury, on tens of thousands of
24 small, family-owned businesses across this country as
25 a result of a price hike on wire hangers.

1 So, again, I, respectfully, ask the
2 Commission to take this into account, to listen
3 carefully to the testimony of my colleagues, and keep
4 in mind who it is will be bearing the burden for the
5 remedy that you'll be deciding upon shortly. Thank
6 you very much, and I'm happy to stay and entertain
7 questions or dialogue.

8 CHAIRMAN ARANOFF: Thank you very much. Let
9 me see if any of my colleagues has questions. It does
10 not appear so. So we really appreciate your testimony
11 this morning and, particularly, want to welcome all of
12 the members of the dry cleaning associations who stood
13 up before and those who have come in since.

14 We're glad to have you here today, and we
15 hope you find it a useful and educational experience.
16 Thank you for coming very much, Mr. Yoon.

17 MR. YOON: Thank you very much.

18 MS. ABBOTT: Opening remarks on behalf of
19 Petitioners will be by Frederick P. Waite, Vorys,
20 Sater, Seymour & Pease.

21 MR. WAITE: Good morning, Madam Chairman and
22 Members of the Commission. My name is Fred Waite,
23 with the firm of Vorys Sater. I am here on behalf of
24 the Petitioner in this investigation, M&B Metal
25 Products, one of the last remaining producers of steel

1 wire garment hangers in the United States.

2 When this Commission first investigated this
3 product, imports from China had risen from only 29
4 million hangers in 1997 to over 400 million during the
5 first nine months of 2002. In that Section 421 case,
6 the Commission found that the domestic industry had
7 experienced sharp declines in production, net sales,
8 capacity utilization, and market share due to the
9 increase of subject imports from China.

10 Although the Commission made a unanimous
11 affirmative determination and recommended relief in
12 the form of increased duties, no remedial action was
13 taken, and the remainder of this story is the near
14 destruction of a once thriving and competitive
15 American industry by massive imports of unfairly
16 priced hangers from China.

17 During the period of the current
18 investigation, the damage to the U.S. industry has
19 only accelerated. The volume of imports from China is
20 enormous, increasing from one billion hangers in 2005
21 to almost 2.7 billion in 2007, from 36 percent of the
22 domestic market to over 80 percent.

23 How did the Chinese hangers achieve this
24 result? Through lower and lower pricing on every type
25 of hanger purchased in the United States.

1 As the Commission's investigation has shown,
2 Chinese hangers undersold U.S. hangers by an average
3 margin of almost 28 percent throughout the POI. You
4 will hear later this morning about the devastating
5 effect that this downward spiral of Chinese hanger
6 prices has had on the domestic industry.

7 The Commission's prehearing report confirms
8 both the absolute preeminence of price in the
9 purchasing decisions by American customers and the
10 displacement of American-made hangers by imports from
11 China.

12 Of the 15 purchasing factors surveyed by the
13 Commission, purchasers reported that U.S. hangers were
14 comparable or superior to Chinese hangers on 14
15 factors. On only one, price, did purchasers rate the
16 Chinese producer superior.

17 It is on the basis of price that purchasing
18 decisions are made in this market, and U.S. producers
19 lost sales due to the dumped prices from China.

20 As a result of the flood of imports from
21 China, one U.S. hanger producer after another
22 curtailed or ceased production, shut down operations,
23 and laid off workers. Some even became importers of
24 Chinese hangers.

25 The Commission staff has included a table in

1 the prehearing report which chronicles this depressing
2 story. For the domestic industry, almost every
3 financial and trade variable considered by the
4 Commission declined, and declined significantly,
5 during the POI due to the rapid increase of dumped
6 hangers from China. Sales volume and value declined.
7 Operating income plummeted. Production and capacity
8 utilization rates fell.

9 During this time, Chinese imports increased
10 their market share by 44.9 percentage points, while
11 U.S. producers lost 44.4 percentage points of market
12 share, an almost exact, one-for-one displacement.

13 It should also be kept in mind that the
14 Chinese hanger industry was created and constantly
15 enlarged for the purpose of gaining market share in
16 the United States. Demand for this product in China
17 is negligible, and shipments from China to other
18 markets are minuscule. During the POI, over 90
19 percent of China's shipments of hangers were destined
20 for the United States.

21 Despite the battering that the U.S. industry
22 has taken by reason of subject imports, there has
23 recently been a glimmer of hope. Since this case was
24 filed, and especially since the Commission and the
25 Commerce Department made their preliminary

1 determinations, the pricing of Chinese imports is
2 moving toward fair value, and the U.S. industry has
3 shown that it can compete on those terms.

4 You will hear, this morning, from two
5 domestic producers who are now adding capacity and
6 workers, increasing production, and selling more
7 hangers at profitable yet competitive prices.
8 However, the revival of the U.S. hanger industry is
9 only beginning, and it will be short lived unless
10 there is relief from the unfairly priced hangers from
11 China, which have decimated this market. Thank you
12 very much.

13 MS. ABBOTT: Opening remarks on behalf of
14 Respondents will be by Jeffrey S. Neeley of Greenberg
15 Traurig.

16 MR. NEELEY: Good morning. I'm Jeffrey
17 Neeley of Greenberg Traurig. I am here today on
18 behalf of United Wire Hanger, a Laidlaw Corporation,
19 and most of the Chinese producers which are listed in
20 our brief.

21 Our case, as you well know, is very
22 different than the case that has been presented to you
23 by Mr. Waite. Our point in our brief, and our point
24 today, will be that this is not a typical case where
25 we can simply look at imports are up, profits are

1 down, and, therefore, the U.S. industry wins.

2 Instead, this is a case that requires the
3 Commission to very seriously and carefully take a look
4 at causation.

5 When we talk about causation, we talk about
6 causation not in terms of what I think or what any
7 particular Commissioner thinks the causation standard
8 should be but, rather, what the highest federal court
9 that reviews your cases on a regular basis, the
10 Federal Circuit, has said the law is.

11 In particular, the cases of Bratsk and
12 Gerald Metals are relevant to this investigation and
13 to our analysis. Read together, we believe that they
14 provide very specific requirements regarding
15 causation. Bratsk, for example, says that causation
16 is not shown if subject imports contributed only
17 minimally or tangentially to material harm, and we
18 believe that is the case here.

19 The Federal Circuit also has said that
20 "where commodity products are at issue, and fairly
21 traded, price-competitive, nonsubject imports are in
22 the market, the Commission must explain why the
23 elimination of subject imports would benefit the
24 domestic industry."

25 The benefits test, we believe, applies in

1 that situation and in other similar situations, and
2 that while we recognize fully that the benefits test,
3 per se, is not in the statute, it is, we think, also a
4 matter of simple logic. All that the Federal Circuit
5 is saying is this: Take away the purported cause, and
6 if everything remains the same, then that was not the
7 cause, and that is what we have here.

8 We have sort of a unique situation here that
9 Mr. Waite alluded to, which is that the President of
10 the United States already has considered, in some
11 manner, the benefits test and has found, back in 2003,
12 that relief would not benefit the United States
13 industry.

14 Now, we recognize fully that that's a
15 different statute. We recognize the differences, but
16 it does show, we believe, that the benefits test needs
17 to be looked at very carefully here, which we will
18 talk about in some detail in our testimony.

19 Here, we have what we think are also some
20 fairly unusual circumstances. Imports are already in
21 the market from Mexico and now from Vietnam. They
22 soon will be in the market from other countries. This
23 is an extremely low-technology product, and we will
24 have testimony explaining just how easy it is to move
25 machines and how easy it is to train folks to operate

1 those machines.

2 It is easy to transfer the technology. It
3 has already been done, to a large extent, and it will
4 be done more in the future.

5 So whatever the Commission does, with all
6 due respect, in this particular case, it would be a
7 very, very short time before the products will be made
8 at the same prices, at the same costs, or lower, other
9 places in the world.

10 What we see, instead, here is a very short-
11 term pain to small companies, such as the ones that
12 Mr. Yoon talked about. They have experienced
13 shortages, they have experienced sharp price
14 increases, but the short-term benefit to the U.S.
15 producers and the short-term pain to people like the
16 Korean dry cleaners will simply not be there for very
17 long.

18 What will happen, we believe, is that there
19 will be a shift, and a shift very rapidly, to other
20 countries to fairly traded imports, and those products
21 will dominate this market, as they have in the past.
22 It is a question of the cost of the U.S. producers,
23 not a question of any unfair trade practices by the
24 Chinese producers.

25 Thank you very much, and we'll be glad to

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1 expand on that very shortly.

2 MS. ABBOTT: Will the first panel, in
3 support of the imposition of antidumping duties,
4 please come forward?

5 Madam Chairman, all witnesses have been
6 sworn.

7 CHAIRMAN ARANOFF: Good morning, Mr. Waite.
8 Please proceed whenever you're ready.

9 MR. WAITE: Thank you, Madam Chairman.
10 Again, for the record, my name is Fred Waite. Our
11 first witness will be Milton Magnus, who is president
12 of M&B Metal Products Company. Thank you.

13 MR. MAGNUS: Good morning. I am Milton M.
14 Magnus, III, and I am president of M&B Metal Products
15 Company, better known as "M&B Hangers." We are the
16 Petitioner in this case.

17 M&B manufactures steel wire garment hangers
18 in Leeds, Alabama, and in Mexico. My grandfather
19 started the company in the 1940's, and I followed my
20 father as president in 1988. My son, Mack, who is in
21 the audience today, is the fourth generation of my
22 family to work at M&B.

23 We filed this petition exactly one year ago
24 today. M&B and a few regional producers were pretty
25 much all that remained of a once large and thriving

1 U.S. hanger industry.

2 During this past year, because of the
3 effects of this case, I have seen the beginnings of a
4 revival of our industry. Our plant in Leeds has
5 expanded both its capacity and shipments of all types
6 of hangers as the unfair pricing of China imports has
7 been eliminated from the market. We have doubled our
8 workforce since July 2007, increasing our first and
9 second shifts and adding a third shift.

10 When we closed our factory in Virginia, we
11 transferred most of that equipment to Leeds. As a
12 result of this case, we have taken much of that
13 machinery out of storage and returned it to producing
14 hangers in the United States.

15 We also acquired a number of hanger
16 machines, as other U.S. producers went out of business
17 due to dumped imports from China, and we are putting
18 that idle capacity back into production, too.

19 Our design engineer, Mike Carmody, will talk
20 more about this later.

21 What has really given me confidence that
22 this case can lead to a brighter future for the U.S.
23 hanger industry is the appearance, or reappearance, of
24 other hanger producers across the country.

25 You will hear shortly from Darmesh Patel,

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1 who is president of Shanti Industries. He will tell
2 you what he and his company have already accomplished
3 in bringing hanger production back to California and
4 the Midwest and his plans for the future. This is
5 really a dramatic story.

6 We understand that others, including U.S.
7 wire producers and hanger distributors, are looking at
8 producing hangers in the United States, and some are
9 actually trying to ship U.S. hanger machines back from
10 China.

11 All of this would not be happening if it
12 were not for the Commission's preliminary
13 determination in this case. However, without a final
14 antidumping order, this fragile recovery of the
15 domestic hanger industry will be short lived.

16 As we saw after the president took no action
17 in our Section 421 case, the absence of meaningful
18 relief will simply permit Chinese producers to once
19 again flood the American market with billions of
20 unfairly priced hangers.

21 We, and the other U.S. hanger companies,
22 will not be able to withstand a second storm of dumped
23 imports from China.

24 Let me begin with what has happened to our
25 industry during the past few years. The Commission

1 staff provided a thorough overview of the decline of
2 U.S. hanger producers in the prehearing report. It is
3 a depressing story. One American producer after
4 another has curtailed or shut down operations, laid
5 off employees, and gone out of business altogether.

6 These trends have accelerated over time,
7 and, in 2005, which is the beginning of the period of
8 this final investigation, we closed our hanger plant
9 in South Hill, Virginia. In that same year, Laidlaw
10 shut down its factories in Maryland and Arizona after
11 it had already closed its plant in Delaware.

12 United Wire Hanger, who had joined us in the
13 Section 421 case as a Petitioner, but now who opposes
14 relief for the domestic industry, reduced production
15 in New Jersey and laid off about 100 workers.

16 In 2006, United shut down domestic production
17 completely, and Laidlaw closed its plant in Illinois.

18 Before this case was filed, in July of 2007,
19 Laidlaw closed its last hanger plant in the United
20 States, and Navisa shut down its operation in Texas.

21 A total of 14 domestic hanger plants have
22 closed their doors since the Commission's
23 investigation in the Section 421 case, and seven have
24 shut down since 2005.

25 Why did all of these plants shut down and

1 their workers lose their jobs? Because unfairly
2 priced imports of Chinese hangers came to the U.S.
3 market in ever-increasing quantities and at very low
4 prices.

5 Other witnesses will tell you of the
6 devastating effects of these dumped Chinese hangers on
7 the U.S. industry. They will explain how Chinese
8 hangers undersold American-made hangers by a large
9 margin that even distributors who prefer to buy U.S.
10 products had no choice but to source from Chinese
11 imports if they were to survive.

12 As a result of Chinese imports in the
13 market, we could not raise prices to cover our
14 expenses, and we lost customers and market share to
15 Chinese imports.

16 You can see from our response to the
17 Commissioners' questionnaire that dumped hangers
18 affected every phase of our business. I suspect the
19 responses from other U.S. producers will show the same
20 thing.

21 The Commission's staff found that U.S.
22 shipments of hangers fell more than 80 percent during
23 the period of investigation, from one and a half
24 billion hangers in 2005 to less than 300 million
25 hangers in 2007. By 2007, Chinese imports had grabbed

1 more than 80 percent of the U.S. hanger market, up
2 from one-third of the market just two years earlier.

3 At the same time, the prices of Chinese
4 hangers kept going lower and lower. Sometimes I could
5 not believe the prices that my sales staff was
6 reporting to me from our customers.

7 I have been to China, and I've seen Chinese
8 hanger plants in operation. Generally, they are much
9 less efficient than U.S. hanger plants. For example,
10 workers in China group and spray paint hangers by
11 hand. At M&B, we use state-of-the-art, automated
12 painting lines.

13 Chinese workers attach the paper capes by
14 hand, folding and gluing the paper pieces onto the
15 hanger one at a time. Again, in Leeds, we have
16 automated equipment that does this, as the Commission
17 staff saw when they visited our plant in March.

18 In the past, we, and other U.S. producers,
19 imported Chinese hangers as a defensive move. Our
20 customers were losing business to lower-priced Chinese
21 imports, so we imported some hangers in order to keep
22 our customers competitive. It was a question of
23 survival.

24 After the filing of this case, I'm very
25 pleased to tell you that M&B no longer imports Chinese

1 hangers, and I believe that other U.S. producers will
2 tell you the same thing.

3 Perhaps now would be a good time to invite
4 your attention to the posters which display the
5 different kinds of hangers that we make and are
6 subject to this investigation. There are white shirt
7 hangers, caped hangers, strut hangers -- strut hangers
8 are the ones with the tube along the bottom -- and
9 latex hangers for our uniform rental and industrial
10 laundry customers.

11 I would be happy to discuss the various
12 types of hangers, if you have any questions, and I
13 know that other witnesses on this panel can also
14 describe how these hangers are made and how they are
15 used.

16 I also have a sample of a vinyl-coated
17 hanger that Willert Home Products imports from China.
18 I think you can see that they are virtually
19 indistinguishable from the hangers we make.

20 Finally, I want to mention an incident that
21 we had at Leeds in May. Part of our roof collapsed
22 due to faulty work on a support column. We were
23 ordered to shut down for seven days, in compliance
24 with federal and state regulations. We were back up
25 and running at pre-incident levels the next week.

1 Fortunately, none of our employees were
2 injured, and the damage was largely limited to our
3 storage and loading area. A few hanger machines
4 received minor damage, but all but two have been
5 completely restored, and the remaining two will be
6 repaired shortly.

7 Currently, M&B is producing twice the number
8 of hangers that we were when this case was filed. We
9 are adding more equipment so that, by the end of 2008,
10 we will be making three times the number of hangers
11 that we did last year, and, by the end of 2009, our
12 production will be four times what it was in 2007.

13 However, these plans depend on a successful
14 outcome of this case and the imposition of dumping
15 duties to offset the unfair pricing of Chinese
16 imports.

17 As I told the staff last August, the U.S.
18 hanger industry is on the verge of extinction if
19 something is not done. The tentative recovery that we
20 have seen since the case was filed, and especially
21 since the Commerce Department applied preliminary
22 dumping duties, will continue only if there is a final
23 order against dumped Chinese hangers. Thank you.

24 MR. PEDELTY: Good morning. My name is
25 Steve Pedelty, and I have been a sales representative

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1 for M&B Metal Products since August 2005. I'm
2 responsible for a multistate territory, mostly in the
3 eastern U.S., but I also call on key accounts in
4 California, Minnesota, and other states.

5 I've been in the hanger business for over 25
6 years and have worked for four U.S. producers of wire
7 garment hangers. Two of those hanger companies,
8 Cleaners Hanger, or "CHC," and U.S. Hanger, no longer
9 exist, and the third, United, stopped producing
10 hangers in the U.S. two years ago.

11 M&B sells hangers nationwide to dry cleaning
12 distributors and uniform rental and industrial laundry
13 customers. For dry cleaners, we sell through
14 distributors who purchase garment hangers for resale
15 to dry cleaners throughout the country. We also sell
16 to industrial laundry and uniform rental companies
17 that supply laundered or rented clothing to various
18 industries, such as auto companies, steel mills,
19 airlines, car dealerships, hospitals, and UPS.

20 When I began my career in the hanger
21 business, the U.S. market was served primarily by U.S.
22 producers, but this has changed over time. First, we
23 saw low-priced imports of shirt hangers from China in
24 the late nineties, but, soon afterwards, we saw caped
25 hangers, strut hangers, and latex hangers from China,

1 all in increasing quantities year after year.

2 This flood of hangers from China was not a
3 result of a better product or superior service by
4 Chinese producers. I have been in business a long
5 time, and there is no doubt that my customers' primary
6 interest is finding the lowest price. I communicate
7 with my customers by telephone and e-mail, and they
8 were constantly telling me that they were shifting
9 their purchases to imports from China that were also
10 good quality but were lower priced than our hangers
11 for the exact same product.

12 M&B has produced, and continues to produce,
13 all types of hangers in the United States: shirt,
14 caped, stock-print caped, plain caped, strut, latex,
15 and suit hangers. Respondents have tried to argue
16 that because we did not have sales of a particular
17 product in a particular quarter over that period that
18 you investigated, it meant that we did not produce the
19 product.

20 On the contrary, we were able to produce all
21 products requested by our customers, but there were
22 many quarters when we should have had sales but didn't
23 because we lost the business to lower-priced imports
24 from China.

25 Since joining M&B, I have seen longstanding

1 accounts shift to low-priced Chinese imports. The
2 loss of sales to imports has also spread to the
3 uniform rental side of our business. This is the part
4 of the business that the Chinese Respondents, in the
5 Section 421 case, said they would not be able to
6 supply.

7 In December 2006, Cintas Uniform awarded a
8 major percentage of their hanger business to Laidlaw
9 and United, two importers of Chinese hangers. Prior
10 to that, Cintas purchased virtually 100 percent of
11 their hangers from U.S. sources.

12 I estimate that, by the time this case was
13 filed last year, about 90 percent of Cintas's hangers
14 were imported from China.

15 Historically, Unifirst Corporation also had
16 purchased almost 100 percent of its hangers from U.S.
17 sources, but Unifirst shifted a large percentage of
18 their business to Chinese imports, too, just before
19 the petition was filed last year.

20 At the same time, we lost major portions of
21 our business with most of our dry cleaning
22 distributors, including Phoenix Supply, Industrial
23 Equipment and Supplies, and many others. We were able
24 to retain some sales, but those sales represented such
25 a low price that we lost money. Not only were the

1 Chinese prices lower than our prices, but the gap
2 widened as time passed. There was absolutely no way
3 we could match such low-priced imports from China.

4 The filing of this case was a turning point
5 for the U.S. hanger industry. I personally want to
6 thank you for making an affirmative preliminary
7 decision because we have seen a remarkable improvement
8 in both our sales volume and our prices over a short
9 period of time.

10 First, our sales have increased dramatically
11 since the case was filed exactly one year ago today.
12 Sales calls from customers have increased
13 significantly, and not only have prior customers
14 returned to purchasing from M&B, but we have also
15 gained many new customers. The new customers are
16 companies that bought hangers from China before the
17 case was filed, and they tell us they now want to buy
18 from us because of the dumping duties against China,
19 as well as the difficulties of dealing with offshore
20 suppliers.

21 Customers have told me these difficulties
22 include longer lead times, larger inventories, and
23 additional cash flow requirements. These customers
24 also mentioned that the price of hangers from China
25 has greatly increased over the last year.

1 Second, if it was not for this case, we
2 would never have been successful in implementing
3 recent price increases, which were desperately needed,
4 given the cost of rising steel. Our steel costs have
5 gone up almost every month, beginning in October 2007.
6 Since the filing of this petition, we have announced
7 five price increases, the first on October 15, 2007,
8 to cover our rising steel costs, and all have been
9 successful.

10 These price increases ranged between three
11 and 15 percent, depending on the type of hanger.
12 There is no question that we would never have been
13 successful with these price increases if this case had
14 not been filed. Thank you.

15 MS. BOYD: Good morning. My name is Selma
16 Boyd, and I'm a machine operator on the third shift at
17 M&B in Leeds, Alabama. I have worked for M&B since
18 1974, longer than Milton has been with the company. I
19 was born in Wattsville, Alabama, which is not far from
20 Birmingham. I have also been a union member for about
21 25 years.

22 I run the machine that first forms the
23 hanger. I put the hanger on a cape machine that wraps
24 and covers the hanger with paper.

25 In 2005, Milton told us he was closing the

1 M&B plant in Virginia. He told us that business was
2 slow because of imports from China. So he also had to
3 lay off some workers in Leeds. This was hard on a lot
4 of people who had to depend on unemployment.

5 I was so thankful that he was keeping the
6 Leeds plant open, but I was very worried that business
7 would get even worse and that the Leeds plant would
8 also be closed and that I would lose my job.

9 I was concerned about my future and the
10 future of all of the other M&B workers.
11 Unfortunately, there are not a lot of jobs available
12 that allow people to make a decent living with good
13 benefits.

14 When Milton told us, last year, that he had
15 decided to file a dumping case against imports of
16 hangers from China, I thought that was the right thing
17 to do. Milton told us that he didn't want to close
18 the company and lay off all of the people who depended
19 on M&B.

20 Since this case was filed, M&B has been
21 hiring new people at the Leeds plant and has even
22 added a third shift. Each day, I'm thankful that I am
23 able to go to work at M&B because I really love my job
24 and the people I work with.

25 To look at the workers today compared to a

1 year ago, it is like day and night. Today, people
2 have smiles on their faces instead of looks of gloom
3 and doom. If this dumping case is successful, I know
4 that M&B will improve and do better than ever to help
5 our customers. If the case is not successful, it will
6 be a very uncertain time, and I'm afraid that I might
7 lose my job.

8 Many of the people around Leeds are happy
9 about M&B, and they are glad to see that workers are
10 being hired instead of being laid off. People in our
11 community are saying that it is great to see a company
12 that once was close to shutting down now hiring and
13 making more hangers.

14 I really hope this case is successful, not
15 only for my employer, M&B, but for all of the people
16 that make M&B a great place to work. Thank you.

17 MR. CARMODY: Good morning. My name is Mike
18 Carmody, and I am a design engineer at M&B's plant in
19 Leeds, Alabama. I'm responsible for upgrading and
20 reconditioning equipment, designing new systems, and
21 implementing process improvements.

22 Prior to joining M&B, in 2004, I was with
23 Cleaners Hanger Company, or "CHC," for almost 40
24 years. At its peak, CHC produced 1.3 billion hangers
25 a year.

1 Over the years, I served in a number of
2 positions, including plant manager at the Baltimore
3 and Jacksonville plants. My last position at CHC was
4 vice president of operations. In this role, I had the
5 unhappy task of traveling around the country shutting
6 down CHC's plants, one by one, and telling people that
7 they no longer had jobs as a result of the low-priced
8 hangers from China. The pricing of Chinese hangers
9 was so low that we just could not compete.

10 We started losing customers to China, just a
11 few accounts at a time, but then more and more. By
12 the time the 421 case was decided, CHC was on the
13 brink of bankruptcy. Losing that case meant that
14 there was no relief from the growing volume of cheap
15 hangers from China. CHC filed for bankruptcy in 2003
16 and liquidated all of its assets that same year.

17 When I joined M&B, the company was still
18 investing in R&D and continuously upgrading its
19 production equipment. One of the first projects that
20 I worked on was the installation of a new painting
21 system to increase productivity and efficiency. But
22 as business slowed because of the increasing number of
23 hangers from China, so did the dollars for these kinds
24 of projects. You just can't justify spending
25 significant amounts of capital when your sales are

1 dropping, and you're cutting back on production and
2 employment.

3 Last year, when it looked like M&B was going
4 to be forced to close, I left my job there and went to
5 work for Cintas, one of the leading uniform rental
6 companies in the country and a large consumer of
7 hangers. However, after M&B filed this case and
8 business started improving, I was rehired at M&B. I
9 have been back for about six months.

10 Since returning to M&B, we have been
11 restarting a lot of idle machinery and repairing
12 equipment that was in storage, getting it ready for
13 production. We have added or restarted a number of
14 hanger-forming machines, wire straighteners, and a
15 wire-drawing bench that had been in M&B's plant in
16 Virginia before it was closed in 2005.

17 I am now working on redesigning other
18 machinery, and we have plans to refurbish some
19 additional equipment which is now in storage. We also
20 have some modernization projects that are on hold
21 until we know the outcome of this case.

22 If the case is successful, we will be able
23 to complete our installation in about three months and
24 significantly increase our capacity. Not only have we
25 been increasing M&B's capacity to produce more

1 hangers, but we also have been hiring more workers in
2 the Leeds plant. It has been an amazing turnaround
3 since this time last year, and I hope that it can
4 continue.

5 We have big plans for the future, but they
6 are all contingent on the results of this case. Thank
7 you.

8 MR. PATEL: Good morning. My name is
9 Darmesh Patel, and I am the president of Shanti
10 Industries, a U.S. producer of steel garment hangers.
11 I'm pleased to be here today to testify about my
12 company and to respond to any questions that you may
13 have about Shanti and the hanger industry in the
14 United States.

15 I'm relatively new to the hanger-
16 manufacturing business. My family and I have been
17 producing hangers for about three years. Before
18 becoming a manufacturer, my family owned and operated
19 40 dry cleaners in the Southern California area, so
20 I've been in the garment care industry my whole life.

21 My father, who is an engineer by trade,
22 built our dry cleaner business from the ground up, and
23 I've been an apprentice to my father since I was 14.
24 He has taught me all aspects of engineering, including
25 mechanical, electrical, plumbing, and structural.

1 My family decided to leave the dry cleaning
2 industry in 2001 to become a manufacturer of poly
3 bags. Those are the plastic garment bags that dry
4 cleaners put over the dry-cleaned clothes. We still
5 make plastic bags today using those machines that my
6 family designed and built, but we found that everyone
7 who was interested in the bags was also interested in
8 buying hangers.

9 That's when we started importing hangers
10 from China, just for a few years and just for the
11 California market. But the quality of hanger from
12 China was not very good, and our customers complained.

13 In 2003, we decided to buy some hanger
14 machines from a small hanger company located in
15 Vancouver, Canada. We moved the hanger machines to
16 California and started our own production with just 10
17 machines.

18 In 2006, we started Shanti Industries, Inc.
19 That same year, we purchased the production assets of
20 the old Laidlaw hanger plant in Metropolis, Illinois,
21 as well as some other machinery at auction. A few
22 months later, we purchased the Laidlaw hanger plant in
23 Monticello, Wisconsin. We moved most of the machinery
24 from Metropolis to California in June of last year.
25 Some went to the Monticello plant, and then the rest

1 was left in storage in Metropolis.

2 We imported our last hangers from China in
3 the first quarter of 2007. We don't have any plans to
4 import hangers in the future.

5 People have asked me why we decided to
6 become a hanger producer at a time when Chinese
7 hangers were flooding the market at a very low price.
8 The answer is diversification, but also it was in
9 response to our customers' requests for U.S.-made
10 hangers. We had many customers who asked us if we
11 could supply hangers to them along with other
12 products.

13 Hangers make up about 60 percent of our
14 business. We also sell poly bags, tags, rope, ties,
15 stretch wrap, and anything else our customers need.
16 We do all we can to support our customers. For
17 example, we work very closely with our customers in
18 the commercial uniform market in order to supply them
19 with hangers that work well in their highly automated
20 sorting systems.

21 You may have heard about our business
22 partnership with Laidlaw to supply hangers to their
23 U.S. customers, as well as ours. Laidlaw is now the
24 distribution arm for all of our hangers in the United
25 States.

1 Shanti is headquartered in Foothill Ranch,
2 California, where we have leased a 100,000-square-foot
3 building. We just moved into the space in October of
4 last year. Previously, we were in a 20,000-square-
5 foot site in Lake Forest, California.

6 Just two months ago, we also announced that
7 we were opening our third plant in Mayfield, Kentucky.
8 We've already moved machinery to Mayfield, and we will
9 be rehiring old Laidlaw workers from the Metropolis
10 plant, which was just located across the state line in
11 Illinois. We expect to be in production in Mayfield
12 in the next 30 days.

13 Between our three plants, we have
14 approximately 50 employees, and we are continuing to
15 hire. We want to add a second shift in California and
16 Wisconsin in the next two to three months. By the
17 beginning of next year, we are hoping to add a third
18 shift.

19 Without this case against China, we would
20 not be able to open new locations or hire additional
21 workers. In fact, if it weren't for this case, we
22 would probably be downsizing.

23 Hanger prices have improved a lot, but I
24 don't think that would have happened without this
25 case. For example, after the tariff was imposed, the

1 price of a box of strut hangers more than doubled,
2 and, of course, the cost of steel has increased here
3 and in China, but I'm convinced that we wouldn't have
4 been able to increase our prices to cover these costs
5 without the tariff against Chinese hangers.

6 We have announced several price increases
7 since March of 2008, and we have had no problems with
8 our customers paying the higher prices. I doubt that
9 that would be the case if the prices from China
10 weren't also increasing.

11 We are very optimistic about the future of
12 our business today, but we are concerned about what
13 would happen if this case is not successful.

14 Please make a positive decision in this case
15 and allow us to continue to grow. Thank you.

16 MR. LITTLE: Good morning. My name is Tom
17 Little, and I'm president of Fuller Supply Company
18 located in Concord, North Carolina. I've been
19 president of the company for the past 24 years.

20 Fuller Supply is a full-line distributor of
21 laundry and dry cleaning products, including
22 chemicals, solvents, poly bags, packaging, forms and
23 tags, as well as other garment hangers. We distribute
24 hangers and other dry cleaning products to cleaners
25 primarily in the Carolinas.

1 Fuller Supply has been in business since
2 1948, and, today, we service over 800 customers.

3 I'm here today because my company supports
4 preserving hanger production in the United States.
5 Without an antidumping order against Chinese imports,
6 I believe there will no longer be a hanger industry in
7 this country.

8 Fuller Supply purchased hangers exclusively
9 from U.S. producers for many, many years. These
10 producers included M&B, as well as other U.S.
11 producers that are no longer in business today.
12 However, we started purchasing imported hangers from
13 China about five years ago solely because of their low
14 price. We wanted to remain loyal to M&B and other
15 suppliers, but it was difficult when Chinese hangers
16 were offered at prices that were much lower than U.S.
17 prices.

18 We had no choice but to shift to imports
19 because we were losing sales to competing dry cleaning
20 suppliers who switched to imports before we did. Our
21 competitors were offering customers lower prices on
22 imported hangers than we could offer on U.S.-made
23 hangers. If we had not shifted to imports, we would
24 not have been able to compete on this significant part
25 of our business.

1 In the U.S. hanger market, purchases are
2 based almost solely on price. Imported Chinese
3 hangers are good products of good quality that are
4 used in the same application as hangers produced in
5 the United States.

