

UNITED STATES
INTERNATIONAL TRADE COMMISSION

In the Matter of:)
PRESSURE SENSITIVE PLASTIC) Investigation No.:
TAPE FROM ITALY) AA1921-167
) (Third Review)

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THE UNITED STATES INTERNATIONAL TRADE COMMISSION

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) Investigation No.:
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 TAPE FROM ITALY) (Third Review)

Thursday,
 January 14, 2010

Room No. 101
 U.S. International
 Trade Commission
 500 E Street, S.W.
 Washington, D.C.

The hearing commenced, pursuant to notice, at
 9:30 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:

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 DANIEL R. PEARSON, VICE CHAIRMAN
 DEANNA TANNER OKUN, COMMISSIONER
 CHARLOTTE R. LANE, COMMISSIONER
 IRVING A. WILLIAMSON, COMMISSIONER
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APPEARANCES: (Cont'd.)

Staff:

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In Support of the Continuation of Finding:

On behalf of 3M Company, Shurtape Technologies, LLC,
and Intertape Polymer Corporation:

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3M Company
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CRAIG MARTIN, Senior Vice President, Marketing,
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1 proprietary information. Please speak clearly into
2 the microphone and state your name for the record for
3 the benefit of the court reporter.

4 Finally, if you will be submitting documents
5 that contain information you wish classified as
6 business confidential your requests should comply with
7 Commission Rule 201.6.

8 Madam Secretary, are there any preliminary
9 matters?

10 MS. ABBOTT: Madam Chairman, all witnesses
11 on this morning's panel have been sworn.

12 (Witnesses sworn.)

13 MS. ABBOTT: There are no other preliminary
14 matters.

15 CHAIRMAN ARANOFF: Thank you. Then I will
16 welcome everyone here this morning and let us proceed
17 with opening remarks.

18 MS. ABBOTT: Opening remarks will be by
19 Jeffrey S. Neeley of Barnes, Richardson & Colburn.

20 MR. NEELEY: Good morning. I am Jeffrey
21 Neeley of the law firm of Barnes, Richardson &
22 Colburn, and I'm here this morning on behalf of 3M
23 Company, Shurtape Technologies and Intertape Polymer
24 Corporation.

25 These companies are three of the largest

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1 U.S. producers of the subject merchandise, pressure
2 sensitive tape, and they represent by far I think the
3 majority of U.S. production of those products. We're
4 here today, as you know, to urge the Commission to
5 continue this order because there would be a
6 recurrence of material injury in the event that the
7 order were revoked.

8 When we look at this case we realize and we
9 understand why we're here because this is an old
10 order. It's either the oldest order or the second
11 oldest order. We realize that, and we realize that
12 the Commission does need to look at an order carefully
13 after all this time.

14 We appreciate that and are glad that we have
15 the opportunity to come here today and discuss in
16 detail what has changed and what has not changed over
17 the last five years and indeed over the last 30 years.
18 This order has been there even before I started
19 practicing in this area.

20 When I first was hired by 3M and then by the
21 other companies to do this case I sort of thought to
22 myself are we really going to do a review this year,
23 and I thought that because, like everybody else, I
24 could see that there was a substantial amount of Asian
25 imports coming into this country and I wondered is

1 this another case where, like many that the Commission
2 sees, the industry has just sort of disappeared in
3 Europe or in some developed countries and moved off to
4 Asia and that the Italian industry is not really of
5 any great significant anymore.

6 What I found out, what I was really educated
7 by my clients, was yes, it really does serve a
8 purpose. The order does serve a purpose and indeed
9 things have changed, but they have not changed
10 necessarily for the better; that in fact what has
11 happened is that the Italian industry continues to
12 have a great deal of excess capacity, that excess
13 capacity is particularly on the high end in the hot-
14 melt product, which is where the U.S. industry lives
15 and breathes.

16 And that while that was happening at the
17 same time the Asian imports have been coming in on the
18 acrylic side, which is a kind of a lower end -- and
19 we'll get into that more later in our testimony --
20 they're coming in at the lower end so the industry has
21 this real threat of being squeezed at both ends, by
22 the Asians at the low end and by the Italians on the
23 high end if the order were removed.

24 We realize that in 2009 there were some
25 things that were particularly unusual. The industry

1 was actually quite fortunate in 2009, and we'll
2 discuss that further in our testimony. They were
3 fortunate because oil prices were down, and that is
4 the driving force behind their cost. Secondly, they
5 were fortunate because, strangely and to the surprise
6 of many, the prices actually held up in 2009.

7 We'll have explanation as to why that
8 happened, but it's fundamentally because people who
9 are the customers were much more concerned about the
10 inventory levels that they had rather than prices, so
11 prices held up, and to some extent we had a decline in
12 some of the Asian imports.

13 None of those things are likely to recur in
14 2010, but even if they were to recur, that is even if
15 the Asian imports kept relatively low and oil prices
16 were at historic lows, we think that what would happen
17 with the Italian imports coming in in the absence of
18 an order at low and dumped prices is that it would
19 have a devastating effect on the U.S. industry.

20 So we've assembled a panel this morning of
21 really the three leading companies in this industry.
22 Each of them have a slightly different perspective.
23 They have slightly different backgrounds. We will
24 make our presentation now and hope that the Commission
25 will allow us to answer any questions that they may

1 have about why we think that this order should be
2 continued. Thank you.

3 Let me quickly introduce our panel. I'll do
4 this in order. We'll start with Rick Anderson, who is
5 from 3M Company. They will each introduce themselves
6 and give you more of their backgrounds. Wayne Helton,
7 who is from Shurtape Technologies. He'll be followed
8 by Craig Martin from Intertape Polymer and Jerry Serra
9 and then Glen Anderson. So without anything further,
10 I'll turn it over to Rick.

11 MR. RICK ANDERSON: Good morning. I'm Rick
12 Anderson of 3M Company. I'm the Global Business
13 Manager for the Packaging Business Unit, Industrial
14 Adhesives and Tapes Division of 3M. I'm here today to
15 provide our perspective on the need for the
16 continuation of this dumping order on Italy.

17 For the reasons I will discuss, we believe
18 that the continuation of this order is necessary to
19 prevent recurrence of injury to the domestic industry.
20 I have a Bachelor's degree from the University of St.
21 Thomas in St. Paul, Minnesota, and an MBA from the
22 University of Minnesota and have been with 3M over the
23 past 16 years with eight years in the industrial
24 business sector of Tape and before that the consumer
25 sector of Tape.

1 During the time that I have been in this
2 business there have been many changes that I would
3 like to discuss today. Let's begin my discussion with
4 what our lawyers describe as a like product. In our
5 view, this industry has different segments such as
6 acrylic, hot-melt, natural rubber tape. There is a
7 great deal of overlap in competition among the
8 products. Particularly on the consumer side of the
9 business, we have found in recent years that people
10 are increasingly willing to substitute less expensive
11 tape for hot-melt tape.

12 As I will discuss a bit later, substitution
13 has come mainly from Asian suppliers in the past few
14 years. While the production processes and some of the
15 properties of acrylic and hot-melt tapes are
16 different, consumers are often willing to trade off
17 some of the better qualities of hot-melt for a lower
18 price for acrylic. From a distribution point of view,
19 all the products generally go through the same
20 distribution channels.

21 For many years, 3M has not been a
22 significant producer of acrylic tape because the Asian
23 competitors from China, Indonesia and Taiwan have such
24 low prices we concluded that competition was not
25 feasible, so for that generally low end of the market

1 all domestic companies have been hit hard by Asian
2 competition.

3 However, we have been able to keep profit
4 margins up by keeping the hot-melt end of the market,
5 which is the segment of the market where Italy is the
6 strongest. We believe that we've been able to
7 maintain that market segment largely because the
8 Italian producers, which have significant
9 overcapacity, have not been able to sell into the U.S.
10 market significant quantities due to the dumping
11 order.

12 In 2009, several things happened that made
13 the year better for 3M for the subject products than
14 we anticipated. First, the fall in oil prices
15 substantially reduced our raw material costs which
16 helped our profitability. As you know, this is an
17 industry that is very vulnerable to swings in raw
18 material costs, and in 2009 we got a break in terms of
19 such costs, particularly compared to the situation in
20 2008.

21 Second, we were able to maintain our price
22 levels despite the recession. This was largely
23 because the channel customers were very sensitive to
24 having low inventory levels because of the recession.
25 Thus, they were less price sensitive as long as they

1 had ready availability to the product when needed.

2 Finally, we decided to bring some of the
3 production of acrylic products back to the United
4 States from Asia. We did so despite the fact that the
5 cost of producing product in the United States is
6 actually higher than purchasing from Asia.

7 However, by bringing some acrylic products
8 back to the U.S. we were able to use some excess
9 coating capacity with its high fixed cost, as well as
10 using excess capacity converting at our plant in
11 Kentucky. U.S. production allowed us to be closer to
12 customers who are very sensitive to not having
13 excessive inventory levels during the recession.

14 But the Asian producers still remain a major
15 factor in the acrylic end of the market. The U.S.
16 industry has largely been driven out of this segment
17 of the market, and we do not see the Asians going
18 away. Instead, we think that this side of the market
19 will continue to be very competitive and we'll have to
20 fight hard to maintain our production in the United
21 States.

22 The absence of a dumping order will not
23 leave Italian imports to substitute for Asian orders
24 because Italian production is primarily in hot-melt
25 and natural rubber, not in acrylic. Thus, a surge in

1 Italian imports is the worst of all possible worlds
2 for us. We see ourselves having continued pressure on
3 the acrylic side from the Asians, while at the same
4 time facing low priced and dumped Italian imports at
5 the high end.

6 If this happens, as we think it will, we
7 will see the profitability gains that the industry
8 enjoyed because of the unique circumstances of 2009
9 quickly disappear. It will be quite easy for the
10 Italian producers to get back into the U.S. market.
11 Companies are not going to have to spend a lot of time
12 knocking on a lot of doors to get back in. Over the
13 last several years, we've seen a consolidation on the
14 purchasing side that makes reentry easier than it has
15 ever been.

16 In addition, the Italian companies are
17 generally sophisticated and experienced in selling to
18 export markets worldwide. Over the last several
19 years, several large distributors such as Horizon and
20 ATP, as well as Xpedx and Uline, have emerged as major
21 players in the U.S. market.

22 These companies purchase worldwide and are a
23 natural way for the Italian producers to get back into
24 the U.S. market. In addition, the emergence of big
25 box stores and private label sales create a market for

1 Italian products based on price, which can be taken in
2 rapidly.

3 Until now, there's been very little
4 competition from unfairly traded hot-melt products in
5 the United States market, but if the Italian imports
6 are permitted in the market without the discipline of
7 a dumping order this will change quickly. We are
8 convinced that the Italian producers will sell in
9 substantial quantities to the United States in the
10 absence of a dumping order because economic logic
11 leads us to this.

12 Just as 3M has brought back some acrylic
13 production into the United States to help cover its
14 high fixed costs, the Italian producers will try to
15 cover their high fixed costs in Italy by selling to
16 the United States at very low prices, even if they are
17 only able to cover variable costs and make some
18 contribution to fixed costs.

19 Even though the euro now is high against the
20 dollar, they will do so since this strategy is not
21 about maximizing per unit profitability, but rather
22 about making contributions to fixed costs that are not
23 being covered now because of lower production.

24 There are no other new markets that the
25 Italian producers can sell to that are nearly as

1 attractive as the U.S. market. For example, the
2 eastern European markets, which include Russia, some
3 EU countries such as Poland and other former Soviet
4 satellite countries, account for less than six percent
5 of all world demand according to the studies we've
6 reviewed.

7 Even if we assume very optimistic growth
8 rates for these countries of 7.5 percent, which we
9 think is very much on the high side given the
10 volatility of both economies, we would see only 80
11 million square meters in growth per year from those
12 countries.

13 However, on the supply side we see that the
14 eastern European countries are putting in their own
15 capacity for pressure sensitive tape, that there's
16 competition from German and French producers of tape
17 at the high end of the market and that the Chinese and
18 other Asians are selling more and more product at the
19 low end of the market.