6 Our purchasing decisions boil down to this:
7 What is the lowest price we can get from a supplier?
8 We were motivated by the need to remain competitive
9 and stay in business, so we had no choice but to buy
10 hangers from the source with the lowest price, and
11 that was China.

12 In 2007, our purchases of U.S.-produced
13 hangers were about half of the volume that they were
14 in 2005. On the other hand, our purchases of Chinese
15 imports increased year after year as their prices
16 dropped lower and lower. It got to the point where it
17 seemed like there was no bottom to the price of
18 hangers imported from China.

19 As soon as M&B filed this case last July,
20 however, there was an immediate price effect. We saw
21 a reversing trend in prices of hangers imported from
22 China. Since August of 2007, the prices that Fuller
23 Supply was offered for imports from Chinese sources
24 increased each month. We have been able to shift back
25 to purchasing more hangers from M&B than we did before

1 the case was filed, and we're proud to support a U.S.
2 producer.

3 We have seen a recent increase in hanger
4 prices of around 20 percent. I would like to add,
5 though, that the cost of poly bags, chemicals,
6 solvents, and other dry cleaning supplies have also
7 increased and often by an even higher percentage than
8 hangers. Poly bags have increased in cost by close to
9 25 percent, and some chemical costs are up 40 to 45
10 percent.

11 I know some people will complain about the
12 increasing cost of hangers, but hangers are only a
13 small part of the dry cleaner's total costs, plus, as
14 I mentioned, the costs of other dry cleaning supplies
15 have increased even faster than the cost of hangers.

16 The bottom line is that dry cleaners', or
17 even retail customers', costs are not going to
18 increase dramatically if a duty is put on imports from
19 China. Also, it's important to keep in mind that,
20 even though there have been recent increases in hanger
21 prices, prices have dropped to a very low level over
22 the past few years due to Chinese imports. Recent
23 price increases are only part of getting back to the
24 pricing levels that we saw before Chinese hangers came
25 into the market.

1 We, at Fuller Supply, prefer to purchase
2 hangers from U.S. suppliers. In fact, it wasn't until
3 almost all of the U.S. industry was gone that we fully
4 realized the value of having domestic hanger
5 production.

6 We hope that you will make a positive
7 decision in this case so we can continue to buy
8 garment hangers made in the United States of America.
9 Thank you.

10 MR. MINDICH: Good morning. My name is
11 David Mindich, and I am president of Minda Supply
12 Company, a full-line distributor of products and
13 supplies for the fabric-care industry. Minda Supply
14 was founded by my father 40 years ago, and I joined
15 the company in 1987. Today, my brothers and I run the
16 business.

17 We are located in Mahwah, New Jersey, and we
18 serve approximately 5,000 customers in the Northeast.
19 We pride ourselves on carrying all products and
20 supplies used in a dry cleaner's facility, including
21 hangers. In total, we distribute products from
22 approximately 50 manufacturers that serve the dry
23 cleaning industry. We run 13 trucks that average 325
24 deliveries a day to our customers.

25 I have been here before to testify about

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1 garment hangers from China. Five and a half years
2 ago, my main hanger supplier, United Wire Hanger in
3 New Jersey, was one of the petitioners in the 421 case
4 against imports of Chinese hangers. At that time,
5 there were several companies making hangers in the
6 United States: United, Cleaners Hangers, M&B,
7 Laidlaw, in addition to many smaller companies.

8 I testified then that we had no choice but
9 to begin purchasing hangers from China due to the
10 unbeatable price they offered. Our U.S. suppliers
11 tried to compete by lowering their prices, but each
12 time they dropped their price to keep us competitive,
13 the importers offered even lower prices. There seemed
14 to be no bottom.

15 After the failure of the 421 case, I
16 observed things were much worse for the U.S. hanger
17 companies. The number of Chinese companies producing
18 hangers seemed to increase overnight, and many more
19 Chinese brokers were selling hangers at even lower
20 prices.

21 Contrary to what you might think, lower
22 prices are not necessarily good for our business as
23 distributors. We work on overall margins of about
24 three to five percent, and hangers account for about a
25 third of our business. So every time the Chinese

1 prices dropped, we saw our margins shrink.

2 My company was one of the lucky ones. Many
3 distributors have gone out of business during the past
4 five years. In my opinion, this was directly related
5 to the low price of imported hangers.

6 Of course, the impact on our domestic hanger
7 suppliers was even worse. By the time M&B filed the
8 case in July of 2007, Minda Supply was buying more
9 than 90 percent of its hangers from China. Just four
10 years earlier, in 2003, we had been purchasing well
11 over 90 percent from our domestic sources. The only
12 reason for this dramatic switch was the extremely low
13 pricing for Chinese hangers and the need to satisfy
14 our customers.

15 After this case was filed, hanger prices
16 began to rise, especially from China. There was also
17 a shortage in the availability of Chinese hangers.
18 Now, there are plenty of Chinese hangers in the
19 market, but their prices are higher. In fact, Chinese
20 prices have increased substantially as a result of
21 this case being filed. Therefore, we are now able to
22 purchase from U.S. companies because their pricing is
23 competitive. Thank you.

24 MR. DAWSON: Good morning. My name is Gary
25 Dawson, and I am owner and president of Belleair

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1 Bluffs Cleaners near Clearwater, Florida. I grew up
2 working at my family's dry cleaning business not far
3 from here, in Baltimore, Maryland. My family has been
4 in this business for three generations, and I have
5 been part of the dry cleaning industry myself for
6 nearly 40 years.

7 My wife and I purchased the dry cleaning
8 business in Belleair Bluffs in June 1981, and we have
9 been running the company ever since.

10 I have also been active in several different
11 industry associations, including the Dry Cleaning and
12 Laundry Institute, where I was president from 2005 to
13 2006 and chairman of the board from 2006 to 2007. I
14 am also the executive officer of the Florida Dry
15 Cleaners Coalition.

16 I am here today because I have been part of
17 this industry all my life, and this industry is near
18 and dear to my heart. I hope a positive decision will
19 be reached in this case so there will continue to be a
20 U.S. hanger industry. I have been a loyal customer of
21 M&B Hangers for years, and M&B is a loyal supplier to
22 us. We have always been pleased with the hangers
23 supplied by M&B through Phoenix Supply, a direct
24 distributor of M&B Hangers. The hangers have always
25 been good quality, and the service and delivery have

1 been outstanding.

2 We were also happy with our purchases from
3 other U.S. hanger producers, but they are now out of
4 business. Contrary to what you may hear from others,
5 the cost of dry cleaning supplies does not represent a
6 large percentage of the dry cleaner's total cost. The
7 cost of all of my dry cleaning supplies, including
8 hangers and many other products, represents only eight
9 percent of our gross receipts. For smaller dry
10 cleaners, the percentage may be closer to nine to ten
11 percent and slightly lower for larger dry cleaners.

12 The cost of supplies, as a total percentage
13 of costs, is not an issue for us or other dry
14 cleaners. In other words, an increase in U.S. hanger
15 prices as a result of dumping duties does not mean
16 that the dry cleaner's costs are going to increase
17 much at all, if any.

18 I also want to talk about the cost of a
19 hanger in terms of the total cost of the end product
20 in our industry. By "end product," I mean the dry
21 cleaned or washed and pressed garments to our
22 customers.

23 For example, a hanger accounts for only
24 about two percent of the cost of a dry cleaned pair of
25 slacks. Even if the cost of a hanger increases as a

1 result of the dumping order, it will still be a very
2 small share of the total cost of the dry cleaned
3 garment to our customers.

4 It is true that the price of hangers has
5 increased since the case was filed last year. I have
6 to say that I am supportive of the price increases to
7 levels that are fair for U.S. producers, and that will
8 allow hanger production to remain in the United
9 States.

10 It is also important to remember that these
11 increases in U.S. hanger prices have been on the heels
12 of several years of flat and declining prices, so
13 increases have not been overwhelming compared to what
14 we were paying several years ago.

15 I also want to point out that the cost of
16 other dry cleaning supplies, like chemicals, soaps,
17 poly bags, and pins, have increased over the past
18 several years, even as hanger prices have dropped.
19 The very low cost of hangers relative to the end
20 product shows me that dry cleaners' costs are not
21 going to soar as a result of dumping duties on Chinese
22 hangers; otherwise, I would not be here today.

23 I should mention that my company did try
24 purchasing Chinese hangers in 2006 and early 2007
25 because they were extremely low priced. Even though

1 they were good quality, we prefer to purchase from
2 American companies and want to remain loyal to U.S.
3 producers like M&B.

4 There is absolutely no question that imports
5 from China were lower priced than M&B's prices and
6 were competing directly with M&B for our sales and
7 other dry cleaners' sales. The prices of imports from
8 China were so low that some distributors were
9 purchasing all their hangars from China.

10 I am very concerned for Mr. Magnus' company
11 and the future of his plant and workers in Leeds,
12 Alabama. I am convinced that without dumping duties
13 against China, all the remaining U.S. hanger producers
14 will be driven out of business.

15 Thank you.

16 MR. MAGRATH: Thank you. Could I have a
17 time check?

18 MR. BISHOP: You have 20 minutes remaining.

19 MR. MAGRATH: Thank you.

20 Good morning, members of the Commission,
21 Commission staff, ladies and gentlemen. My name is
22 Patrick Magrath of Georgetown Economic Services. With
23 me today from GES is Ms. Gina Beck. We are here this
24 morning on behalf of Petitioner M&B Hangers to discuss
25 issues relating to injury, the causation of that

1 injury and threat of injury.

2 It's been a long day already. You have
3 heard from far more witnesses for Petitioner than is
4 usual in these cases. It must seem like musical
5 chairs. But there was a point to bringing all these
6 witnesses to testify for us, and that was to show the
7 Commission that these cases can have far-reaching
8 consequences, beneficial consequences, not just for
9 producers of the domestic like product and their
10 workers but also for the greater industry represented
11 by the downstream distributors, in this case
12 distributors of dry cleaning products, the consumers.

13 The Commission is so used to consumer groups
14 coming before you condemning the dumping laws and
15 predicting the ruination of their businesses if the
16 Commission brings fair pricing back to the market,
17 that we thought it valuable to bring before you
18 customers, two distributors, and Mr. Dawson, a dry
19 cleaner, who related the longer-run negative effects
20 of unfairly priced hangers from China. Other industry
21 participants like Mr. Patel of Shanti Industries have
22 related to you the benefits of the preliminary duties,
23 among them a sparking of a renaissance for the
24 American hanger industry even before the final
25 determination. Of course let us be blunt, this

1 renaissance will be short lived unless there is a
2 final affirmative determination.

3 The data in the staff report in this case
4 shows the merits of your earlier decision in the
5 section 421 case. The President's denial of relief in
6 2003 led in a relatively short period to one of the
7 most rapid and thorough demolitions of a U.S. industry
8 that I have seen in 25 years of looking at this kind
9 of data. The present period of investigation catches
10 this disintegration at sort of its midpoint. The
11 Staff Report does a really good job, and specifically
12 it does a good job by listing Table III-2 at page
13 III-3 of the Staff Report. This records the history
14 of many U.S. firms that have gone out of business
15 entirely or abandoned their production and switched to
16 become an importer of Chinese hangers.

17 Mr. Magnus and Mr. Patel detailed these
18 closures and layoffs so I won't dwell on Table III-2
19 except to state that it is all that really needs to be
20 said on this issue of the state of the U.S. steel wire
21 garment hanger industry. So I will just quickly
22 review the level and trends of what flowed from these
23 contractions listed on that table, keeping in mind
24 that by the start of the final period of investigation
25 in 2005 much damage had already been done to this

1 industry.

2 In any case, between 2005 and the end of
3 2007 much of the data just got worse. And I will be
4 referring here to the first summary table at page C-3
5 of the staff report as it has the most public data.
6 U.S. capacity to produce hangers continued to decline,
7 dropping by 54.6 percent 2005 to 2007, and falling
8 below one billion hangers for the first time in a
9 decade. Please see Chart 1 of my handout.

10 As others have testified, however, much of
11 this U.S. capacity still exists and some has been
12 brought back already since March. Production dropped
13 even more, 82 percent, meaning the capacity
14 utilization declined substantially to an anemic 29
15 percent in 2007. At these levels, an industry that
16 had been able to supply 86 hangers out of 100 sold in
17 the United States just five years before that was now
18 selling only 9 in 100 hangers in the U.S. market in
19 2007. Please see Chart 2 which tracks the steep
20 decline in shipments, production and capacity
21 utilization.

22 Third, domestic shipments quantity declined
23 by 81 percent during from 2005 to 2007; value likewise
24 by 82 percent.

25 And with all these plant closures and asset

1 sales, the effect on domestic employment was
2 inevitable. The number of production workers dropped
3 69 percent and hours worked and wages both fell by
4 about 80 percent. Please turn to Chart 3 of the
5 handout.

6 Of course with such steep and broad
7 deterioration of the trade indicia, one would expect
8 the financial data to be equally dismal, and they are.
9 Unfortunately, the financial data are confidential in
10 the Staff Report. We can only characterize the
11 financial data that you usually analyze as all
12 declining precipitously from 2005 base year figures
13 which, if you recall, was about the midpoint of the
14 five-year industry implosion. The 2005 financial data
15 contain, for example, the effect of M&B's closing of
16 its Virginia plant, Laidlaw closing its Arizona plant,
17 and United Wire's layoff. The 2006 financial data
18 reflects the financial costs associated with more
19 layoffs at M&B and the shutdowns of domestic
20 production activity at Laidlaw and United Wire.

21 As you can surmise, these closures are
22 appropriately reflected in the trend in quantity and
23 value of sales and the level and trend of gross profit
24 or loss, and operating profit or loss. Indicia such
25 as capital expenditures and return on investment also

1 followed trends appropriate for a severely contracting
2 industry which lacks the funds for operations much
3 less CAPEX and R&D expenditures.

4 In sum, virtually all trade and financial
5 variables collected via the Commission's questionnaire
6 process showed declines and/or unhealthy levels over
7 the POI. Try as we might, we can't improve on the
8 Commission's own language in the preliminary
9 determination that said, "The data indicates sharp
10 declines in the size and performance of the industry
11 during the period examined as subject imports gained
12 U.S. market share at the expense of domestic
13 producers. The domestic industry's capacity,
14 production, capacity utilization, shipments and sales
15 revenues all declined from 2004 to 2006, and when the
16 2006 and 2007 interim periods are compared."

17 All there is left to say about the final
18 period of investigation is that these declines
19 continued through 2007, at which point only M&B was
20 left selling nationally, and only M&B was left to file
21 this petition in July 2007. But as both Mr. Magnus
22 and Mr. Patel testified, and others have related in
23 their questionnaire responses, a funny thing happened
24 on the way to the funeral of this industry, which we
25 will discuss later.

1 As to the volume effect of subject imports,
2 in our opinion the key fact for the Commission to keep
3 in mind in terms of the effect of China's surging
4 import volumes throughout the period are the
5 conditions of competition prevalent in this mature
6 commodity product industry. First, consumption varied
7 each year within a relatively narrow band, gradually
8 increasing. In terms of supply, subject imports from
9 China skyrocketed during the POI. On an absolute
10 basis they increased 158.2 percent 2005 to 2007. That
11 is on Chart 4 which shows the rapid increase in
12 subject imports. My handout.

13 On a relative, that is market share, basis
14 subject imports already had 36 percent of apparent
15 consumption, increased to an incredible 81 percent.
16 In other words, 8 out of every 10 hangers sold in the
17 U.S. market in 2007 was a dumped Chinese hanger. As I
18 said, subject imports skyrocketed however one looks at
19 it. Please see Chart 5 which we have dubbed the
20 PacMan chart which shows China gobbling up all the
21 other hanger sources in 2007.

22 But what is most telling about the data in
23 this regard is the almost exact zero sum one-for-one
24 substitution of Chinese for U.S. hangers over the POI.
25 Table IV-9 of the Staff Report shows subject imports

1 gained 44.9 percentage points market share over the
2 period, U.S. producers lost 44.4 percentage points, an
3 almost exact one-for-one substitution, a swap of
4 fairly traded for Chinese dumped products involving
5 approximately 1.5 billion hangers.

6 The reason we highlight this huge mirror-
7 like swap from domestic to subject import hangers is
8 one of the main Respondent arguments is the
9 significance of non-subject imports, specifically
10 M&B's imports from Mexico. Yet non-subject imports'
11 market share actually declined over the period and
12 then they only varied between 10.2 and 11.0 percent of
13 U.S. consumption in any case. In its preliminary
14 determination the Commission, in comparing the trend
15 in subject versus non-subject imports, stated that,
16 "Non-subject imports both in absolute and relative to
17 U.S. consumption were relatively steady from 2004 to
18 2006. Thus, subject imports gained market share at
19 the expense of the domestic industry as the U.S.
20 industry share of the market plummeted."

21 Substitute the current period 2005 to 2007
22 for that preliminary period, same results almost to
23 the last hanger. Thus, the volume of subject imports
24 is significant.

25 Meanwhile, Respondents are still trying to

1 convince you that all other imports whose modest
2 volumes have barely budged and which represent only
3 about 13 percent of the subject imports themselves are
4 the real cause of the U.S. industry's problems. As to
5 the price effect of subject imports, our argument on
6 that is just as straightforward. The preliminary
7 phase of the case found underselling by subject
8 imports "in nearly every comparison and by substantial
9 margins." In this final investigation the comparison
10 yielded 99 instances of underselling by the Chinese in
11 102 comparisons, with an average of about 28 percent
12 underselling.

13 Again the Commission should feel free to
14 plagiarize its conclusions and exact language used in
15 the preliminary determination; it all still fits.
16 Unfortunately, after quoting liberally and in
17 agreement with the preliminary determination in this
18 case we should briefly discuss the one conclusion in
19 the preliminary with which Petitioners disagree.
20 Sorry, as the Commission staff knows, no party is ever
21 completely happy. But I think we were surprised that
22 the Commission found no price suppression evident in
23 its preliminary database. The Commission cites the
24 data on cost of goods sold as the share of sales as
25 the key variable in this regard. Please note that

1 ratio, the cost of goods sold and sales, in your final
2 database. Those ratios, though confidential, are at
3 such high levels throughout the period that they
4 guarantee far less than adequate profits in each year.

5 Again in the context of the conditions of
6 competition in this case, moderately rising demand,
7 lack of substitutes, low cost share, why couldn't U.S.
8 producers raise prices sufficiently to lower those
9 very high cost of goods sold to sales ratios? The
10 obvious answer is the price suppression caused by the
11 much larger volume of cheaper hangers from China.
12 Price suppression was significant throughout this
13 period.

14 These huge volume and price effects of
15 subject imports in the context of conditions of
16 competition cited above, and lastly, the benign level
17 and trend of non-subject imports, all point to China
18 as the sole source of the deterioration of the once-
19 significant U.S. industry employing thousands with
20 plants throughout the country. We reiterate, the
21 volume and price effects of U.S. capacity, shipments,
22 employments, losses, layoffs and closures summarized
23 in the Staff Report is really all the Commission needs
24 to issue a strong affirmative in this case.

25 On the issue of threat in the context of

1 this particular case it's surely one of overkill. So
2 I will just briefly mention some of the relevant
3 factors.

4 One, China increased its huge capacity over
5 the period by 74 percent to 3 billion hangers. At
6 that level China could just about service the entire
7 U.S. market, which will happen in short fashion if the
8 U.S. industry is denied relief in this case.

9 Second, capacity utilization in China is
10 falling rapidly and is projected to be only 64 percent
11 in 2009.

12 Third, Chinese capacity and actual
13 production are aimed almost solely at the United
14 States. Over the period, the U.S. market has been the
15 destination of over 90 percent of all Chinese hanger
16 production. Consumption of hangers within China is
17 virtually nil.

18 As the Staff Report shows, finally, number
19 four, the Chinese have already demonstrated an ability
20 to rapidly penetrate the U.S. market at prices that
21 undersell comparable U.S. products.

22 Fifth, importer inventories and subject
23 imports on order are large and increasing.

24 And sixth and finally on threat, as ominous
25 as these data on threat factors are that I have just

1 listed, keep in mind that only 14 of some 64 Chinese
2 hanger producers answered your questionnaire. So the
3 real totals, the real data on unused capacity,
4 increasing capacity and other threat factors are much
5 worse than is what is reported in the Staff Report.

6 In conclusion, we would like to address
7 briefly the alleged death of the U.S. industry. To
8 steal from Mark Twain, the death notices are
9 premature, however confidently they have been
10 predicted by Respondent's counsel. We admit when this
11 petition was filed exactly one year ago today the
12 state of the industry was not good, but all it really
13 needed was fair pricing in the marketplace or, just as
14 good, a bona fide threat that continued unfair pricing
15 would have real consequences in the form of dumping
16 duties.

17 Chart 6 is a non-confidential summary of the
18 trend in industry indicators in the most recent
19 quarter, January through March 2008, compared to the
20 same quarter in 2007. On the China side much is still
21 the same, the quantity and huge market share of
22 Chinese hangers in the U.S. market is still going up
23 in 2008, albeit at a much slower rate. There is one
24 unambiguous improvement for the U.S. side here though,
25 that language is highlighted, an increase in subject

1 imports and AUVs. And not on the chart, the presence
2 of this ongoing case and the preliminary determination
3 and the exit from the industry of certain producers,
4 changing the composition of producers.

5 These factors combine for improvement in the
6 great majority of U.S. industry indicators after years
7 of contraction and decline. And this is counting all
8 of the U.S. participants. If certain companies were
9 excluded all along the line some of the improvements
10 would be even more dramatic.

11 And finally, as you have heard today, with
12 the increases in production and hiring outlined by Mr.
13 Magnus and Mr. Patel, others in their questionnaire
14 responses, the volume and employment indicators will
15 be also improving. The U.S. industry still has a long
16 way to go in this renewal process, but as you can see
17 from this chart, an affirmative determination by the
18 Commission is indispensable to that renewal.

19 That concludes my testimony. Thank you for
20 your consideration.

21 MR. WAITE: And that concludes our
22 affirmative presentation. Thank you.

23 CHAIRMAN ARANOFF: Thank you very much.

24 I want to welcome all of the witnesses who
25 have joined us for this morning's panel. We really

1 appreciate your taking the time away from your
2 businesses. There is nothing like having people in
3 the industry here to tell us about what you do to
4 really improve our understanding of the situation.
5 And so again we appreciate your being here.

6 We are going to start the questioning this
7 morning with Commissioner Lane.

8 COMMISSIONER LANE: Good morning. Thank you
9 for coming today and helping us with this issue. I
10 have to say first that I am a big customer of both
11 hangers, the dry cleaner industry. And so this is a
12 very interesting subject for me.

13 I'd first like to go back to some history.
14 The 421 investigation in which the Commission voted
15 unanimously to determine that the Chinese imports of
16 steel wire garment hangers were causing market
17 disruption. In your view, how would the domestic
18 industry look today if the President had followed the
19 proposed recommendations of the Commission in the
20 section 421 investigation?

21 MR. MAGNUS: Milton Magnus with M&B hangers.
22 I think you would have a completely different look
23 today. We would continue to have our South Hill,
24 Virginia, plant open. I think United since they
25 joined us in the 421 case would probably have their

1 United, their New Jersey plant open. I think Cleaners
2 Hanger would be in operation today. I think it would
3 be a completely different industry. The imports from
4 other countries they really don't exist except for
5 China and Mexico. And I don't think those would be
6 from other countries.

7 COMMISSIONER LANE: Okay, thank you.

8 Could you tell me why you've waited until
9 July 2007 to file the petition in these investigations
10 if the domestic industry was in a decline in the years
11 immediately following the section 421 investigation?

12 MR. WAITE: Yes, Commissioner Lane. It's
13 Fred Waite. If I may initiate the response to that
14 question then turn it to Mr. Magnus and others on the
15 panel who may wish to further elaborate.

16 There was, as you could imagine, a great
17 deal of disappointment after the President announced
18 his decision not to provide any remedial assistance to
19 this industry after such a strong vote and
20 recommendation by this Commission. We all have our
21 own views on the merits of the President's decision.
22 I noticed my brother Neeley was calling upon those
23 views today to support his position. Our view is the
24 President was simply dead wrong on every point.

25 And if you wish, we can go point by point

1 through the President's written decision and show you
2 where he was wrong, ignored facts, ignored this
3 Commission's learning and recommendations.

4 You can also imagine at the end of a process
5 like that, there was very little stomach on the part
6 of the participants to pick themselves up and start a
7 new process. There was a great deal of discussion at
8 that time about other avenues that could be pursued by
9 this industry, including an antidumping investigation.
10 But if trade law fatigue ever characterized an
11 industry, it characterized this industry in the spring
12 and early summer of 2003 after the President's
13 decision.

14 And now I will turn it to Mr. Magnus to
15 explain what led him to make the decision he did when
16 he made that decision.

17 MR. MAGNUS: Thank you, Fred. This is
18 Milton Magnus with M&B Hangers again.

19 We, after the President's decision we were
20 scrambling to find ways to survive and stay in
21 business. And in 2005 that included closing our
22 Virginia plant. After that I took several trips to
23 China to possibly set up joint ventures there or to
24 open a factory there or to set up purchasing
25 agreements there. My last trip to China I came back

1 and I called Mr. Waite and Ms. Young and I said, you
2 know, what would happen if we abandoned the United
3 States and went to China, could somebody file an
4 antidumping case and make our investment there not
5 worth much money?

6 He said, well, it takes a domestic industry
7 to file a dumping case, and you're the domestic
8 industry. And that's when we decided to file the
9 case.

10 COMMISSIONER LANE: Okay, thank you.

11 I'm not sure who can best answer this so,
12 Mr. Waite, you can decide. The Respondents have
13 argued that there is no causal link between subject
14 imports and the condition of the United States
15 industry and that the domestic industry's high cost of
16 production is instead responsible for the current
17 state of the domestic industry. Are you aware of any
18 cases where the Commission has found that the United
19 States's cost structure has made the U.S. industry
20 uncompetitive? And if so, please explain how today's
21 case is similar to those or different from those
22 previous investigations?

23 MR. WAITE: Thank you, Commissioner Lane.
24 Let me again initiate the response to your question.
25 Perhaps Dr. Magrath may like to elaborate.

1 We don't accept the premise that the U.S.
2 cost structure is the reason for the difficulty that
3 has been suffered by the U.S. industry during the
4 period of investigation and, indeed, for a
5 considerable period that began before 2005. There is
6 the shibboleth that China is the low cost producer. I
7 think in some products that may be true, but not this
8 one. China is not the low cost producer for the U.S.
9 market. It may be the low priced supplier, but that's
10 a very different proposition.

11 Normally in cases you would hear that
12 argument on a theoretical basis. In this case you
13 have actual fact to show you what happens when China
14 must sell in the United States at fair value under our
15 dumping laws. As you heard from a number of industry
16 witnesses this morning, as soon as the Commission made
17 its preliminary injury determination last fall and
18 particularly since the Commerce Department announced
19 preliminary dumping margins earlier this year, Chinese
20 prices have been moving towards fair value. And what
21 has happened? Customers have gravitated back to U.S.
22 suppliers because U.S. suppliers are now competitive.
23 Why? Because you found in this investigation -- your
24 staff found rather, that China was underselling the
25 U.S. industry by an average of 28 percent during the

1 period of investigation. You put on dumping duties
2 that bring fair value into the market, and these
3 dumping duties started in the 30 percentile range, and
4 the U.S. industry is again competitive, as indeed it
5 was before the Chinese came into the market.

6 No one was complaining back in the 1990s
7 that garment hangers were overpriced because you had a
8 U.S. industry that had a high cost structure. And
9 indeed, the Respondents talk about a number of
10 potential maybe, wannabe, can be suppliers to the U.S.
11 market that may be emerging as a result of this case.
12 We've not seen that yet. And I would ask you to
13 pursue that with them with all respect. But if the
14 U.S. industry was overpriced why were not other
15 countries that have been mentioned by Respondent,
16 countries like Vietnam, like Pakistan, like India, and
17 indeed like Korea, Taiwan and Thailand selling hangers
18 into the United States? Well, they were not because
19 they couldn't compete with U.S. producers.

20 This is not necessarily a high-tech industry
21 but it does have labor saving components. Mr. Magnus
22 has explained here and more fully during the staff
23 conference, the labor-intensive nature of the Chinese
24 plant. His company can perform all of these functions
25 with a fraction of the labor. Labor costs are not a

1 big advantage for this industry. It's the price of
2 steel, the price of transportation which is increasing
3 dramatically, the price of labor both here and
4 overseas, exchange rates, so there are a number of
5 factors in play here but the argument that it's the
6 high cost of the U.S. industry that may be part of the
7 problem I think is simply contradicted by the record
8 of this case as it was in the 421 case earlier.

9 Pat, did you have anything to add?

10 MR. MAGRATH: Well, just very quickly, we
11 wouldn't say it's the high cost of U.S. production,
12 it's the unfairly low price of the Chinese hangers
13 that's holding down the price increases that this
14 industry ought to get given the conditions of
15 competition, no substitutes, a low cost share for the
16 end product. This industry ought to be able to raise
17 its prices. It has not been able to, and it has
18 something to with that, with the preliminary margins
19 that the Department of Commerce found.

20 COMMISSIONER LANE: Okay, thank you. Thank
21 you, Madam Chairman.

22 CHAIRMAN ARANOFF: Commissioner Williamson.

23 COMMISSIONER WILLIAMSON: Thank you, Madam
24 Chairman. And I want to thank the witnesses for
25 coming today and presenting their testimony.

1 Continuing along this line of I would say
2 the relative cost of producing in China and here there
3 has been a lot, I guess a lot of talk about bringing
4 back equipment as the industry's been able to increase
5 sales. And I wanted to get some idea about the
6 equipment. Is there a difference between the
7 equipment that's used here in the U.S. and used in
8 China since they are so much more labor intensive?

9 MR. MAGNUS: The equipment that I've seen in
10 the three plants I have visited is different than our
11 equipment and much more labor intensive. As I said
12 earlier, the painting process in the plants I went to
13 they manually by hand spread the hangers on a rod,
14 manually spray them with a spray gun, manually take
15 them from that rod to another place, manually put them
16 in a paint tank, paint oven, manually take them out of
17 there, manually put them in boxes.

18 We paint a piece of wire first at very high
19 speeds and take that to the hanger machines and then
20 those are taken and put in boxes.

21 The strut hangers, the ones with the tube on
22 it that I have seen in China the people manually make
23 the tubes only they put the glue strip with a
24 paintbrush on the piece of paper, put it on a spindle,
25 step on the lever and it spins it. They pull it off

1 and put another one on there.

2 We do that automated.

3 Then they manually put the tube on the wire
4 part of the hanger. We do that automatically. There
5 are some plants that might do it differently but
6 that's what I've noticed.

7 COMMISSIONER WILLIAMSON: Now, are these
8 machines, the ones that you use are they, maybe Mr.
9 Carmody can answer this, are they primarily designed
10 and manufactured here in the U.S. or?

11 MR. MAGNUS: The machines we use are
12 manufactured by us, yes. We make our own machinery.

13 COMMISSIONER WILLIAMSON: And I take it
14 you've been able to bring them -- does it take a very
15 long time to bring them back in since they've been
16 mothballed or not used?

17 MR. MAGNUS: Depends upon the machine. But,
18 no, really it doesn't. If the machine has just been
19 not used, tuning up, if it has any rust on it make
20 sure the rust is off, but, no, sir, it really doesn't
21 take a lot of time to get it up and running.

22 COMMISSIONER WILLIAMSON: Thank you.

23 I was interested in the fact that people,
24 new people have been hired. And I was just curious,
25 what were some of those people doing before? I know

1 there are a lot of different jobs in a factory but
2 some employees you mentioned explain to me where
3 they're from?

4 MR. MAGNUS: We have some people that were
5 laid off in our major layoff last early in 2007. Some
6 of those people were called back to do capping and
7 painting and wire straightening, wire drawing. Some
8 of the other people, some of the people we laid off,
9 you know, either found another job, moved away, they
10 didn't come back, and we've hired a lot of other
11 people that were maybe underemployed or unemployed.

12 And one of the production managers that we
13 tried to bring back he said right now he's scared of
14 the hanger industry and he was not coming back even
15 though we offered him a little more money than he was
16 making.

17 COMMISSIONER WILLIAMSON: Ms. Boyd, do you
18 want to add something about, firsthand about the
19 people who have come back?

20 MS. BOYD: Well, I don't get acquainted with
21 every new person that come in. You know, but over
22 time I probably would. But I've got acquainted with
23 the gentleman that was hired that was working in a
24 plastic place and the place that he worked is shut
25 down completely. And then he got the job at M&B and

1 said it was about the best job he ever had and he
2 really love it and he's there.

3 And I've talked with several people that
4 just really like the work and making the hangers.
5 They never thought about how the hangers are made and
6 they're just excited over, you know, making hangers,
7 where they came from. And they had been seeing them
8 all their life every day and never even gave it a
9 thought about how it be made.

10 COMMISSIONER WILLIAMSON: What is it that
11 makes them, you know, really like this type of work?

12 MS. BOYD: I guess it's just like I said,
13 they never thought -- you know, to see the machines
14 making them and then you deal with them, and like I
15 said, it's something that people have seen all their
16 life ever day just about in their homes and never
17 really thought about them. Like when I went to work
18 there I didn't even know -- I hadn't been living in
19 Leeds too long but I didn't know there was a factory
20 there but when I went in there all these machines and
21 all these hangers and it just got to be interesting.

22 COMMISSIONER WILLIAMSON: Thank you. Most
23 of these people these are union jobs I take it?

24 MS. BOYD: It is a union.

25 COMMISSIONER WILLIAMSON: Thank you.

1 MS. BOYD: United Steelworkers Union.

2 COMMISSIONER WILLIAMSON: Okay, thank you.

3 I would like to now just turn this question
4 of the recycling of hangers, what impact that
5 increased recycling might have on, say, domestic
6 demand or being able to fill any shortages in the U.S.
7 industry. Councilman Yoon had said this was hard to
8 do. But it would seem to me that if the cost is going
9 up that it might be more interesting. Mr. Little?

10 MR. LITTLE: Yes. I'm Tom Little, Fuller
11 Supply. There has been an attempt in the past year to
12 recycle on behalf of dry cleaners because of pricing
13 and other conditions. And at least in our area it's
14 just not well received. The hangers quite often are
15 brought in in poor condition, unusable condition, and
16 results in the dry cleaner having to dispose of them.

17 There are a few but just in general it's not
18 an economical move for most dry cleaners unless they
19 have a very conscious neighborhood about the recycling
20 system.

21 COMMISSIONER WILLIAMSON: Okay. Yes, Mr.
22 Patel?

23 MR. PATEL: Yes, we haven't seen it much in
24 our market either in California. Once a hanger is
25 bent out of shape it's very hard to use. And, you

1 know, after you dry clean a garment you want to have a
2 fairly nice hanger with a nice new dry cleaned garment
3 on there. So a lot of people don't really recycle
4 much of it. Once the paper is torn or the tube, glue
5 off the tube is gone, pants, you know, pants won't
6 stay on the hanger.

7 So what most people try to do is start a
8 recycling program. We have one in place that we've
9 just started where we try to take some of those
10 disformed hangers back and we recycle them through our
11 steel manufacturer and try to get rid of them that
12 way.

13 COMMISSIONER WILLIAMSON: Is the scrap value
14 of them in terms of making new hangers of any value?

15 MR. PATEL: Yeah, right now with the world
16 steel market the way it is scrap values are really
17 high. So too what we do is we give them to our steel
18 producers, they melt them down and make new steel wire
19 out of it which we use as a raw material to produce
20 the new hangers.

21 COMMISSIONER WILLIAMSON: Okay. I just
22 having had personal experience with dry cleaning not
23 wanting my hangers I was just curious about this.

24 MR. PATEL: Yes.

25 COMMISSIONER WILLIAMSON: Thank you.

1 Mr. Neeley stated that if antidumping duties
2 are imposed on hangers from China, hanger imports will
3 simply increase from other sources. Why shouldn't we
4 expect this to happen? Do U.S. producers have any
5 particular advantages over the imports? Mr. Waite?

6 MR. WAITE: Commissioner Williamson, again
7 I'll start and perhaps others may want to comment.

8 We believe at the current time and probably
9 for the foreseeable future the U.S. industry is the
10 low cost supplier to the U.S. market. There's a lot
11 of fantasy about what may happen if dumping orders are
12 put in place on this product, as there often is in
13 other cases that producers will materialize overnight
14 and start shipping.

15 I think what Mr. Magnus and Mr. Patel can
16 tell you is that they can refurbish machinery, they
17 can install idle equipment relatively quickly. The
18 lag component as I understand it is hiring skilled
19 workers to operate the machinery. But setting up a
20 new plant would require all of the training and all of
21 the quality controls and samplings that any new
22 producer would have to go through. You don't just
23 simply set up a plant and ship a billion hangers to
24 the United States.

25 Secondly, as I responded earlier to

1 Commissioner Lane's question, if there are all these
2 potential producers out there why weren't they in the
3 market long before China got into the market? What
4 advantage would they have in getting into this market?
5 And the reason they didn't get in was because the U.S.
6 industry was highly competitive. A lot of these
7 countries which are now more developed than they were
8 say back in the '90s like Korea and Taiwan and
9 Thailand, were shipping products comparable to hangers
10 into the United States, nails comes to mind for
11 example. You just had a case on nails. Indeed, in
12 the case of nails there are substantial producers of
13 nails around the world already making huge quantities
14 of product and already shipping very substantial
15 amounts into the United States. And yet in that case
16 you made an affirmative finding that the industry had
17 been injured and a dumping order should be in place.

18 In this case it's, as I said, speculation.
19 And I was thinking last night as I was preparing for
20 this of that famous phrase Churchill used in
21 describing Russia, that it was a puzzle wrapped in a
22 mystery inside an enigma. And when I hear all of the
23 speculation of hanger plants materializing around the
24 world in places like Russia and Pakistan, I've been in
25 both places, I find it very improbable that either

1 country would become a significant supplier to the
2 United States for a lot of reasons. But what came
3 into my mind is we have a lot of wishful thinking
4 wrapped in speculation shrouded in conjecture.

5 And then my final point is it's all
6 irrelevant anyway. What other countries do is
7 irrelevant to your analysis, as you know. This is an
8 argument -- sorry?

9 COMMISSIONER WILLIAMSON: My light is way
10 over.

11 MR. WAITE: I don't want to encroach on your
12 time, Commissioner Williamson.

13 COMMISSIONER WILLIAMSON: Encroach on my
14 colleague's time.

15 MR. WAITE: I thought it came out of your
16 next session.

17 COMMISSIONER WILLIAMSON: Okay, we can come
18 back to that particular topic.

19 MR. WAITE: Thank you, sir.

20 CHAIRMAN ARANOFF: Commissioner Pinkert?

21 COMMISSIONER PINKERT: Thank you, Madam
22 Chairman. I'd like to join my colleagues in thanking
23 all of you for being here and helping us to understand
24 the situation of this industry.

25 I want to begin with Mr. Waite. And I'm

1 curious about something you said. You talked about
2 the preliminary duties and how they have restored a
3 certain amount of pricing discipline in the market.
4 And I am wondering if you can help me to understand
5 the mechanism by which that has occurred, particularly
6 who is paying those preliminary duties at this point?

7 MR. WAITE: Thank you, Commissioner Pinkert.
8 I can go through the technical and legal structure in
9 response to your question but I think I would also
10 invite some of the industry witnesses to tell you how
11 it's actually worked in the market.

12 After the preliminary margins are put in
13 place I believe that the Commission understands, the
14 Commerce Department instructs Customs to suspend
15 liquidation of entries of the subject merchandise as
16 of that date and either to require a bond that would
17 cover potential estimated dumping duties or a cash
18 deposit. It's my understanding, and I spend a lot of
19 my time working with importers in other industries,
20 that importers would opt for a bond at that point. So
21 there is actually no cash going into U.S. Customs or
22 coming out of the importer's pocket. But there is the
23 liability and that liability has to be booked in the
24 importer's records.

25 Also, there is some uncertainty, in fact a

1 great deal of uncertainty that that margin that the
2 Commerce Department finds at the preliminary phase may
3 not indeed be the final margin that the importer is
4 required to pay. So there's a certain amount of risk
5 on the part of the importer that the margin could
6 change and his obligation or her obligation may
7 increase or decrease as the result of future
8 proceedings at the Commerce Department.

9 The importer of record, of course, is the
10 party that is responsible for the deposit of that bond
11 or the payment of the duty and the eventual payment of
12 any duty. In this industry the importer of record is
13 often one of the brokers or trading companies or
14 importers and even in some cases distributors of the
15 Chinese hangers.

16 So when this Commission made its preliminary
17 determination, when the Commerce Department announced
18 its preliminary margins, importers, who are the
19 gatekeepers if you will of the product coming into the
20 country, had to begin adjusting their prices in order
21 to accommodate the fair value determination of the
22 Commerce Department and, therefore, begin offering
23 their products as they came in at fair value.

24 But I would turn it to the -- yes, sir?

25 COMMISSIONER PINKERT: Just to clarify

1 before you turn it over to your colleagues. So I take
2 it that you're saying that you don't believe that the
3 importers are absorbing the duties or the potential
4 liability?

5 MR. WAITE: I do not know whether they are
6 absorbing the duties now in terms of actually making
7 cash deposits of the estimated dumping duties because
8 at this stage, at least until the Commerce Department
9 completes its investigation and issues its final
10 determination, importers have the option in most cases
11 of selecting a bond versus a cash deposit. A bond
12 costs less, it doesn't require the outlay of money
13 immediately.

14 However, any importer in that position by
15 good accounting practices has to start booking in its
16 records a liability for the potential dumping duties.
17 And that importer of record will be liable for any
18 eventual assessment of dumping duties. So even if he
19 is not paying cash now he must anticipate at some
20 point in the future there will be a bill that he will
21 have to pay. And presumably, and again I cannot speak
22 for the importers in this industry, but presumably
23 account for that additional cost in his pricing
24 because again in my experience with other industries
25 once the importer makes a sale it's very improbable

1 that he can go back to his customer and say that sale
2 I made to you two-and-a-half years ago I just got a
3 bill on that, I'm going to increase your price.
4 Customers don't take very kindly to that kind of
5 missive from a supplier.

6 MR. MINDICH: David Mindich, Minda Supply.
7 We don't directly import our hangers ourselves. What
8 we do is we send purchase orders to Chinese brokers.
9 We deal with about five or six different Chinese
10 brokers. Actually a few of them are on the
11 Respondents' side: Laidlaw, United. What we do is we
12 send over a purchase order for hangers. They give us
13 a price which basically is their FOB price from China,
14 plus freight, plus the tariff, plus their markup, and
15 then they give us a finished price for the product.
16 And that's the bill that we pay.

17 COMMISSIONER PINKERT: Thank you.

18 I'd like to turn now to Mr. Magrath. And I
19 understand your testimony earlier about price
20 suppression. I'm wondering what the story is on price
21 depression in this case. Given the amount of
22 underselling that you're talking about would you
23 expect to see price depression? And if not, why not?

24 MR. MAGRATH: I would expect we have an
25 environment in which the raw material costs are going

1 up, so our producers and the importers are trying to
2 pass on those costs. The producers, our U.S.
3 producers are being unsuccessful in that because of
4 the underselling of the Chinese imports.

5 But, for example, if you had a situation
6 where the raw material their costs were going down, a
7 knowledgeable customer might demand price decreases.
8 The producer, of course, would resist. You know, if
9 he could keep the price the same in a declining cost
10 environment he's going to make more money. But with
11 the market being the way it is with 80 percent import
12 penetration from these unfairly priced imports, people
13 like Mr. Magnus and Mr. Patel would undoubtedly be
14 forced to lower their prices.

15 Mr. Patel was telling us yesterday that he
16 would lower his prices, he did lower his prices until
17 it came to the point where he couldn't cover his costs
18 and hence his sales would be unprofitable. And that's
19 the point at which he stopped. I think that's the
20 point at which they would stop.

21 With an 80 percent import penetration of
22 unfairly priced imports if they want to stay in the
23 market they are going to have to lower their prices,
24 and that would be price depression.

25 MS. BECK: Yes, Commissioner Pinkert, if I

1 could add to in looking at the quarterly data in the
2 Staff Report in 2005 what you did see was more flat to
3 stable prices in which we would consider that they
4 really were suppressed even as prices were increasing.
5 But in 2006 when the price of some imports really did
6 really reach their lowest point, there were periods of
7 price depression as well. And it really wasn't until
8 that point where they could go no lower that they had
9 to really lose the sale as opposed to lose revenue by
10 decreasing their prices further. So as we stated in
11 our briefs, too, we did see periods of depression over
12 the period as well.

13 MR. MAGRATH: See, it's a question in any
14 particular case, any particular industry, you've got
15 the choice of whether faced with this unfair
16 competition whether you want to lose revenue and stay
17 in the market or whether you want to try to maintain
18 your margin and just not make the sale. And this is
19 an industry that just said we're going to try to
20 maintain our prices and if we're undersold and we lose
21 the sale, we lose the sale.

22 I thought it very significant the variance
23 analysis that the Staff Report had which said that
24 there was a positive variance for the U.S. producers
25 because they didn't produce as many as they could

1 because they were losing money on every sale. So it
2 was a positive variance when they produced less. I
3 mean this is a slow death scenario to be sure.

4 COMMISSIONER PINKERT: Very quickly, Mr.
5 Patel and Mr. Dawson, you heard the testimony earlier
6 about the dry cleaners and their unwillingness to
7 raise their prices to offset cost increases. Do you
8 agree with that: are they unable? Are they unwilling?
9 Or is it some combination of the two?

10 MR. DAWSON: You know, it's a matter of I've
11 been in business all my life in this industry and, you
12 know, when your market forces you to -- when your
13 costs are climbing you have to do something. So you
14 can, as we just heard a second ago, you can not raise
15 your prices and begin to lose money. You know, what
16 are you in business for?

17 Now, for the most part when the Chinese
18 hangers were hitting this market I was still buying
19 American hangers because I wanted American hangers.
20 So I was already paying a slightly higher price.
21 Hanger prices in this period went from an X down to a
22 low and then back up to X and a little bit higher. So
23 hanger prices really did depress in 2006, 2005 to
24 unreasonably low prices. But did I change my price?
25 No, I didn't. I left it where it was so I had a

1 higher margin.

2 When I see my price increases go up, and
3 hangers are an extremely small portion of my business
4 when it comes to cost. Labor is the biggest thing and
5 that's the most adjustable thing. You still need to
6 use a hanger for a suit or a dress. And you just
7 can't get around it. But I can do with less people
8 and that's where I can make my bigger savings. We do
9 raise our prices when we need to. And I have seen
10 supply costs just go through the roof. I'm not going
11 to not make money. I've got to make money to stay in
12 business.

13 COMMISSIONER PINKERT: Thank you. We'll
14 come back to this one. Thank you.

15 CHAIRMAN ARANOFF: Mr. Little, I wanted to
16 follow up on something that you said in your testimony
17 earlier. You were explaining that you see a benefit
18 in having a domestic supplier or domestic supply. Can
19 you elaborate on that and explain what benefits you
20 see in having a domestic supply?

21 MR. LITTLE: Yes, ma'am. Initially in the
22 past we would order hangers from M&B or another
23 domestic supplier and have them delivered to us in a
24 matter of just a couple of days, sometimes ordering
25 them on Friday, having them on our docks on Monday.

1 That helps a small business, small distributorship
2 like ours to be able to rotate stock in and out or
3 just-in-time basis.

4 They are also able to produce custom items
5 much quicker for us, sometimes in smaller quantities
6 so that our small dry cleaning customers can benefit
7 from those advantages. There is just a much greater
8 response time, there is much less involved in my
9 finances in having to pay so much up front and
10 sometimes in advance from getting imports. You know,
11 I can buy smaller quantities and rotate my inventory
12 to benefit me and then to benefit the dry cleaner.

13 CHAIRMAN ARANOFF: But if the argument is
14 that you felt forced to buy the Chinese product
15 because it was less expensive and because you needed
16 to compete with other distributors who were selling
17 less expensive Chinese product, how is that consistent
18 with the idea that there is a value which is worth
19 paying for in having fast turnaround, smaller order
20 sizes, custom products? It's hard to see how the two
21 coexist in the same market.

22 MR. LITTLE: Yield to David Mindich.

23 MR. MINDICH: David Mindich, Minda Supply.

24 There is a value to that. What I want to
25 say is, you know, Joel Goldman from the United Wire

1 Hanger who is sitting behind me, I find it conflict
2 that I am sitting here today with a different side of
3 this, but what I'd like to say is up until two years
4 ago for about 38 years of my business I had -- my
5 father and then myself had a relationship with the
6 Goldmans that was almost like family, and they were a
7 partner to our business. What, basically what
8 happened is we wouldn't keep any hangers in our
9 warehouse. At 5:30 at night we would make a call over
10 to United, this is what we need for tomorrow. So
11 basically we had no inventory of hangers. And they
12 would be waiting at our door when we opened the next
13 morning with a truckload of hangers.

14 I went from that to now three years later I
15 have almost \$2 million worth of hangers sitting in my
16 warehouse from China. And when you ask about the
17 value, there's unbelievable pressure from the dry
18 cleaners themselves that we need to keep them
19 competitive and need to give them the best price. And
20 we stayed with United as long as we could and they
21 kept us competitive within a dollar or two. But when
22 the price became \$7, \$8, \$10 a box less there was just
23 no way to compete anymore and they couldn't match the
24 price and closed up.

25 CHAIRMAN ARANOFF: So you're buying hangers

1 for less but you have a higher inventory carrying
2 cost. On balance, I assume on balance you are still
3 paying less otherwise you would still be buying from
4 domestic producers?

5 MR. MINDICH: You still have to make a
6 profit on a box of hangers you sell. There's still
7 benefit in doing business with certain people. What
8 has happened, and I said it in my testimony, in New
9 York there were 20 distributors 10 to 12 years ago.
10 Nineteen of them have gone out of business. And we're
11 the lucky ones, we're still here. But the reason we
12 did is we had to put millions of dollars into our
13 business in order to accommodate China. If we didn't
14 we would be out of business also.

15 MR. MAGRATH: Commissioner, that's why the,
16 you know, the U.S. industry doesn't have to meet the
17 import price. That's why the dumping margins are
18 large.

19 As Mr. Waite said in his introduction, you
20 asked your purchasers, you got a lot of purchaser
21 questionnaires back, you asked them who is superior,
22 the U.S. or China? In 14 out of 15 factors the U.S.
23 producers were judged to be equal or superior to
24 Chinese suppliers. In one factor, you guess it,
25 price, the Chinese were superior. And price trumps

1 everything.

2 A Respondent in the preliminary
3 investigation put it succinctly in front of the staff,
4 he said price is key.

5 CHAIRMAN ARANOFF: One of the arguments that
6 the Respondents make in their brief is that
7 competition among the domestic hanger producers and
8 between domestic product and the Mexican product drove
9 down domestic prices for hangers, and I think they
10 specifically referred to the strut hangers and uniform
11 hangers, before there was any significant presence of
12 Chinese imports in that part of the market, and that
13 the Chinese producers simply followed the prices down.
14 Can you point us to any evidence in the record that
15 would respond to that argument?

16 MR. MAGNUS: I'm not sure about the record.
17 This is Milton Magnus with M&B. But we competed head
18 on with our domestic competition early in the -- the
19 late '90s, early 2000. And we were able to compete
20 with them.

21 I guess for the record, in the last bid with
22 Cintas that we had, and we bid against Chinese
23 producers, the maximum allowable bid was below our
24 cost. And it was Chinese producers that won the bid.
25 We were making those hangers in Leeds, Alabama. And

1 they were uniform rental hangers.

2 MR. PEDELTY: Steve Pedelty, M&B Hangers.
3 You know up until 2003 I was with Cleaners Hanger
4 Company and we were put out of business by China. We
5 were not put out of business by any other country,
6 including Mexico. I went to work for United Wire
7 Hanger; I was laid off because of Chinese hangers, it
8 was not imports from any other country.

9 So there may be some comments made about
10 Mexico. I've sold hangers since 1982. I've never
11 lost significant business or maybe any business to
12 Vietnam, India, I mean name the countries. I lost two
13 really good jobs, and I can promise you it was China.

14 MS. BECK: And, Madam Chairman, Gina Beck of
15 GES, also I think it's telling in the pricing data
16 that back in 2004, which was the start of the prelim.
17 POI, and also for 2005 which is the base year of the
18 final investigation POI, if you look at both U.S.
19 prices and you look at prices from Mexico you will see
20 stable trends. You do not see drastically declining
21 trends for either of those sources.

22 CHAIRMAN ARANOFF: Okay, thank you.

23 Let me turn to some questions about demand
24 if I may. If as I think most folks have agreed there
25 are no economical substitutes for dry cleaning hangers

1 is it correct to assume that demand for subject
2 hangers is largely driven by demand for dry cleaning
3 services? And if that's true, can some of you tell me
4 what factors influence demand for dry cleaning
5 services and whether you see that, where you see
6 future demand going?

7 Maybe we should start with Mr. Dawson.

8 MR. DAWSON: We're a service industry.
9 Actually the dry cleaning industry did extremely well
10 during the depression many years ago. People need to
11 get clothes cleaned. They don't have the necessary
12 resources to do them at home.

13 The dry cleaning industry today is, because
14 of the economy is dropping. I'm hearing all kinds of
15 percentages. But, you know, people are spending less
16 money, as they are for fuel and everything. So
17 obviously if we're down, and we're down a little bit
18 I'm happy with it at the moment because it's not down
19 as much as some other industries or businesses in my
20 area, we're going to use less hangers.

21 To speak quickly on recycling hangers, we
22 have customers bringing back their hangers to be
23 reused. We carefully go through them. If they look
24 like they're brand new we'll re-use them. If not,
25 we'll save them and when people come in and want to

1 buy some hangers we'll give them those. So we try and
2 utilize it in one way or another.

3 Yes, demand will go down as the services for
4 dry cleaning go down, and it's going to be cyclical.
5 Right now our economy is dropping but we've been
6 through this before.

7 CHAIRMAN ARANOFF: Aside from the cyclical
8 effects that maybe people don't have the money to pay
9 for dry cleaning when the economy is down, are there
10 any long-term demand trends? Is the fact, for
11 example, that workplace dress has become more casual
12 affected the market?

13 MR. DAWSON: We have been through that. And
14 it's not affecting us at this moment because we got
15 hit with that early on. So actually the trend is to
16 come back to dress-up, which we're encouraging and of
17 course we would love to see. But we're not seeing as
18 much casual dress at the workplace. I think they're
19 beginning to realize that casual dress does not always
20 demand respect.

21 CHAIRMAN ARANOFF: Okay, so you don't see a
22 long-term declining trend for dry cleaning services
23 and, therefore, for demand for hangers?

24 MR. DAWSON: In the long term, no. I
25 believe as the economy gets better I think we're going

1 to go back to the convenience of having an item
2 cleaned other than at home.

3 CHAIRMAN ARANOFF: Okay. It's quick, I've
4 run out of time but, Mr. Pedelty, why don't you just
5 real quick?

6 MR. PEDELTY: Well, the gentleman from
7 Boston stated that roughly 85 percent of the hangers
8 are consumed by retail or dry cleaners. And in our
9 industry it's roughly a 50/50 split between dry
10 cleaners, uniform rental. And the uniform rental
11 industry is very strong. Now, they may have a tick up
12 or down but that's a fairly strong part of our
13 business.

14 And the dry cleaning is a little soft,
15 casual wear. But as Mr. Dawson said, you know, there
16 seems to be some trends coming back towards the better
17 dress, so.

18 CHAIRMAN ARANOFF: Okay, thank you very
19 much. We'll turn to Vice Chairman Pearson.

20 VICE CHAIRMAN PEARSON: Thank you, Madam
21 Chairman.

22 Let me add my voice in welcome to all of
23 you. It's very helpful to have such a broad cross-
24 section of the industry here in front of us.

25 I want to follow up on the Chairman's

1 questions about demand. But rather than looking
2 forward for the moment, let me ask you to comment on
3 the apparent consumption figures that we have in the
4 public version of the Staff Report. You know, we show
5 a slight decrease between 2005 and 2006 in total
6 consumption, and then quite a substantial increase of
7 some 500-plus million hangers in 2007 relative to
8 2006. Is there some explanation for that robust
9 increase in 2007?

10 MR. MAGNUS: I don't see an explanation
11 except I mean uniform rental industry is, as Steve
12 said, is strong and robust. We keep track of the
13 import figures from China and, you know, during the
14 last quarter of 2007 they did sort of decline some.
15 So even though the Respondents say it's just inventory
16 build-up, I think it's actual demand.

17 MR. MAGRATH: Commissioner, there is a chart
18 in our prehearing brief that tracks the month by month
19 imports. And the month that we filed, we filed July
20 31, 2007, that was the high point on a monthly basis
21 for imports from China. There was a significant ramp
22 up in the couple months preceding the filing of this
23 case. And we don't have any, you know, hard and fast
24 proof that they knew about this but I think they may
25 have and they wanted to get their hangers in before

1 some provisional duties came on.

2 VICE CHAIRMAN PEARSON: Right. But if --

3 MR. MAGRATH: That's my conjecture.

4 VICE CHAIRMAN PEARSON: Right. But if we
5 look at the increase in inventory between 2006 and
6 2007, that would be inventory of Chinese hangers in
7 the United States, we see, I don't know, 140 million
8 increase, something like that.

9 MR. MAGRATH: Right. Right.

10 VICE CHAIRMAN PEARSON: Whereas we're
11 looking at a --

12 MR. MAGRATH: They were bringing it in.
13 They were bringing it in, yeah.

14 VICE CHAIRMAN PEARSON: But we're looking at
15 an over 500 million unit increase in apparent
16 consumption. So the increase in consumption was a lot
17 more than any inventory build-up. So I was just
18 wondering if there's some obvious explanation for
19 this?

20 MR. MAGRATH: Well, the market share of the
21 U.S. producers took a big hit in 2007 on an annual
22 basis. It took a large hit, I think 25 down to 8, 9
23 percent. So some of these were going into inventory
24 and a lot of them were going in, as we've emphasized,
25 on this one-to-one percentage point basis. I find it

1 amazing that, you know, the U.S. lost 44 percentage
2 points, they gained 44 percentage points.

3 VICE CHAIRMAN PEARSON: Right.

4 MR. MAGRATH: And a lot of it took sales
5 away from U.S. producers.

6 VICE CHAIRMAN PEARSON: Right.
7 Fundamentally you're not uncomfortable with these
8 figures for apparent consumption? These seem rational
9 enough to you? We should see the demand figure as a
10 modest increase over time and perhaps projecting
11 forward?

12 MR. MAGRATH: I'm comfortable. Other
13 witnesses may have their own opinion. I'm comfortable
14 with those, yes.

15 MR. MAGNUS: I'm comfortable with those. I
16 think it's a flat or a gradually increasing industry,
17 I don't think it's a vastly declining industry.

18 VICE CHAIRMAN PEARSON: Okay. Thanks. I
19 was just wanting to make sure that you were, your view
20 of the marketplace was in line with what we were
21 showing here. Okay.

22 As a condition of competition I'm wondering
23 whether steel wire rod is relatively high priced in
24 the United States? And if so, does that give an
25 advantage to foreign hanger producers who might have

1 access to lower priced steel wire rod?

2 MR. WAITE: Fred Waite, Commissioner
3 Pearson. I'm not an economist but --

4 VICE CHAIRMAN PEARSON: No, but you do know
5 something about steel wire rod in the United States.

6 MR. WAITE: A little passing knowledge, sir.

7 First of all, you know a great deal about
8 steel wire rod too, all of you, and it's all included
9 in this and probably far beyond that as well. And for
10 the record, I'm referring to the Commission's report
11 in the sunset review of carbon and certain alloy steel
12 wire rod from a number of countries.

13 It's my understanding that steel wire rod
14 prices are increasing around the world. And that's an
15 understanding that's been confirmed in testimony as
16 well as in information submitted to this body. For
17 example, I referred earlier to the investigation
18 involving nails. During that investigation one of the
19 witnesses for the Chinese industry actually testified
20 that in China, for example, wire rod is in short
21 supply and that wire rod prices in China have
22 increased far more sharply than they've increased in
23 the United States.

24 Various industry publications, and I refer
25 specially to SteelOrbis but also to Steel Business

1 Briefing as well as American Metal Market indicate,
2 for example, that steel prices in countries like
3 Vietnam are going through the roof, are comparable to
4 or higher than steel prices domestically. And we will
5 be providing information on that in our post-hearing
6 brief, Commissioner Pearson. So I don't accept the
7 assumption that U.S. producers even though wire rod
8 prices have increased significantly and repeatedly in
9 the United States, that's the phenomenon that has been
10 repeated around the world, including in the countries
11 that the Respondents have identified as potential
12 sources of steel wire garment hangers sometime in the
13 indefinite future.

14 VICE CHAIRMAN PEARSON: Okay, so the
15 domestic manufacturers don't feel particularly
16 disadvantaged by wire rod prices in this country
17 relative to what producers might have in other
18 countries?

19 MR. MAGNUS: No, we don't. And the reason
20 that I say that is because there are really no imports
21 coming into the United States on wire rod because wire
22 rod in the United States is competitively priced with
23 wire rod from around the world.

24 VICE CHAIRMAN PEARSON: Okay. Shifting
25 gears again. Do hangers represent a larger share of

1 the cost of laundered shirts than for dry cleaned
2 garments? I mean I get a lot more hangers for
3 laundered shirts. Occasionally I get some stuff dry
4 cleaned, too, I'm not entirely out of touch with that
5 industry. But can you give some sense of the
6 percentage of hangers that are used for laundered
7 shirts versus dry cleaned product? And then some
8 sense of the cost share for the consumer of the
9 hanger?

10 MR. DAWSON: Yeah, this is Gary Dawson. I
11 am the end user so any dry cleaning operation usually
12 the laundry is probably about, which I am including in
13 laundry shirts, is about 17, 18 percent of your gross
14 sales. So basically dry cleaning is your larger
15 amount of items coming in. A shirt depends on how
16 they price the shirt. The hanger could be a little
17 higher per unit because of the price of the shirt.
18 But in the dry cleaning side it will average back down
19 a little lower because you get a higher price for a
20 suit or a dress which requires probably one hanger in
21 most cases. So, you know, you balance it out. You
22 end up averaging it out so that a hanger might be
23 roughly 2 percent of the cost of a pair of pants. I'm
24 doing it that way because it's a half a unit and a
25 suit or a dress would be considered a double unit

1 because usually it's twice the price.

2 So, yes, to answer your question, yes,
3 shirts it might be a little higher for cost on the
4 unit price for a hanger on a laundered shirt only
5 because of how the dry cleaner prices out the laundry
6 shirt.

7 VICE CHAIRMAN PEARSON: So if the order goes
8 into effect should it bump the cost of a laundered
9 shirt up more than about a nickel or am --

10 MR. DAWSON: No. No.

11 VICE CHAIRMAN PEARSON: -- I safe at that
12 level?

13 MR. DAWSON: No, absolutely not. And
14 actually for hangers that we get returned back we see
15 more on the laundry shirts because it's a simple item
16 and it usually is not damaged when it comes back. So
17 we get more laundered shirt hangers back to reuse than
18 we can with the dry clean side.

19 VICE CHAIRMAN PEARSON: Thank you for that.

20 The Respondents have raised a question about
21 type one versus type two vinyl-coated hangers. And I
22 have a question. Are the type one vinyl-coated
23 hangers produced in the United States?

24 MR. MAGNUS: This is Milton Magnus with M&B.
25 And I couldn't tell you that. I don't know. I don't

1 know the producers so I don't know if they are or not.

2 VICE CHAIRMAN PEARSON: Okay. I think the
3 record now indicates that we have no knowledge of such
4 production in the United States. But given the
5 changes that we have seen in the industry lately it's
6 not clear to me that some of that might not have
7 started. So for purposes of post-hearing if you can
8 ferret out anything to do with that, that would be
9 great.

10 And then a quick final related question.
11 The Respondents have asserted that type one and type
12 two vinyl-coated hangers should be considered
13 different like product. Do you have thoughts on that?