20 The Asians are particularly aggressive in
21 these countries, which generally are not concerned
22 with the high quality as is western Europe. Thus, the
23 eastern European market simply does not present a
24 viable alternative to the United States as a growth
25 market for the Italian producers.

1 Unlike eastern Europe, the United States is
2 a unified market with a fairly simple distribution
3 system. The U.S. is a market with few barriers to
4 entry, common language and almost no issues of
5 corruption that present problems for importing into
6 the market. There is also a significant hot-melt
7 market, which is a strength of the Italian producers.

8 Other markets such as Russian and eastern
9 Europe are more focused on the acrylic side of the
10 market than on price. Thus, the United States remains
11 much more attractive than those alternative markets
12 for the products Italy produces.

13 We have told the Commission that our
14 estimate on the size of the Italian capacity produced
15 subject merchandise is about five billion square
16 meters per year. We believe this figure is
17 conservative and have derived the figure in two
18 different ways. One way is extrapolating down from
19 published Europe-wide capacity figures and the other
20 way is building up from our estimates of individual
21 companies' manufacturing capacities which are known to
22 3M Italia.

23 We presented the Commission two tables that
24 show our calculations. We'll be glad to put those on
25 record in our posthearing brief. The first document

1 shows our calculations from an ExxonMobil study on
2 European capacity. ExxonMobil periodically conducts
3 such studies because it is a major supplier of raw
4 material inputs to the industry. Based on the
5 calculations that we show, the ExxonMobil figures will
6 result in about 5.2 million square meters of capacity
7 for Italy.

8 The second table shows a build up of
9 capacity from our knowledge of individual companies'
10 known machinery. The table results in a capacity of
11 about 5.4 billion square meters. Thus, we think our
12 estimate of five billion square meters of capacity for
13 Italy is conservative.

14 In addition, we have noted the annual
15 production of subject merchandise in Italy is about
16 three billion square meters. The result is that there
17 are two million square meters in capacity available to
18 be sent to the U.S. market in the absence of an order.
19 Thus, we think that our estimate of at least 500
20 million square meters per year coming to the U.S. in
21 the absence of an order is conservative.

22 Reviewing the capacity figures in Italy, I
23 also want to address an issue that was raised in the
24 second sunset review on this order, the revocation of
25 dumping orders on Boston Tapes, S.p.A. and Autoadesivi.

1 After filing our brief, I had the chance to
2 talk to 3M Italia about this issue in more detail when
3 the personnel there returned from the New Year's
4 holiday. In doing so, I found out that Boston Tapes
5 is primarily a producer of protective tape and has
6 very little capacity or production of the subject
7 merchandise.

8 In addition, Autoadesivi is part of 3M Italy
9 and has been for several years. I think that these
10 facts explain why these companies have not been
11 selling to the United States in the absence of an
12 order. Their experience is in no way typical of that
13 of other Italian producers, which we have listed in
14 our capacity figures.

15 In conclusion, I just want to assure the
16 Commission that we would not be spending our time and
17 money on this issue if we did not seriously believe
18 that the Italian products sold at dumped prices will
19 again quickly become a problem if this dumping order
20 is revoked, but we see the vast overcapacity in Italy,
21 its history in exporting and the other vulnerabilities
22 that the U.S. industry faces and we believe strongly
23 that in the absence of a continuation of this order we
24 again will be faced in a very short time with dumped
25 imports of pressure sensitive tape that will cause

1 material injury to the U.S. industry.

2 Thank you for your attention. I'll be glad
3 to answer any questions that you may have. Before I
4 finish I would like to hand out some samples and
5 explain a bit about each of them to end my testimony.

6 The first thing we're handing out, and for
7 the two Commissioners and delegation that were able to
8 visit our facility in Kentucky last week they were
9 able to see one of our major initiatives in our plant
10 to recycle as much raw material as possible, so what
11 those bags are showing is three of the raw material
12 inputs for polypropylene, so it's basically waste
13 that's trimmed from the production of film first and
14 then actually as we trim the tape as it's produced.

15 All that is put back into a shredder, which
16 was recently purchased, and we recycle virtually 100
17 percent of our polypropylene, which is critical.
18 Polypropylene is basically 25 to 50 percent of the raw
19 material cost in the production of tape, so it's a
20 significant savings. Our partner companies or our
21 other companies at the table here have similar types
22 of processes.

23 The other thing we're handing out is a
24 sample of the different types of tapes, and what
25 you'll see is two different clear tapes. There's a

1 three-pack of a very clear looking tape, and this
2 actually happens to be an acrylic tape. As we
3 mentioned, there are different types of tape
4 technologies, and acrylic, as we mentioned, is
5 primarily manufactured in Asia. This happens to be a
6 higher end acrylic tape that's manufactured in the
7 U.S. by 3M.

8 The primary difference between the acrylic
9 tapes, which once again is in the three-pack, and the
10 other two hot-melt tapes is in the actual strength or
11 holding power, so even though if you touch the tape
12 the acrylic feels very tacky -- from the start it
13 feels like it would be a good tape -- there is
14 significant difference in the properties of those
15 tapes.

16 They probably can be best described if you
17 were shipping anything with a level of weight or any
18 significant handling power, if you're a manufacture of
19 computers and selling computers that are shipping
20 across the United States or you're making equipment,
21 heavy equipment that's sold at a Home Depot, for
22 example, and do not want the bottom of the box to
23 break out.

24 The hot-melt tapes have significantly
25 strongly holding power such that if 3M products are

1 the highest selling products in this category the
2 hot-melt tapes have a rated holding power of 3,500
3 minutes based on standardized testing. The acrylic
4 tapes actually don't carry a rating because they only
5 last a couple hundred minutes, so significant
6 differences, but we want to point out to you so you
7 can see the differences. They look very similar, but
8 the properties are quite different. Thank you.

9 MR. NEELEY: Wayne?

10 MR. HELTON: Good morning. My name is Wayne
11 Helton, and I am Vice President of Manufacturing for
12 Shurtape Technologies based in Hickory, North
13 Carolina. I have been with Shurtape for over 12 years
14 and have been in the tape business for 23 years.

15 Shurtape employs about 900 people in five
16 plants in the United States, producing a broad range
17 of adhesive tape, including pressure sensitive plastic
18 tape. Shurtape entered the packaging tape business in
19 1998 as a producer of hot-melt pressure sensitive
20 plastic tape in order to fill out our product
21 portfolio.

22 Shurtape considers itself to be an extremely
23 efficient producer of hot-melt, and we have been able
24 to increase our efficiency over the past five to 10
25 years by cutting back on waste in the production

1 processes, improving our equipment and operator
2 effectiveness and by figuring out ways to increase the
3 overall speed of the machinery. Despite these
4 improvements and an ongoing focus on improvement. We
5 do not believe we would be able to compete against
6 dumped Italian imports if the order were revoked.

7 I agree with everything my colleagues are
8 testifying to this morning. The continuation of this
9 order is necessary to ensure the U.S. industry is not
10 injured by dumped Italian imports. Let me start by
11 discussing the fundamental differences between acrylic
12 and hot-melt adhesives. As Rick has already
13 mentioned, hot-melt is a rubber-based adhesive that is
14 in molten, more solid form, while acrylic adhesives
15 are not rubber and typically in water dispersions.

16 As a result of the material and formulaic
17 differences, the production of hot-melt plastic tape
18 requires different storage, pumping and mixing
19 systems, which results in a higher initial capital
20 cost for a hot-melt producer. Hot-melt plastic tapes
21 have better adhesion, tack and shear and can be
22 applied quicker. This makes them very suited for
23 automated closing and bundling systems by
24 manufacturers that require reliable sealing of boxes
25 with one strip of tape.

1 It might help the Commission to think, as
2 Rick has already pointed out, of a valuable HP or Dell
3 computer which would be shipped in and sold in with
4 the tape that is on that box. It is critical that
5 this box not break, and a hot-melt tape for automated
6 boxing machines would be used.

7 Acrylic tapes, by contrast, would generally
8 be used by consumers and by manufacturers that have a
9 slower hand sealing operation where the reliability of
10 the seal is less important or more than one strip of
11 tape can be used. While there is some overlap in the
12 uses of hot-melt and acrylic where substitution is
13 possible, the general distinction between hot-melt for
14 the high end of the market and acrylic for the low end
15 remains.

16 Make no mistake. In the absence of the
17 dumping order Italian producers will re-enter the
18 United States in substantial volumes. Italian
19 producers are very sophisticated and can produce the
20 higher quality products. In fact, not only is Italy a
21 major source of pressure sensitive plastic tape, but
22 it is also the premiere source for equipment used to
23 produce the tape.

24 Much of the machinery at Shurtape's plant,
25 including the coating and slitting machinery, are

1 sourced from Italian companies such as Guzzetti and
2 Bobst. This is the same machinery used by Italian
3 producers of pressure sensitive plastic tape and the
4 same production process. Italian producers also focus
5 on a hot-melt product, just like the U.S. producers,
6 and have excess capacity to increase production and
7 shipments of the hot-melt product.

8 In fact, the Italian producers are only at
9 55 to 60 percent capacity utilization as Rick referred
10 to earlier. It would make perfect sense for them to
11 increase production and then sell the product at their
12 total variable cost plus a slight contribution to the
13 fixed cost absorption. Without delving into all the
14 details, 55 to 60 percent utilization also decreases
15 variable cost absorption efficiencies of material and
16 labor.

17 In addition, and more significant, they
18 would be severely underabsorbing the high fixed
19 overhead cost component associated with a higher
20 capitalization and operation of hot-melt, so they can
21 improve their P&L by selling into the U.S. at less
22 than total factory cost and forego a typical gross
23 margin contribution.

24 Italian producers therefore have an
25 incentive to sell at low prices in order to increase

1 their capacity utilization and move toward running
2 their equipment in a more efficient way of 24 hours a
3 day, seven days a week. In the absence of the dumping
4 order, I have no doubt that they will begin shipping
5 substantial volumes of low priced tape to the United
6 States, deeply motivated by an improvement in their
7 P&L.

8 Nor will it be difficult for them to
9 re-enter the market. Shurtape sells to several of the
10 large distributors mentioned earlier by Rick. These
11 distributors will carry product from a few different
12 manufacturers that could be from different countries.

13 They have learned the tactic of leveraging
14 their suppliers to increase their margins even if at
15 the expense of the manufacturer. This has become
16 increasingly true as the distributors have faced
17 competition from large box stores like Costco, Home
18 Depot, WalMart, which have taken some of their
19 traditional business based on lower pricing.

20 I would also like to say that there are only
21 a limited number of large customers, whether they be
22 distributors or box stores, in the United States. The
23 loss of even one of these customers would have a
24 devastating effect on our business.

25 Finally, I would also like to address the

1 market as seen in 2009, which was an unusual time for
2 everyone. Like 3M, Shurtape was able to keep prices
3 relatively stable during the recession, even as our
4 units sold declined simultaneously with the raw
5 material cost which dropped quickly and helped improve
6 our profitability.

7 Further, I agree with Rick about customers
8 focusing on their inventory levels and reliable quick
9 supply during the fast economic shift of Q4 2008 and
10 in Q1 2009. I also think that a lot of customers
11 simply weren't focused on the price of their sealing
12 tape as they dealt with those more pressing issues in
13 economic uncertainty.

14 However, we do not believe that 2009 is a
15 good indicator of where we are now or where we will be
16 in the future. Raw material prices in this industry
17 are very volatile, and we expect increasing raw
18 material costs for the foreseeable future. As the
19 economy has stabilized, we are also seeing our
20 customers focus on price again and have faced
21 significant push backs on pricing in the fourth
22 quarter of 2009 and thus far in 2010.

23 In short, I have no doubt that adding dumped
24 Italian imports to the U.S. market at this time would
25 materially injure Shurtape and the rest of the

1 industry. Thanks to you, and I would be happy to
2 answer your questions.

3 MR. NEELEY: Craig?

4 MR. MARTIN: Good morning. I'm Craig
5 Martin. I am Senior Vice President of Marketing for
6 Intertape Polymer Group. In my position I'm
7 responsible for corporate marketing, product
8 management, market segmentation and overall strategic
9 planning for the corporation.