14 MR. WAITE: We don't consider them to be a
15 different like product just simply a different
16 manufacturing process. Mr. Magnus mentioned earlier
17 in connection with painted shirt hangers, for example,
18 in his plant in Leeds, Alabama, he has a highly-
19 automated, very fast painting system. It's like a
20 long trough and cut wire in the length of the hangers
21 goes through this bath. And their process is -- I was
22 only an engineer for a day in college so I can't
23 pretend to understand the processes, but there's a
24 process that causes the paint to adhere to the hanger
25 and then it goes through a drying process and then the

1 hanger is formed. Obviously in that case when you
2 form the hanger the tips may not have paint on them.

3 In China, as he also testified, when these
4 hangers are painted by hand it's the formed hanger
5 that's being painted so the entire hanger is being
6 painted.

7 We assume that for vinyl-coated it's the
8 same process, either the hanger can be vinyl coated
9 prior to, the wire can be vinyl coated prior to
10 formation or it can be vinyl coated afterwards. But
11 we don't see them as different products.

12 As Mr. Magnus showed you, you know, in all
13 practical purposes this is identical to the product he
14 makes except for the vinyl cover.

15 VICE CHAIRMAN PEARSON: We're heavily into
16 the red light here. So if for purposes of the post-
17 hearing you could respond.

18 MR. WAITE: We shall do that.

19 VICE CHAIRMAN PEARSON: Respond in argument
20 I'd appreciate it.

21 MR. WAITE: And I apologize for using your
22 time.

23 VICE CHAIRMAN PEARSON: I think I may have
24 no further questions, Madam Chairman, so back to you.

25 CHAIRMAN ARANOFF: Well, we're fine on time

1 as we can all use Commissioner Okun's time today.

2 But right now we'll go to Commissioner Lane.

3 COMMISSIONER LANE: Let's go back a minute
4 to the vinyl-dipped hangers. Are you saying that they
5 should be included in the like product or not included
6 in the like product?

7 MR. WAITE: Commissioner Lane, our position,
8 as explained in our prehearing brief, is that the
9 vinyl hangers should be included in the like product.
10 The hangers that are made by Willert Home Products,
11 one of the parties who will be testifying later today
12 before you, are marketed in a way that do not compete
13 with the hangers made by Mr. Magnus, Mr. Patel or any
14 of the other traditional producers of steel wire
15 garment hangers for the dry cleaning industry and
16 industrial laundries.

17 The Willert products are marketed on a
18 retail basis largely, we are told by Willert, through
19 big box stores like ***. They are marketed in small
20 quantities, 10, 15, 20 hangers with generally a very
21 robust cardboard-type sleeve around them advertising
22 them as permanent garment hangers for individuals to
23 purchase and use in their homes.

24 However, as you also see in the record,
25 vinyl-coated garment hangers can be and indeed are

1 used by dry cleaners. And I would like Mr. Dawson
2 when I'm finished just to explain to you how that
3 happens. And they could be used in place of painted
4 hangers if there was a cost benefit. The reason they
5 haven't been used is because, again as we are informed
6 by the record and by Willert, it's more expensive to
7 make these than it is to make a painted hanger.

8 However, if there is a dumping order that
9 affects the painted hangers we would expect to see
10 vinyl-coated hangers considered as a possible
11 alternative if they were not encompassed within the
12 same dumping order. And indeed, as we appended to our
13 prehearing brief, two traditional importers of steel
14 wire garment hangers from China, Go Source and Tyler
15 International, have actually submitted samples of
16 vinyl-coated hangers to the United States Customs
17 Service for classification rulings. And in the case
18 of Go Source, according to the Customs ruling, Go
19 Source urged Customs to classify this under a tariff
20 category of other household goods, not under the
21 tariff category of a steel wire hanger.

22 Customs refused. Customs looked at the
23 product, analyzed it and said that is a steel wire
24 hanger classifiable as a steel wire hanger.

25 So we are concerned about circumvention,

1 Commissioner Lane.

2 COMMISSIONER LANE: Okay, thank you.

3 The Staff Report indicates that in 2005 a
4 majority of U.S. producers' U.S. shipments were to
5 distributors, but thereafter the majority were to end
6 users. Why did this change to the channels of
7 distribution for domestically produced steel wire
8 garment hangers occur? And how has this shift toward
9 shipping to end users impacted the domestic industry?

10 And I'm not really sure what, I mean end
11 users I'm assuming are dry cleaners and the uniform
12 people and all of that. So how has the shift to end
13 users actually occurred in cutting out the
14 distributor?

15 MR. MAGNUS: This is Milton Magnus with M&B
16 Hangers. There wasn't a change in our shipment
17 method, there was a decrease in our distributor
18 business. The dry cleaner -- distributors normally
19 sell to dry cleaners. Manufacturers for a number of
20 years have sold to the large industrial laundry
21 chains: Cintas, Aramark, G&K, Unifirst. As the
22 Chinese-dumped hangers took away our dry cleaning
23 hangers, strut hangers, caped hangers, shirt hangers,
24 the hangers that we made in Alabama that I referred to
25 earlier, the hangers to Cintas, became a larger part

1 of our business.

2 So we didn't change any distribution methods
3 that we had, we were just able to compete more early
4 on on the industrial hangers than we were the dry
5 cleaner hangers.

6 MR. MAGRATH: Commissioner, yes, the U.S.
7 industry didn't change its pattern, the fact was that
8 it was driven out of the distributor channel first by
9 the imports from China. And then the second stage of
10 this has been for the Chinese to take over like the
11 Cintas account that Mr. Magnus referred to this last
12 stage to take over these major uniform rental
13 companies.

14 COMMISSIONER LANE: So are you essentially
15 saying that the dry cleaning business has as a share
16 of the total business has been reduced and that's why
17 the numbers now show that more hangers are going to
18 the end users than the distributors?

19 MR. MAGNUS: The dry cleaning share of our
20 U.S. production decreased because of that's where they
21 targeted first with their hangers. And then when they
22 came in the uniform rental business we started losing
23 that share also. But our share of our production of
24 dry cleaning hangers was decreasing.

25 COMMISSIONER LANE: Okay, thank you.

1 Now, I have some questions about the hangers
2 themselves. And I'm sure it was in the report but I
3 just have forgotten.

4 What is the purpose of the capes on the
5 hangers?

6 COMMISSIONER LANE: And do you do the caping
7 as part of the same manufacturing process, and how
8 much more does the caping add to the cost of
9 production?

10 MR. DAWSON: You are asking two questions,
11 and --

12 COMMISSIONER LANE: Probably more than two.

13 MR. DAWSON: Yeah, and as for the production
14 side of it, I'll lean it back to Milton, but the caped
15 hanger, I could use a plain wire hanger. It just
16 doesn't look that good. We also print ours with our
17 logo and name on it. The philosophy with that is that
18 once you unload that garment and you leave the hanger
19 in the closet you still see me, so it's kind of like
20 advertising.

21 But a caped hanger, if you got your dress
22 back on a wire hanger, it just doesn't look that good,
23 so you've got to package your things, and I mean, I
24 could use a wire hanger but I have been using the
25 caped with our logo on it, and I will pay extra money

1 for that caped hanger.

2 Milton, if you want to do the production
3 side.

4 MR. MAGNUS: This is Milton Magnus, and the
5 production side, we have a paper cost and we have a
6 steel cost on the cape, and additional labor costs
7 because if you are running only wire hangers, one
8 operator can run more machines than they can if they
9 are running a hanger that puts paper on it, and Ms.
10 Boyd runs the hanger machine that produces the caped
11 hanger.

12 COMMISSIONER LANE: Well, is the cost of
13 doing the capping, compare that to the cost -- I mean,
14 if you produced one hanger, and if I looked at the
15 unit values, it was going to be about 4 cents, I'm
16 guessing, so how much more does it cost to do the
17 capping?

18 MR. MAGNUS: It adds 2, 2-1/2 cents to the
19 hanger, because of the paper and labor.

20 COMMISSIONER LANE: Okay, thank you. Okay,
21 either here or in your post-hearing brief, could you
22 respond to claims appearing in Trade Pacific's brief
23 that M&B has declined to sell steel wire garment
24 hangers to distributors?

25 MR. MAGNUS: We will respond to that in the

1 brief.

2 COMMISSIONER LANE: Okay, thank you.

3 Madame Chairman?

4 CHAIRMAN ARANOFF: Commissioner Williamson.

5 COMMISSIONER WILLIAMSON: Thank you, Madame
6 Chairman. I would like to get some clarity, in
7 thinking about demand, the role of the uniform rental
8 companies, and I guess first question, do they use a
9 different type of hanger than are used in the dry
10 cleaning business or laundry business?

11 MR. PEDELTY: Steve Pedelty, M&B Hangers.
12 It's slightly different, not significantly different.
13 The 13 gauge, 16-inch -- I can't see from here, but
14 it's number 7, and that's basically the majority of
15 what they use, one main hanger, and they may put the
16 shirt on it, it goes through first through a steam
17 tunnel, then the pant goes through a steam tunnel.
18 They may match those up, they may send them out on an
19 individual hanger, but there are some other hangers
20 they may use for a polo-type knit hanger, maybe a pant
21 hanger for an executive pant they may rent, but those
22 hangers would represent single-digit numbers.

23 Typically one hanger, maybe two would
24 represent 90-plus percent of what they use.

25 COMMISSIONER WILLIAMSON: Now, are they a

1 growing percentage of the demand for steel wire
2 hangers, or?

3 MR. PEDELTY: They are a growing percentage
4 of the market. Our percentage has gone down the last
5 couple of years, based strictly on price. For the
6 most part, our hanger works better, but when the price
7 gap gets so big, they will fight battles to save
8 money. But yes, it's growing in the United States,
9 but we have been hurt a little bit by China.

10 COMMISSIONER WILLIAMSON: Why does your
11 hanger work better? How does it work better?

12 MR. PEDELTY: We feel like we make a more
13 consistent hook. We have a better paint finish, we
14 feel, and they verify this to us. So there are some
15 pluses.

16 COMMISSIONER WILLIAMSON: Mr. Carmody?

17 MR. CARMODY: Mike Carmody speaking. There
18 are also some other differences. The length of the
19 neck of the hanger is often custom fitted to some of
20 the conveyor systems, the automated conveyor systems
21 that Mr. Patel was talking to earlier. The length of
22 the hook, the specialized coatings on the bottom bar,
23 non-skid surfaces, are also part of the industrial
24 sales that are not included in dry cleaning.

25 COMMISSIONER WILLIAMSON: Okay, and are you

1 saying the Chinese are now getting into making all of
2 those features in their wire hangers?

3 MR. CARMODY: Yes, they are.

4 COMMISSIONER WILLIAMSON: Mr. Patel?

5 MR. PATEL: Yes. With the uniform hangers,
6 like they said, the unique thing is that they have the
7 latex on the bottom for pants, and they hold a little
8 bit more weight than your traditional strut hanger.
9 I'm sure everyone has noticed, if you put a heavy pair
10 of jeans or something on a strut hanger, it usually
11 folds in on itself. That's why the industrial hanger
12 is a little bit more heavier for the uniform pants,
13 because they are a little bit heavier, and over the
14 course of the last year or two, a lot of my uniform
15 customers have really complained about the
16 inconsistency of the product from China, so I
17 personally designed a specific hanger to run through
18 their automated sort system, and if you can manage an
19 automated sort system for someone like Aramark or
20 AmeriPride, runs at six, seven miles an hour and
21 processes all of their uniforms, so if you get a jam
22 with one hanger, you've got about a 30-minute shutdown
23 time with 300 employees standing around doing nothing,
24 and our customers don't want that.

25 So we designed a specific hanger with a long

1 hook for them, specific dimensions, and it runs
2 through their system beautifully now, and I haven't
3 heard any problems from my customers in the last year.

4 COMMISSIONER WILLIAMSON: By automatic sort,
5 do you mean it might sort certain pants one way,
6 shirts --

7 MR. PATEL: Yeah, what they do is, when they
8 get the uniforms back in, they sort them out, they put
9 them on a hanger, and it goes through the sort system
10 and it gets steamed and gets pressed and all that
11 stuff, and it automatically sorts it through a little
12 chip embedded in the collar, and that's how they know
13 which customers have sent their uniforms back and
14 which customers haven't, and it's all done on the
15 hanger.

16 COMMISSIONER WILLIAMSON: Okay. Now, are
17 the Chinese supplying hangers that have the chips and
18 all that, or --

19 MR. PATEL: The Chinese hangers, what
20 happens is the hooks are usually pretty inconsistent
21 in the manufacturing process, so you might get one
22 hook that's a little bit longer, one hook that's a
23 little bit shorter, and so that creates the problem
24 with their sensors in the automated system.

25 MR. MAGNUS: This is Milton Magnus. The

1 hangers don't have a hook -- the chip in it. The
2 clothes have the chip in it, not the hanger.

3 COMMISSIONER WILLIAMSON: Oh, I'm sorry.
4 Thanks. I didn't realize there was so much involved
5 in this process.

6 MR. PATEL: The chip is a radio frequency
7 chip that's usually embedded in the collar of the
8 shirt, and what it does is identifies the customer,
9 how many times a week they want it washed, and stuff
10 like that, and that is all done on an automated
11 system.

12 COMMISSIONER WILLIAMSON: Okay, and are the
13 demands for this service growing? I mean, hangers
14 used in this kind of activity, is that a growing
15 percentage of the usage?

16 MR. MAGNUS: The textile rental business,
17 which is a strong part of that business, and it seems
18 to be -- it fluctuates with employment too, and people
19 aren't working, they are not cleaning clothes, but it
20 has notoriously for the past few years been a growing
21 trend in the U.S. hanger industry.

22 COMMISSIONER WILLIAMSON: Okay. Thank you.
23 I was wondering for post-hearing, Mr. Waite, could you
24 address the differences in labor costs that are found
25 in Table 3-9 on page 320 of the staff report? You can

1 do that in post-hearing.

2 MR. WAITE: Commissioner Williamson, I may
3 not, but Dr. Magrath will.

4 COMMISSIONER WILLIAMSON: Okay, fine, can
5 you have it addressed, good. I just want to turn to
6 the question of the domestic industry. Should Laidlaw
7 and United Wire be excluded as related parties, and if
8 so, why?

9 MR. WAITE: Fred Waite. Again, Commissioner
10 Williamson, as we stated and explained in our
11 prehearing brief, we believe that both companies
12 should be included in the domestic industry. United
13 Wire Hanger for many of the same reasons that the
14 Commission included United as part of the domestic
15 industry during your preliminary determination. The
16 only thing that we have seen change since the
17 preliminary determination is that United Wire,
18 certainly at the end of the period of investigation
19 for the final phase, was entirely engaged in
20 importing, but that does not contradict what United
21 Hanger was doing during the earlier period when it was
22 a manufacturer, and the reasons that it ceased being a
23 manufacturer.

24 In terms of Laidlaw, we have a slightly
25 different argument. Laidlaw was not considered part

1 of the domestic industry during the 421 case, nor in
2 the preliminary phase of this case, and yet, now
3 Laidlaw prides itself as being part of the domestic
4 industry. In statements made to dry cleaning
5 publications and dry cleaning groups, Laidlaw has been
6 presenting itself as the largest supplier of
7 domestically produced hangers in the United States.

8 We believe for that reason that Laidlaw
9 seems to have reoriented itself, that it should be
10 included as part of the domestic industry, and we will
11 elaborate on those points, Commissioner Williamson, in
12 our post-hearing brief.

13 COMMISSIONER WILLIAMSON: Does that claim
14 depend in part on their partnering with Shanti? The
15 basis for that, maybe explain that, or if you prefer
16 to do it in post-hearing, that's fine.

17 MR. WAITE: I think I would prefer to
18 discuss the relationship with Shanti in the post-
19 hearing brief, although, as Mr. Patel mentioned during
20 his testimony, Laidlaw is now the distributor of
21 Shanti's production into the dry cleaning business in
22 the United States, and we presume, we don't know, Mr.
23 Schultz from Laidlaw would be able to answer that
24 question, whether they are sourcing American-made
25 hangers from any other U.S. producers or exclusively

1 from Shanti.

2 COMMISSIONER WILLIAMSON: Okay. Thank you
3 for that clarification. Actually, no further
4 questions this round. Thank you.

5 CHAIRMAN ARANOFF: Commissioner Pinkert.

6 COMMISSIONER PINKERT: I wanted to go back
7 to my question to Mr. Dawson, and just to clarify the
8 question, what I was reacting to was the claim that if
9 the order went into effect, and if the duties were
10 finally, or the cash deposits were required, that the
11 dry cleaners would have no alternative but to absorb
12 the increase in their costs, in other words, that they
13 couldn't or wouldn't raise their prices, and I'm not
14 clear about whether you are agreeing with that claim,
15 disagreeing with that claim, think that it's, perhaps,
16 uncertain?

17 MR. DAWSON: And I'm sorry, I might not have
18 been clear on that. As a businessperson, you look at
19 all costs of operating your business. If your cost of
20 business keeps climbing, you either sit there and lose
21 money or you raise prices. I choose to do the
22 business thing so that I will stay around for my
23 customers and raise prices. The price of a hanger is
24 such a minuscule part of my overall supplies that, you
25 know, I'd disagree with that argument that it's going

1 to take a lot of money out of their pocket.

2 Their biggest expense in anything in the dry
3 cleaning industry is labor. You know, and you can
4 make adjustments to labor than you can easier than,
5 you know, cutting supplies to keep your costs down.
6 You can cut your labor back a little bit, or use less
7 packaging or something like that, but increasing the
8 price of a hanger is a minor, minor part of doing
9 business in the dry cleaning business.

10 So I would choose to raise my prices so I
11 can be around. I've been in this particular business
12 since 1981. I'm third generation. I've been around a
13 long time. I've watched the trends. I was back in
14 the polyester era in the 60s when we lost a lot of
15 business. You know, you adapt. You change. Did I
16 help with that?

17 COMMISSIONER PINKERT: Yes, that helped.

18 MR. DAWSON: Okay.

19 COMMISSIONER PINKERT: Now, turning to Mr.
20 Patel, are you aware of any other U.S. companies that
21 are planning to begin or restart production of the
22 product in the United States?

23 MR. PATEL: I've heard rumors. I don't know
24 for sure, but I have heard of a couple companies that
25 might be starting up in California. I have heard a

1 couple companies that might be starting up back east.
2 The problem with that is a lot of that machinery is in
3 China right now, and they are trying to get it out of
4 China, and if you can imagine, that's a very hard
5 thing to do once it's sent to China, but I don't have
6 any, you know, proof or anything, but it's through the
7 grapevine, and this is a very small market.

8 You hear everything about everybody. I have
9 heard that there are people who would like to move
10 their equipment from China and start production in the
11 U.S.

12 COMMISSIONER PINKERT: I believe we had
13 testimony earlier today that one of the key
14 ingredients here is the know-how. Where is the know-
15 how going to come from for those other companies?

16 MR. PATEL: Well, it's very hard to find the
17 know-how. For myself, the reason I opened up the
18 Monticello plant and the Kentucky plant is because
19 there were former Laidlaw employees there. They had
20 been on the job for 35 years and they know the
21 equipment. When I started out in this business fairly
22 new to it, I had to teach myself how to run the
23 equipment. It took me months to learn the equipment.

24 Now that I have learned it, I can fix items
25 very quickly in a couple days and have things up and

1 running again. If you have the engineering
2 background, I would say it's not difficult. It will
3 take time to learn this equipment because it's very
4 unique, but right now in the U.S. market it's very
5 hard to find experienced employees to continue to keep
6 the upkeep on the machinery and keep it running and
7 producing.

8 So it would have to be trained or taught to
9 those employees, and like I said, I was very fortunate
10 to get the old Laidlaw employees, and that is the main
11 reason for my plant in Kentucky that I just opened up
12 a couple months ago. I've got a lot of good gentlemen
13 there who have been in the industry for a very long
14 time, and me being in California, it's good that I
15 don't have to always fly out to Kentucky and keep an
16 eye on things. They can do it for me.

17 COMMISSIONER PINKERT: Yes?

18 MR. MINDICH: David Mindich, Minda Supply.
19 I just want to elaborate on your question. I have
20 received several calls over the past few months with
21 people asking me, if there was an affirmative
22 decision, would I be willing to buy hangers from them
23 if they opened up here. In fact, I got one from a
24 Chinese company last week that says they are looking
25 for space in York, Pennsylvania, to make hangers, and

1 they wanted to know if we would buy from them if they
2 did open up.

3 COMMISSIONER PINKERT: Thank you.

4 Now, Mr. Magnus, could you explain to me or
5 explain in the post-hearing submission, how an order
6 in this case might affect M&B's Mexican operation?

7 MR. MAGNUS: Yes, I'll do that in the post-
8 hearing brief.

9 COMMISSIONER PINKERT: Can you elaborate a
10 little bit on why the company established the
11 production in Mexico in the first place?

12 MR. MAGNUS: Briefly, I'll say that we were
13 expanding and we visited sites in the United States
14 and Mexico, and we chose Mexico instead of the United
15 States for that plant in '99, but I'll go over it
16 better in the post-hearing brief.

17 COMMISSIONER PINKERT: Thank you. Now, at
18 page 15 of its brief, Fabricare argues that M&B's
19 decision to distribute hangers from a single
20 distribution point greatly increases its costs and
21 makes it uncompetitive with subject imports. How do
22 you respond to that?

23 MR. MAGNUS: We have a single plant in
24 Alabama. We do service most of the United States. We
25 service California out of it. The containers from

1 China are expensive to get to California and expensive
2 to get to the East Coast. Our freight cost is
3 continuing to go up. We have domestic production in
4 California with Mr. Patel, so, you know, I don't know
5 that, you know, it might be more expensive for us to
6 ship to California but not for him to ship to
7 California.

8 COMMISSIONER PINKERT: Thank you. If you
9 wish to add anything to that in the post-hearing
10 submission, that would be great.

11 MR. WAITE: We shall do that, Commissioner
12 Pinkert, and if I can add something very briefly right
13 now. In the Section 421 case, the Chinese witnesses
14 testified at that time that they would not be able to
15 ship hangers to markets much outside the radius of
16 major ports on the East Coast and West Coast of the
17 United States, because for them it was too expensive
18 to move the hangers inland, and the United States
19 producers at that point had a definite advantage with
20 existing freight networks, and of course at that point
21 there was a much larger industry.

22 I would submit that in addition to the
23 escalating and indeed exploding cost of international
24 freight, you would also find the Chinese product, as
25 it hit a port like Long Beach or New York, would be

1 subject to the same kind of freight and transportation
2 and sorting considerations that a producer would be in
3 the United States, perhaps even more severe because,
4 as Mr. Magnus pointed out, it's coming in in
5 containers and many of his customers don't buy a
6 container load at a time. They buy smaller
7 quantities, a half a truck load, a quarter truck load,
8 something like that. But we'll address this further
9 in our post-hearing brief for you.

10 COMMISSIONER PINKERT: Thank you, and that
11 concludes my questions for this panel. I appreciate
12 your testimony and look forward to the post-hearing
13 submissions.

14 CHAIRMAN ARANOFF: Well, my colleagues have
15 taken care of a great many of the questions that I
16 still had remaining, and so that leaves us with a
17 question that I think you were cut off from answering,
18 Mr. Waite, in someone else's prior questioning round
19 about Bratsk. And obviously, Respondent's main
20 arguments in this case revolve around Bratsk and
21 around the idea of replacement, and I want to walk
22 through that with you.

23 There is no one better. You are one of the
24 people who brought us this Bratsk case.

25 MR. WAITE: It was the Court of Appeals,

1 Madame Chairman, who issued the decision in Bratsk.

2 CHAIRMAN ARANOFF: Plenty of blame to go
3 around. In any event, you were in the process of
4 explaining why you thought that the existence or
5 potential existence of plants in third countries was
6 legally irrelevant.

7 MR. WAITE: Yes, I was, and if I could just
8 back up and go through --

9 CHAIRMAN ARANOFF: Please.

10 MR. WAITE: -- the decision in Bratsk, as
11 this Commission does whenever there is a claim that
12 the Bratsk ruling would apply to the facts of an
13 investigation, and the Commission has essentially a
14 two-prong test. The first prong, is the product a
15 commodity product, that is, is it a product that's
16 interchangeable, sold on price, no significant
17 differences within the products that are made by
18 suppliers in the United States, country A, country B,
19 etc.

20 Interestingly, in this investigation, I
21 think all sides are agreed that it's a commodity
22 product. If you go back and look at the 421 case, the
23 Chinese interests argued vociferously that it is not a
24 commodity product. It suited their interest at that
25 point to make that argument, but I think now that they

1 agree that it's a commodity product, we can move on to
2 the second prong of Bratsk, and that is the causation
3 analysis.

4 In my judgment, what Bratsk holds is what
5 Gerald Metals holds. If there are non-subject imports
6 present in the market at comparable pricing, and I
7 will explain comparable pricing in a second, and
8 interchangeable with subject imports, with the U.S.
9 like product, and non-subject imports, the Commission
10 must at that point analyze the facts and determine
11 whether or not the presence of those non-subject
12 imports in the market could sever the causation link
13 of injury that may have been caused by subject
14 imports. In this case, we don't have that.

15 CHAIRMAN ARANOFF: So you are arguing that
16 that second triggering factor isn't met?

17 MR. WAITE: It's not, by the record of your
18 investigation.

19 CHAIRMAN ARANOFF: But, I mean, if you look
20 at Judge Restani's decision in the orange juice
21 appeal, she -- I can't remember what the number was in
22 that case, but she, the Commission said that the
23 second factor wasn't met with a number that's -- I
24 can't remember what the percentage of non-subject
25 imports was, but it's pretty comparable to what the

1 Mexican imports are in this case, and she said, not
2 good enough. It is met. Go back and do the analysis.

3 MR. WAITE: Well, I'm going with the Court
4 of Appeals decision in Bratsk because I think the
5 Court -- and not get into an argument on facts in
6 another case that may have different market
7 conditions, that may have different interplay of
8 products, different conditions of competitions, etc.,
9 but in this case, you simply did not have non-subject
10 imports present in the market that could have replaced
11 subject imports.

12 Dr. Magrath went through the percentages.
13 You have seen them in the staff report. I mean, they
14 are absolute. They are not contested. They are not
15 even controversial. In the Bratsk case, for example,
16 as we pointed out in our prehearing brief, as well as
17 before the court in the initial appeal of Bratsk, non-
18 subject imports comprised about three-quarters of the
19 imports coming into the U.S. market. They were
20 substantial.

21 There were imports from nine separate
22 countries, several of whom were very significant,
23 larger than the subject imports. In this case, you
24 have, and I'll develop this further in the post-
25 hearing brief because we are beginning to tread now

1 into some areas of confidentiality, but in terms of
2 the potential, even the potential, of the Mexican
3 industry substituting for more than a tiny fraction of
4 the enormous quantity of Chinese hangers coming into
5 the market, simply not there, and there are no other
6 suppliers.

7 As the Commission report pointed out, Mexico
8 was the largest non-subject supplier. Canada, which I
9 believe had two-tenths of 1% of the market, and then
10 Taiwan, Hong Kong and Korea had even smaller shares.
11 There simply was not present in the market during the
12 period of investigation non-subject imports that would
13 have severed the causal connection, and since I have
14 my two minutes, or 30 seconds of fame on Bratsk before
15 this honorable body, I just want to reiterate why I
16 read Bratsk this way, and I read it this way because
17 if you look at the court's mandate to the Court of
18 International Trade, what did it say?

19 It said, we therefore vacate and remand the
20 Court of International Trade's decision so that it may
21 remand the case back to this honorable Commission to
22 specifically address whether the non-subject imports
23 would have replaced subject imports during the period
24 of investigation, full stop, end of quote. That's not
25 the case here. The second triggering factor doesn't

1 exist, and in our post-conference brief, we will also
2 discuss why Mexican imports, in any event, would not
3 be harmful to the U.S. industry because the number is
4 confidential but the significant majority of Mexican
5 imports are actually controlled by one of the domestic
6 producers who would not bring them in in a way that
7 would damage the domestic industry, and you have seen
8 that in the post-petition behavior of M&B, as well as
9 in the case of Shanti and others.

10 Where has the expansion gone? Who has been
11 hiring the new workers? Who has been shipping the
12 more product? It's the U.S. producers that have been
13 doing that, not Mexican producers.

14 CHAIRMAN ARANOFF: Right. I mean, I think
15 that one of the key issues in this case with respect
16 to Bratsk is that the Respondent's argument works best
17 if you interpret the Bratsk test as forward-looking.

18 MR. WAITE: It's not.

19 CHAIRMAN ARANOFF: Well, I've certainly
20 never said that it was, but some of my colleagues have
21 looked at it both ways. I mean, if it were a forward-
22 looking test, then you might have to ask yourself,
23 well, how soon could other producers enter, and what
24 incentives might they have to enter the market, and
25 maybe some of those arguments would be relevant. If

1 you look at it as a backward-looking test, that's what
2 I've always done, and you are looking at what would
3 have happened during the POI, the Commission has
4 traditionally looked at only producers who already
5 were up and running and serving the U.S. market.

6 Now, I suppose you could make the argument
7 that even with a backward-looking test, you could ask
8 yourself, well, during the POI, how would the world
9 have been different in the absence of the Chinese
10 product, and some of the testimony here touched on
11 that. You talked about how, why didn't we see third
12 countries in the market already, but I mean, I guess
13 the question I'd put to you is, when we are doing a
14 backward-looking analysis, should we be looking only
15 at people who, you know, are already known suppliers
16 to the U.S. market and what they might otherwise have
17 done, or should we also be looking at other potential
18 suppliers?

19 MR. WAITE: Again, I would go back -- sorry
20 Madame Chairman. Again, I go back to the court's
21 decision in Bratsk, present in the market during the
22 period of investigation. And if you go beyond that,
23 if you go beyond what the court held in Bratsk, and
24 indeed, what it held in Gerald Metals, which was the
25 same thing, present in the market -- I mean, Gerald

1 Metals had an interesting factual pattern that
2 probably will never be replicated, but nevertheless, I
3 think the principle is sound.

4 The court was looking at what was actually
5 going on in the market, because we can hypothesize
6 virtually anything, as we have seen the Respondents do
7 in this case, and as I said earlier, the court did not
8 intend, I believe, this Commission to get into the
9 business of wishful thinking wrapped in speculation,
10 shrouded in conjecture, as to what may or may not
11 happen. What the court was looking at was, during the
12 period of investigation, were there conditions in the
13 market that would cause the Commission to conclude
14 that had the subject imports not been present, there
15 would have been no significant change in those market
16 conditions because there were other non-subject
17 imports already in the market in significant
18 quantities, interchangeable, price-competitive, that
19 would have simply replaced those imports.

20 CHAIRMAN ARANOFF: Okay. I appreciate those
21 answers.

22 MR. WAITE: And I think that makes your job
23 a lot easier, Madame Chairman.

24 CHAIRMAN ARANOFF: I hope so.

25 Vice Chairman Pearson.

1 VICE CHAIRMAN PEARSON: I would just
2 observe, Madame Chairman, that some people have much
3 greater confidence in what the Court of Appeals for
4 the Federal Circuit was saying in Bratsk than I've
5 ever managed to have, but I appreciate that
6 elaboration. I have no further questions.

7 CHAIRMAN ARANOFF: Commissioner Lane?

8 COMMISSIONER LANE: No questions, except I
9 am tempted to start talking about leisure suits, is
10 that what you were referring to, and that perhaps the
11 polyester leisure suits people didn't bring to the dry
12 cleaners?

13 MR. DAWSON: That was definitely the case.

14 COMMISSIONER LANE: And let's hope we don't
15 return to that.

16 MR. DAWSON: I saw one last week.

17 COMMISSIONER LANE: Thank you.

18 CHAIRMAN ARANOFF: Commissioner Williamson.

19 COMMISSIONER WILLIAMSON: Thank you, Madame
20 Chairman. I just have a couple of questions. I hope
21 the suit stays in Florida, but Mr. Patel, several
22 times in talking about new production, has always
23 talked about the machinery being moved from one place
24 to another. In fact, he just mentioned that some
25 people were talking about bringing machinery back from

1 China.

2 So this raises the question to me, what's
3 the inventory of wire hanger machinery equipment? I
4 assume that, I don't know if there is just one basic
5 unit or several different basic units, but it seems to
6 me this becomes relevant as to future production and
7 what's likely to happen. Mr. Magnus, could you maybe
8 address that, because you talk about all this
9 machinery that you all have designed or built, so I am
10 wondering, is anybody else building this machinery?

11 MR. MAGNUS: I am not sure if anybody else
12 is building it. I mean, we have machines that we had
13 in another plant. We have machines that we bought
14 from another company that went out of business, and we
15 can build more machines. We design and build all our
16 own equipment, and you know, it's something that you
17 have to have a knack for, and over the years, we've
18 developed a pretty good knack to build real good
19 machinery, and you know, it's something that we have
20 in place, we have ready to put in place, and that we
21 can build.

22 COMMISSIONER WILLIAMSON: You've been to
23 China. Any idea of what percentage of the machinery
24 they are using is machinery that came from the U.S.,
25 or?

1 MR. MAGNUS: The plants I went to were not
2 using machinery from the U.S. There are many other
3 plants. The two respondent plants, I think, have a
4 fair amount of U.S. machinery that went from the U.S.,
5 but the machines I saw were not U.S.-made machines.

6 MR. WAITE: Excuse me, Commissioner
7 Williamson. When Mr. Magnus referred to the two
8 respondent companies, he is referring to the two
9 mandatory respondents in the Commerce Department's
10 phase of the investigation, Shanghai Wells and a group
11 of Shaoxing companies that are not -- neither of them
12 are represented here, and according to the Commerce
13 Department's verification reports, they were using
14 machinery that's more comparable to the kind of
15 machinery that Mr. Magnus was describing that U.S.
16 producers use, than the machinery that he saw in these
17 other companies.

18 COMMISSIONER WILLIAMSON: Because given that
19 we don't know a lot about the Chinese industry and a
20 number of people are not reporting, but it does raise
21 the question of, you know, if the orders go on, what
22 other countries might start shipping to us if the
23 machinery is really coming from a limited number of
24 places, and things like that. And I was just curious
25 whether or not you have any information that might

1 shed light on that.

2 MR. MAGNUS: I do not have any information
3 on that.

4 COMMISSIONER WILLIAMSON: Mr. Patel, any
5 comments on that?

6 MR. PATEL: Sir, what was the question
7 again?

8 COMMISSIONER WILLIAMSON: The question I am
9 getting at is, the machinery to make the hangers.

10 MR. PATEL: Correct.

11 COMMISSIONER WILLIAMSON: You've often
12 mentioned that it's being shipped here or being
13 shipped there.

14 MR. PATEL: Yes.

15 COMMISSIONER WILLIAMSON: And so it came to
16 me, is this a relevant question in terms of where the
17 inventory of unused machinery now, how long it takes
18 to make this stuff, how many people make it, as to
19 what other countries might start shipping to us if the
20 orders go in effect?

21 MR. PATEL: Well, I also design and produce
22 my own machinery --

23 COMMISSIONER WILLIAMSON: Okay.

24 MR. PATEL: -- as well, in house. In the
25 U.S. market, there is no machinery available. I have

1 looked. There is a little bit of machinery available
2 in Texas with the Navisa plant, but I have heard
3 rumors that she, Ms. Lowry, is going to reopen that
4 plant herself, so that machine is off the market.
5 Right now in the U.S. there is no available hanger
6 machinery.

7 There is a couple companies out of Taiwan
8 and China that produce hanger machinery, but it's
9 nothing equivalent to what myself or what Mr. Magnus
10 can produce here with the experience he has and the
11 experience I have. As for the equipment, trying to
12 get it out of China and get it back here and get it
13 operational, I think that's a long-term investment. I
14 don't think it's going to happen anytime soon.

15 I think it's very hard to do that, but if
16 you have the right people and the right engineers, it
17 can be done.

18 COMMISSIONER WILLIAMSON: Is that, would you
19 say the same about shipping it to Thailand or Vietnam
20 or someplace --

21 MR. PATEL: Yeah. I've heard rumors of
22 Vietnam, India, Pakistan, but with those countries,
23 your added costs come in, transportation and, you
24 know, steel and stuff like that, and so I don't know
25 if those are viable countries to manufacture in, but I

1 have heard rumors that Chinese companies will be
2 trying to send their equipment to neighboring
3 countries to start manufacturing.

4 COMMISSIONER WILLIAMSON: But there are some
5 constraints on how quickly people can do this?

6 MR. PATEL: Correct.

7 COMMISSIONER WILLIAMSON: I mean, like how
8 long does it take you to come up with your design, and
9 --

10 MR. PATEL: Well, we have already finished
11 our designs, but usually, from start to finish, R&D,
12 maybe six months to a year if we start scratch. Since
13 I have been doing it for a while, we can probably do
14 things in a couple months, but if you are starting
15 from scratch, it's going to take a while, and even to
16 move equipment, it took me a long time to finally get
17 the Kentucky plant ready and move all the equipment
18 there.

19 You have to consider transportation costs
20 with the way the gas prices are now, and you know, how
21 heavy they are and all those factors of how to get
22 them from one location to another. So I believe, in
23 my opinion, it's going to take a long time to get
24 equipment out of China and into Vietnam or India or
25 something like that.

1 COMMISSIONER WILLIAMSON: Okay, good. It's
2 another area where we have a technological advantage,
3 but okay. Thank you. That helps me get a better
4 understanding of that potential.

5 With that, I have no further questions,
6 Madame Chairman.

7 CHAIRMAN ARANOFF: Commissioner Pinkert?

8 COMMISSIONER PINKERT: Nothing further.
9 Thank you.

10 CHAIRMAN ARANOFF: Are there any further
11 questions from the dais? Okay.

12 Does the staff have questions for this
13 panel?

14 MR. CORKRAN: Douglas Corkran, Office of
15 Investigations. Thank you, Chairman Aranoff. One
16 elaboration for the panel, please. I believe I'm
17 committed to respond to Vice Chairman Pearson's
18 question regarding demand and its relationship with
19 apparent consumption -- sorry about that. Not coming
20 through very well. You had undertaken to respond to
21 Vice Chairman Pearson's question on the relationship
22 between demand and apparent U.S. consumption.

23 If you could please make sure you take into
24 account the additional information that appears on
25 page 2-7, footnote 3, and page iv-14, footnote 10,

1 both of which I think go to the issue that you've been
2 asked to address.

3 MR. WAITE: We will do that, Mr. Corkran.

4 MR. CORKRAN: Staff has no further
5 questions. Thank you.

6 CHAIRMAN ARANOFF: Thank you. Mr. Neeley,
7 do Respondents have any questions for this panel?

8 MR. NEELEY: No, we do not.

9 CHAIRMAN ARANOFF: Thank you. Okay. In
10 that case, I want to thank this morning's panel for
11 all your time and for all of your very helpful answers
12 and for the further information that you will be
13 providing in your post-hearing brief. We appreciate
14 your being here. We are now going to take a lunch
15 break for about 58 minutes, and return here at 1:30.
16 That's right. And I'd like to remind everyone that
17 this room is not secure, so you should take all
18 confidential information with you, as well as any
19 valuables, and we will reconvene at 1:30.

20 Until that time, this hearing will stand in
21 recess.

22 (Whereupon, at 12:32 p.m., a lunch recess
23 was taken.)

24 //

25 //

1 and Ceo of Laidlaw. We are the country's largest
2 supplier of steel garment hangers, and have been
3 active in this business for over 80 years. We source
4 hangers from both China and from a U.S. supplier,
5 Shanti, who you spoke to earlier today, and we are
6 sympathetic to both sides of this issue.

7 As the largest buyer of wire hangers, we
8 have first-hand knowledge of most existing suppliers
9 and many of the emerging producers that are coming
10 into the market.

11 From our perspective, the bottom line of
12 this particular case is that a tariff on China, while
13 it may be deserved by whatever criteria you use, won't
14 cure the problem. The reason is that the tariff
15 increases China's costs, but it does nothing for the
16 other low cost, alternative sources, such as Vietnam
17 and Mexico that are coming out and producing today.

18 Further, these sources are in the process of
19 expanding very rapidly; and as they gain in more and
20 more market share, they'll set the price, and it will
21 have nothing to do with the tariff or China, or even
22 America's costs. We are basically going to see a re-
23 enactment of what we've seen over the last five years,
24 except it will be Vietnam or some other than China
25 doing the importing.

1 Next slide, it has to do with the basic
2 nature of this product in the business. The wire
3 clothing hanger is a simple product designed for a
4 simple task. It is the absolute cheapest way to hold
5 an article of clothing going through a dry cleaning or
6 laundry establishment.

7 A hanger is simply a bent piece of wire,
8 coated to resist rusting, that comes in a variety of
9 standard weights, shapes and colors. There's only
10 seven shapes that account for more than 60 percent of
11 all the hangers shipped in the world.

12 Regardless of source, U.S., China, Mexico,
13 Vietnam, Taiwan, Korea -- all properly made hangers
14 are interchangeable. Everyone agrees in this room;
15 and that is, it is a commodity product that is sold
16 overwhelmingly on price. Historic industry sales
17 margin in our business is somewhere between 10 and 14
18 percent; and we have many, many customers that will
19 switch suppliers to save one or two percent on cost.

20 At all levels, whether its distributors,
21 factories, or countries or origin, competition is
22 determined by cost position.

23 Next slide, contrary to what you've heard
24 earlier, production technology is essentially the
25 same. On the left is a China factory. On the right

1 is an American factory. They use the same bending
2 machines. They use the same wire spools. The people
3 do the same thing.

4 The only difference between China and the
5 United States is, there are some peripheral activities
6 that are cheaper to do in China, because labor is
7 cheaper. The United States is mechanized, because
8 labor is more expensive. The bottom line is, the
9 production structure is identical.

10 Wire forming machines weigh 1,200 pounds.
11 They cost less than \$1,500, and can produce \$8 million
12 hangers each. They are the equivalent of an
13 industrial sewing machine. They are easy to move.
14 All you have to do is plug them into a wall and they
15 start working.

16 The equipment used in the United States is
17 identical to that used in China, Mexico, and any other
18 country. Also, there are few economies of scale,
19 because most of the cost is variable. It's either
20 labor or steel. Large factories are not appreciably
21 cheaper or less expensive to operate than small
22 factories.

23 The only significant cost differences are a
24 result of three items: steel cost, labor cost, and
25 the cost of freight from the factory to the end user

1 in the United States.

2 Next slide, in the matter of factory costs,
3 the United States is much, much higher than other
4 countries. The U.S. cost of steel and labor is
5 significantly higher, overwhelming any advantage it
6 has in freight cost.

7 This chart shows the factory costs required
8 to manufacture a single 500 unit carton of 1316 latex
9 hangers, which is the largest volume skew in the
10 industry, and to deliver it to a customer of Chicago,
11 sort of the mid-point of the country. It consists of
12 38.6 pounds of steel. It requires 22 minutes of
13 labor, and is shipped in a container that has 1,250
14 boxes.

15 What you can see here is that when you take
16 these costs and put them by the standard labor costs -
17 - for example, the United States is \$13 an hour; China
18 is something like \$1.20 an hour -- the United States
19 is much higher than any of the countries on this list.

20 To give a concrete example, earlier, one of
21 you asked, what is the cost of steel raw, relative to
22 the United States? The other side was unable to quote
23 you a number. I buy steel every day. I buy it in the
24 United States. I buy it in China. I know daily what
25 the rights are, and they're all published rates.

1 The cost of steel in the United State, steel
2 rod, Midwest today, is \$1,240 a ton delivered. So for
3 our Monticello plant, which is run by Shanti, if we
4 want to buy a ton of rod, it costs us \$1,240 to
5 deliver it.

6 That same ton of rod, delivered to a factory
7 in China today, is \$790. That comes out to an \$8.85
8 difference per carton; or using the per-1,000 measure
9 that we're using for most of our comparison here, \$17
10 a thousand. Other than a protective tariff, there's
11 no way the United States will be competitive with any
12 of these countries, simply because of steel costs.

13 U.S. costs are much higher, in addition, for
14 labor. We pay \$13 an hour for labor in the United
15 States. The average price is somewhere between \$.80
16 in Vietnam and \$2 in China. Mexico rates are \$2.80 to
17 \$3.80. These are the actual prices paid for labor.
18 The United States, no matter how efficient it is, will
19 not be able to overcome that difference.

20 China is not the only country with low
21 factory costs. Everyone on this list has lower
22 factory costs for the product that we just described;
23 and all of these costs are significantly lower than
24 the United States.

25 Now it can be argued that this is a

1 theoretical argument. So let's look at the actual
2 costs of containers that have come into the United
3 States in the last six months, carrying hangers from
4 these countries.

5 Next page, what this is, it is a comparison
6 of the production costs of a U.S. plant to the CIF
7 values of containers, arriving from other countries
8 carrying hangers. Forty-six dollars is the cost of
9 producing hangers in the United States for us today.
10 It could be higher for some factors. It could be a
11 little bit lower. But it's well in excess of \$40 in
12 all cases.

13 The chart compares Laidlaw's current
14 domestic cost to the CIF value reported for 2008
15 imports for imports from China, Mexico, Vietnam, and
16 Korea. This CIF value here includes factory costs,
17 insurance, freight expense to the U.S. port of entry.
18 The U.S. factory cost includes Laidlaw's average cost
19 of production, plus the cost of shipping it from the
20 factory to a customer.

21 If you compare the \$46 U.S. cost to China's
22 cost, you see there's a 22 percent difference. The
23 actual cost of China product coming into the United
24 States is \$35.79. However, the low cost producer in
25 the world today is Mexico. Mexico's cost is \$35.07,

1 or 24 percent less than the United States.

2 Vietnam and Korea, although they have low
3 volumes today, are equally low in their cost. This is
4 a business where a few percentage points makes the
5 difference between selling and not selling. The U.S.
6 is at least 15 points higher than every importing
7 country in the world, and is completely uncompetitive
8 because of that.

9 Next page, what's being proposed here is to
10 put a tariff on one of these countries, and purpose
11 that this is going to solve America's problems. The
12 current 47 percent tariff increases China's affected
13 cost at the port to \$51.90. This raises China to 13
14 percent above the U.S. cost. So naturally, the U.S.
15 will be making money, as long as China sets the price.

16 The tariff has destroyed China's only
17 strength, which is low cost, and is decimating Chinese
18 factories. If you look at the two months after the
19 tariff, compared to the same two months in the prior
20 year, China imports are down by 16 percent.

21 The tariff, however, does nothing to improve
22 U.S. positive position, relative to the world's lowest
23 cost producer, Mexico, or any of the other importing
24 countries. In theory, a tariff places a large burden
25 on U.S. consumers, \$40 million in tariff, in order to

1 recreate permanent U.S. American manufacturing jobs.

2 This can only occur if China's losses are
3 captured by U.S. producers. If the volume simply
4 moves from one country to the next, no benefit is
5 arrived at.

6 It's easy, but we can see what's happened so far.

7 Next slide, the tariff is put into place
8 March 25th. So we only have really two months of
9 data, April and May of this year. High tariff-induced
10 market prices have created huge profit margins for all
11 non-subject producers. Their costs are the same as
12 China's, and they don't have to pay their 50 percent
13 margin.

14 Margins increased from the industry average
15 of 12 percent, to well over 30 percent in the space of
16 a day, when this body put out a preliminary tariff on
17 March 25th. Because of the tariff, every container
18 arriving from non-subject locations has \$10,000
19 greater margin before, up from \$3,000 prior to the
20 tariff.

21 Not surprisingly, in the two months
22 following the imposition of the tariff, Mexican
23 imports grew by 50 percent over the same period in
24 prior year. This is compared to China's drop of 16
25 percent for the same two months.

1 Given the rich rewards of expanded
2 production, Mexico's growth will continue unabated, as
3 long as prices stay artificially high. As Milton
4 Magnus has already told you, he's busy adding capacity
5 as fast as he can.

6 Mexico is the bigger of those two plants.

7 This isn't restricted to U.S. producers.
8 Hanger factories are migrating out of China. They're
9 moving to greener pastures. Andrew is the China
10 factory that drew the highest tariff, 60 percent.
11 When they learned about their tariff on March 25th,
12 they immediately shut down their China factory.

13 On July 15th, Andrew's new Vietnam factory
14 opened for business and is taking orders. Within the
15 space of 90 days, the world's largest hanger factory
16 moved production from China to Vietnam. This may be
17 the only case that you see where the respondents
18 changed countries before you had a chance to give the
19 final tariff.

20 They used China steel and Vietnam labor to
21 produce hangers at a cost much lower than anything in
22 the United States can hope for; and they can charge
23 prices that are determined by dumping margins. They
24 are hugely, hugely profitable today, because of that.

25 In China, Andrew accounted for over 25

1 percent of industry production. With Vietnam costs
2 and the help from the U.S. tariff, they expect to do
3 even better in the future.

4 Next slide, M&B has testified how easy it is
5 to expand production, doubling or tripling capacity in
6 a matter of a few months. Here are what other
7 countries and other factories are doing today. At
8 least five countries have new factories in operation
9 or under construction today. All of these factories
10 expect to be in production before the end of this
11 year, and all will be lower than any domestic producer
12 in the United States.

13 Vietnam has two new factories in operation
14 today, and we'll talk about length about the bigger of
15 the two. Containers from Taiwan's new factory are on
16 the water for delivery in the next couple of weeks.
17 Korea is shipping at low volumes today, but expects to
18 increase soon.

19 Russia is moving equipment that they
20 purchased in the United States from Shanti to a new
21 factory in the Urals. Pakistani investors are busy
22 shopping for equipment to ship to Pakistan.
23 Obviously, this industry is unique in the ease and
24 speed of moving production, that is happening very
25 quickly as we speak.

1 So, in conclusion, the main point of this
2 is, the U.S. is not competitive in hanger production
3 for cost reasons: high steel, high labor, high
4 operating costs. China is only one of many countries
5 with lower costs in the United States.

6 A China tariff simply shifts production to
7 other countries with little benefit to the U.S.
8 producers; and this shift is happening very, very
9 rapidly. Mexico happened immediately. Vietnam
10 happened within 90 days. Taiwan is going to happen
11 within 120 days.

12 After a short adjustment period, U.S. hanger
13 production jobs will disappear, as Vietnam, Taiwan,
14 Korea, et cetera, replace China as a source of hangers
15 for the U.S. market.

16 Next slide, so the conclusion here, at least
17 from Laidlaw's standpoint is, the hanger industry may
18 be unique in the simplicity of its product and ease of
19 moving production to new, lower countries. An anti-
20 dumping tariff on Chinese imports cannot make domestic
21 producers competitive, even in their own home market.
22 They are just too many other low cost people willing
23 to ship.

24 As long as steel in the United States is \$15
25 a box more than anybody else, they're not going to be

1 competitive; thank you.

2 MR. NEELEY: Mr. Goldman?

3 MR. GOLDMAN: Good afternoon, my name is
4 Joel Goldman. I'm the Executive Vice President of
5 United Wire Corporation, Hasbrouck Heights, New
6 Jersey.

7 United Wire Hanger is a family owned
8 business that is owned by both my brother Larry and
9 myself. I'm a certified public accountant, and have
10 been in the wire hanger business since March 1962. I
11 believe that I understand the economics of making wire
12 hangers, and understand what it takes to compete.

13 I want to discuss how the economics of this
14 industry have evolved, and why I've concluded that the
15 condition of this U.S. industry has nothing to do with
16 so-called dumped Chinese imports.

17 United Wire Hanger manufactured wire hangers
18 in New Jersey for almost 45 years, from March 1962 to
19 June of 2002. At the time the Commission conducted
20 its Section 421 investigation, which covered the
21 investigation period of 1997 through September 2002,
22 the economics of the industry already had changed.

23 In the year 2002, M&B became the first U.S.
24 company to start production in another country, and to
25 recognize that the cost structure of U.S.

1 manufacturing made continued production of commodity
2 wire hangers in the U.S. uncompetitive.

3 At the time of the filing of the Section 421
4 case, China had begun to penetrate the U.S. market.
5 United Wire Hangers supported the Section 421 case
6 against China. At that time, we erroneously believed
7 that if we could stop the imports from China, the U.S.
8 industry could be saved.

9 In hindsight, our blaming the profitability
10 problems in the U.S. industry was too simplistic.
11 China was not the cause of the problems, but simply a
12 symptom of a different problem: the high cost of
13 producing wire hangers in the United States.

14 At that time, we already saw the much lower
15 prices than M&B had for manufacturing in Mexico, and
16 felt we could live with Mexico in the market if
17 Chinese imports were limited. What we failed to
18 recognize at that time was that there are many other
19 countries which also can produce wire hangers much
20 cheaper than they can be produced in the United
21 States.

22 This is the real problem for the U.S.
23 industry, not Chinese imports. Buyers now know that
24 the hangers can be produced in many low cost
25 countries, and this helps to keep the prices down.

1 The President, as we know, refused to
2 provide relief under Section 421. As specifically
3 stated, that relief would be of no benefit to the U.S.
4 industry, because producers simply would shift to
5 other low cost countries.

6 At United Wire Hanger, we considered that
7 finding carefully, and concluded that the President
8 was correct. I must say that we came to this
9 conclusion reluctantly, since we felt an obligation to
10 our many employees. But the reality was and is that
11 if Chinese imports are not the problem, then the
12 solution will not be linked to imposing high tariffs
13 or quotas on China.

14 So by 2004, United Wire Hanger decided that
15 the company's future was with importation, and not
16 with U.S. production. We didn't shut down production
17 immediately, since that would have been too hard on
18 our many employees. Instead, over a two year period,
19 and at a very, very great expense to my family, we
20 phased out our production. We have provided our loss
21 figures to the Commission in confidence bearing this
22 truth.

23 You can see that if we had simply shut the
24 doors on U.S. production sooner, the cost to my family
25 would have been substantially less. But we thought we

1 did the right thing.

2 We began our shutdown of U.S. production in
3 2005, and completed it by the middle of 2006. During
4 the entire period of investigation being examined by
5 the Commission, our company stayed in business only
6 because of imports. The days of United Wire Hanger as
7 a domestic producer were over during the investigative
8 period examined in this case.

9 Our company, M&B, and virtually every other
10 member of our small industry has recognized the same
11 thing. Wire hangers are simple to produce and
12 production can be moved easily to other countries.

13 I know the competitive problems of the U.S.
14 industry, because I was a manufacturer for so many
15 years. The major cost problems are the cost wire rod
16 and labor in the United States.

17 Our company was, for many years, a member of
18 the American Wire Producers Association, AWP, which
19 Mr. Waite represents. I've kept up with developments
20 in the industry since we've stopped U.S. production.

21 As Mr. Waite testified before the Commission
22 in the recent sunset reviews, the U.S. consumers of
23 wire rod, such as M&B, face steep rising costs in the
24 allocations of wire rod. Wire rod costs from
25 companies such as M&B, as shown in the Commission's

1 recent report on wire rod, are still higher than wire
2 rod prices in most other countries.

3 Due to consolidations in the wire rod
4 industry, there are fewer suppliers controlling the
5 wire rod production in the United States. Wire rod
6 prices are also kept high because of the antidumping
7 orders. The victims of these policies are companies
8 such as M&B and other members of the AWPA.

9 These high costs will continue to drive
10 production of wire hangers overseas, due to the ease
11 of shifting production. This is the problem of the
12 U.S. wire hanger industry; not unfair prices from
13 China. Thank you for your attention. I'll be happy
14 to answer any questions that you may have.

15 MR. NEELEY: Mr. Slezak, please?

16 MR. SLEZAK: Good afternoon, my name is
17 Walder Slezak. I'm the General Manager for United
18 Wire Hanger Corporation, and I'm a mechanical
19 engineer. I started with United Wire Hanger in 1991
20 as a plant engineer. In 1998, I became the plant
21 manager, and remained in that position until closing
22 of the production facility in 2006.

23 In 2007, United Wire Hanger sold its
24 production equipment to a Chinese company. It was my
25 responsibility to supervise the tear down and

1 transport of the production equipment from our New
2 Jersey facility.

3 As a part of sale, I also traveled to China
4 to supervise set up and installation of this
5 equipment. Shifting production facility is an easy
6 procedure. All the equipment has small footprints,
7 and are easily loaded and shipped in containers.

8 Just as an example, we were able to tear
9 down and disassemble 140 pieces of production
10 equipment, and have them on the water ready to ship
11 within four days. I set up the equipment, and the
12 Chinese company was able to begin full operation and
13 start shipping merchandise within two and-a-half
14 months from the time that the container was unloaded.

15 The equipment requires no specialized
16 training, and a person with no experience can be
17 trained to work on this equipment in a matter of
18 hours. In fact, the most complicated elements in
19 setting up this equipment in China was converting the
20 production equipment to match Chinese electrical
21 voltage rates.

22 Now that the voltage has been changed,
23 however, it even easier to move the production
24 facility to another country such as Vietnam. Since
25 the preliminary termination, we already have seen a

1 shifting in production away from China to other
2 countries such as Vietnam.

3 This month, I visited the Chinese factory
4 that has been up until May of this year. It did not
5 even exist. This Vietnam factory was set up and it
6 was ready for production in less than two months.
7 This facility has estimated production capacity of 60
8 containers a month. On the basis of my experience, it
9 has space to increase this capacity by another minimum
10 40 percent.

11 The factory has a fully integrated wire
12 drawing facility, which imports its steel wire rod
13 from China, from the following portals. You can see
14 the production facility and equipment.

15 This one shows the entrance to the
16 Vietnamese factory. It's located in Hi Fong, about
17 100 kilometers from Hanoi, the capital of Vietnam.

18 Next please: This is the office facility.
19 They have like four office spaces. They have
20 Chinese/Vietnamese interpreters and one English
21 speaking person.

22 Next please: This shows the left side of the
23 warehouse. It belongs to the factory. Next, this is
24 the other side of the warehouse. Both the warehouse
25 and the office space probably occupy about 150,000

1 square feet.

2 Next please: This shows the rod coming from
3 China on the storage area. Next, there are four wire
4 drawing machines, in which draw in the final size of
5 wire for the usage in Vietnam.

6 This warehouse is showing hanger forming
7 machines. There are about 60 machines altogether.
8 Here's another view of it. Next please: This a
9 close-up of the same machines.

10 This is the warehouse section, where they
11 store material: the -- runs into the paint, and the
12 boxes containing the powders for powder coating
13 operation.

14 Next, this shows the powder coating booths
15 in the different sections of the warehouse. Next,
16 this is a close-up to the same equipment. This
17 picture shows the paint curing ovens.

18 Next, this is a close-up of the big oven.
19 This picture shows the section of tube winding
20 operation. They wind their own tubes in Vietnam.
21 This is a close-up of the winding machine. This
22 machine is the tube latex line.

23 This machine is a struts assembly machine,
24 which assembles the wire part of the hanger with the
25 tubes underneath. This is the general view of the

1 same equipment; thank you very much.

2 MR. NEELEY: Okay, now we'll turn to Mr.
3 Freed, please.

4 MR. FREED: Good afternoon, I am Jon Freed
5 of Trade Pacific, here with my colleague Cathie Tak,
6 as counsel of behalf of Fabricare Choice Distributors
7 Group.

8 Fabricare Choice is a buyers group of
9 distributors of dry cleaning and industry laundry
10 supplies. In total, the members of Fabricare Choice
11 operate in 44 locations, located all across the
12 country.

13 Fabricare Choice knows full well that wire
14 hangers are not currently available in meaningful
15 quantities from domestic sources; and that they will
16 not, in the long term, be a significant source for
17 wire hangers, regardless of the outcome of this
18 investigation.

19 My statement will be brief, as I do not need
20 to reiterate the testimony of Mr. Goldman, Mr.
21 Schultz, and Mr. Slezak. The testimony they spoke to
22 addressed many of the issues and concerns raised in
23 the brief filed by Fabricare Choice. However, I would
24 like to quickly direct focus to a couple of issues
25 raised in our brief.

1 Our brief included any analysis of strut
2 hanger and industrial hanger prices. Neither of those
3 hanger types were being imported in significant
4 quantities during the 421 case.

5 By Petitioner's own admission, latex hangers
6 from China only recently began competing in the U.S.
7 market. As mentioned by a witness this morning, latex
8 hangers account for approximately half of the U.S.
9 hanger market.

10 So one of the points that we are making is
11 that much of the injury described by Petitioners in
12 plant closings and job losses cannot be attributed to
13 Chinese imports of latex hangers. Considering that
14 latex hangers comprise half of the market, it's just a
15 substantial portion of the market that Chinese imports
16 is not contributing to the injury in the domestic
17 injury.

18 The invoices we submitted also serve a
19 second point to demonstrate that prior to the
20 availability of latex hangers from China, the price
21 had been drive down to a significantly low point.

22 The same story is told by an examination of
23 the prices for strut that we put on, that demonstrate
24 that initially, the imported strut hangers were
25 overselling domestically sourced hangers; and that

1 domestic competition and competition with imports from
2 Mexico had driven the price for struts down to a very
3 low point.

4 The second issue that I would like to
5 address relates to the non-subject imports. Mr. Waite
6 characterized our factual submissions and arguments as
7 speculation that Respondents may raise often in
8 antidumping investigations.

9 However, this is a unique case; so unique,
10 as we've heard from Mr. Slezak, that the production
11 capacity has already moved to Vietnam. It's no longer
12 speculation that companies in China or wherever will
13 establish production facilities in countries that can
14 produce wire hangers at a lower cost than they can be
15 produced in the U.S.

16 It seems to me that the fact that a Chinese
17 producer, and one that is a mandatory Respondent in
18 the investigation, it's particularly relevant that
19 they are the ones that have moved to Vietnam.

20 It seems when you conduct your replacement
21 benefit test, that that's really a clear indication
22 that non-subject imports will replace subject imports.
23 Here, a mandatory Respondent in the investigation has
24 already positioned himself to replace his subject
25 imports with non-subject imports; thank you.

1 MR. NEELEY: The group from Willert will go
2 next.

3 MS. SCHWESIG: Good afternoon, my name is
4 Jennifer Schwesig. I'm here with Steptoe & Johnson,
5 and I'm with the law firm of Armstrong Teasdale. We
6 represent Willert Home Products and Willert Home
7 Products (Shanghai).

8 We are here today with Brian Warner, who is
9 the CFO of Willert Home Products. We are here to
10 discuss the product that Willert Home Products makes,
11 which is a very different product than the hangers
12 we've been discussing in this room today; entirely
13 different, in fact. It's a vinyl coated hanger.

14 Brian will discuss in detail the
15 distinctions between Willert's hangers and the dry
16 cleaning and industrial hangers we've been talking
17 about, thus far.

18 But I do want, at the outset, to distinguish
19 the fact that Willert's products, in the prehearing
20 report, are referred to as Type 2 wire hangers; not
21 Type 1 wire hangers. Willert does not import or deal
22 with Type 1 wire hangers, and is only requesting a
23 separate like product for Type 2; Brian?

24 MR. WARNER: Thank you, Jennifer; as
25 Jennifer said, I'm Brian Warner, the CFO with Willert

1 Home Products. I've had that role for 20 years. I
2 would like to say that Bill Willert would like to have
3 been here. However, he had Grand Jury duty, so he
4 couldn't make.

5 Willert is a privately owned company, based
6 in St. Louis. It's been around for 65 years. We have
7 five manufacturing locations: two in Shanghai, three
8 here in the United States.

9 We manufacture a wide variety of household
10 products. We're the largest manufacturer of moth
11 preventives in the United States, the largest
12 manufacturer of toilet bowl deodorizers in the world.
13 We are the largest manufacturer of fly swatters and a
14 whole host of other products.

15 We sell to the retail market. Our customers
16 are all the mass merchandisers, supermarkets, drug
17 chains, dollar stores, and hardware stores in the
18 United States, as well as 40 countries around the
19 world.

20 As a part of those household lines we sell a
21 line of wire hangers. I'd like to draw a distinction
22 between our hangers and the rest of what I'll call the
23 commercial hanger products. Our hangers are sold in
24 the U.S., Mexico, and the Caribbean.

25 Willert came to the hanger business in 2006

1 by acquiring assets from a certain manufacturer of
2 hangers. Those assets were located in Mexico. We
3 moved them to China for cost purposes. The hangers
4 that we manufacture are entirely dipped in vinyl,
5 through a process that's a little bit unique to other
6 types of products that we're discussing today.