10 IPG fully supports the position that's
11 stated by 3M and Shurtape and believes that there
12 would be a recurrence of material injury to this
13 domestic industry if the dumping order were lifted
14 here. I wanted to talk a bit about our company and
15 why we have come to this conclusion.

16 IPG today is one of the three major U.S.
17 producers of pressure sensitive tape with total
18 employment of over 2,000. We have our U.S.
19 headquarters in Bradenton, Florida, and our largest
20 plant producing the subject merchandise is in
21 Danville, Virginia. We also have a plant in Richmond,
22 Kentucky, that some of the Commissioners just recently
23 visited. We also have six other locations in the U.S.
24 that produce various products that are mentioned in
25 the subject merchandise.

1 Our company has grown largely through a
2 number of acquisitions over the last 10 years to
3 become one of the major suppliers and players of the
4 market today. We produce hot-melt acrylic and natural
5 rubber tape that are subject to this case. We're the
6 only U.S. producer here today that produces the
7 natural rubber products. For our natural rubber
8 products, we just invested in our Brighton, Colorado,
9 plant to increase capacity to fill overall demand.

10 In our questionnaire response we identified
11 natural rubber as being the first place that we will
12 feel the impact of the Italian imports if the order is
13 lifted. We said this because Italy is a major
14 producers of natural rubber product, along with
15 hot-melt, and it has excess capacity so from our point
16 of view that will be the first product that we will
17 feel the effect of. However, we also believe that the
18 Italian producers with the excess capacity of hot-melt
19 will also re-enter the U.S. market with that product
20 quite quickly.

21 IPG, as well as the industry, has a great
22 deal of experience in purchasing machinery from Italy
23 for its production, as mentioned by Wayne. Because
24 our executives often travel to Italy to purchase
25 machinery and have bought subject merchandise for our

1 U.S. markets in the past, we know the situation in
2 Italy very well. Conversely, the Italian companies
3 are also traveling to the U.S. to support the
4 purchases of their machinery. Therefore, they
5 understand the overall opportunity and market share
6 here in the U.S.

7 We strongly believe that the estimate
8 provided in our brief of five billion square meters of
9 capacity is, if anything, too conservative. If the
10 production in Italy is about three billion square
11 meters, this leaves two billion square meters
12 available for the United States. The level of
13 technology coming out of Italy from their machinery in
14 tape products means that they can compete very, very
15 well in overall quality within their products here in
16 the U.S.

17 IPG has made great strides in making our
18 plants more efficient over the years since we
19 consolidated the company similar to Shurtape. We have
20 done this through the purchase of new machinery, but
21 have also done so by using our people more efficiently
22 and having better inventory control.

23 But all this hard work and our recent
24 successes can disappear very quickly if this renewed
25 source of dumped and low priced tape from Italy enters

1 the United States. That will happen because the
2 current channels of distribution, private label
3 opportunity and the sophistication of the Italian
4 producers make it very easy for them to re-enter the
5 market.

6 The overall barriers to entry and accessing
7 the market will require very limited U.S. investment
8 such as sales leadership, marketing, and overall
9 resources. They would easily outsource any or all of
10 these functions, therefore keeping their overall cost
11 and investments to a minimum.

12 The U.S. market for pressure sensitive tape
13 is largely a commodity market and has become even more
14 competitive on the low recently because of the Asian
15 suppliers. As Rick mentioned, the same as 3M, we at
16 IPG decided to move our acrylic tape production back
17 here to the United States from China again to help
18 cover our fixed costs for capacity utilization. The
19 last thing we need in the U.S. industry is to have the
20 high end of the market being devastated by dumped
21 Italian product.

22 We do not believe that the Italian industry
23 has any other market that is nearly as attractive as
24 the United States. Without the existence of a dumping
25 order, we believe that we will be squeezed at the low

1 end of the market by the Asian producer and squeezed
2 at the high end of the market by the Italians. Thank
3 you for your time, and I look forward to answering any
4 questions.

5 MR. NEELEY: Jerry?

6 MR. SERRA: Good morning. I'm Jerry Serra
7 of Serra & Associates of Chelmsford, Massachusetts. I
8 am the technical advisor for the Pressure Sensitive
9 Tape Council. I have a Ph.D. from the University of
10 Rhode Island and have over 36 years of industrial
11 experience.

12 I have worked for Kendall, now Covidian,
13 Tyco Adhesives, Covalence Adhesives and Berry
14 Plastics' Tapes and Coatings Division. I've served in
15 capacities anywhere from being an analytical chemist
16 to director of R&D to vice president of technology for
17 these companies. As vice president for technology I
18 was responsible for new products and process
19 development, technical support of current business,
20 management of intellectual property assets and some
21 strategic planning issues.

22 I retired from corporate life in April of
23 2008 and have been involved in my consulting business
24 since that time. During my career I was a key member
25 of the mergers and acquisition team. I had the

1 responsibility of identifying and visiting potential
2 acquisitions. These acquisitions included the
3 acquisition of the then Manuli Tape, which is now
4 Evotape. Therefore, I became very familiar with the
5 Italian tape industry, and I know that the figures
6 that we are using here today are reliable.

7 I often had to collect industry market data
8 to determine industry capacities and utilization. I
9 frequently used data published by ExxonMobil, which
10 have published an annual report on European tape
11 production for at least the past 13 years, along with
12 other sources such as Bradonia.

13 ExxonMobil is the major global supplier of
14 the elastomers and tackifiers used in the manufacture
15 of pressure sensitive adhesives. The information
16 compiled by ExxonMobil was gathered through customer
17 contacts that includes PSA tape production for western
18 Europe and excludes protective films, labels, medical
19 products and pipe wrap.

20 ExxonMobil estimates the total western
21 European PSA tape production capacity to range from 10
22 to 12 billion square meters. For my analysis I chose
23 to use 11 billion square meters as a reasonable
24 estimate. Italy is a primary producer of PSA tapes in
25 western Europe, representing 64 percent or seven

1 billion square meters of total production capacity
2 versus their actual production of 3.8 billion square
3 meters or 54 percent capacity utilization in 2008.

4 Total western European packaging tape
5 production in 2008 was reported as 4.1 billion square
6 meters, representing 70 percent of the western
7 European tape production. Since Italy is a primary
8 producer in western Europe, I selected 80 percent as a
9 conservative estimate of the Italian packaging tape
10 production, 3.3 billion square meters versus 3.8
11 billion square meters of their total tape production.

12 The total production capacity for Italian
13 packaging tape is estimated at six billion square
14 meters. That would be a 55 percent capacity
15 utilization. The dominant packaging tape adhesive
16 technology in Italy is rubber based, natural and
17 synthetic elastomers, representing 72 percent of their
18 production or 2.4 billion square meters actual with a
19 potential 4.3 billion square meters.

20 Therefore, my conclusion is that the use of
21 five billion square meters as the estimate of Italian
22 capacity is a conservative estimate and certainly can
23 be relied upon by the ITC in this case. Thank you for
24 your time, and I will be happy to address any
25 questions that you may have.

1 MR. GLEN ANDERSON: Commissioners, thank you
2 for this opportunity. I'm the final presenter this
3 morning. I'd like to introduce the Pressure Sensitive
4 Tape Council representing the tape producers for all
5 North America. I am Glen Anderson, PSTC's Executive
6 Vice President for the past 28 years. My role is
7 strictly administration, orchestrating all activities
8 and globally representing the industry as needed.

9 Since 1953, PSTC's two major goals have been
10 to proactively represent the industry in Washington,
11 D.C. as needed, most recently in the EPA air
12 regulations, and work to improve the quality of PSA
13 tapes through technical seminars, test method
14 procedures and training programs.

15 PSTC has become the global leader in
16 industry-related trade associations in its technical
17 programs, test methods and its limited focus programs.
18 This past year PSTC hosted the first global meeting,
19 working closely with our counterpart in Europe to
20 gather all global tape organizations to form the World
21 Tape Forum for the five active tape trade associations
22 representing Europe, Taiwan, China, Japan and North
23 America.

24 PSTC's leadership has been through
25 harmonized worldwide test methods to ensure

1 performance consistency. Currently there are three
2 ISO PSA tape test methods. By design from the very
3 beginning, PSTC is not your typical U.S. trade
4 association as its management has been within a small
5 association firm and these past 10 years I have been a
6 single virtual office managing the total affairs of
7 the association. Our annual budget is less than \$1
8 million.

9 As a move into semi-retirement mode this
10 year, PSTC has moved the total management operations
11 into the Landon, Farrey & Associates management firm
12 in Naperville, Illinois, allowing me to remain in my
13 virtual office in Northbrook as its chief staff
14 officer.

15 PSTC represents 23 tape manufacturers and 12
16 affiliate suppliers. Our membership produces in
17 excess of 90 percent of the total 6.8 billion square
18 meters of tape production valued at \$12.7 billion in
19 2009. The sizes of our tape member companies range
20 from the Fortune 100 company of 3M down to small take
21 producers with less than \$5 million annual production.

22 The active member company participants are
23 all CEOs and senior management. PSTC is
24 ultraconservative in managing all operations with
25 strict adherence to U.S. antitrust policies. The

1 purpose of my presentation is commenting on those
2 smaller companies not represented today and their
3 passive lack of interest regarding this order.

4 Generally speaking, they were sensitive to
5 the burden of both the time and the confidentiality of
6 sharing production data. Most importantly, they are
7 focused on the imports of product from Asia,
8 particularly from China, and their ability to keep
9 their company operating in this tough economic time.

10 They are operating extremely lean in staff
11 and overhead with the CEO driving the sales effort and
12 short-term vision. In speaking with several of the
13 CEOs, I know that because Italy has not been in the
14 U.S. market in recent years in any significant
15 quantity because of the dumping order they are just
16 not aware of the situation in Italy and, as
17 customarily in our industry, as small producers they
18 continue to rely on the key industry leaders to carry
19 the burden of such threats to the industry.

20 Commissioners, thank you for this
21 opportunity to introduce you to PSTC.

22 MR. NEELEY: That concludes our testimony,
23 and we'll be glad to answer any questions that the
24 Commission may have.

25 CHAIRMAN ARANOFF: Well, I want to welcome

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1 all of the members of the panel this morning. We very
2 much appreciate your taking time away from your
3 businesses to join us here, and I want to thank those
4 of you who were able to host some of my colleagues to
5 tour your facilities. I know I always find those
6 trips when I'm able to schedule them to be extremely
7 helpful in understanding the industry.

8 We haven't called you all in for a hearing
9 in this matter in quite some time, so we appreciate
10 all of the preparation that you've put in to help us
11 get up to date and get ready for today. We are going
12 to begin the questioning this morning with
13 Commissioner Pinkert.

14 COMMISSIONER PINKERT: Thank you, Madam
15 Chairman, and I join the Chairman in thanking you all
16 for being here, for taking the time to give us all of
17 the information that you've already given us, and I'm
18 sure for your cooperation in giving us the additional
19 information that we may request.

20 I want to begin with a question for Mr.
21 Neeley that is prompted by something you said in your
22 opening remarks. Yes, indeed this is a very old
23 finding, and I'm wondering. As a matter of law does
24 it matter for purposes of our analysis that this is in
25 fact a very old finding?

1 MR. NEELEY: I think as a matter of law the
2 law certainly does not say that you address this case
3 any differently than any other case because it's old.
4 We understand that there's a certain sensitivity as a
5 practical matter to the fact that things could change
6 in an industry.

7 The facts could change over 30 years, so
8 we're cognizant of that and try to address it, but as
9 a legal matter your analysis is exactly the same.

10 COMMISSIONER PINKERT: Thank you. Now going
11 back to the response to the notice of institution that
12 you all filed, I'm wondering. Do you still regard the
13 industry as vulnerable because of the recession?
14 That's something that was inserted at that time, and
15 I'm wondering now given the data that you have whether
16 you still take that view.