7 I'd like to add that as part of our
8 transaction with this hanger company, we entered into
9 a non-compete agreement on commercial hangers. We had
10 no problem doing that. It's not a market we ever
11 wanted to be in, and it's a totally different
12 distribution channel than the ones that we use.

13 Willert views our competitors as the people
14 that make plastic hangers, wooden hangers, crystal
15 acrylic type hangers, as well. I've brought samples
16 of our hangers, and I'd be happy to show them to you
17 in detail. I know that Mr. Magnus whipped up a hanger
18 earlier and said, oh, they're all the same.

19 Well, at retail, they're not all the same.
20 We make a variety of different colors, different
21 shaped hangers. These are for children, versus
22 commercial suit hangers.

23 They also come in different gauges for coats
24 or whatever people want to use them for. So that's
25 what we've really focused our efforts on; and we've

1 felt like, I think we're getting grouped into this
2 category unfairly.

3 Our hangers are quite a bit different in
4 several ways. First, they are dipped in plastic,
5 cured, turned over and dipped again, so that we can
6 coat the entire hanger. The purpose for that is to
7 keep it from rusting.

8 Unlike commercial hangers, if they get wet,
9 they will rust. Our hangers are meant for a longer
10 term solution to people's needs; not for a short term
11 solution, which is transporting their clothes back to
12 their house, and from their perspective, hanging them.

13 People don't throw our hangers away. They
14 reuse them. They are sold in retail packages, which
15 means that they have UPC bar codes somewhere on the
16 package, and they are bundled in packages of 15 or
17 less, depending on what our customers would like.

18 We do manufacture these hangers to our
19 customers' requirements, which are a little bit more
20 rigorous, I think, than commercial hangers. They have
21 certain weight tests that they want conducted
22 periodically, to make sure that it's a quality
23 product, and they use an independent testing lab to
24 conduct those tests, as well as to make sure that
25 they're entirely coated in plastic.

1 We don't compete and use any of the products
2 that are used in the commercial hanger industry, and
3 we don't feel like our products are interchangeable.
4 I think that's what someone earlier had alluded to.

5 I'd also like to add that none of their
6 packages are sold at retail. As far as I know, the
7 only person here who does sell at retail is Willert
8 Home Products.

9 Now I would like spend just a minute
10 distinguishing between Type 1 and Type 2 hangers. I
11 have some Type 1 hangers with me, also.

12 We don't make these hangers, and we don't
13 believe that they are a very good solution for our
14 customers or the end consumer, because they have, as I
15 think Fred described earlier, open ends and they will
16 rust. Our customers are using our hangers to hang
17 their wet clothing that they don't want to put in the
18 dryer. So rust is kind of negative, when it comes to
19 your clothing. You're welcome to look at those, as
20 well.

21 As a result of their tariff classification,
22 Willert feels we are improperly included within the
23 scope of the Department of Commerce's investigation on
24 steel wire hangers; and we are asking for a separate
25 like product determination.

1 Willert did not make an initial submission
2 to the Commission, because, quite frankly, we felt we
3 were a separate like product; apparently not. Willert
4 did submit a scope clarification request to the
5 Department of Commerce, and we're waiting to hear on
6 that.

7 So in summary, what we'd like is that
8 separate like product determination; and that's what
9 we hope for, from the Commission. I'd be happy to
10 answer any questions.

11 MS. SCHWESIG: Just kind of to sum up here,
12 Willert is in a position right now where they're out
13 of this business, because of the fact that the scope
14 is broad enough to include them. They did not
15 initially participate in this proceeding, because they
16 felt they were selling a retail hanger.

17 They felt their competitors were, as Brian
18 stated earlier, the wooden hangers, crystal hangers.
19 They have nothing to do with the dry cleaning or with
20 any other of the industries mentioned today, uniform
21 or otherwise.

22 Because of these facts, we feel there is no
23 way that Willert can be causing material injury, and
24 by Petitioner's own admission earlier today in these
25 hearings and comments made to the Department of

1 Commerce, we are not a competitor to any of the other
2 products that are out there, mentioned today.

3 In this regard, we cannot cause any of the
4 injuries that have been set forth today as potentially
5 occurring in this industry, due to the fact that
6 Willert sells entirely to retail customers.

7 It does not have the same purchasers within
8 those retail customers; and there's no loss of
9 profitability or employment because of Willert's
10 hangers. In fact, I don't think there's been an
11 accusation here that we've caused a material injury.

12 Willert's hangers are sold at a much higher
13 price point than the other hangers that we're
14 discussing. Clearly, price sensitivity is a very
15 narrow field here, and something that, because of the
16 double-dipping process that Brian discussed earlier,
17 it is a very, very labor intensive process that
18 involves taking the hangers, dipping them one
19 direction, taking them by hand off to dry, and then
20 re-attaching the hangers, dipping the other end to
21 result in the entire coating of the hanger. That adds
22 almost, I believe, 50 percent of the cost of this
23 additional cost of this hanger.

24 So that process, which is customer directed
25 -- in fact, they will not purchase these hangers if

1 it's going to rust the clothes or otherwise snag them
2 because of exposed metal ends -- ends up in another
3 very important distinction.

4 So I would just conclude here to say that
5 Willert is a smaller company. They've kind of been
6 absorbed in a big rush of water downstream, where they
7 really don't belong in this.

8 So we would ask that the Type 2 hangers only
9 which are, I believe, only exclusively produced by
10 Willert, be excluded as a separate like product; thank
11 you.

12 MR. NEELEY: The Korean dry cleaners have
13 asked to go next.

14 MR. CHOE: Good afternoon, my name is Paul
15 Choe, and I am from the Federation of Korean Dry
16 Cleaners Association. I'm still very opposed to the
17 heavy tariff on clothes hangers that are being
18 imported from certain countries.

19 I believe you may already know why I am
20 opposed to tariff. But to clarify my standpoint, this
21 is the wrong time to impose this sort of tariff.

22 This import tariff will not help to
23 contribute to our current government's economic
24 policy. The Federal market committee and the Federal
25 Government already tried using their -- policy and

1 their fiscal policy. In the last six months,
2 unemployment numbers have increased to 438,000. In
3 June 2008 alone, the number reached a staggering
4 62,000, just in one month.

5 An unemployment rate do not stop increasing.
6 It is at 5.5 percent now, and it is projected to reach
7 six percent by the end of 2008. By the end of 2009,
8 the rate is expected to be 6.5 percent.

9 This is a horrible statistic, and it's not
10 just a number. It's parents out of work, unable to
11 provide for their families.

12 The heavy tariffs on clothes hangers will
13 greatly damage the small businesses like ours,
14 depriving owners of necessary profit, and making it
15 impossible to continue their businesses.

16 There are approximately 250,000 employees,
17 working at the dry cleaning business at this moment.
18 By the end of the year, the number will decrease to
19 175,000, once you considering imposing this poorly
20 timed tariff; thank you.

21 MR. LIM: Thank you, members of the
22 Commission. I also want to thank Senator John Kerry,
23 Congressman Michael Honda (phonetic), and their
24 counsellors, for supporting our members in this
25 serious problem.

1 I'm Lawrence Lim with the Federal of Korean
2 Dry Cleaners Association (KDA), and I'm currently
3 serving as the Vice President. I'm also the owner of
4 the a cleaning plant in Corcorde, California.

5 KDA currently is made of up 34 regional
6 associations. It has 7,000 registered members and
7 additionally 13,000 unregistered members, with a total
8 of 20,000 memberships throughout the country. I'm
9 taking this opportunity to speak on behalf of our
10 members.

11 The 2002 Census data reports approximately
12 27,000 dry cleaners in operation. But KDA's internal
13 data shows the number to be close to 48,000.

14 Most of the current data has been reported
15 in 2003 -- the California Resource Report. I have
16 used this report as the basis for this discussion.

17 According to the report in 2003, 5,040 dry
18 cleaners are in operation in California, which
19 represents roughly 20 percent of cleaners in the
20 United States. Dry cleaners are classified as small
21 businesses, and normally employ less than five
22 employees per business. More than half of them hire
23 less than two employees, and only 16 percent hire more
24 than five full-time employees.

25 The majority of dry cleaners in California

1 are mom and pop operations, run by a husband and wife,
2 along with one or two employees. Out of the 5,040 dry
3 cleaners in California, only five percent generated
4 annual gross sales of more than half a million.

5 Fifty-five percent earn between \$100,000 and
6 \$500,000; and 40 percent earn less than \$100,000. The
7 CUB report does not reflect that many small business
8 owners work at least 60 hours per week or more.
9 Supply expenses currently take eight to eleven percent
10 of gross sales for most dry cleaners.

11 Prior to an antidumping decision, supply
12 costs for purchasing hangers was about 1.4 percent of
13 gross sales. But now that same expense has increased
14 to approximately 2.2 percent. This translates into
15 roughly \$300 or more each month in purchasing hangers,
16 critical supply items for dry cleaners. This is all
17 the more reason why many dry cleaners are having a
18 hard time keeping up with additional supply expenses.
19 For most dry cleaners, gross sales have not increased
20 to keep up with the current inflation rate, higher
21 operational costs, and increased employee wages.

22 These mom and pop store also resist raising
23 prices in fear of losing long-time customers and
24 turning away new ones. In the end, these small
25 business owners carry the burden of absorbing

1 additional increases in expenses. This, in turn,
2 negatively affects the overall profit and survival of
3 the business.

4 Based on January 2007 pricing, one box of
5 hangers from China, regardless of type, cost \$20. The
6 same type and quantity of hangers from U.S.
7 manufacturers cost about \$32. As of July 2008, the
8 average price of one box of hangers cost \$45 or more;
9 almost double the price of the previous year.

10 The decision made by the U.S. Department of
11 Commerce to pass and impose antidumping regulations
12 against the hanger manufacturers in China will lead
13 above to the price recently and also cause shortages.

14 The shortage of hanger supplies being made
15 in China has caused tension among hanger suppliers,
16 and has driven up the price beyond what is reasonable
17 and fair market prices, if we can even get the hangers
18 at all.

19 Considering the fact that many small dry
20 cleaners make less than \$100,000 annually in gross
21 sales, additionally \$100 to \$200 increase in supply
22 expense would impact the bottom line for many of these
23 businesses that are already tittering on the edge,
24 with about 27,000 dry cleaners in the U.S., that are
25 hiring anywhere from two employees per each

1 establishment.

2 There is no supporting data by the Federal
3 Government. But based on the industry average,
4 roughly 54,000 workers' livelihoods are at stake.

5 Of added importance, the owner and his wife
6 typically operate many Korean dry cleaners. The
7 previous number would jump up to 180,000. These are
8 the very people who make up FKDA.

9 However, the government is favoring toward
10 protecting not even thousands; but far less at the
11 expense of 180,000 workers or more. I find this logic
12 hard to understand and follow.

13 I understand and sympathize with the
14 government's effort to protect the business at home.
15 However, I also ask that a more balanced approach has
16 to be made to protect the majority, and not the
17 interest of the minority.

18 In an effort to avoid the antidumping order,
19 many Chinese hanger manufacturers will move to a
20 different country to avoid the problem. They will
21 out-source operations to other developing nations,
22 where wages and labor costs are even lower than China.

23 Despite the government's intention and
24 goals, the regulation, in fact, should they enforce in
25 many small business in the dry cleaning industry, will

1 cause them to incur additional expenses in tougher
2 economic times, while benefitting those who should not
3 be benefitting.

4 By trying to protect these few, the
5 government has now created a situation where many are
6 being hurt and negatively impacted. Antidumping
7 regulations against the Chinese made hangers needs to
8 have a close look on what the real problems of the
9 U.S. industry are.

10 There should be a realistic, economical
11 decision that will benefit many, not just a few.
12 Please review and reconsider your decision with the
13 additional information that I provide today. Your
14 decision will have a tremendous impact for thousands
15 of dry cleaners and their livelihoods; thank you so
16 much.

17 MR. CHO: Good afternoon, my name is Dale
18 Cho. I'm the Executive Director of the Korean
19 American Dry Cleaners Association of Greater
20 Washington, which represents over 2,000 dry cleaners
21 in the Greater Washington area, including Maryland and
22 Virginia.

23 I'm also a member of the Mid-Atlantic
24 Association of Dry Cleaners, and also the Dry Cleaning
25 and Laundry Institute. I currently own and operate a

Heritage Reporting Corporation
(202) 628-4888

1 dry cleaning store on U Street, Washington, D.C.

2 I thank you for the opportunity to testify
3 in this important hearing regarding the tariff imposed
4 on imported hangers from China. I and my fellow
5 association members are strongly opposed to the tariff
6 imposed on Chinese made hangers for the following
7 reasons.

8 This tariff is putting a greater burden to
9 dry cleaners, who are the biggest buyer and consumer
10 of wire hangers. With the tremendous cost increase of
11 running business, due to higher energy costs, now we
12 have to deal with higher supply costs, which makes it
13 harder for us to survive in this recession.

14 For example, our costs of energy almost
15 doubled for the last two years. The hangers and other
16 supplies that we use now cost 70 to 90 percent more
17 than six months ago. If this trend continues, we are
18 afraid that a greater number of dry cleaners will be
19 out of business, unless we lower the costs of running
20 the business.

21 In my own cleaner, I have personally
22 experienced this burden. My utility bill is about
23 \$2,000 a month, or \$24,000 a year. A few years ago, I
24 used to pay about \$15,000.

25 Six months ago, the supply costs were about

1 \$900 a month. Now it's close to \$1,700 a month. In
2 order to deal with this increase, I had to let go one
3 employee. Now we are down to seven people.

4 I have to work extra hours, and had to
5 increase price to cover the cost of increase. I had
6 to do this twice this year. The customers weren't
7 happy. But in order to survive and be competitive, I
8 had no other choice.

9 This tariff not only impacts Chinese hanger
10 manufacturers and importers; but also all American
11 owned dry cleaners and American consumers, by making
12 it more expensive to clean the clothes. We believe
13 this tariff is not fair, because it only protects and
14 benefits one or very few businesses, such as M&B
15 hanger manufactures. It punishes the 40,000 plus
16 American owned dry cleaners and the American consumers
17 who have to bear this price increase; thank you.

18 CHAIRMAN ARANOFF: Thank you; I'm afraid to
19 say that the time for this panel has expired. I
20 understand that there are at least one, maybe two,
21 witnesses who haven't yet had a chance to testify.
22 About how much time is that?

23 MR. NEELEY: I think, if I may, Madam
24 Chairman, Mr. Vastola, at least, who is not really
25 part of the group that has been testifying of the

1 Korean Dry cleaner, has come from New Jersey. I think
2 his testimony is quite brief. I think it would be
3 helpful if he could at least have his say, since he
4 came down for this. I think it would be very brief.

5 CHAIRMAN ARANOFF: Well, I'm happy to have
6 those who haven't testified yet testify. It's going
7 to come out of my first round of questioning, though.

8 MR. NEELEY: I'm sorry.

9 CHAIRMAN ARANOFF: And I am third in the
10 questioning order. So unless one of my colleagues
11 would like to give their questioning time, we will go
12 to questions first; and then we can complete the
13 testimony when we get to my questioning in about 20
14 minutes.

15 MR. NEELEY: Thank you.

16 CHAIRMAN ARANOFF: Now I understand there
17 are some people who have to leave on airplanes. Is
18 that going to work out? Are the people who haven't
19 testified yet the ones who have planes to catch?

20 MR. LEE: Madam Chairperson, my name is
21 Alfred Lee. I was scheduled to testify on behalf of
22 Mr. Kang and the National Dry Cleaners Institute. Our
23 testimony should be fairly short. It should be
24 roughly about five to ten minutes.

25 CHAIRMAN ARANOFF: All right, well,

1 Commissioner Williamson has graciously agreed, since
2 he's first in the order, to allow you to use his time.
3 So why don't you go ahead and proceed, please?

4 MR. LEE: My name is Alfred Lee. I'm with
5 Johnson Westra Broecker. I'm an attorney. I
6 represent the National Dry Cleaners Institute. And
7 beside me here, I would like to introduce Mr. Kang.
8 Mr. Kang is the founder and executive director of the
9 National Dry Cleaners Institute.

10 NDI, as I'll refer in this presentation, is
11 a non-profit organization with the primary goal of
12 educating and consulting with dry cleaning businesses.
13 It has over 738 members spread throughout a tri-state
14 area: Illinois, Wisconsin, Indiana. Members
15 represent a diverse cross section of America. It is
16 not only Korean Americans, but it is Indian Americans,
17 Asian Americans, Caucasians. It's a wide group, a
18 diverse group.

19 And the reason why NDI started -- next
20 slide, please -- is because Mr. Kang recognized about
21 four or five years ago, especially in Illinois --
22 Illinois is unique because every dry cleaning has to
23 register with Illinois and it's very easy to keep
24 track of the dry cleaning business, as a result. And
25 325 businesses have closed in the past 10 years; 203

1 businesses downsized their operations; and 95
2 businesses are currently considering downsizing their
3 operations -- next slide, please. And the reason for
4 this is because profit margins are thinning. I think
5 as Mr. Dawson, in the Petitioner's testimony,
6 testified to and confirmed that pretty much all the
7 costs of running a dry cleaners have risen and that
8 ranges from anything from an energy cost, employee
9 salaries, environmental cleanup and compliance, and
10 now wire hangers.

11 Now, unlike Mr. Dawson and Mr. Shanti, most
12 of the dry cleaners that NDI represents are average
13 dry cleaners and they are cleaners that cannot afford
14 to absorb these costs. And if you go to the next
15 slide, what we did to quantify this or better present
16 this to the Commission was we propounded a survey and
17 over 445 members responded, kind of highlighting the
18 impact on their families and businesses, and we've
19 marked that as NDI Exhibit No. 1a and 1b and we would
20 like to make that part of the record. Also, 202
21 members responded to a survey, which really shows some
22 hard data as to the impact on their businesses. We
23 actually modified the ITC's questionnaire for these
24 end users. The reason why the regular questionnaire
25 was just a little too complicated for an average dry

1 cleaner, so we tried to make it more accessible to
2 them and 202 members responded to that. And other
3 members are continuing to send in their responses.
4 It's just that questionnaire is pretty detailed and,
5 as a result of the -- actually, of the 202 members,
6 156 members gave us specific data.

7 And on the next slide -- next slide, please
8 -- the average dry cleaners have seen prices of wire
9 hangers double. As you see, there is a shirt hanger,
10 the strut hanger, the pants hanger, or the caped
11 hanger for the coats. And if you go to the next
12 slide, these prices result in loss of critical
13 revenue. As you can see, for shirt hanger, the
14 average expense of \$2,000 per year. It has gone up to
15 almost \$5,000 per year; for a strut hanger, a little
16 over 2,000 to something over 5,000; for a caped
17 hanger, from 3,000 to almost 6,000. Now, the total
18 difference in revenue from 2007 to 2008 for the
19 average dry cleaners is \$8,000. Eight-thousand
20 dollars for an average dry cleaners is a huge amount
21 that cannot simply be absorbed like a big dry
22 cleaners, like Mr. Dawson's or even Mr. Shanti's. And
23 I think this also coincides with the gentleman from
24 Laidlaw, Mr. Schultz's testimony as to the fact of the
25 increased tariff allowing these suppliers to basically

1 take advantage of this opportunity and really put it
2 to these dry cleaners. And, as a result, these dry
3 cleaners are losing critical revenues at a time when,
4 as even Mr. Dawson admits, all aspects of running a
5 dry cleaning business, their expenses have increased.

6 As a result of the impact, we asked -- if
7 you could go to the next slide, please -- the next
8 slide, again, just confirms the difference in the
9 difference in revenue. There is a widespread impact
10 on these businesses. And if you look at the actual
11 data from our survey, we asked these dry cleaning
12 businesses, what are they going to do. Some responded
13 they are going to recycle. Some responded they were
14 going to increase prices. Some have responded they
15 are going to lay off employees. And as you see, and I
16 think as the prior testimony of the dry cleaner
17 associations confirmed, and the reason why you have so
18 many dry cleaner representatives here, this is going
19 to impact business dramatically. These businesses are
20 either going to have to close or maybe they're going
21 to consolidate into these larger dry cleaners that Mr.
22 Dawson and Mr. Shanti represent. And, as a result,
23 it's going to result in further unemployment for
24 working class Americans. And for those dry cleaners
25 that can increase prices, and not every dry cleaner

1 can, depending upon the local conditions, it's going
2 to result in increase prices for the basic living
3 expense of laundry.

4 Next slide please -- in conclusion, we
5 request that the Commission really consider the
6 overall impact of the domestic industry of not only of
7 the wire hangers. And, believe me, every dry cleaner
8 here is sympathetic and wants American industry to
9 thrive. However, the specific interest of the dry
10 cleaners needs to be addressed and the long-term
11 survival of these business is at stake. As previously
12 seen, this is critical revenue that cannot simply be
13 absorbed. And as a result of these increased burdens
14 on these businesses, it will not only result in
15 possibly decreased demand for steel wire hangers, but
16 also result, as we kind of highlighted by this survey,
17 that widespread economic losses result in closed
18 businesses, increased unemployment, and rising cost of
19 living.

20 We have nothing further at this time.

21 MR. NEELEY: I think Mr. Vastola is the last
22 witness.

23 CHAIRMAN ARANOFF: Mr. Vastola, you need to
24 be much closer to your microphone, please.

25 MR. VASTOLA: Sorry, thank you, very much.

1 Alfredo Vastola, Best For Less Dry, based out of
2 Englishtown, New Jersey. I am co-owner, along with my
3 father and brother. I will just be brief, because I
4 know everyone's time is up.

5 Although this would seem to be a good time
6 for American manufacturing renaissance, in the sense
7 that economics of global trade appear to be tilting
8 back in favor of the U.S., declining dollar against
9 other currencies, increasing wages in China, higher
10 shipment costs due to continued rise in oil prices,
11 the realty is the capacity for U.S. manufacturers to
12 meet the production requirements of our Nation's steel
13 wire hanger demand over night is simply a pipedream.
14 The most likely outcome, which is already being played
15 out, is that many manufacturers will simply ship their
16 operations to Vietnam, as we have already discussed,
17 instead of investing more and more millions of dollars
18 and years into building up their own capacity, which,
19 in the long run, may be, again, easily shipped over to
20 other countries, such as Vietnam.

21 Currently, many of my customers, especially
22 the small mom and pop, as the dry cleaning association
23 has mentioned, have struggled like they have never
24 struggled before. Many have gone out of business and
25 more are threatened to go out of business if costs

1 continue to rise.

2 Antidumping duties are intended to protect
3 the American industries, their manufacturers, workers,
4 and so on down the line from unfair trading practices.
5 Given the current state of our economy, this tariff
6 has only further added to the financial dangers many
7 small dry cleaners face today. As a supplier, I am
8 forced to pass these costs along to my customers, who,
9 in turn, have to try, as they may, pass it along to
10 the American consumer already under the assumption
11 that they are receiving a service that is overpriced.

12 I am not here to judge the importance of
13 imposing tariffs in general. What I can say, however,
14 is that I believe timing must play an important role
15 in any determination. The timing may have been right
16 six years ago, but it certainly is not correct today.
17 Thank you.

18 CHAIRMAN ARANOFF: Okay. Mr. Secretary, can
19 you tell me about how much extra time that ended up
20 being?

21 MR. BISHOP: Eleven minutes.

22 CHAIRMAN ARANOFF: Thank you. I think what
23 we are going to do, since that was not just a couple
24 of minutes to finish, but actually was quite a bit of
25 time, is ask the Secretary to add 11 minutes to the

1 amount of time that the domestic industry panel has
2 left for rebuttal, which they are not required to use,
3 but may use if they wish. And in the meantime, we
4 will start the questioning at the beginning with
5 Commissioner Williamson.

6 COMMISSIONER WILLIAMSON: Thank you, Madam
7 Chairman, and I thank the witnesses for their
8 testimony. The first few questions I am going to
9 address to the dry cleaners and I understand it's a
10 small business, having been a small business myself
11 once, how tough it is and how tough it is to compete
12 in this economy. But, I guess the question I have --
13 and this goes back to Mr. Dawson, I think, mentioned
14 that he thought hangers, I think, were like nine
15 percent, I believe, is the max that he thought of the
16 cost of an article that was cleaned, the final cost.
17 And I was wondering, I don't think none of you
18 addressed that question, so I was wondering what
19 percentage of your cost of your end product does
20 hangers constitute?

21 MR. LEE: Commissioner, if I could answer
22 that. This is Alfred Lee, with Johnson Westra
23 Broecker, again. I think as seen in our presentation,
24 though the cost of the overall expense might be small,
25 the actual dollar amount is quite large. And on

1 average, for the average dry cleaner, it's \$8,000,
2 based upon our survey of, you know, roughly 200
3 members. And \$8,000 to an average dry cleaner is a
4 lot of money. That's like, stated in our
5 presentation, it's critical revenue that could result
6 in a closing of a business.

7 COMMISSIONER WILLIAMSON: I understand that,
8 but I've also heard from others, for example, cleaners
9 in New York City, I guess, had to go through major
10 changes because of environmental regulations that
11 required, they were no longer able to -- a lot of them
12 were not able to do the dry cleaning at their plant.
13 So, I mean, there are a lot of other things going on
14 that are driving prices up. And I guess the other
15 factor, assuming the imports were fairly traded, given
16 the cost of steel, transportation, another of other
17 costs, wouldn't hanger prices probably been going up
18 anyway? So, that's why I still say, it is a relevant
19 question as to what percentage of your total cost of
20 hangers actually do amount to.

21 MR. LEE: Yes. The other expenses have
22 risen. I think everyone agrees to that. Mr. Dawson,
23 also, agreed to that. But, it's kind of like the
24 perfect storm, Commissioner, if I could basically use
25 the analogy. All of these expenses, like you

1 mentioned, environmental compliance, energy costs have
2 dramatically risen. And now, we have almost -- and I
3 think, again, going back to the gentleman from
4 Laidlaw's testimony, we have an artificial inflation
5 of an expense that's resulting in \$8,000 of revenue
6 being lost to this average dry cleaners and the result
7 is really kind of -- as he mentioned before, it's
8 really creating undue hardship amongst these dry
9 cleaners. And I think, again, the reason why that you
10 have such a tremendous response here from the dry
11 cleaning community is that this is not something that
12 is just going to past by the wayside. This is really
13 something critical to their businesses and livelihood
14 and they want to be heard.

15 COMMISSIONER WILLIAMSON: No, I understand
16 that. I mean, I've been impressed with the response.
17 I've been in other hearings where the small
18 businessman gets affected, they can't respond. But, I
19 guess this is the question for you and Mr. Schultz,
20 because Mr. Schultz also made this argument that,
21 basically, it's going to go -- we're going to be
22 seeing low-cost imports from Vietnam, Pakistan, and
23 elsewhere. So, I guess the question is, if that's the
24 case, are the dry cleaners going to be harmed, if
25 you're still going to have low-cost imports?

1 MR. LEE: Again, I believe what our concern
2 is, that there is this artificial inflation of market
3 conditions. If normal market conditions exist, again,
4 the conditions are tough for dry cleaners, as we speak
5 now. But, again, this \$8,000 in loss in revenue will
6 be recouped back to the dry cleaners. There is no
7 other way to recoup that with this tariff. And so,
8 for that reason, we believe that if normal market
9 conditions prevail, the dry cleaners at least will
10 have a fighting chance.

11 COMMISSIONER WILLIAMSON: Okay. If you
12 don't want to do it now, I would ask in the post
13 hearing to at least address the question of what
14 percentage the hanger cost of the end item, because I
15 think that would be helpful.

16 MR. SCHULTZ: If I may, our statistics say
17 that it was around one percent prior to the tariff and
18 now it's a little over two, 2.4 percent, something
19 like that.

20 COMMISSIONER WILLIAMSON: Okay. So, it's
21 even lower than what Mr. Dawson was --

22 MR. SCHULTZ: Overall supplies includes many
23 other things, bags and boxes and chemicals and the
24 rest. The hangers, themselves, are a component of
25 that overall supply budget.

1 COMMISSIONER WILLIAMSON: Okay, thank you.
2 Could you, also, address this question about -- I
3 think you had mentioned that this is all going to come
4 from Vietnam or elsewhere and so if that's the case --

5 MR. SCHULTZ: Are you --

6 COMMISSIONER WILLIAMSON: -- I mean, is
7 there going to be --

8 MR. SCHULTZ: So, if we assume the tariff
9 doesn't accomplish its desired impact and doesn't
10 work?

11 COMMISSIONER WILLIAMSON: Yes.

12 MR. SCHULTZ: Yes. Vietnam, Taiwan, perhaps
13 Russia, certainly Mexico are going to take up the
14 slack. It's just a matter of time and it's a short
15 time.

16 MR. NEELEY: Yes. I mean, what we see is a
17 short-term, really bad short-term effect on the dry
18 cleaners, which is why they're here. But, not even
19 long-term, I wouldn't describe it, but in a few months
20 we think it will change. And I buy from all these
21 guys. I know the timing.

22 COMMISSIONER WILLIAMSON: The Petitioners, I
23 think, had said -- this is for you, Mr. Schultz --
24 that you, a quote in one of the Exhibit, that
25 'everyone will end up paying 20 percent or more,

1 because Vietnam is more expensive than China.' And,
2 yet, you've also now --

3 MR. SCHULTZ: That was a misquote by the
4 reporter.

5 COMMISSIONER WILLIAMSON: Okay.

6 MR. SCHULTZ: What I said was that the cost
7 of production in Vietnam was likely to be 20 percent
8 higher than the cost of production in China. That is
9 still 30 percent below the cost of production in the
10 United States. China happens to be the cheapest of
11 the alternative countries, but there are four or five
12 countries that are almost as cheap that will replace
13 American production when it becomes available.

14 COMMISSIONER WILLIAMSON: Okay. Thanks for
15 that clarification. Mr. Schultz, why haven't -- if
16 you have all these low wage countries out there, why
17 haven't we seen them in the market before?

18 MR. SCHULTZ: Because China was better.
19 China was the best of the alternative countries. The
20 minute you hobbled them with a punitive tariff, they
21 got out of the market and the next strongest one takes
22 over, which happens to be Vietnam based on the current
23 plant construction; certainly not America.

24 COMMISSIONER WILLIAMSON: But, I guess the
25 Chinese imports have been coming in, what, since the

1 early --

2 MR. SCHULTZ: About seven years -- seven or
3 eight years in volume.

4 COMMISSIONER WILLIAMSON: Okay. And the
5 cost of U.S. labor and all have been relatively high
6 for quite a bit longer than that. So, I am just
7 wondering why haven't we seen them in here before? Or
8 why weren't there more imports before 2000?

9 MR. SCHULTZ: Because this is history given
10 to me by our employees. Basically, China wasn't
11 organized at that point to do so. Once they
12 discovered this was an available market, they piled
13 in.

14 COMMISSIONER WILLIAMSON: Okay. Does
15 anybody else have a comment on that? Mr. Warner, I
16 was wondering, do you produce any type two hangers in
17 the United States.

18 MR. WARNER: We don't.

19 COMMISSIONER WILLIAMSON: Are you aware of
20 any U.S. producer type two hangers?

21 MR. WARNER: I am not.

22 COMMISSIONER WILLIAMSON: Okay.

23 MR. WARNER: I don't believe anybody in the
24 United States dips hanger.

25 COMMISSIONER WILLIAMSON: Is there any

1 reason why someone in the United States couldn't be
2 doing this competitively?

3 MR. WARNER: We don't do it because we moved
4 to China because it was less expensive.

5 COMMISSIONER WILLIAMSON: Excuse me?

6 MR. WARNER: We don't do it because we moved
7 to China because it was less expensive. You could do
8 it. It would cost more than it does in China prior to
9 the duties.

10 COMMISSIONER WILLIAMSON: Okay. But, could
11 it be done profitably? I mean, I assume there is
12 quite a bit of markup over --

13 MR. WARNER: I'm hesitant to discuss that.

14 COMMISSIONER WILLIAMSON: Okay. That's
15 okay. If there is --

16 MR. WARNER: I would be happy to clarify
17 that question post-hearing.

18 COMMISSIONER WILLIAMSON: Okay, thank you.
19 My time is about to expire, so I will stop. Thank
20 you.

21 CHAIRMAN ARANOFF: Commissioner Pinkert?

22 COMMISSIONER PINKERT: Thank you, Madam
23 Chairman, and I would like to thank the panel for
24 being here today and helping us to understand these
25 issues. I would like to start with Mr. Lee and try to

1 get your reaction to some of the testimony that we've
2 heard here today. Do you agree that the pain to the
3 dry cleaner industry would be short lived if an order
4 were imposed?

5 MR. LEE: No, I don't think so, because the
6 -- I think I find the gentleman from Laidlaw's
7 testimony Power Point presentation instructive. The
8 artificial elevation of the tariff, as opposed to
9 those other producers from those other countries,
10 basically what's going to happen is all those other
11 producers have a higher margin that they can raise
12 their prices to, to be competitive. So, they don't
13 have to be the lowest. They just have to be fairly
14 lower than the highest point. And as a result, that's
15 going to result in the increase prices, loss of
16 critical revenue. And, again, I think that's why all
17 the dry cleaners here, they're kind of stuck between
18 the two parties here. They want, you know, this
19 American producer to succeed. They want the suppliers
20 from the importers to succeed, as well. But, if
21 they're going to gouge the dry cleaners, we're the
22 ones that are going to be facing the loss of
23 livelihood, loss of businesses.

24 COMMISSIONER PINKERT: So, in your view, the
25 imposition of an antidumping order would have lasting

1 implications for the prices in the United States of
2 this product?

3 MR. LEE: Yes. And I think, again, the
4 testimony, as presented previously, and I think the
5 gentleman from New Jersey also testified to the same
6 fact, but, again, as long as that tariff is way above
7 everyone else, everyone just has to get just a little
8 bit below, and who is the end -- where does it impact
9 most? It's the end user, the dry cleaned.

10 COMMISSIONER PINKERT: Okay. Now, there's
11 another market issue that I would like Mr. Neeley to
12 comment on. I am still puzzled over what has happened
13 in the marketplace since the imposition of provisional
14 measures. We heard earlier today that this has not a
15 cash deposit requirement in practice. It's actually a
16 bonding requirement. And I'm wondering, is it your
17 testimony or you can direct me to somebody, who can
18 testify, to whether the price is actually going up in
19 the United States market for these imports by the full
20 amount of the bonded rate?

21 MR. NEELEY: I think Mr. Goldman and Mr.
22 Schultz, since they are importers, are probably in a
23 better position to do that. So, I will let them speak
24 to that.

25 COMMISSIONER PINKERT: Thank you.

1 MR. GOLDMAN: Joel Goldman, United Wire
2 Hanger. Since the duty has been imposed -- the
3 dumping duties have been imposed, we have paid the
4 dumping duty on each container that we bring in and
5 we, in turn, had to adjust our selling price to
6 compensate for that. A bond was really not very
7 practical, because the amount of bond that would be
8 required would be so large that most bonding companies
9 would be hesitant to offer a bond that size. And we
10 prefer to pay as we go and that's what we did. We pay
11 as we go and we charge as we go accordingly.

12 MR. SCHULTZ: It's straight cash and cash
13 out. We pay between \$100,000 and \$200,000 a week cash
14 to the government for deposits on tariffs on things
15 coming in. A week later, we charge our customers that
16 same amount.

17 MR. NEELEY: And I would just -- I mean,
18 these are two of the biggest importers in the United
19 States. I would just say, based on my experience in
20 other cases, recently, at least, the idea of putting
21 up bonds is just impractical. I mean, bonding
22 companies don't want to bond Chinese cases anymore.
23 It's very difficult. So, I think their experience is
24 probably pretty typical.

25 MR. VASTOLA: I can add to that, too. I do

1 the same. I import directly. I am a supplier. Many
2 suppliers go through brokers, but we go directly and
3 we pay straight cash deposit versus bond. And the
4 biggest impact was when the initial tariff came out at
5 83.90 percent, we ended up paying all of those three
6 at the same time, three containers in a row, and it
7 was two weeks later lowered to 45.69 percent and I
8 don' t know if I'll ever see that money again.

9 COMMISSIONER PINKERT: Thank you. Now,
10 staying with Mr. Neeley, at page 20 of your brief, it
11 states that 'by any measure, the volume of imports
12 from China rose substantially during the period of
13 investigation and that the increase resulted, in large
14 part, from the shut down of U.S. production
15 facilities.' What information do you have to indicate
16 that the opposite is not true, that the rapid increase
17 in subject imports caused the shutdown of U.S.
18 production facilities?

19 MR. NEELEY: I think probably Mr. Goldman
20 and Mr. Schultz, again, can talk to that, since they
21 were two of the largest U.S. producer at one time and
22 now are two of the largest importers of what the cause
23 and effect was.

24 MR. SCHULTZ: For Laidlaw, it became
25 apparent that given market costs, which were Chinese

1 driven, our domestic production facilities weren't
2 competitive. We decided that we would extend our
3 importing to 100 percent, where before it had been
4 about 40 and 50 percent, and that using the same logic
5 that had been used for Mexico and Joel Goldman used
6 later for his own plant.

7 MR. GOLDMAN: Joel Goldman, United Wire
8 Hanger. With United Wire Hanger, we had to increase
9 the inventory that we kept substantially. When we
10 were manufacturing, depending upon our own production,
11 we didn't have to maintain a large inventory, because
12 we replenished it daily. But when we changed to
13 having our production made in China, we decided that
14 we must keep a much larger inventory. Exact amounts I
15 will disclose in post-hearing.

16 COMMISSIONER PINKERT: That would be
17 helpful. Now, Mr. Neeley, your briefs are largely
18 silent on price issues and you've heard the testimony
19 today, particularly the testimony from Mr. Magrath and
20 his associate about price suppression. Also, they
21 talked a little bit about price depression or I should
22 say that they talked about some price depression in a
23 specific period. But, generally, price suppression is
24 what they referred to. So, in any event, do you have
25 a response to that?

1 MR. NEELEY: I mean, I think we can address
2 that further in the post-hearing brief. I mean, in
3 the pre-hearing brief, we concentrated on what we
4 think is the fundamental issue. I think if you look
5 at sort of the classic things that the Commission
6 looks at, you know, are imports up, are prices down,
7 are profits down for the U.S. industry, I think it
8 doesn't get to the heart of what the problem is. And,
9 you know, of course our testimony is about causation,
10 the way that we look at causation, the cost issues,
11 the ability to move elsewhere, the knowledge in the
12 industry that people can easily move to other places,
13 the low tech nature of these products, I mean, that's
14 what we concentrated on. We can look at the classic
15 price suppression, but I still think that the
16 fundamental issue here is the causation issue looked
17 at a little differently.

18 COMMISSIONER PINKERT: Thank you. Now,
19 turning to this issue of cost, there was a lot of
20 testimony in this panel about cost advantages and cost
21 disadvantages. I'm wondering if one just focuses on
22 wage costs and on labor productivity, in other words,
23 the cost of labor versus efficiency, is China's
24 advantage on the cost of labor offset by the
25 efficiency advantage of the U.S. producer?

1 MR. SCHULTZ: First of all, labor costs --
2 this is primarily a steel business in a funny shape
3 called wire. Labor costs are somewhere between 10 and
4 15 percent of the cost of goods and that's for the
5 United States. It's much lower for China. The
6 Chinese have lower labor costs regardless of
7 automation, because the places where they don't
8 automate is places where their labor is so cheap, they
9 can afford to do it more efficiently without the
10 machinery. In China, the most expensive part of a
11 factory is repairing equipment and powering it with
12 electricity. In many cases, it's much cheaper to pay
13 somebody a piece rate to do the same thing a machine
14 would do in the United States.

15 COMMISSIONER PINKERT: Thank you. My time
16 is up.

17 CHAIRMAN ARANOFF: Well, welcome to the
18 afternoon panel. I recognize that there may be some
19 confidential information here, but, Mr. Schultz, what
20 can you tell us about your company's current
21 relationship with Shanti?

22 MR. SCHULTZ: We love Shanti. Shanti, we
23 have a total production relationship. Laidlaw
24 purchases the raw material. Shanti is responsible for
25 the equipment, the conversion of the material to

1 finished goods. Everything that they convert to
2 finished goods, we buy, put into our inventory, and
3 then resale. In effect, we're arm-and-arm partners in
4 both plants.

5 CHAIRMAN ARANOFF: Are you maintaining title
6 to the steel, as it's going through their process?

7 MR. SCHULTZ: We release title when it goes
8 into the factory. We purchase all the output when it
9 leaves the factory. They own the whip.

10 CHAIRMAN ARANOFF: Okay. And you're their
11 only customer, as this point?

12 MR. SCHULTZ: We're their only customer.

13 CHAIRMAN ARANOFF: Now, that was not the
14 case when they first entered production or has that
15 been true throughout the time that they've been in
16 production?

17 MR. SCHULTZ: It occurred one week after the
18 preliminary tariff was announced. At that point, we
19 realized that there was going to be an artificially
20 high price, that we needed to have domestic capacity
21 available to us, and Shanti was available and willing
22 to work with us.

23 CHAIRMAN ARANOFF: Is that a long-term
24 contract covering some period of time?

25 MR. SCHULTZ: It's a multi-year contract

1 with performance requirements on both sides. Either
2 side can break it, if the performance requirements
3 aren't met.

4 CHAIRMAN ARANOFF: Okay. If there is
5 anything else, any other information you can provide
6 us about that on a confidential basis, I would be
7 happy to receive it.

8 MR. SCHULTZ: I would be glad to give you
9 the contract.

10 CHAIRMAN ARANOFF: Okay. Do you fix the
11 price at which you buy from them or is there a formula
12 in the contract?

13 MR. SCHULTZ: We pay them a conversion price
14 and we share a portion of the profits from the sales.

15 CHAIRMAN ARANOFF: Okay. This is an unusual
16 case, in that, typically, we see a case where
17 Petitioners want to exclude from the domestic industry
18 producers, who are substantial importers, and
19 Respondents want us to include them, and we have the
20 opposite going on in this case. And I guess I want to
21 probe you on that, Mr. Neeley, and ask why it is that
22 it's important to you that we include Laidlaw and
23 United Wire in the domestic industry and what
24 difference it makes?

25 MR. NEELEY: We're the opposite. We're

1 saying they should be excluded.

2 CHAIRMAN ARANOFF: Sorry.

3 MR. NEELEY: But, in any event --

4 CHAIRMAN ARANOFF: You see how confused I've
5 been --

6 MR. NEELEY: Yes, exactly. Sorry if I did
7 that. But, in some sense, it makes no difference to
8 our argument. I mean, I think our causation argument
9 is the same either way. It just seems strange to us
10 that the two companies that made a decision several
11 years ago, that their interest lie primarily in
12 importation, and you can see that from the
13 profitability numbers, you can see that from their
14 import numbers, you can see it in a number of ways,
15 would be considered to be part of the U.S. industry,
16 in terms of assessing injury. I mean, I haven't
17 actually run the numbers both ways exactly. I mean, I
18 suppose that the trends are more or less in the same
19 direction either way. You've got fewer employees to
20 start out with, they're fewer whatever to start out
21 with, if you exclude them. I don't think it makes a
22 huge difference to our analysis. But, we do think
23 it's the right thing to do. Having these folks here
24 on the other side of the table and had been on the
25 other side of the table for a long time, to be

1 considered part of the U.S. industry just doesn't make
2 any sense to us.

3 CHAIRMAN ARANOFF: Okay. The Petitioners
4 are arguing, for example, with respect to Laidlaw,
5 that because Laidlaw now is showing renewed interest
6 in what they refer to as domestic production, I think
7 based on what we've heard from Mr. Schultz, more like
8 finding a domestic source of supply, that that should
9 be a factor that influences how we look at the related
10 parties issue. Do you agree?

11 MR. SCHULTZ: Laidlaw purchases hangers from
12 factories. We have suppliers in China. We now have
13 suppliers in the United States. We're about to get a
14 supplier from Taiwan. We're ordering from Vietnam.
15 This is a price-driven business. Whoever is the
16 lowest price is our favorite supplier. There's a very
17 good chance in some products that Shanti will be the
18 lower cost supplier.

19 MR. NEELEY: And I think it makes --
20 legally, I think it makes no difference. They're not
21 a U.S. producer. They're a U.S. purchaser, a
22 purchaser from U.S. companies.

23 CHAIRMAN ARANOFF: Okay. Let me turn to
24 some of the folks towards the back of the panel and
25 ask a question that I had started to ask the panel

1 this morning. Our staff tells us that, and this is in
2 the staff report, the demand for dry cleaning hangers
3 is relatively price inelastic, that cleaners need
4 hangers, so they buy them, which sort of reenforces
5 the idea that everything on the demand side depends on
6 demand for the downstream product or, in this case,
7 the downstream service, dry cleaning. How do you view
8 the prospects for demand for dry cleaning services?
9 Do any of the folks from the dry cleaners
10 associations, who are still here?

11 MR. CHO: I guess I'm the only remaining
12 person here. Well, I think the dry cleaning business
13 is a service business where a greater number of people
14 leaving the area, of course, there would be more
15 demand. And I think because of the culture that we
16 are -- like work culture that are changing, they
17 require more business clothes, such as suits and
18 things like that, that's an area I see increasing, in
19 terms of demand on dry cleaning. So, that's what I'm
20 seeing right now. But, we're not -- personally, I'm
21 not enjoying that increase, because of cost of the
22 running business also increase. So, you know, it
23 doesn't really benefit to us right now.

24 CHAIRMAN ARANOFF: So, you agree with what
25 we've heard from the panel this morning, that because

1 people are tending to turn back toward more formal
2 work dress and because people are just used to
3 outsourcing their cleaning and don't want to do it at
4 home, that we're not likely to see a significant
5 decline in demand for dry cleaning any time soon?

6 MR. CHO: Well, I hear people from several -
7 - I have a business in D.C., so my clients are all
8 from D.C. In fact, a lot of them work in this area.
9 And they don't have time to do their own laundry, so
10 they prefer pay whatever to do their -- to clean their
11 clothes. But, I heard from my own members, saying
12 that there were a lot -- there is a great decline in
13 terms of demand in several areas and I think mainly
14 because of the economic situation that we are in right
15 now. People don't have money to spend.

16 CHAIRMAN ARANOFF: Okay. I appreciate those
17 answers. Mr. Neeley, the big issue in this case is
18 the Bratsk argument that you make in your brief. And
19 while I definitely want to give the Vice Chairman a
20 chance to got that with you, because I know he is very
21 interested in your argument and because he's one of
22 the Commissioners, who has looked at the forward-
23 looking Bratsk-based argument before, well, I can't
24 resist starting out while I still have time. Just to
25 make sure that I, in fact, understand your argument,

1 the way I read it, you are arguing that because
2 barriers to entry are low and, in your view, that
3 means that production is going to move to non-subject
4 countries, your argument is, therefore, there will be
5 no benefit from an order.

6 Now, the way that I've always looked at
7 Bratsk, it's been the retrospective consideration of
8 what would happen during the period of investigation.
9 And the Commission, as far as I can recall, has only
10 ever looked at third-country producers, who were
11 already present in the U.S. market during the period
12 of investigation. We've never gone and looked in a
13 retrospective sense at producers, who might have been
14 in the U.S. market, but for the fact that they
15 weren't. Are you suggesting that I ought to do that
16 or are you making an argument, which necessitates me
17 to do a forward-looking Bratsk analysis?

18 MR. NEELEY: You know, I have thought about
19 forward looking, backing looking, I don't think it
20 makes a whole lot of difference. I mean, in all
21 honesty, I don't see the distinction that makes any
22 significant difference. I mean, it all has to do with
23 causation. It all has to do with the fundamental idea
24 that if something wasn't there, you're trying to
25 figure out is this the cause or not. You're doing a

1 thought experiment and whether you look forward or
2 whether you look backward, you're doing this thought
3 experiment and you're saying, if this thing is
4 purportedly the cause and it wasn't there, what would
5 have happened. Now, if you do it backwards or you do
6 it forwards, you will probably get more or less the
7 same answer, maybe not. I mean, maybe there's a
8 distinction I'm missing. But, it seems to me that
9 that's really what the court is driving at. And the
10 court says, for example, the obligation under Gerald
11 Metals is triggered whenever the antidumping
12 investigation is centered on a commodity product and
13 price competitive non-subject imports are a
14 significant factor in the market. They don't really
15 say forward looking, backward looking, I don't think.
16 But, those -- it has to do with this notion of
17 causation. That's our understanding of what the court
18 is saying.

19 CHAIRMAN ARANOFF: Okay. I'm going to leave
20 it there, because my light is red --

21 MR. NEELEY: Okay.

22 CHAIRMAN ARANOFF: -- and I'm going to pass
23 it on to Vice Chairman Pearson, who I know has an
24 interest in this subject.

25 VICE CHAIRMAN PEARSON: Madam Chairman,

1 thank you. Let me address it this way, Mr. Neeley,
2 since some of us actually have to vote on this one way
3 or another, based on substantial evidence on the
4 record. If you're saying we could apply either
5 retrospective or forward-looking Bratsk analysis, then
6 what would be really helpful would be for you to
7 provide retrospective information that would give us
8 data about availability of non-subject product that
9 potentially could have come into this market in the
10 past years and maybe tell us some reasons why it did
11 not as well, because we've got to look at what
12 actually is out there for a retrospective analysis.
13 And so far, based on my understanding of the record,
14 we don't see a lot of non-subject production, other
15 than Mexico, in the period of investigation, okay.

16 Now, going forward, you've provided some
17 interesting information about things that are
18 currently happening in the marketplace that may affect
19 the availability of non-subjects going forward. If
20 you think this is a particularly good case for
21 applying a forward-looking Bratsk analysis, then help
22 give us some legal -- help give some legal analysis
23 and argument to that, that might get four or more
24 votes for that approach, because, so far, it's a
25 minority of Commissioners, who have been willing even

1 to contemplate a forward-looking Bratsk analysis.

2 MR. NEELEY: Right.

3 VICE CHAIRMAN PEARSON: And I am one of
4 those people, who actually believes that at some
5 point, the Fed Circuit will tell us something more
6 about Bratsk and we will not know as little as we do
7 now. But given what we do know and the way we
8 understand the constraints that that ruling places on
9 us, we've got a split Commission, in terms of how we
10 have dealt with this. So, I hear what you're saying.
11 I just did not hear you clearly enough to find my way
12 through this.

13 MR. NEELEY: Okay. We'll try to clarify
14 that. But, let me try it this way. We focused I
15 would say probably more on the forward-looking
16 analysis so-called, in the sense that we've said, you
17 know, what's happened since the order went into place,
18 what has happened in Vietnam, what is happening in
19 these other countries. In a way, that's forward
20 looking. But, I think what we're also saying that if
21 you can go back, roll back time, which is, I guess,
22 sort of the retrospective analysis, and China had just
23 not existed, had fallen into the ocean, you know, what
24 would have happened. And I think what we are saying
25 is pretty much the same thing as with our forward-

1 looking analysis. And that's why I say, I don't think
2 it makes any difference. But, I will try to clarify
3 that. But, if you see what I'm saying, I'm just
4 saying that there's this huge disparity, in terms of
5 costs, that exists, has existed, will exist --

6 VICE CHAIRMAN PEARSON: Right.

7 MR. NEELEY: -- and whether you look at a
8 forward or backwards, you kind of end up in the same
9 place.

10 VICE CHAIRMAN PEARSON: You've made that
11 point. But, I just --

12 MR. NEELEY: Okay.

13 VICE CHAIRMAN PEARSON: -- a counterfactual
14 retrospective view is not something that I'm
15 accustomed to.

16 MR. NEELEY: Right.

17 VICE CHAIRMAN PEARSON: Do we have to do
18 this counterfactual stuff looking forward, which is
19 challenge enough. But, if I'm supposed to look back
20 now and say, okay, this is what we have on the record
21 of what happened --

22 MR. NEELEY: Right.

23 VICE CHAIRMAN PEARSON: -- in the
24 marketplace, but if something different had happened -
25 -

1 MR. NEELEY: Right.

2 VICE CHAIRMAN PEARSON: -- then it would
3 have looked different, boy, I --

4 MR. NEELEY: It's tough, I understand.

5 VICE CHAIRMAN PEARSON: -- I'm concerned
6 about both the CIT and the Fed Circuit on that one.

7 MR. NEELEY: Okay, I appreciate that. Okay.

8 VICE CHAIRMAN PEARSON: Okay, thank you.
9 Ms. Schwesig, if I could, you have asked us to find
10 that the type two vinyl-coated hangers are a separate
11 like product. I'm wondering whether this isn't an
12 issue that more relates to scope than to like product
13 and I'm wondering whether you have had any discussions
14 with the Department of Commerce about an adjustment in
15 the scope that might remove your particular product
16 from the scope.

17 MS. SCHWESIG: We have had discussions and
18 we've submitted a scope request with the Department of
19 Commerce. They indicated there, and Joel can probably
20 clarify it, because he's had a little more discussion
21 with them than I have, but they have not ruled on it
22 yet or had an opportunity to rule on it. Clearly, we
23 believe that that is the better position to be in, in
24 terms of the scope. But, we're here now, because we
25 don't have a ruling and at some point, we don't belong

1 here. We don't belong as a like product. We don't --
2 and, yet, clearly, we want -- it's better for you, if
3 the Department of Commerce does it, too, because it's
4 got that ability. Joel, do you have something to add?

5 MR. KAUFMAN: However, Vice Chairman
6 Pearson, I think that the issues that relate to
7 whether or not these hangers are within the scope of
8 this order are also issues that resonate at the
9 Commission, in terms of like product. Even if it is
10 determined in another week when the Department of
11 Commerce issues their final determination that we're
12 within the scope of the order, technically, we have a
13 product that because of changes in the physical
14 characteristics of the product render it a product
15 that is not like or comparable to the products that
16 are being sold by the domestic industry and,
17 therefore, it would still be appropriate for the
18 Commission to issue a like product determination, that
19 this is a separate like product and, in fact, is not
20 injuring, as you heard this morning from Petitioner's
21 counsel. I mean, we do not compete in any way, shape,
22 or form with the domestic industry. They do not know
23 of any production of a product similar to ours in the
24 United States. It's not something that is sold in
25 their market. It's not an industrial product. It's

1 marketed in a completely different way and manner and
2 it's imported in that respect, than the product that's
3 being the subject of this investigation before the
4 Commission.

5 VICE CHAIRMAN PEARSON: Do we have
6 sufficient data to make and justify a separate like
7 product finding on this record?

8 MR. KAUFMAN: I think you do. I mean, we've
9 submitted questionnaire responses. We have testimony
10 here, the sworn testimony by Mr. Warner. You have --
11 the Commission staff has been able to distinguish our
12 vinyl-coated hangers that are dipped from those that
13 are not dipped and they have identified, through the
14 questionnaire responses, that our product is only sold
15 in the retail market. It's not a use issue here. I
16 mean, it's only sold in the retail market, because of
17 changes that have been made in the physical
18 characteristics of a hanger and in the way that it is
19 packaged, which you've been able to see this
20 afternoon.

21 VICE CHAIRMAN PEARSON: Okay. Now, my
22 understanding is that if we did find that the type two
23 vinyl-coated hangers are a separate like product and
24 then if we end up voting affirmatively on the rest of
25 the product and an order goes into place, that order

1 would cover the entire scope, which, under current
2 circumstances, would include the type two vinyl
3 hangers, unless you could persuade Commerce to get
4 them out of the scope. I think I'm correct with that.
5 If that is correct, what benefit is there to Willard
6 to get this separate like product determination?

7 MR. KAUFMAN: I believe, Vice Chairman
8 Pearson, if you were to determine there was a separate
9 like product and you were to determine that it was not
10 injuring the U.S. industry, then I think that you
11 would, regardless of the scope of the order, I think
12 that you would be able to exclude these products from
13 the coverage of the order.

14 VICE CHAIRMAN PEARSON: Well, I'm not aware
15 of precedence.

16 MR. KAUFMAN: We can address that in our
17 post-hearing brief.

18 VICE CHAIRMAN PEARSON: If you could point
19 them out to me, I would be pleased to see them,
20 because my understanding has been as long as it's in
21 the scope, it's in the scope, and an order goes into -
22 - an order goes into effect for all product within the
23 scope. But, I am not trained in the law. This is a
24 problem of being a humble economist on the Commission.
25 So, I will take the counsel of those, who do know

1 something about this. But, you might want to just
2 examine that question and see how confused I am and
3 let me know in the post-hearing.

4 VICE CHAIRMAN PEARSON: And you may not be
5 confused, Vice Chairman Pearson. But, rest assure,
6 we've also made the same arguments to the Department
7 of Commerce, that Petitioner has not raised an
8 objection; in fact, has indicated to the Department
9 the validity of our request and we're hopeful that the
10 Department will come to the right decision next week.

11 VICE CHAIRMAN PEARSON: Okay. This might be
12 my last question. On page five of Laidlaw's
13 presentation, the CIF values of imported hangers from
14 various countries are compared and the data show that
15 the value of China's imports was lower than other
16 foreign producers, except for Mexico. Given that M&B
17 controls a substantial portion of the imports from
18 Mexico, doesn't this suggest that domestic producers
19 likely still would see a benefit, if an order was
20 placed on products from China? The other non-subject
21 countries appear to have slightly higher values than
22 the Chinese product, which -- my question is, is that
23 slightly higher enough to trigger the benefit that we
24 would find under Bratsk?

25 MR. SCHULTZ: Is this for me? Are you

1 asking because M&B owns the Mexican factory, it's an
2 American factory for your purposes?

3 VICE CHAIRMAN PEARSON: Right, because we
4 would have an assumption that M&B would not import
5 that product in a way that would disadvantage its
6 domestic operation, which might not be a correct
7 assumption and you might be able to provide us
8 information as to why we shouldn't see it that way.
9 But, that would kind of be a default position.

10 MR. SCHULTZ: I don't think that is a
11 correct assumption. Any manufacturer will go to the
12 lower cost source of supply. In the past, previous
13 evidence, we presented M&B actually reduce the
14 headcount in their Alabama at the same time they were
15 increasing their headcount in Mexico. This is in the
16 mid-2000 period. We would do the same thing. So, I
17 think you have to treat Mexico like any other foreign
18 entity.

19 Further, there is no evidence that M&B has a
20 monopoly on Mexico. There are many other producers.
21 There's plenty of Chinese manufacturers looking for a
22 new home. Evidently, Mexico is an adequate place to
23 expand capacity.

24 So, for both those reasons, Mexico should be
25 treated separately. And at least so far this year,

1 it's a lower cost than China.

2 MR. NEELEY: We'd also point out that it was
3 M&B after all in around 2000, 2001 that first went to
4 Mexico to find lower cost operations, even before
5 there was a big move to China. So, I think what Tom
6 is saying, in regard to people moving to the lowest
7 cost countries is borne out by M&B's own experience.

8 VICE CHAIRMAN PEARSON: Okay. Well, if you
9 could provide any elaboration for purposes of the
10 post-hearing, that would be great.

11 CHAIRMAN ARANOFF: Commissioner Lane?

12 COMMISSIONER LANE: Good afternoon. One of
13 the disadvantages of going last is that most
14 everything has been covered. So, Mr. Neeley, I will
15 start with you and ask you the same question that I
16 asked Mr. Waite this morning, which is -- relates to
17 the argument that there is no causal link between
18 subject imports and the condition of the U.S.
19 industry, because the Respondents are saying that it's
20 the U.S. cost structure, not Chinese imports, that are
21 making the U.S. industry uncompetitive. Could you now
22 or in your post-hearing brief provide us with any
23 previous cases, where the Commission has found that
24 the U.S. cost structure has made the U.S. industry
25 uncompetitive and, therefore, made a negative

1 determination, and could you, please, explain how this
2 case is similar or different from those previous
3 investigations?

4 MR. NEELEY: Sure. We would be glad to look
5 at that in detail, both any cases, either way, where
6 the Commission has used cost one way or the other. I
7 would just say, as a short answer, that our main
8 reliance, as you know, in our pre-hearing brief was on
9 the requirements that the Federal Circuit set out in
10 Bratsk. And whether the Commission has done this
11 precisely in the past or not, you know, the law is
12 what the Federal Circuit has set out. So, we'll
13 discuss that and we'll also discuss whether the
14 Commission has done this in the past.

15 COMMISSIONER LANE: Okay. And either here
16 or in your post-hearing briefs, can you elaborate on
17 any information relating to the garment hanger
18 production in Vietnam, Pakistan, or any other non-
19 subject country, including information as to current
20 production, plans to begin production, production
21 capacity, markets, and prices, as well as your sources
22 for the information?

23 MR. NEELEY: We'll be glad to do that.

24 COMMISSIONER LANE: Okay. And what is your
25 legal precedent for arguing that the findings in the

1 Section 421 case are relevant in this case?

2 MR. NEELEY: Well, what we're saying is that
3 President made certain factual determinations in the
4 421 case with regard to the benefit to the U.S.
5 industry. The Federal Circuit, in the Bratsk case,
6 also talks about benefit to the U.S. industry, the
7 benefits benefit. And so while we don't think it may
8 be precisely binding in any way on the Commission,
9 we're not suggesting that, what the President found,
10 we think it's highly relevant and it's certainly --
11 there is further scrutiny and analysis by the
12 Commission. That's what we're saying.

13 COMMISSIONER LANE: Okay, thank you. Now, I
14 want to go to, I think it's Mr. Lee or Mr. Kang. I
15 want to talk about the effects that you testified to,
16 as to the tariffs on the dry cleaning business. As I
17 understand the exhibit, that the U.S. cost of
18 production was approximately 4.6 cents per -- or 4.6
19 cents per hanger and the Chinese hangers with the
20 tariffs would be 5.1 cent. And then if we go back to
21 the testimony this morning from Mr. Dawson, I think,
22 he said that basically, eight percent of gross
23 receipts related to the cost of supplies of the dry
24 cleaning industry and two percent of that would be
25 related to the cost of hangers. So, it looks to me

1 like the tariffs on the Chinese hangers are going to
2 put the hangers about a little over a penny above the
3 cost of the U.S. hangers. And I am having a hard time
4 believing that dry cleaners cannot raise the cost of
5 dry cleaning to meet the cost of -- the increased cost
6 of the hangers. So, would you explain that to me a
7 little bit further, please?

8 MR. LEE: Sure. You know, I do believe that
9 certain dry cleaners can pass on the cost, maybe large
10 dry cleaners like Mr. Dawson. But, I think as the
11 survey shows, I'm not quite sure about the cost
12 differences, the actual cost of making the hangers,
13 but the resulting price to the end user of the dry
14 cleaners is indisputable. Basically, the prices have
15 doubled and, as a result -- and, again, I hate to
16 sound like a broken record, but \$8,000.

17 COMMISSIONER LANE: Okay. But, break that
18 down on a typical customer. Let's say that I come in
19 with two suits, a pair pants, and a couple of blouses,
20 and I don't know how much that might cost, but what do
21 you think the increased tariffs on the increased of
22 the Chinese hangers, how much do you think that would
23 cost the typical dry cleaner?

24 MR. LEE: Again, it's tough to kind of just
25 say the tariff will result in a six cents, seven,

1 eight cent increase on per item, because, again,
2 you're looking at an overall increase and the overall
3 expenses of a dry cleaner. And then when you add
4 \$8,000, that's just a huge expense on a yearly basis.
5 Because of the competitive nature for the average dry
6 cleaner and maybe like Mr. Dawson's large dry
7 cleaners, maybe they are able to absorb those costs or
8 pass it on to their customers, but for the average dry
9 cleaner, and as you can see by the response here, it's
10 not something that's easily done.

11 COMMISSIONER LANE: Okay. I don't want to
12 argue with you, but --

13 MR. LEE: I don't mean to argue with you,
14 either, Madam.

15 COMMISSIONER LANE: -- but I guess I'm going
16 to just say that I'm finding the testimony a little
17 hard to understand, because the typical dry cleaning
18 customer goes -- it takes several items at a time and
19 even though you're saying that the dry cleaning
20 business might have an increased cost of 8,000 per
21 year, that's not really how you determine your
22 profitability. You have to break it down by customer.
23 And so, if you take that 8,000 and figure -- spread
24 that over your gross receipts, it seems to me that
25 we're not talking about enough money to put the dry

1 cleaners out of business.