17 MR. RICK ANDERSON: Sure. Mr. Commissioner,
18 that's a good question. I would say we shared during
19 the tour the types of measures that 3M took because of
20 the recession -- you know, much more careful
21 management of inventory, very careful care of in
22 Kentucky all of our contract or part-time workers. We
23 tried to keep full employment.

24 So I would say we don't consider ourselves
25 out of the woods by any means on that. We've been

1 very diligent trying to keep our costs as low as
2 possible.

3 MR. MARTIN: I agree. We did a lot of
4 things this year to make sure that we managed cash,
5 managed our inventory. We tried not to release
6 employees. We did everything in our power to keep our
7 employees. That's number one to us.

8 We're still fighting the battle of raw
9 materials. The cost of that is going up. It's still
10 going up, and we expect that to be a big part of this
11 year as well. So managing that is important to us.

12 MR. NEELEY: I think that we all also would
13 take the position that 2009 was a sweet surprise to
14 everybody. I mean, it was much better than we had
15 anticipated that it would be when we filed our
16 original comments in June. There's no doubt about
17 that.

18 At the same time, vulnerability has to do
19 with more than simply what happened to profits this
20 year. Vulnerability also has to do with how quickly
21 things could change, and I think they all were
22 addressing the issues of raw material costs, which are
23 likely to go up.

24 We see the Asians coming back into the
25 market and we see that any significant importations of

1 low priced and dumped Italian hot-melt would hit us at
2 the high end, so we think the vulnerability is still
3 there in a somewhat different way than we had frankly
4 anticipated in June.

5 COMMISSIONER PINKERT: Thank you. Now going
6 to that issue of the possibility that the Italian
7 producers would come back into the U.S. market with
8 unfairly traded imports, I'm wondering.

9 Is there a distinction that we should be
10 making between the Italian producers that have been
11 revoked from the order by the Commerce Department and
12 the remaining Italian producers that are covered by
13 the order? The reason I ask that question is because
14 we haven't seen the revoked producers coming back in
15 in a major way, so I'm hoping that you can help me to
16 understand that.

17 MR. NEELEY: I'll try that first. I think
18 Rick addressed it in his testimony. He may be able to
19 add more. I think those two companies were in unique
20 positions. Autoadesivi is now owned by 3M. They're
21 not going to jump into the U.S. market, so I think
22 that's one that is very different than the other
23 Italian producers.

24 Secondly, Boston Tapes is just not a
25 significant supplier of the subject merchandise. It

1 primarily makes other merchandise is what we have
2 found out from 3M Italia. So yes, I think they are in
3 very different positions. The other producers have
4 every incentive to come into the market at low prices.

5 I don't know if you have anything else you
6 want to say, Rick?

7 MR. RICK ANDERSON: I think Jeff commented
8 on that. The two once again that he had mentioned are
9 out of scope. They're both making specialty, higher
10 end tapes that are not part of the order so there's a
11 difference.

12 Out of the 30 roughly PSA tape manufacturers
13 in Italy, there's probably 10 that would be the most
14 critical that have the highest level of capacity. As
15 I look at these, there's at least four that have very
16 large amounts of capacity and would have a great deal
17 of capacity available.

18 MR. NEELEY: I think Jerry Serra had
19 something to add to this also.

20 MR. SERRA: Yes, Commissioner Pinkert.
21 Boston Tapes was purchased by a Canadian company and
22 is operating in the U.S. under Novacel, under the
23 management of Novacel, who is a manufacturer of
24 specialty protective film, so I do not believe they
25 still have the capacity to make the packaging tape

1 that is shipped.

2 COMMISSIONER PINKERT: Thank you. Now,
3 let's assume that there's a doubling or tripling of
4 current imports from Italy if the order were revoked.
5 That would still represent a relatively small share of
6 the U.S. market. So in light of that, can you give me
7 an idea of why that would cause injury to the domestic
8 industry?

9 MR. RICK ANDERSON: I think the primary
10 concern is this: If we look at the Bradonia numbers,
11 the estimates -- and the last year published is 2007
12 -- are that the U.S. market for primary products is
13 about 3.7 billion square meters of annual consumption.

14 Once again, the concern is that Italy has
15 about two billion square meters of excess capacity for
16 those products, so it's over 50 percent of the U.S.
17 market would be in scope for production capable or
18 available within Italy.

19 MR. NEELEY: Yes. We think it would be much
20 more than doubling or tripling their current imports.
21 I mean, I guess that's in a sense our fundamental
22 answer. It may be a lot larger than that. That's a
23 big incentive to make it much larger than that.

24 MR. HELTON: I would just add, as I
25 mentioned in my testimony, the consolidation on the

1 purchasing side, the distributors and some of the
2 large boxes, would make it a lot more stairstep, if
3 you will, larger quantities per sale, once getting
4 into those larger channels. I don't think you could
5 even control exactly how little or how much could come
6 in. Once started, it would be pretty rapid.

7 COMMISSIONER PINKERT: Now, in your
8 testimony and in particular when you were talking
9 about some of the samples that you brought in, I got
10 an idea about the uses of the hot-melt product versus
11 the acrylic, but I'm wondering if they're commonly
12 substituted for one another.

13 And I may be assuming too much here, but if
14 they're commonly substituted for one another then it
15 shouldn't make a difference to our analysis that the
16 Italian companies specialize in that high end product
17 that is also a focus of the U.S. industry.

18 MR. RICK ANDERSON: That's a good question.
19 I guess a primary reason, Mr. Commissioner, that we
20 consider the threat is that -- well, two things. One
21 is once again the hot-melt is the primary production
22 capability that 3M has, for example, and it's the
23 primary profit driver for our businesses so the high
24 end hot-melt is where typically the more profitable
25 types of businesses are available.

1 The other issue is for the industrial side
2 of customers they tend to think differently than the
3 consumers. A consumer would look at a roll of tape
4 and they wouldn't really see a difference between it,
5 and they wouldn't really think through implications of
6 shipping an 80 pound motor, for example, sending a box
7 that doesn't seal.

8 Industrial customers very much look at the
9 specifications and do testing, and we each have our
10 own testing labs, for example, offered to customers so
11 if they have a very distinct application they'll
12 select which type of product works for that.

13 COMMISSIONER PINKERT: Thank you. That's
14 very helpful. Is there any other comment on that
15 issue on the panel?

16 MR. SERRA: Yes, Commissioner. When you
17 think about the hot-melt or the rubber-based products
18 versus the acrylic products there's a continuum if you
19 will, and there's a point where a high end acrylic may
20 overlap a low end hot-melt product, so that kind of
21 the gray area, the fuzzy area.

22 But if you had boxes sealed with let's say
23 acrylic and hot-melt and it was in the industrial
24 applications that Rick mentioned, there'd be no doubt
25 which one would survive the shipping and all the

1 handling and the banging around that these things go
2 through, and that would be the hot-melt.

3 If you think about the history here,
4 solution rubber was the biggie at one time. Then
5 hot-melts came along and took some of that market,
6 much like the acrylics can take the lower end of the
7 market, so we really have to protect that rubber-based
8 market because they truly do have unique properties
9 where the acrylics can't really come in and replace
10 all of those applications. Did that help?

11 COMMISSIONER PINKERT: Yes. Thank you very
12 much.

13 MR. SERRA: You're welcome.

14 COMMISSIONER PINKERT: Thank you, Madam
15 Chairman.

16 CHAIRMAN ARANOFF: Let me continue with a
17 point that Commissioner Pinkert was raising which was
18 with respect to the nonsubject Italian producers.

19 I think you've answered the question with
20 respect to Boston and why you think they're not
21 typical of the Italian industry, but I wanted to make
22 sure. The one with the long name, Autoadesivitalia.
23 You've said that it's now associated in some way with
24 3M, but that doesn't answer the question with respect
25 to its conduct since it was revoked from the order in

1 1998.

2 Are you aware at that point of what products
3 it was making and whether or not it was shipping any
4 of that product to the United States and why or why
5 not?

6 MR. RICK ANDERSON: I don't have the exact
7 history of the date, but I think the acquisition date
8 by 3M was in the late 1990s. It was near term when
9 that order was revoked.

10 Once again, my understanding of the
11 manufacturing capabilities and strengths of
12 Autoadesivi are more, once again, on high end
13 specialty products, so not on subject merchandise.

14 MR. NEELEY: We'd be glad to go back to 3M
15 Italia and try to get some more information about the
16 exact dates, when it was acquired by 3M and also the
17 product scope and things of that sort, capacities,
18 whatever we can get.

19 CHAIRMAN ARANOFF: Okay. I mean, as you
20 know from looking back at the opinions from the last
21 review, one of the important issues was that there
22 were nonsubject producers and that those nonsubject
23 producers, at least as best we could do because there
24 wasn't much of a record --

25 MR. NEELEY: Sure.

1 CHAIRMAN ARANOFF: -- the last time around,
2 didn't seem to be that interested in the U.S. market,
3 and the question was why and is that typical, so
4 that's what I'm trying to build the record on here.

5 There was a third nonsubject producer that's
6 been nonsubject all along. They were excluded in the
7 original investigation. Plasturopa.

8 MR. NEELEY: Yes.

9 CHAIRMAN ARANOFF: What can any of the
10 witnesses tell me about that company?

11 MR. NEELEY: It was not one that we
12 discussed internally, not one that was even on the
13 radar screen when we discussed the production in
14 Europe or in Italy, I should say, with 3M Italia, but
15 let me also go back to them on that and get a better
16 answer for you or a real answer for you in the
17 posthearing brief.

18 CHAIRMAN ARANOFF: Okay.

19 MR. SERRA: Commissioner?

20 CHAIRMAN ARANOFF: I think that would be
21 really helpful.

22 MR. NEELEY: Good.

23 MR. SERRA: Commissioner? One comment on
24 Plasturopa. When I was part of the company that owned
25 Manuli at the time -- we changed its name to Tyco

1 Adhesives Italia when we purchased it -- we didn't
2 consider Plasturopa a primary competitor to our
3 business at that time. That goes back to the 2001 to
4 2005 timeframe.

5 CHAIRMAN ARANOFF: And that's because they
6 weren't very big or because they were producing a
7 specialty product?

8 MR. SERRA: We just didn't see them in our
9 market space, and we were a primary producer of
10 masking and packaging tape.

11 CHAIRMAN ARANOFF: Okay. Well, to the
12 extent that you can provide any information about what
13 it is that they've been doing all this time since they
14 haven't been subject to the order, that would be very
15 helpful.

16 The more general question that this all
17 leads to is obviously except for data from the
18 original investigation and from the three years that
19 we have for this review, in between we don't have any
20 data. Even for this period our data aren't really
21 great for what the volume of nonsubject imports from
22 Italy has been.

23 Is there any reason to believe that in this
24 large period of time for which we don't have data that
25 nonsubject imports ever had more than a nominal market

1 presence in the United States since 1977?

2 MR. NEELEY: Are you talking about
3 nonsubject imports from Italy --

4 CHAIRMAN ARANOFF: No. I'm talking about
5 Italian imports.

6 MR. NEELEY: -- other than let out of the
7 case?

8 CHAIRMAN ARANOFF: Right.

9 MR. NEELEY: No, we don't think that they
10 have been significant players in the United States
11 based on data that we've seen.

12 CHAIRMAN ARANOFF: All right. The second
13 thing that I think is important that I want to test is
14 the assertion that you have all made that the Italian
15 industry is extremely export oriented. Of course, one
16 of the big things that has changed since the original
17 investigation in this case is the strengthening and
18 the growth of the European Union.

19 The Commission, and particularly this
20 Commissioner, has taken a position in some reviews
21 that exports within the European Union, while
22 technically they are exports as a legal matter, are
23 not the same as exports from a European company that
24 go to somewhere entirely outside of the region.

25 What can you tell me based on your

1 collective knowledge of the Italian industry about
2 what share of their exports is going to markets other
3 than the European Union or non EU European markets?
4 You can include or not include Russia in that, as long
5 as you tell me what you're talking about.

6 MR. RICK ANDERSON: We could probably give
7 some more detail on that in the brief, but the
8 majority of Italian produced products is going to EU
9 countries. There is some product, speaking
10 specifically to actually Korean producers, that would
11 go into Asia, but it's once again high end type
12 products produced in Italy that would go to other
13 markets outside of that.