2 MR. LEE: I guess the best way to respond to
3 that, Commissioner, is that the individual -- you're
4 right, if we were to just spread out the \$8,000 over
5 the gross revenues by itself may not be a large
6 amount. But, if you take, again, the fact that out of
7 all the different factors that are increasing the cost
8 for running a dry cleaners and then you take \$8,000
9 away from that dry cleaner, which may be taking
10 \$75,000, \$16,000, that's 10 percent of their take home
11 pay and that's what is impacting these folk here and
12 that's why they're up in arms about that.

13 COMMISSIONER LANE: Okay. And so, really
14 what you're saying is that the dry cleaning business
15 is seeing an increase in cost for a variety of
16 reasons, one of which is this particular case.

17 MR. LEE: And I think that's the exact case,
18 Commissioner. It's just the fact that all of these
19 other expenses are piling up and then, I guess, makes
20 it most tragic for these dry cleaners, this is an
21 artificial elevation. And, again, I harp back to the
22 chief executive officer of Laidlaw's testimony, of
23 this artificial elevation and you have all of these
24 opportunistic suppliers taking advantage of this and
25 essentially gouging the dry cleaner, that's what

1 really is most tragic about this increased tariff.

2 COMMISSIONER LANE: Okay, thank you. Thank
3 you, Madam Chairman.

4 CHAIRMAN ARANOFF: Commissioner Williamson?

5 COMMISSIONER WILLIAMSON: Mr. Kang, just one
6 last question on this.

7 For the size cleaner that may have this
8 \$8,000 a year expense, do you have any idea how many
9 articles of clothing they might be cleaning in a year?
10 I'm sorry, Mr. Lee, excuse me.

11 If not, you can do it post-hearing. That's
12 okay.

13 MR. LEE: We'll try our best, Commissioner.
14 We just have to quantify that. Again, I think the dry
15 cleaners pretty much just go based upon gross revenue.

16 COMMISSIONER WILLIAMSON: Thank you.

17 Let's turn to a question about this
18 production equipment. Probably Mr. Schultz.

19 Can you give us an idea of the startup costs
20 for a hanger production facility comparable to the
21 size of the average plant in China? You may have to
22 do this post-hearing, but --

23 MR. SCHULTZ: We're dealing with a Russian
24 group that has purchased enough equipment to do 60
25 containers a month, which is about 20 percent of the

1 world capacity. They've spent a quarter of a million
2 dollars for second-hand equipment; probably another
3 \$100,000 to transport it to Russia and install it. So
4 less than half a million dollars gave them that
5 equipment.

6 If you're buying new equipment from Taiwan
7 it would probably be several times that amount, maybe
8 a million and a half. But in the scheme of things,
9 not a big dollar amount.

10 COMMISSIONER WILLIAMSON: You say it will be
11 about 20 percent of the world capacity?

12 MR. SCHULTZ: Yes. The world capacity,
13 consumption today is about 360 containers a month.
14 The ability to make 60 containers a month is roughly
15 18 percent of that number.

16 COMMISSIONER WILLIAMSON: That raises a
17 question about what do you forecast on global demand
18 for hangers?

19 MR. SCHULTZ: Contrary to what you heard
20 this morning, consumption of hangers has been going
21 down at a very steady seven percent a year in physical
22 terms for the last ten years.

23 COMMISSIONER WILLIAMSON: U.S. or globally?

24 MR. SCHULTZ: The U.S. is the only market
25 that counts.

1 In 2000 it was like four million hangers.
2 At the end of the 421 case it was 3.4 million hangers.
3 This year it's 2.8 million hangers. Since we've
4 doubled the price of hangers my guess is it will be
5 2.6 next year.

6 COMMISSIONER WILLIAMSON: This morning there
7 was testimony about the difference between hangers
8 used by the "rent 'em", the uniform industry as
9 opposed to the retail dry cleaners. I was wondering,
10 did you agree with that? What are the trends that
11 you're seeing and what bearing does that have on
12 demand in the United States?

13 MR. SCHULTZ: There's a dramatic difference
14 between the two segments.

15 Five years ago industrial hangers,
16 industrial customers accounted for a third of the
17 industry, and distributors accounted for two-thirds.
18 Today it's 50/50, primarily because hanger consumption
19 by dry cleaners has gone down by 50 percent.

20 If you look at the future growth, industrial
21 hanger consumption will be flat to positive by half a
22 percent a year; and dry cleaning hangers will go down
23 about seven percent a year.

24 COMMISSIONER WILLIAMSON: Okay.

25 Let's go back to the question of global

1 demand. Why is it that the U.S. is the only market?
2 A lot of other people get their clothes cleaned, I
3 assume.

4 MR. SCHULTZ: It's a funny thing. By far
5 the United States is 90 percent of demand for this
6 type of hanger. Galvanized hangers are used in
7 Europe. Many countries don't use hangers because
8 they're too expensive and fold clothing instead. For
9 example, the demand in China is almost non-existent,
10 even though it's much bigger.

11 I think it's a matter of history and social
12 tastes.

13 COMMISSIONER WILLIAMSON: So galvanized
14 hangers, that's a different category.

15 MR. SCHULTZ: It looks like our hangers,
16 except instead of being painted, they're galvanized
17 with zinc.

18 COMMISSIONER WILLIAMSON: Okay.

19 Would you use the same type of equipment to
20 make the galvanized hangers?

21 MR. SCHULTZ: Everything is identical except
22 for the coating process. In fact factories in China,
23 when they got kicked out of the U.S., started making
24 more galvanized hangers and selling them to France.

25 COMMISSIONER WILLIAMSON: What's about the

1 demand for galvanized hangers then?

2 MR. SCHULTZ: I don't know.

3 COMMISSIONER WILLIAMSON: Not exact, but in
4 terms of --

5 MR. SCHULTZ: My guess is that it's at best
6 20 percent of the demand for U.S.. It's much smaller.
7 Much smaller.

8 COMMISSIONER WILLIAMSON: Have you been
9 involved in the movement of equipment from one country
10 to another?

11 MR. SCHULTZ: Only to the extent that I sold
12 the equipment that eventually got moved. So for
13 example, I sold the equipment to Shanti. Shanti moved
14 it to another factory . Then they sold a portion to
15 Russia. That's pretty typical. These things are very
16 easy to move.

17 I think that the entire equipment used by
18 Andrew to set up their new plant in Vietnam used seven
19 containers, seven truckloads. That's all it took. So
20 it's easy to move. They're small equipment.

21 COMMISSIONER WILLIAMSON: Okay, thank you.

22 I have no further questions at this time.

23 I'd like to thank the panel.

24 CHAIRMAN ARANOFF: Commissioner Pinkert?

25 COMMISSIONER PINKERT: Thank you, Madame

1 Chairman.

2 I'd like to start with you, Mr. Kaufman, and
3 ask you not to rehearse all the discussion of the
4 Commerce Department about scope exclusion, but just to
5 focus on one aspect of that.

6 Is your concern about the scope exclusion
7 request at the Commerce Department that Commerce may
8 find that it's not administrable by Customs?

9 MR. KAUFMAN: No. Actually, we think if you
10 limit it to, even if you don't, but we would suggest
11 limiting it to the Type 2 vinyl coated hanger, we
12 think that's easily visible to Customs.

13 We've also requested it at Commerce, that we
14 define the scope of the product that was excluded as
15 not only being vinyl coated, vinyl dipped hanger, but
16 also that is wrapped in chip board wrappings that
17 totally encircle the product for retail sale, which
18 would include UPC codes and other indications that
19 it's for retail sale.

20 So I don't think that, as we've defined it
21 at Commerce, I don't think that would be difficult for
22 Customs to administer at all. I think it's very
23 visible. You saw the hangers here. That's the way we
24 import them, in those small packages, totally
25 encircled by the chip board container. That's typical

1 of retail packaging for any type of hanger.

2 I was in Giant the other day and I saw
3 plastic hangers, not plastic coated but plastic
4 hangers that were also wrapped in the same way. For a
5 retail product it's standard packaging. So I don't
6 think this would be difficult for Customs.

7 The concern we have at Commerce is that we
8 also, again, because of the reasons Mr. Warner
9 indicated to you earlier, the request was made late.
10 And we're not sure that Commerce will have the time
11 really to consider it. Not only do they have to make
12 a decision but it's got to go through approvals and
13 everything else and it was made late.

14 So we're hopeful they'll have time to get it
15 through all the approval processes. We're just not
16 sure that they will.

17 COMMISSIONER PINKERT: Turning to the issue
18 that we have to confront with regard to this
19 particular type of hanger, is administrability by
20 Customs a relevant consideration for us?

21 MR. KAUFMAN: I think the concern always at
22 Customs is if what you're relying on is exclusively a
23 use exception. The same product but that comes in for
24 one use or another.

25 I don't know that it's necessarily a

1 criteria for you. I think it's probably always a
2 concern for the Commission that if all you're relying
3 on is the use exception then you have to certify the
4 use and you have other problems, enabling Customs to
5 administer it appropriately.

6 I don't think any of those problems are
7 here. We're not relying exclusively on use. What
8 we're saying is it's a different product that is in
9 fact used in a different market than the market and
10 the product that is being the subject of this
11 investigation.

12 MS. SCHWESIG: Also I'd like to add on, in
13 terms of physical characteristics, not just focusing
14 on, it's very hard for Customs to trace whether it has
15 a retail or commercial use, but even just going into
16 the simple, the all six factors. The chains of
17 distribution are only a single factor within that.

18 The physical appearance is yet another
19 factor that you guys would consider along with
20 interchangeability of the product and everything else.
21 If we look at what would most overlap with the Customs
22 analysis it would be a physical appearance. The
23 physical appearance is different. You're not going to
24 see any exposed metal ends. You're going to see a
25 double coating where it was double dipped. You could

1 pick this up, in my opinion, in less than a minute and
2 tell the difference. Customs looks at a lot more
3 complex items. They send things to labs. This isn't
4 even something that would have to go to a lab.

5 So in terms of overlapping analysis between
6 you and Customs, just on physical appearance alone,
7 even not going to the other six factors which I think
8 are pretty clearly not at all overlapping with the dry
9 cleaning industry hanger.

10 COMMISSIONER PINKERT: One other question
11 for Mr. Kaufman. Would Commerce also consider the
12 potential for circumvention in the context of dealing
13 with the scope request?

14 MR. KAUFMAN: Well, I don't know whether
15 they would. I don't think in this case there is a
16 potential for circumvention. So even if they did
17 consider it, I think the bottom line is they should
18 conclude that there isn't.

19 I mean we've been very careful in terms of
20 how we've defined the product that we're seeking
21 exclusions for at Commerce and also how we've defined
22 the product to the Commission for purposes of their
23 like product.

24 It is a very narrow definition. It is not
25 broad. If someone else were to come in and to make a

1 product that was double dipped and packaged in small
2 quantities with chip board packaging and going through
3 this whole thing, then quite frankly, that is a
4 different product. It is not a question of
5 circumvention, it is a different product. They would
6 have to be selling that into a different market.

7 Because quite frankly, it's not useable by
8 dry cleaners. Once you go through all of that and you
9 add the extra expense of doing that, we sell these at
10 a much higher price. There's no underselling between
11 Willert's products and those of the domestic industry.
12 So this is a higher priced product, there are higher
13 costs associated with it, these are higher labor
14 costs.

15 In response to Commissioner Williamson's
16 question before me, one of the reasons that, this is a
17 very labor intensive process we're talking about.
18 Domestically, that would be very difficult to do
19 because of the much higher cost of labor. But these
20 are higher priced products and it's just not a product
21 that you hear, we were talking about price being the
22 ultimate consideration. No one's going to pay a lot
23 more for a hanger that has characteristics that they
24 can't use and in fact may make it difficult for them
25 to use the hanger. It's just not going to happen.

1 So I don't think there's a circumvention
2 issue here.

3 COMMISSIONER PINKERT: Thank you.

4 Turning back to Mr. Neeley for a moment. I
5 listened very carefully to Mr. Goldman's testimony
6 about cost of production, about cost differences. I'm
7 wondering, isn't that argument essentially asking us
8 to revisit the cost calculations that the Commerce
9 Department does in the context of their own dumping
10 inquiry?

11 MR. NEELEY: No.

12 (Laughter.)

13 MR. NEELEY: Do you want more?

14 COMMISSIONER PINKERT: Why not?

15 MR. NEELEY: The Commerce Department doesn't
16 really do a cost calculation. What the Commerce
17 Department does is a normal value calculation. A
18 normal value calculation is, as you well know I think,
19 is composed of surrogate values, of the actual inputs
20 of materials, of surrogate financial ratios and
21 things, profits, things like that. That's not the
22 actual cost.

23 What Joel is talking about is actual real
24 costs in the real world in terms of producing
25 something in RMB or in Vietnamese dong or whatever.

1 That's what he's talking about, real world costs, not
2 the sort of theoretical cost construct that we go
3 through at the Commerce Department.

4 So what he's talking about is in the real
5 world when you're talking about those costs and
6 comparing them to U.S. costs, that's what business
7 people really live and die on. Not those surrogate
8 values that the Commerce Department uses.

9 COMMISSIONER PINKERT: I'm not suggesting
10 that we should rely on the specific approach of any
11 party here, but my question is whether Commerce has
12 already more or less dealt with the question of what
13 is a reasonable measure for the cost in China, versus
14 another market economy country.

15 MR. NEELEY: I don't think Commerce has
16 dealt with that at all. I think Commerce has followed
17 the law which requires them to calculate a normal
18 value in a certain way based upon certain surrogate
19 values which frankly, in most cases, have nothing to
20 do with the actual costs in that country.

21 It's the construct that's in the law. We
22 have to live with it. We all know that. But to say
23 that is the real cost in China to produce a product I
24 think is fantasy. It just doesn't necessarily bear
25 any relationship. It might, but in most cases it's

1 very different, and he's talking about actual costs.

2 COMMISSIONER PINKERT: Thank you.

3 Thank you, Madame Chairman.

4 CHAIRMAN ARANOFF: Thank you.

5 I have no further questions for this panel.

6 Vice Chairman Pearson, do you have further
7 questions? Commissioner Lane?

8 (No audible response.)

9 CHAIRMAN ARANOFF: I think we've come to a
10 conclusion.

11 I want to thank this afternoon's panel for
12 all your answers, and let me ask whether staff have
13 any questions for this panel.

14 MR. CORKRAN: Douglas Corkran, Office of
15 Investigations.

16 Thank you, Chairman Aranoff. Staff has no
17 further questions.

18 CHAIRMAN ARANOFF: Mr. Waite, does your
19 group have any questions for this panel?

20 MR. WAITE: We have no questions, Madame
21 Chairman.

22 CHAIRMAN ARANOFF: Then I want to thank the
23 afternoon panel for being with us today and sharing
24 your time with us. You are all excused and can move
25 back to your not-so-comfortable seats further back in

1 the room.

2 Petitioners have four minutes left from
3 their direct presentation plus I have given them an
4 additional 11 minutes in order to equalize the extra
5 time that was used in direct testimony by the
6 afternoon panel, plus five minutes for closing.

7 Respondents have no time left from direct
8 presentation, but five minutes left for closing.

9 We will call forward Mr. Waite and anyone
10 else who's coming with you.

11 Do you want anything separately timed, or
12 shall we simply set the timer for 20 minutes?

13 MR. WAITE: Thank you, Madame Chairman. You
14 can set the timer for 20 minutes, and hopefully we
15 will not use all of that time.

16 CHAIRMAN ARANOFF: Thank you.

17 MR. WAITE: But we are grateful to you for
18 allocating to us the additional time.

19 CHAIRMAN ARANOFF: I was trying to figure
20 out what the right thing to do in the circumstances.
21 I guess if we had planned ahead and known we would
22 have given both panels additional time for their
23 direct presentations, but sometimes you can't plan
24 things in advance.

25 MR. WAITE: Understood, and it would all

1 come out in the wash anyway, because we would not have
2 extended our affirmative testimony.

3 MR. MAGRATH: You're your own worst enemy
4 anyway, Madame Chairman, because ever since you made
5 that announcement Mr. Waite and I have been feverishly
6 writing back there to cover this inordinant amount of
7 time you've given us. So thank you very much.

8 MR. WAITE: Although I have admonished Dr.
9 Magrath that we will not read the Declaration of
10 Independence and the Gettysburg Address.

11 (Laughter.)

12 CHAIRMAN ARANOFF: But if he wants to read
13 recipes, that would be okay.

14 (Laughter.)

15 CHAIRMAN ARANOFF: Please proceed.

16 MR. WAITE: Thank you, Madame Chairman.

17 The Commission's record in this case leaves
18 no doubt that dumped Chinese imports of steel wire
19 garment hangers have caused material injury to the
20 U.S. industry. All of the statutory factors and
21 economic indicators point to the huge and growing
22 volume of imports from China and the very low pricing
23 of Chinese hangers as the cause of the U.S. industry's
24 current condition.

25 Many of the Commission's conclusions in the

1 Section 421 investigation about the state of the
2 domestic hanger industry continue to be the case, only
3 much much worse.

4 Due to the never-ending flow of low priced
5 Chinese hangers into the U.S. market, the U.S.
6 industry has contracted to just a shadow of its former
7 self. Domestic production, shipments, sales, capacity
8 utilization and market share have all dropped
9 dramatically. Not by five or ten percent; by as much
10 as 80 percent over the POI.

11 The Commission's record shows the terrible
12 effect of these dumped imports on the U.S. industry.

13 As for the subject imports, the data are
14 equally dramatic. Imports from China increased by 158
15 percent between 2005 and 2007, from one billion
16 hangers, as I mentioned in my opening remarks, to
17 nearly 2.7 billion hangers last year.

18 In terms of market share, Chinese imports
19 started the period with just over one-third of the
20 U.S. market, but they ended with over 80 percent.

21 The Commission's record shows that this
22 growth in market share was directly at the expense of
23 the U.S. industry.

24 As both Dr. Magrath and I have pointed out
25 to the Commission during this hearing, there was

1 almost a one-for-one exchange between market share
2 growth by the Chinese imports and market share loss by
3 the U.S. producers.

4 That also indicates that non-subject imports
5 were not even a factor.

6 In terms of prices, again the record of this
7 investigation shows that imports from China undersold
8 the domestic product in 99 out of 102 quarters, and
9 that's for all of the eight pricing products. The
10 average margin of underselling was 28 percent.

11 As you heard from the industry witnesses
12 this morning, the Chinese suppliers had no qualms
13 about dropping their prices continuously in order to
14 take away business from the U.S. suppliers.

15 Madame Chairman, the Respondents have made a
16 variety of arguments about why the huge volume and low
17 prices from China are not the cause of injury to this
18 industry. However, the record facts in this case
19 demonstrate that none of their claims are supportable.

20 First, Respondents try to argue that the
21 injury to the U.S. hanger industry was the result of
22 other factors, like increased steel costs, higher
23 transportation costs in the United States, and the
24 claim that the domestic hanger producers are not able
25 to sell as cheaply as China because the Chinese

1 somehow have a cost advantage. But the Commission's
2 record contradicts each of these claims.

3 The pre-hearing staff report discusses the
4 rise in steel costs over the POI, but the most
5 dramatic increases in cost, that is in the cost of
6 carbon steel wire rod, the primary input for making
7 hangers, began after this case was filed in July 2007.

8 One of the clear impacts of this case has
9 been the ability of the U.S. hanger industry to raise
10 their prices to cover these increased costs.

11 You heard this morning that the industry
12 does not believe that their price increases would have
13 been possible without this case.

14 The pre-hearing staff report also addresses
15 transportation costs within the United States, noting
16 that transportation costs for Chinese hangers,
17 excluding U.S. inland transportation, is about 18
18 percent of the Customs value.

19 On average, importers reported that the U.S.
20 inland transportation was an additional 9.5 percent.
21 So whereas these transportation costs account for
22 almost one-third of the hanger price from China, U.S.
23 producers reported U.S. inland transportation costs of
24 only eight to ten percent.

25 Finally, as I mentioned during the panel

1 this morning, the Chinese are not the low cost
2 producers in the market, despite what you heard from
3 witnesses this afternoon including Mr. Schultz from
4 Laidlaw. They are the low price suppliers in the
5 market.

6 Mr. Schultz alluded to a huge disparity of
7 costs and showed you a graphic, purportedly
8 demonstrating that. There was no evidence of the
9 support for any of the information in that graphic
10 other than Laidlaw.

11 I would point out that this is the same
12 witness who told the Commission during the staff
13 conference in this case that M&B Hangers does not
14 manufacture hangers in the United States. Of course
15 your staff very quickly dispelled that illusion.

16 He also told you this afternoon that Mexico
17 is a larger component in M&B's operations than the
18 United States. Please look at the confidential record
19 and you will see which is the larger component by a
20 significant margin, and which is the growing component
21 of M&B.

22 Further, in looking at the purported cost
23 advantages of imports from other countries, it
24 appeared that Mexico, as Mr. Schultz indicated, had a
25 distinct advantage. Well if Mexico has the capacity,

1 as he also stated, and the low prices, why is he not
2 buying from Mexico? Why did he go to Shanti in
3 California with all of the enormous \$13 an hour labor
4 rates, all the environmental requirements, et cetera,
5 in order to establish a relationship that allows him
6 to service his U.S. customers?

7 Further, the Respondents have also tried to
8 distract the Commission with arguments about supply
9 and demand conditions. They claim that the U.S.
10 industry cannot meet the demand for hangers because
11 there are so few companies remaining in the business.
12 This is an interesting tactic by the Chinese
13 respondents: buy market share by offering ever-lower
14 prices, force most U.S. companies out of the business,
15 and then claim the U.S. industry should still be able
16 to sell 100 percent of demand immediately.

17 I'm not a linguist. I don't know the
18 Chinese word for hutzpah, but I think this is it.

19 However, by contrast as you heard this
20 morning, this industry was down but it certainly is
21 not out. The filing of the case and the preliminary
22 determinations by this body and by the Commerce
23 Department have permitted the industry to start
24 recovering.

25 Not only has M&B been able to restart

1 machinery and hire more people and increase its
2 output, but Shanti Industries, as you heard, has
3 opened two new plants, showing that it is optimistic
4 about the future of this industry. Both companies
5 have been increasing production to meet demand, but
6 they have also been expanding employment as I've just
7 mentioned.

8 Respondents spent most of their arguments in
9 their briefs on a very novel misinterpretation of the
10 Bratsk decision. I will not tire you with further
11 elaboration of that ruling, but we will address it in
12 our post-hearing brief.

13 I would only mention that mere speculation
14 about possible or potential startup production in a
15 country that has never before shipped the product to
16 the U.S. market does not meet any standard that the
17 Court was establishing in either Gerald Metals or in
18 Bratsk.

19 The Chinese took eight years to build up to
20 a 2.8 billion hanger level, and Respondents would have
21 you believe that a couple of plants in Vietnam or in
22 the border area of Pakistan or somewhere in Russia
23 will get to this level virtually overnight.

24 Dr. Magrath?

25 MR. MAGRATH: Thank you.

1 First, since we have some time I'd like to
2 congratulate the investigator and team leader on this,
3 for this very fine staff report in this investigation.
4 Gabriella Ellenberger, this is her last day at the
5 Commission, I understand. Once upon a time I had a
6 last day at the International Trade Commission, and
7 Gabriella, I know you'll have a lot of fond memories
8 of the place just as I do.

9 I have two points, the first of which is on
10 China and basically what the Respondents' issue breaks
11 down to which is how soon they're going to replace
12 China. We don't think it's going to be very soon. As
13 a matter of fact, we don't think they are going to
14 replace China because China is truly, and
15 unfortunately for someone who has had a career
16 representing domestic industries, China is a unique
17 threat and will remain so. Not just because of its
18 size, although we should say first, as Mr. Waite just
19 stated, size does matter.

20 You're talking here about replacing 2.7
21 billion hangers -- that's what the imports are -- with
22 a couple of photos of a plant that may make hangers,
23 it may make fortune cookies in Vietnam, if indeed it
24 is in Vietnam. The ones we were given a few days ago
25 were, it turns out, from China.

1 To be a China, if you want to be a China, a
2 government like Vietnam and its hanger manufacturers
3 would number one, have to agree to price unfairly and
4 unprofitably for as long as it took. Second, they'd
5 have to agree to envelope that industry with numerous
6 subsidies and other state aids including providing
7 money-losing funds through special policy banks to
8 companies, whether those companies were credit worthy
9 or not. And loans. Whether they would create
10 development zones in which the government gives
11 companies land -- gives companies land, utilities,
12 energy -- either free or below market rates. It would
13 have to consider paying off company debt in exchange
14 for worthless stock. That's the debt/equity swaps
15 that are so popular in China and so popular in our
16 petitions. It would have to consider rebating taxes
17 such as the VAT tax to the exporters. And very
18 importantly, and this is an issue that my firm has
19 been fighting for four years in Congress, it would
20 have to agree to the detriment of the nation's
21 consumers, to maintain an undervalued currency of what
22 most economists think is 30 to 40 percent in order to
23 promote exports.

24 In short, there is a reason that the
25 Commission, that all the new Chinese petitions that

1 you have got include CVD sections in them, including
2 the five volume petition that you received today from
3 my firm and another law firm on another industrial
4 mill fabricated product.

5 I apologize in advance, but three of those
6 five volumes, I think it's three out of the five,
7 involve subsidy allegations. That is why the China
8 hanger industry will not be easily duplicated anywhere
9 else, if at all. Of course we hope it is not.

10 My second point, and last point, is on this
11 argument of the cost structure. Respondents have
12 argued that it was the cost structure for hanger
13 production that makes the U.S. industry uncompetitive
14 and unprofitable. But there is not anything unique or
15 particularly challenging about this cost structure
16 producing hangers. Yes, the costs have increased both
17 for domestic producers and for foreign producers. But
18 producers, as we said in our testimony and we'll
19 reiterate now, should easily have been able to
20 increase prices to cover these rising costs given the
21 conditions of competition in the industry.

22 It is telling that since the case was filed
23 and Chinese import prices have been increased to fair
24 levels through the imposition of provisional duties
25 that U.S. producers M&B and Shanti were successful

1 with numerous announced price increases that they
2 testified to today.

3 Customers may not like this, but they
4 accepted the price increases. What has happened to
5 the U.S. industry's operating income because of these
6 price increases? It has improved considerably in the
7 first quarter of 2008.

8 As long as Chinese imports are priced
9 fairly, U.S. producers of hangers can increase prices
10 to cover costs, and they can be competitive in the
11 U.S. market. That is what your staff report shows on
12 the confidential data you have in it.

13 Thank you very much for your time, Madame
14 Chairman. Thank you again for the additional time.

15 MR. WAITE: Thank you, Madame Chairman and
16 members of the Commission for your attention and your
17 very interesting questions to our panel.

18 Thank you.

19 CHAIRMAN ARANOFF: Thank you very much.
20 We'll now hear from Mr. Neeley.

21 MR. NEELEY: Thank you. I will be brief.
22 We did take a lot of time in our direct, I realize.

23 Two basic points. The law and the facts.
24 That's what we were talking about today.

25 The law, you've heard Mr. Waite and you've

1 heard us. Our interpretation of Bratsk is not the
2 narrow interpretation that Mr. Waite has given you.
3 Mr. Waite we think has taken a very narrow view of
4 Bratsk. Ironically, sort of narrowing Bratsk to its
5 facts which is exactly the opposite of what he argued
6 in Bratsk and what the Federal Circuit talked about in
7 Bratsk, about how the Commission should not limit
8 Gerald Metals to its facts. It's a great irony, it
9 seems to me.

10 We think that the way the Commission ought
11 to look at Bratsk is on the principles. We think that
12 the Federal Circuit spells out quite clearly what it
13 means by causation and that there's a lot of guidance
14 there in terms of how you analyze causation. Perhaps
15 not in terms of forward looking, backward looking.
16 We'll address that. But there still is a lot of
17 guidance and I think no matter how you take that
18 guidance, this particular case falls squarely within
19 what Bratsk is talking about.

20 In terms of the facts, we know a number of
21 facts from Mr. Waite also. He was the counsel for
22 AWPA in the recent wire rod case. He talked a lot
23 about the problems that are being caused to the U.S.
24 industry that consumes wire rod. Talked a lot about
25 the shortages of wire rod. All of which we agree with

1 completely.

2 What we saw today from our side was a
3 description of the industry that makes wire hangers.
4 It's a low tech industry. It's an industry that is
5 easily moved to other countries. It's an industry
6 that has been moved rapidly to other countries within
7 90 days. It's an industry that has a low level of
8 experience needed to run the machines.

9 This is not an industry that is probably
10 typical of what comes before the Commission. I don't
11 think there are very many cases where you could that
12 rapidly move an industry to another country. But it
13 is true here, and when we apply the Bratsk analysis to
14 the particular facts here, we think that it's very
15 clear that the benefit analysis that is required of
16 the Commission leads to the conclusion that we should
17 succeed in having the Commission render a negative
18 determination.

19 Finally, just in terms of some of the
20 comments that Mr. Magrath brought out. We had
21 witnesses, and we had witnesses who have been in this
22 industry for a long time. Mr. Goldman, Mr. Schultz,
23 Mr. Slezak who's been to these factors, who talked
24 about in great detail the manufacturing process. Then
25 we hear from Mr. Magrath that maybe it's a fortune

1 cookie operation.

2 You know, these folks went there. We
3 brought them in here. We had them testify. We had
4 them explain exactly what they saw and exactly -- We
5 talk about speculation. That's what we're hearing
6 today from the domestic industry. Speculation of what
7 really is going on over there. And quite honestly, we
8 had people here who were there, who saw this and who
9 testified and were here to answer questions. They
10 weren't speculating.

11 Finally, there was also speculation that we
12 just heard about CVDs, about subsidies. Why didn't
13 they file a subsidy case? There's no subsidy case
14 here. They could have filed one. If there are all
15 these subsidies that they're suddenly talking about, I
16 mean they certainly know how to file a case. They
17 didn't.

18 So in brief, and in summary, what I would
19 say is we think that both the law and the facts are on
20 our side. We believe the Commission will need to do
21 some serious analysis and look at all these facts.
22 It's a little different in terms of the case and the
23 way that we're approaching it. I'll admit that. But
24 we think that when you do that, you will come to the
25 conclusion that there is no injury or threat of injury

1 by reason of the Chinese imports.

2 Thank you.

3 CHAIRMAN ARANOFF: Thank you, Mr. Neeley.

4 It's been a long and productive day. Before
5 we wrap up, just one comment. As Dr. Magrath
6 mentioned, this is the last, I'm not sure if it's the
7 last day or the last week, in any event at the
8 Commission for the investigator in this case, Ms.
9 Ellenberger. And while we always thank our staff for
10 their excellent work in these cases, Ms. Ellenberger
11 won't be here for the vote when we usually thank the
12 staff for their work, so I want to thank her early for
13 work on this case and in the other work she's done at
14 the Commission.

15 She told me in the elevator that there are
16 still things she'd like to learn about this case, and
17 she's sorry she won't be here to see it to its
18 conclusion, but she's heading off to law school. And
19 unlike Dr. Magrath, I don't want to say that this is
20 her last day at the Commission. Speaking on behalf of
21 myself and may other Commission employees who have
22 left and then found themselves back here, there's
23 always the opportunity to come back.

24 But in any event, thank you very much and we
25 wish you much good luck.

1 With that, I need to tell you that post-
2 hearing briefs, statements responsive to questions and
3 requests of the Commission and corrections to the
4 transcript must be filed by August 14, 2008.

5 Closing of the record and final release of
6 data to parties will be September 4, 2008.

7 And final comments are due on September 8,
8 2008.

9 With that, I believe we have completed our
10 business for the afternoon, and this hearing is now
11 adjourned.

12 (Whereupon, at 4:15 p.m. the hearing was
13 adjourned.)

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CERTIFICATION OF TRANSCRIPTION

TITLE: Steel Wire Garment Hangers from China
INVESTIGATION NOS.: 731-TA-1123 (Final)
HEARING DATE: July 31, 2008
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: July 31,, 2008

SIGNED: LaShonne Robinson
Signature of the Contractor or the
Authorized Contractor's Representative
1220 L Street, N.W. - Suite 600
Washington, D.C. 20005

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

SIGNED: Carlos E. Gamez
Signature of Proofreader

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

SIGNED: Christina Chesley
Signature of Court Reporter