14 We can confirm that with the Bradonia
15 numbers and we'll look at our internal numbers, but
16 the assumption is that the primary markets are western
17 Europe.

18 CHAIRMAN ARANOFF: I mean, from reading your
19 brief I don't get the impression that you're arguing
20 that any product from Italy that's currently being
21 directed to Europe would be likely to be redirected to
22 the U.S. market if the order were revoked. You seem
23 to be arguing about specifically the excess capacity.

24 MR. NEELEY: That's right.

25 CHAIRMAN ARANOFF: Is that correct?

1 MR. NEELEY: That's right.

2 CHAIRMAN ARANOFF: Okay. And what about
3 with respect to Italian exports that are going outside
4 of Europe? Are you making an argument that those
5 might be redirected or that's also not the basis for
6 your argument?

7 MR. RICK ANDERSON: No. We don't assume
8 those to be redirected.

9 CHAIRMAN ARANOFF: Okay. Thank you. Let me
10 go back to Mr. Anderson. In talking about 3M and
11 talking about why it wouldn't be that difficult for
12 Italian producers to re-enter the U.S. market, the
13 question that I had was you had also mentioned that
14 there are only a limited number of major purchasers.

15 Among major U.S. purchasers, and a number of
16 them are companies I believe that have global
17 operations -- they operate outside the U.S. -- are you
18 aware whether those purchasers buy Italian tape for
19 their operations in Europe, for example?

20 MR. RICK ANDERSON: I would have to confirm
21 that, but my assumption is that they do regionally
22 source, much like we do ourselves.

23 CHAIRMAN ARANOFF: Okay. I mean, I'd be
24 interested in the extent to which if there's a large
25 purchaser like some of the shipping companies or

1 things like that that operate in Europe about if they
2 were already buying this product and they've already
3 qualified it whether that would affect the ability of
4 the product to penetrate the U.S. market.

5 We have information on the record, for
6 example, about the kinds of testing and approval
7 processes that U.S. purchasers put the product through
8 and whether that would be a way to shortcircuit those
9 kind of procedures.

10 MR. RICK ANDERSON: For large distributors,
11 which is where the primary channel would be, my
12 understanding is they will generally have categories
13 or specifications that they fell within.

14 I know from our standpoint the large global
15 suppliers that we deal with, the large global channel
16 customers don't buy products in the U.S. and then ship
17 it to Europe, for example, or Asia. They tend to
18 regionally source.

19 So if a large -- you can pick your name --
20 customer has operations in China, for example, they'll
21 source locally. If they have operations here they'll
22 source locally typically, once again primarily
23 speaking because of capacity issues.

24 CHAIRMAN ARANOFF: Isn't that an argument
25 against a large penetration of the U.S. market if

1 these companies are going to regionally source?
2 Doesn't that argue against their buying the Italian
3 product and bringing it over to use it in the U.S.
4 market?

5 MR. RICK ANDERSON: I'll take the first shot
6 at that. The answer is yes and no from that
7 standpoint. In Europe once again there's a tremendous
8 amount of capacity. The pricing in Europe is
9 generally lower than it is in the U.S. of subject
10 merchandise. The difference is when you have an
11 extreme amount of overcapacity you'll sell products at
12 variable cost, and that's where I think the concern
13 is.

14 So if you're selling things at your full
15 factory cost plus a profit margin I think it's not an
16 issue, but if you have a customer or a large
17 manufacturer that has a billion square meters of
18 coating capacity and they're running at 50 percent
19 capacity you're in a very desperate situation.

20 So as Wayne had mentioned, what they would
21 do in that case is sell products at variable cost,
22 cover just a little bit of the fixed cost and try and
23 dump it.

24 CHAIRMAN ARANOFF: Okay. So I don't want to
25 put words in your mouth, but your argument is

1 essentially that people will normally source
2 regionally for this product, but if the pricing
3 difference is really significant they won't.

4 Okay. All right. I'll come back to this in
5 my next round. Thank you. Let me turn to Vice
6 Chairman Pearson.

7 VICE CHAIRMAN PEARSON: Thank you, Madam
8 Chairman. Let me extend my greeting to the panel.
9 For me this case is somewhat like a history lesson. I
10 managed to get out of grad school in June of 1977, the
11 month that the original petition was filed, and so I'm
12 seeing my career in the context of this case kind of
13 wrapped up in pressure sensitive tape. A lot has
14 happened since 1977 at least for me.

15 One of the things that's changed is
16 currency. I know you had mentioned in testimony that
17 a lot of the equipment that you use to process the
18 tape is Italian equipment. The euro is relatively
19 strong now compared to the dollar. How has that
20 affected your ability to afford the high tech
21 equipment that's so important to the manufacture of
22 tape?

23 MR. HELTON: In our case we were in '98
24 making the significant investment in the equipment.
25 '97 I should say. We started up in '98.

1 I don't remember exactly what the euro to
2 dollar was then, but I think it was quite favorable
3 actually and so the investment that has been done more
4 recently, we've found a few other places to fill in
5 where they're not as competitive as U.S. manufacturers
6 are. But I think all of our investment was done at a
7 time when the euro was not as it is today. Does that
8 answer your question?

9 VICE CHAIRMAN PEARSON: Partly. Have other
10 companies had experience with purchasing Italian
11 equipment recently or thinking about it?

12 MR. MARTIN: Yes, Mr. Commissioner. We're
13 investing constantly. As we mentioned in all of our
14 testimony, we're constantly improving our
15 efficiencies, and to be able to do that you've got to
16 update equipment. If you're not then you're going to
17 be behind.

18 That takes investment and it takes a lot of
19 margin, and these products that we produce have good
20 margins that we can reinvest in our business and be
21 sustainable. We have to be here long term, and to be
22 able to do that you've got to compete and you have to
23 lower costs. You've got to make sure that your
24 efficiencies are there.

25 So we're continually investigating how do we

1 improve those efficiencies through better equipment.
2 If it's Italian equipment that's fine. If it's
3 others, as Wayne has mentioned, we'll do that as well.

4 As I mentioned in my testimony, their
5 technology is superior to most, and that scares us
6 because if they can do that on their equipment they
7 certainly can do that on the product, and the product
8 that they have produced is very good quality, high
9 quality product, and that is a concern.

10 MR. SERRA: Commissioner Pearson, I'm no
11 longer part of a manufacturing company, but I can tell
12 you my former company, and I can release this because
13 it was made public. Berry just spent a little more
14 than \$10 million on upgrades in their plant not for
15 the subject tape, but it goes to purchasing equipment
16 from Europe. I can't say where they got it, but they
17 have figured out that the better equipment was from
18 these locations.

19 The justification comes back, and I know the
20 exchange rate comes in, but the justification comes
21 back based on the return on investment. So if I spend
22 this money what is my return on that investment? Is
23 this technology going to leapfrog me to the next
24 generation so that I'm ahead of my competition? I
25 think while you have to consider the exchange rate the

1 other factor is really to remain competitive and
2 getting the return back on that investment.

3 VICE CHAIRMAN PEARSON: So do you have any
4 insight on why Italy has become so sophisticated in
5 the production of tape manufacturing machinery? I
6 mean, why not Germany or Japan or the United States?

7 MR. RICK ANDERSON: I'll take a first shot
8 at that. The Italians do have historically
9 significant strength in not only the manufacturing,
10 but also tape sealing equipment and automated
11 packaging. They tend to be the world leaders in
12 design and sophistication of manufacture. I don't
13 know historically how that came about, but that is the
14 case.

15 Just to add to the previous point, the types
16 of investments we've made most recently typically are
17 slitters. Although our companies buy on a regular
18 basis, we tend to be uniform on what we buy on those.
19 We don't like to buy a different type each time.
20 Generally speaking, Italian made slitters are about
21 the best in the industry, so we tend to be fairly
22 uniform on that.

23 MR. SERRA: Commissioner Pearson, I'll give
24 you a guess, okay? It's my best guess. If you think
25 of the companies in the United States, they're major

1 corporations. They're the large corporations. Some
2 are publicly listed. If you go back to the primary
3 producers in Italy they're family owned businesses.

4 VICE CHAIRMAN PEARSON: And you're talking
5 now about the equipment manufacturers?

6 MR. SERRA: Yes.

7 VICE CHAIRMAN PEARSON: Not the
8 manufacturers of tape.

9 MR. SERRA: Right.

10 VICE CHAIRMAN PEARSON: Yes. Okay.

11 MR. SERRA: The equipment. So maybe it's
12 because it is a family owned business they can run it
13 a lot differently than they can run a major
14 corporation and they sort of keep it in the family. I
15 guess that's my best guess for you.

16 VICE CHAIRMAN PEARSON: Thanks for those
17 comments. I understand that perhaps none of you are
18 really -- you buy the machinery. You have to buy the
19 best in the world that's going to give you a return on
20 your investment. I understand that. I found it
21 curious in this case that the U.S. industry is to a
22 considerable degree relying on the Italian machinery.
23 We don't see that fact pattern very often.

24 Back in 1977, Italy's currency was the lira
25 and that was generally a weak currency. They had a

1 lot of inflation. They had ongoing government
2 problems the Coalition was always breaking up. So the
3 lira over much of my memory was declining relative to
4 other currencies, including the dollar. It was a
5 great environment for Italian tape manufacturers to
6 expand exports because they had that depreciating
7 currency always kind of working for them, if you will.

8 Now today it's really quite different
9 because Italy is part of the euro zone. Heaven knows
10 the euro is strong. The dollar has declined with
11 respect to the euro 58 percent over the past eight
12 years. How does this change in the conditions of
13 competition influence how we should view this case?

14 MR. NEELEY: Let me give it a little bit of
15 a shot, and I'll let the other folks jump in. I think
16 it has two implications that sort of go in different
17 directions. A weak currency, as opposed to a strong
18 currency, means that dumping is less likely if it's
19 weak. I mean, all things being equal that's certainly
20 the case.

21 Nevertheless, even with a weak currency they
22 were found to be dumped so if they're found to be
23 dumping with a weak currency we certainly think with a
24 strong currency where you have much higher prices, all
25 things being equal in the home market, the likelihood

1 of significant dumping margins are much higher, so
2 that's on the sort of Commerce side the amount of
3 dumping.

4 VICE CHAIRMAN PEARSON: Right.

5 MR. NEELEY: From the injury side, which I
6 know you're most interested in -- I'm trying to give
7 you the whole background. On the industry injury side
8 to the U.S. industry, you would think that if people
9 were profit maximizing, if that was what they were
10 trying to do, then certainly a strong currency in
11 Europe, a high euro, would work against selling to the
12 United States. I mean, there's no doubt.

13 The question I think that you have to ask
14 yourself is are they really profit maximizing in the
15 sense of per unit profit or are the Italians likely to
16 do what our witnesses testified to, which is to try to
17 cover their fixed costs, some of their fixed costs,
18 cover their variable costs and make some contribution
19 to fixed cost, which is a rational business decision
20 which maximizes profits overall for the corporation
21 without necessarily and probably won't maximize per
22 unit profits.

23 Because we don't think that's what they're
24 trying to do. Sure it works against them to have a
25 high euro. They'd like to have it lower in terms of

1 maximizing profitability, but we don't think that's
2 what it's about. We think it's about low capacity
3 utilization and having to cover fixed costs. I don't
4 know. Others can say more, but that's basically what
5 our view is.

6 MR. HELTON: Well, I think you've summarized
7 it pretty well, but in that 55 to 60 percent zone of
8 utilization that from a manufacturing out of the
9 factory cost point of view, that is a difficult no
10 man's land to get any better.

11 You may have projects that they could be
12 working on, but the point there is despite what the
13 euro could be and the substantial differences if all
14 you really need to do is get some absorption of fixed
15 and you're willing to forego the typical gross margin
16 contribution to profit then despite the euro being
17 strong, unless it doubled or tripled or something
18 ridiculous, they're going to improve their P&L, as
19 Jeff said.

20 In this country is probably the only place
21 where the volumes are going to be substantial enough
22 for them to do that. Otherwise they would have been
23 doing it in Russia, as Rick had already mentioned, and
24 some other places. They just don't have the markets
25 that they can do that, which is why we think they'll

1 come here despite the euro.

2 VICE CHAIRMAN PEARSON: Okay. Well, my time
3 has expired, but I would just respond to Mr. Neeley's
4 comment. I understand what you're saying about
5 Commerce and how it does its calculations. Of course,
6 that really is not relevant to us. We accept it when
7 they find something, but we don't look behind it
8 what's driving it.

9 Our consideration really is whether there is
10 likely to be underselling, and that's why I'm focused
11 on this currency issue. Our experience in other cases
12 has been that it's more difficult to undersell when
13 the foreign currency is high in value relative to the
14 dollar, so that's the fact pattern I see here and
15 that's what I wanted to understand.

16 MR. NEELEY: We agree. We agree there's
17 less incentive, but we still think there's plenty of
18 incentive even with a high euro I guess is what we're
19 saying. Thank you.

20 CHAIRMAN ARANOFF: Commissioner Okun?

21 COMMISSIONER OKUN: Thank you, Madam
22 Chairman, and I join my colleagues in welcoming all of
23 you here today. We very much appreciate you taking
24 the time to be with us and the information you have
25 provided. I've learned a lot in your responses thus

1 far this morning.

2 Let me start just on a data related
3 question. The ExxonMobil study or what they produced
4 that you're going to submit posthearing. Do they do
5 the same projections for Asia? You're nodding your
6 head over there.

7 MR. SERRA: Commissioner, last year the
8 report they published for 2008, it did not include
9 Asia, but in prior years they had given projections on
10 a global basis, so the most recent one that I have is
11 the one that they presented for 2008 and for some
12 reason they didn't include it.

13 COMMISSIONER OKUN: Okay. Do you have the
14 2007 one?

15 MR. SERRA: I have I believe it was
16 published in '06 is the next one that I have.

17 COMMISSIONER OKUN: Okay. If you have an
18 '06 that would have both the Asia and the Europe I
19 think that would be helpful --

20 MR. SERRA: Okay.

21 COMMISSIONER OKUN: -- again to help fill
22 out our record with respect to nonsubject --

23 MR. SERRA: Yes. Will that go in the
24 posthearing brief?

25 COMMISSIONER OKUN: Yes, for posthearing.

1 MR. SERRA: Okay.

2 COMMISSIONER OKUN: Okay. I appreciate
3 that. Then I guess I'll turn back to the conversation
4 you were having about Italy's incentive to return to
5 the U.S. market at this point, and we talked about the
6 changes since the original order went into effect.

7 I think, Mr. Helton, you at the end I think
8 were turning to the question I was going to ask, which
9 is what evidence do we have that the Italians will go
10 to this not profit maximizing motive, but their
11 incentive would be to cover variable costs, and you
12 had said that the reason they're not doing it I think
13 -- I want to make sure I understood you. They haven't
14 been able to do that yet because no one else, the
15 Russian market or these other markets, don't have the
16 volume.

17 MR. HELTON: Yes. That's the point that I
18 was trying to make. From our information, they can't
19 get the kind of volume. Two billion square yards or
20 thereabouts is so large that they just haven't been
21 able to get over that tipping scale of being at 55
22 percent utilization.

23 And therefore we think the drivers would be
24 -- our theory is, as we've said all along, is that
25 they will in fact, because this market is developed,

1 because there is a customer base that we've developed
2 in the higher end quality, that they could come in and
3 would come in and sell here, which that would help
4 their P&L.

5 COMMISSIONER OKUN: Okay. And the reason
6 that they don't exercise that same incentive within
7 the EU market, which is their biggest market, and the
8 Chairman had you discuss a little bit about how the
9 Commission tended to view the EU as really being a
10 home market, a big market for them, certainly a
11 standard market since the original.

12 The reason they don't have incentive to do
13 this same thing, just try to pick out the French and
14 the German, is why?

15 MR. HELTON: They represent I think
16 somewhere around 65 percent -- am I remembering that
17 right -- of the tape that's manufactured for all of
18 Europe and so they seem to already have a good
19 foothold from a quality standpoint and distribution
20 standpoint and customers that appreciate the value for
21 that.

22 So I think the point is that that's where
23 they have been able to make enough money to sustain
24 themselves, but they can't maximize the profit based
25 upon the volume there, so that pricing, quite

1 honestly, for them there I would suspect will remain
2 as it has been with whatever influences are going on,
3 but while shipping over here they will actually if
4 they get some of their variable cost decreases and do
5 some of the absorption they'll be making even more
6 money on the materials that they're selling to Europe.

7 COMMISSIONER OKUN: Okay. Did you want to
8 add something, Mr. Anderson?

9 MR. RICK ANDERSON: If I could, Madam
10 Commissioner. Thank you. A couple things. One is
11 once again if you look at the western European market
12 about 3.4 billion square meters of size of
13 consumption, so in essence they need to maintain as
14 much of that baseline to absorb their fixed costs.
15 There's not a lot of excess room to try and dump
16 product.

17 Once again, the U.S. market is about 3.7
18 billion square meters in size. It's all one language.
19 It's much simpler to import and there's very large
20 channels to get into, so they can pick up significant
21 volumes fairly quickly when you do that.

22 My other comment on that would be if you
23 look at select European countries and you look at the
24 pricing, the pricing in some countries on an average
25 selling basis is certainly low, to the point where it

1 really is --

2 In some large European countries, the price
3 of the products is selling very close to a factory
4 cost. My assumption would be there are countries
5 where it's very difficult to make any profit in this
6 business in western Europe.

7 COMMISSIONER OKUN: Okay. And then I want
8 to make sure I understand your argument that what the
9 U.S. industry would face if the order were lifted
10 would be continued pressure on the low end from the
11 Asian imports in the acrylic and then they would face
12 pressure on the high end from the Italians.

13 I want to make sure that I understand. Are
14 you then arguing that if the Italians come in would
15 they displace any of the acrylic at the low end?
16 Would their prices displace acrylic or would they only
17 be displacing U.S. sales in what some have described
18 as a higher high end where there's not as much
19 substitution?

20 MR. RICK ANDERSON: My assumption is they
21 primarily would go after the hot-melt market. The
22 Asians have a fairly strong hold on the acrylic market
23 and are very aggressive, but it's my assumption that
24 they would go first and foremost for the hot-melt.
25 That's their biggest portion of excess capacity.

1 COMMISSIONER OKUN: Comments from other
2 producers?

3 MR. HELTON: Yes.

4 MR. SERRA: I would just agree. Oh, I'm
5 sorry.

6 COMMISSIONER OKUN: Can we go with Mr.
7 Helton first and then go back?

8 MR. HELTON: Well, the only thing I would
9 add is I agree very much. That is our assumption.
10 They would come in specifically pursuing hot-melt, not
11 replacing acrylics.

12 COMMISSIONER OKUN: Mr. Serra?

13 MR. SERRA: Yes. I would agree with that,
14 plus also if you're substituting a similar product
15 because if you're substituting a like technology it's
16 much easier than if you're trying to substitute let's
17 say an acrylic or a hot-melt or vice versa. It would
18 be easier to convince an end user to switch like for
19 like rather than unlike to like.

20 COMMISSIONER OKUN: Okay. Mr. Serra, while
21 I have you remind me. I just want to make sure I
22 understood something in your testimony earlier about
23 how much of Italy is in the rubber-based market versus
24 hot-melt.

25 MR. SERRA: Yes. And that again was based

1 on the ExxonMobil study, and from memory it was about
2 72 percent of their production capacity is based on
3 rubber-based technology. If you do the math, that
4 translates to about 3.3 billion square meters.

5 COMMISSIONER OKUN: And that would compete
6 in the U.S. against the hot-melt?

7 MR. SERRA: When I say rubber-based --

8 COMMISSIONER OKUN: You're talking?

9 MR. SERRA: Combined.

10 COMMISSIONER OKUN: Okay.

11 MR. SERRA: Hot-melt and --

12 COMMISSIONER OKUN: That's why I wanted to
13 try to make sure I understood what you were talking
14 about.

15 MR. SERRA: Hot-melt and solution.

16 COMMISSIONER OKUN: Okay. All right. Then
17 help me understand. I don't think we have this yet
18 developed in the record, which is the size of the
19 different parts of the market, the hot-melt versus
20 acrylic now versus to the extent you would have the
21 information about during the original investigation,
22 the change in the market and the size.

23 MR. NEELEY: In the U.S. market?

24 COMMISSIONER OKUN: In the U.S., yes.

25 MR. NEELEY: Right.

1 MR. RICK ANDERSON: We believe it to be in
2 round numbers approximately 80 percent hot-melt and
3 about 20 percent acrylic.

4 MR. MARTIN: Yes.

5 COMMISSIONER OKUN: If you can just use your
6 mic, please?

7 MR. MARTIN: Yes. Sorry. Yes, that's about
8 right. Yes.

9 COMMISSIONER OKUN: So 80 percent hot-melt
10 in the U.S. market?

11 MR. MARTIN: And the hot-melt is
12 declining --

13 COMMISSIONER OKUN: Okay.

14 MR. MARTIN: -- because of the acrylic
15 taking over and more on the lower end coming in.

16 COMMISSIONER OKUN: Okay. Any other --

17 MR. SERRA: Commissioner Okun?

18 COMMISSIONER OKUN: Yes, Mr. Serra?

19 MR. SERRA: I can give you some info on
20 Europe as well if you'd like.

21 COMMISSIONER OKUN: That would be great.

22 MR. SERRA: Do you want it specifically just
23 for packaging tape, or do you want it overall?

24 COMMISSIONER OKUN: Packaging tape. Subject
25 tape.

1 MR. SERRA: All right. Packaging tape in
2 2008 was roughly -- hot-melt and water-based were
3 roughly equal at about 28 percent each and the
4 solution rubber product was about 44 percent, and
5 that's specifically for the packaging tape.

6 COMMISSIONER OKUN: Okay. Okay. And when
7 you talk about the incursion of the Asians in the
8 acrylic, so the original acrylic was a very, very
9 small portion? I just want to make sure I understood
10 that. So just increasing over time the acrylic
11 portion of the market?

12 MR. SERRA: Okay.

13 COMMISSIONER OKUN: Okay. And my time is
14 up. I'll wait until the next round of questioning.

15 CHAIRMAN ARANOFF: Commissioner Lane?

16 COMMISSIONER LANE: Good morning, and
17 welcome to the panel. I have a few questions. First
18 of all I would like for you to tell me if you can
19 about the conditions and trends of your industry from
20 the period 1998 to 2005, which was the period of the
21 second review, for which we don't really have much
22 data on the record. Our data goes from 1997 to 2006 I
23 believe. So do you have that information that you can
24 give it to us today or provide it posthearing?

25 MR. NEELEY: I think it would probably be

1 better to do it in a posthearing brief just because we
2 don't want to make any mistakes and we probably ought
3 to look at it carefully.

4 COMMISSIONER LANE: I'm mostly interested in
5 the volume and your market share and your operating
6 income. And in looking at the data that we do have,
7 I'm really struck by the increase in consumption of
8 the product. Could you give us your take on why this
9 industry has increased so much over the years? I mean
10 that's a good thing, can you tell us why?

11 MR. MARTIN: And I'll have to apologize,
12 I've only been in this industry for a year so I'm
13 still learning it, so I'll just set that up front.
14 The good thing is for us that the applications within
15 the industry as the customers are getting more
16 specific and making sure they are protecting the
17 product better, making sure that within the
18 application they have no defects, they don't have any
19 quality complaints, they don't have returns.

20 Most of the U.S. industries are really
21 concerned about that, and so therefore, you know, I
22 think that we've been able to grow the industry
23 without having to do something different other than
24 the actual markets themselves. Plus, you know, a lot
25 of the -- this is a moving, I call moving, country.

1 People are always moving from point A to point B, or
2 one apartment to the next, and there's a lot of tape
3 being used in that type of capacity, especially over
4 the years, so that's one market that has improved.
5 And we could come up with a more detailed data over
6 that over the, you know, the post brief.

7 MR. HELTON: I would add to that. I think
8 there has been just some education of the consumers at
9 large, and probably over that time a bit better retail
10 distribution of packaging tape, and consumers have
11 found that very often it's at the lower cost compared
12 to a duct tape or certain paper tapes and so forth, it
13 does a pretty good job. And I think just that
14 knowledge at that lower end use, and getting into
15 retail where you can see it on a store shelf, have
16 helped to improve that overall volume.

17 COMMISSIONER LANE: Okay, is it sort of like
18 paper towels, if they're available we will use them
19 and the more there are available the more we use them?

20 MR. HELTON: Yes, yes.

21 COMMISSIONER LANE: Okay.

22 MR. HELTON: If you have a roll of it around
23 the house you'll find -- I have found many uses for
24 it, and very often temporary.

25 COMMISSIONER LANE: Okay, thank you.

1 MR. SERRA: Commissioner Lane.

2 COMMISSIONER LANE: Yes?

3 MR. SERRA: There is another driver that I
4 think is helping to fuel the growth that we saw, and
5 that is the general economy. I mean if you think
6 about when cars are made, when homes are built,
7 materials have to be shipped and boxed, so more boxes
8 are being used therefore more tape is being used to
9 close those boxes. And also the Internet, believe it
10 or not, folks placing orders over the Internet, all
11 those Internet orders are shipped in boxes that are
12 sealed with tape. So that's another driver that
13 caused -- that, well I should say that fuel the
14 growth.

15 COMMISSIONER LANE: Okay, thank you. I know
16 you have talked about the nonsubject versus the
17 subject in general terms and in specific terms, but
18 how concerned are you about what you may be facing in
19 the future as to nonsubjects coming in from places
20 like China?

21 MR. NEELEY: I guess I can answer for the
22 group, they're very concerned, they're monitoring it
23 all the time.

24 COMMISSIONER LANE: All right. Which source
25 do you think is likely to have the most adverse effect

1 upon your industry?

2 MR. RICK ANDERSON: Which source you mean
3 which countries are the biggest concern?

4 COMMISSIONER LANE: Do you think that Asia,
5 China poses more of a threat to you than the Italian
6 source if the orders came off?

7 MR. RICK ANDERSON: Not necessarily. The
8 concern with Italy is because the manufacturing
9 capabilities of Italy so closely resembles the
10 manufacturing capabilities of the U.S. As far as just
11 overall production capabilities, you know, like
12 getting into the acrylics, yes, China, you know,
13 Indonesia is starting to get larger, there's a number
14 of Asian countries that are getting very large in the
15 manufacture of acrylics or the hot-melt, which is the
16 primary source of the U.S. market, and once again what
17 primary U.S. manufacturing capabilities are, Italy's a
18 threat.

19 COMMISSIONER LANE: Is there any concern
20 that as the acrylic becomes better that the consumer
21 will not distinguish between what we're calling the
22 lower end and the higher end product but all that the
23 consumer wants is tape that will go around the box?

24 MR. HELTON: I think the basic chemistry at
25 this point and the delivery of the adhesive to the

1 webs at this point, just within the chemistry and the
2 materials, I don't know that we see anything in our
3 business right now that brings the acrylic chemistry
4 to where the hot-melt inherent quicker stick, higher
5 tack, the kinds of things if you've seen in a highly
6 automated factory where boxes are going down the line
7 and they're continually closing them, we don't see
8 that those kind of fundamental scientific properties
9 just yet are going to be replaced by the acrylic line.
10 You just can't -- we don't know how they would get
11 there at this point.

12 COMMISSIONER LANE: Okay. And you may want
13 to provide this posthearing, but what can you tell me
14 about the prices of the subject product in Europe and
15 other parts of the world as compared to the prices of
16 the product in the United States? For instance if the
17 orders were to come off, how likely is it that the
18 Italians would ship to the United States because of a
19 higher price?

20 MR. NEELEY: Yeah, we'll get that to you in
21 a posthearing.

22 MR. SERRA: Commissioner Lane, I just wanted
23 to expand on what Wayne just said. You have to think
24 of this -- trouble I have to look at you to talk.
25 Let's say there are two markets, and we shouldn't

1 interchange them. You have the consumer market, which
2 is typically the low end, you go to the box stores and
3 you buy a roll of tape. Then you have what I call the
4 industrial market, that's the high end, that's the
5 automated processes, that's the more sophisticated
6 tape, or the hot-melt kinds of applications. So I
7 think you have to think of it that way more than just
8 thinking of a consumer going to a store versus the
9 industrial application where this tape is really
10 primarily used.

11 COMMISSIONER LANE: Okay, and I have one
12 more question, which is, it looks as if the effects of
13 the recession have not hit your industry yet. Do you
14 expect to see the effect soon, and if so, when?

15 MR. HELTON: I would answer by saying it did
16 hit our industry very hard in terms of volumes and,
17 you know, 2008 sort of numbers. It hit us hard, we
18 responded rather quickly because it happened so
19 dramatically in the fourth quarter of 2008, and our
20 responses, and I think it's true of the industry, were
21 done very very early in '09 as opposed to waiting for,
22 you know, that zone where it was, are we in a
23 recession or not in a recession?

24 We already saw it from fourth quarter which
25 was the most dramatic rapid dropoff of volume that

1 I've seen in all of my time. And so the short answer
2 is, we I think responded very early in 2009 by doing
3 the right things to right size for a smaller world.
4 And raw materials dropped quickly, the commodity
5 based, most of the raw materials in the this stream is
6 petrol based, and so those dropped off very quickly.
7 And those are the things that left us in pretty good
8 shape in '09 despite significantly less volumes.

9 COMMISSIONER LANE: Okay, thank you. And
10 I'll wait until my next round. Thank you, Madam
11 Chairman.

12 CHAIRMAN ARANOFF: Commissioner Williamson.

13 COMMISSIONER WILLIAMSON: Thank you, Madam
14 Chairman. I too want to thank the witnesses for their
15 testimony today. I want to continue along the lines
16 of Commissioner Lane because unfortunately I didn't
17 get a chance to go on the tour. I'm still trying to
18 get a better handle on this distinction between the
19 acrylic hot-melt and rubber, and I was wondering if
20 you can maybe briefly explain how the various types of
21 adhesives, the difference of how their made, I mean
22 the production process for them, and the difference in
23 price, not in a lot of detail but just very briefly.

24 MR. SERRA: Good morning, Commissioner
25 Williamson. Yeah, let's start with the acrylics.

1 First of all let's go back to the source for the
2 materials so that you have an understanding of why the
3 petroleum industry, why the cost of the raws are so
4 tightly linked to the petroleum industry, and they
5 truly are. All the raw materials that go into the
6 hot-melt adhesive and the acrylic adhesive are based
7 on petrol feed stocks.

8 So as petroleum goes, same thing happens
9 here, that goes up and these materials go up. So with
10 that, the acrylics are synthesized in large reactors
11 using acrylic monomers in this particular case, not to
12 get too technical here, but it's generally butyl
13 acrylamide is the base monomer that's used to make
14 these things. If it's a big reactor, maybe holds
15 5,000 gallons.

16 COMMISSIONER WILLIAMSON: Okay, I don't need
17 a lot of detail, I just want to be able to distinguish
18 the tapes.

19 MR. SERRA: Okay, all right. So they're
20 made in a reactor, and when they're made they're
21 generally made ready to go and they're made as a water
22 dispersion, so whoever buys them buys them as a
23 liquid, much like Elmer's glue but much thinner, okay?
24 The hot-melt, if you think of a hot-melt glue gun that
25 you might have in your home, very similar but the hot-

1 melts that are used here are made with materials
2 called styrene block copolymers.

3 They come as a solid, and this is put into
4 either a mixing tank or it's melted, or into an
5 extruder where it's melted in the extruder, then
6 there's a tackifier added. So these materials are
7 formulated, versus the acrylic it's simply made by
8 polymerization. So you have the elastimer, the
9 styrene block copolymer, plus a tackifier, and then
10 there's usually some oils are added to make the
11 adhesive. And then it's pumped and it's now a solid,
12 but in order to coat it you have to heat it up and
13 melt it which raises the cost of the equipment that
14 you need to apply it.

15 The solution rubber products, here's a big
16 difference, the solution rubber, the rubber that's
17 used to manufacture, that goes into making these
18 adhesives, comes from a rubber tree. So they're
19 collected as a latex coagulated, dried, cured, and
20 packaged. That material is also a solid. This goes
21 into a big vessel that has solvent in it, the rubbers
22 dissolve, and then again a tackifier is added, usually
23 a processing oil and maybe a cross-link or something.
24 So this is sold, if the company is basic, they will
25 actually buy the individual raw materials, form the

1 solution themselves, or they'll buy it as a solution
2 and then coat it. Did that?

3 COMMISSIONER WILLIAMSON: That's exactly,
4 okay.

5 MR. SERRA: Do you need more?

6 COMMISSIONER WILLIAMSON: And the cost of
7 producing each of the ones, acrylic is cheaper cost?

8 MR. SERRA: Yes, typically.

9 COMMISSIONER WILLIAMSON: Hot-melt is next?

10 MR. SERRA: It's acrylic, hot-melt,
11 solution.

12 COMMISSIONER WILLIAMSON: And the selling
13 price is also I guess the same relationship?

14 MR. SERRA: Yes.

15 COMMISSIONER WILLIAMSON: Okay, so and in
16 the U.S. you said we're using now 80 percent hot-melt
17 and 20 percent acrylic and that's across all markets
18 both the consumer and the industrial?

19 MR. NEELEY: That's combined, yes.

20 COMMISSIONER WILLIAMSON: Has this
21 percentage changed of the three different types over
22 time?

23 MR. RICK ANDERSON: I can take that up, Mr.
24 Commissioner. Yes, the natural arbor was a larger
25 percentage of the markets way back when, and

1 previously there was solvents involved in the
2 manufacture of natural rubber adhesive, which is why
3 3M didn't elect to continue in that business, we don't
4 participate in that at this point. Acrylics are very
5 small, you know, one or two percent, so they've grown
6 very steadily over the last 10 to 15 years to the
7 point where they're nearly 20 percent.

8 COMMISSIONER WILLIAMSON: Is that because of
9 relative consumption in the consumer market of these
10 products versus industrial?

11 MR. RICK ANDERSON: I think it's just
12 basically a cheap pricing. A lot of people looking
13 for the simplest, cheapest roll of tape they can use,
14 you know, the acrylics are the answer.

15 COMMISSIONER WILLIAMSON: For some
16 industrial users too?

17 MR. RICK ANDERSON: Yeah, in the industrial
18 segments it's primarily where the properties of
19 acrylic are a benefit, and that is acrylics can handle
20 a wider temperature range, so if you're at a meat
21 packing plant in a freezer acrylics adhere better on
22 very cold temperatures.

23 COMMISSIONER WILLIAMSON: Okay. The samples
24 you passed around, I couldn't tell what was an acrylic
25 and what was the hot-melt, and I take it these are the

1 things you probably that are sold in Wal-Mart or Home
2 Depot. For the consumer, and they're probably not
3 going to -- I mean I've been buying tape for years and
4 I never thought about the difference -- is it just the
5 whether or not the thickness and the prices are the
6 only tip the consumer's going to have about the
7 difference? You know, for the consumer market?

8 MR. RICK ANDERSON: Sure, for 3M's sake on
9 the consumer market we do try and, you know, put on
10 the racks and shelves 20 times stronger than acrylic
11 formulas to try and differentiate by terms, you know,
12 where the various segments are. It's very difficult
13 to do, but that's something we try to achieve.

14 COMMISSIONER WILLIAMSON: Okay, and so it's
15 really more of that rather than, okay at one point
16 it's acrylic and now at some cutoff it's hot-melt.
17 Which one's the easier to peel when the whole thing
18 gets stuck up?

19 MR. RICK ANDERSON: That's a key point. The
20 hot-melt's easier to peel. The acrylics don't always
21 put a backing on there, that makes it easier to pull
22 off. That bothers a lot of people.

23 COMMISSIONER WILLIAMSON: It does,
24 particularly -- I'll ask you about that later. Okay,
25 is this pattern of product sales the similar in Italy

1 and Europe? I get it that they seem to still use more
2 of the rubber, is that correct in Europe?

3 MR. RICK ANDERSON: Yeah, from our
4 information -- go ahead, Jerry.

5 MR. SERRA: Yeah, if you go by the
6 production of tapes in western Europe as a whole
7 there's more hot-melt and solution rubber produced
8 than the acrylics, although the acrylics is also being
9 made too.

10 COMMISSIONER WILLIAMSON: Okay. Now did you
11 say the Italians do produce some of the acrylics? And
12 would that likely come here too if the orders were
13 revoked?

14 MR. RICK ANDERSON: I think it would be
15 tougher for the Italians to compete in the acrylic
16 markets with the Asians, but it's possible. They make
17 some solvent acrylics that could possibly come to the
18 U.S.

19 COMMISSIONER WILLIAMSON: Thank you. Could
20 you also maybe just briefly, the backing, the
21 polypropylene, have we all gone almost all to
22 polypropylene now?

23 MR. RICK ANDERSON: I can answer, that's the
24 most popular. It's the most cost-efficient, it's
25 cheap, it's got a lot of great properties, much like

1 polyester --

2 MR. SERRA: Commissioner Williamson, BOPP,
3 or polypropylene, represents probably in the
4 neighborhood of 80 to 85 percent of the tapes
5 produced, as a backing.

6 COMMISSIONER WILLIAMSON: Okay, thank you.
7 In recent years our records seem to show that our
8 apparent consumption over the period of review has
9 been going down. I mean not dramatically, but do you
10 agree, is that an accurate impression? This is over
11 the last two to three years -- U.S. consumption of
12 products. I mean is that true and what would be the
13 reason for that?

14 MR. RICK ANDERSON: It's hard to measure
15 that because we don't have, especially on the
16 industrial side, we get freedonia reports every couple
17 years that do estimates but there's not a credible
18 offsite source that says exact number of shipments
19 that we do, so it's difficult. But in general volumes
20 have gone down the last few years from our estimates.

21 MR. HELTON: I would concur, I think
22 generally we've seen that. It's hard to tell exactly
23 what, and we've speculated some. The numbers that
24 we're tracking with may be a little bit more in retail
25 but there's a little bit less in the -- a little bit

1 of decline in the industrial sector, because of
2 manufacturing that's somewhere else, so a box that
3 used to be closed here might be closed in Taiwan.

4 COMMISSIONER WILLIAMSON: Okay. Any
5 forecast for the future in terms of consumption?

6 MR. MARTIN: We hope good. We have a
7 positive outlook on it, we believe that consumption
8 will either maintain or go up. We hope it doesn't go
9 backwards, but everything that we've looked at, we
10 believe that that's going to happen.

11 COMMISSIONER WILLIAMSON: What might be the
12 driving forces, just keep to shipping more stuff?

13 MR. RICK ANDERSON: We're hoping the
14 freedonia estimates up two to three percent growth
15 continued in the U.S. will continue, and I think the
16 two biggest drivers we see, as the food and beverage
17 markets continue to grow the amount of parcel shipped,
18 and even in recessionary times that doesn't slow down,
19 and as Jerry mentioned small parcels seem to be very
20 significant, so, you know, thank God for the Amazons
21 of the world and things like that that ship in small
22 quantities.

23 MR. MARTIN: Yeah, the whole Internet, you
24 know, we mentioned that earlier, that's a big part of
25 what's going on too as well, different markets opening

1 up, people moving and shipping and doing the things
2 that they need to be doing.

3 COMMISSIONER WILLIAMSON: Okay, thank you
4 for those answers.

5 CHAIRMAN ARANOFF: Commissioner Pinkert.

6 COMMISSIONER PINKERT: Thank you, Madam
7 Chairman. You may recall that in the original
8 investigation the Commission found adverse price
9 effects based on underselling and price suppression.
10 In this review, what would be the evidence of adverse
11 price effects in the event that the order were
12 revoked?

13 MR. RICK ANDERSON: Well Wayne can share a
14 little bit more once again about the issues of
15 variable cost and how critical that is in your
16 factory, to sell obviously above your variable cost to
17 cover as much as your fixed cost as you can. It's not
18 something we can share on the public record, but I
19 think if you were able to look at the P&Ls of the
20 Italian manufacturers and the companies doing business
21 in Europe it would probably be pretty telling as far
22 as the situation having that much overcapacity, that
23 would probably be the most compelling thing we could
24 get.

25 MR. HELTON: I don't know that I've got much

1 to add beyond what I've already said. We agree with
2 Rick that -- I don't know that we've gone and laid our
3 hands on a roll of tape and said, well that's what
4 their pricing is. It's really about just knowing the
5 industry and the P&L as I've said before. I don't
6 know how much you want to get into it, but again the
7 key is in a factory in order to be able to optimize
8 the cost you have to be able to certainly work on that
9 variable side the best you can, and volume helps you
10 do that.

11 And on the overhead absorption side, which
12 can be pretty large numbers for a hot-melt
13 manufacturing operation you must have the volume at
14 some tip point that can be slightly different factory
15 to factory depending on, you know, even where it's
16 located and such. But the very compelling thing from
17 our point of view in understanding our own structured
18 costs, operating at that 55 percent level is just very
19 compelling, to go pick up volume at less than, you
20 know, typical total factory cost plus contribution to
21 margin, it is just extremely compelling, and that's
22 what we believe they'll do, we're convinced that's
23 what they will do given this volume were to become
24 available.

25 MR. RICK ANDERSON: The anticipation is we

1 would see selling prices drop 5 to 20 percent, if once
2 again you can sell at slightly above variable costs,
3 that would be the primary concern.

4 COMMISSIONER PINKERT: Thank you. I really
5 appreciate the testimony today. If in the posthearing
6 you're able to come up with any additional information
7 on that specific issue I'd appreciate your submitting
8 it. And with that I turn it over to my colleagues.

9 CHAIRMAN ARANOFF: One of the conditions of
10 competition that the domestic producers have suggested
11 make the industry vulnerable to influx competition is
12 the industry's inability to control raw material
13 costs, and specifically those that are related to oil
14 prices, so I had a couple of questions about that. A
15 lot of industries will hedge costs that are highly
16 variable, and I'm interested in whether this industry
17 has to any extent adopted that strategy?

18 MR. HELTON: We have done a very very small
19 amount of hedging as I think you're talking about it,
20 you're talking about just buying over time and buying
21 futures. We've done a little bit of that, I don't
22 know that we're convinced that that's necessarily a
23 good thing to do as much as making certain that we can
24 account for properly and quickly when the tide is
25 turning, because it can be very noisy, raw materials

1 bouncing around now unlike I've seen in the past as
2 opposed to gradual trends up or gradual trends down,
3 they bounce. So we've put most of our efforts into
4 understanding and tracking what those prices are doing
5 so we know what we need to be doing in the marketplace
6 from pricing, as opposed to using hedge purchases.

7 MR. RICK ANDERSON: We have done some of
8 that in the past, that's true, and we buy in very
9 large quantities, so we buy in railcars for example.
10 And the last time we made investments in hedging was
11 not only for price run-ups but also for shortages, so
12 periodically there are shortages of, in that case, it
13 was synthetic rubbers, right now natural rubber is
14 getting to be in short supply. When we did the hedge
15 in 2008 we end up buying up the product, the price
16 fell out so we took a very significant write-off
17 before the end of 2008 which affect our financial, so
18 we tend to shy away on that, instead we focus on
19 trying to turn as quickly as possible.

20 MR. MARTIN: I agree with Rick. The same
21 thing happened to us, you know, if you understand what
22 happened in 2008, in less than 30 days it probably
23 went from, what, 96 cents a pound to 26 cents. And so
24 if you have 60 days worth of inventory and nobody's
25 buying and then you're not generating cash, you know,

1 for hedging it's so volatile. Now we watch it, we
2 monitor it, we look at trends, we look at the things
3 that are going on in the industry, but hedging is not
4 a good bet, you know, especially when raw materials
5 are that volatile.

6 CHAIRMAN ARANOFF: Okay. Another thing that
7 we sometimes see in industries that are facing
8 volatile costs is that they will price their products
9 using a surcharge formula that takes into account, you
10 know, a public index of the raw material that is
11 volatile but where the prices are publicly known. Is
12 that a strategy that this industry has tried, and if
13 not, why not?

14 MR. RICK ANDERSON: A significant portion of
15 our volume, and it's probably common in the industry,
16 is on agreements, on EBA price agreements, and that's
17 for the large volume industrial customers. Typically
18 those are 12 months in scope. So we'll do that, we'll
19 renegotiate, you know, at X period if there truly is a
20 run-up and we'll try to build indices into that. But
21 for us we've tried to negotiate in surcharges but it
22 doesn't seem to account in practices and it doesn't
23 seem to work. So we'll try and like I said write a
24 12-month agreement, try and review that if there are
25 significant issues, go back and show all the index

1 numbers, but there's always somebody else that will
2 get the price.

3 CHAIRMAN ARANOFF: Okay. Is there any
4 reason to expect that the main Italian producers, the
5 ones that you're concerned about, are not facing
6 exactly the same pricing and variability of pricing in
7 raw materials that you face and wouldn't have any cost
8 advantage or any predictability advantage in that
9 regard?

10 MR. HELTON: We don't think so. The price
11 of the commodity raw materials we sort of look at as
12 neutral. You can see in various spots in the world
13 that one might be up for a while relative to another
14 part of the world, but over time most of our decisions
15 are made based upon the fact that raw material price
16 in commodity stream anyway is going to be pretty
17 equilibrated around the world.

18 CHAIRMAN ARANOFF: Okay. Switching to
19 another topic, and you may want to answer this
20 confidentially although you're welcome to answer it on
21 the record now, but my question is, what level of
22 capacity utilization is needed for the various
23 domestic producers to be profitable? And I'll tell
24 you where I'm coming from on this. It seems to me
25 pretty clear from our record that that number is well

1 under 100 percent since the industry has been
2 profitable during the review period. And so the
3 question is, if producers can be profitable operating
4 at below 100 percent of capacity utilization, why
5 should we find it likely that Italian producers are
6 going to be so desperate to fill up their excess
7 capacity that they're going to engage in massive
8 underselling to reenter the U.S. market?

9 MR. NEELEY: Sure, I think probably is best
10 done in a posthearing brief where I can talk to each
11 one of the individual companies and may get slightly
12 different opinions on where that is, and so I think
13 combining the common wisdom is probably a better way
14 to go about it. But we'll be glad to do that.

15 CHAIRMAN ARANOFF: Okay. And in the mean
16 time let me ask a more general question that I think
17 that you all can answer now is that the discussion of
18 the Italian industry and the need of the industry to
19 do something with its excess capacity seem to be
20 premised on this idea that 24/7 operation of these
21 tape facilities is the most efficient way to operate
22 them.

23 Now, there are some industries, you know, we
24 see where that's very much true -- where, you know,
25 somebody's got to keep a furnace running and it costs

1 a lot of money to cool it down and heat it up -- or
2 where the fixed costs of the operation are
3 considerably above 50 percent of the costs. But where
4 you don't have, you know, something that you're
5 heating and cooling or where variable costs are more
6 than 50 percent, that may not be true. So where does
7 this industry fall and why is it more efficient to
8 operate at a very high level of capacity utilization?

9 MR. HELTON: It's more like the former. In
10 hot-melt in particular there are boilers and
11 significantly high-temperature heaters that are
12 required because the inputs are pretty much in solid
13 form, everything has to go to molten, it's high
14 energy, et cetera et cetera, and even the coating line
15 itself. So while it's not like steel on the one hand,
16 it's not like light manufacturing or converting where
17 temperatures don't enter.

18 It is heavily governed by temperature, so
19 there are boilers and heaters, and some are
20 electrical, some are hot oil, all of which have to be
21 raised in temperature to start the whole factory up.
22 So I would say, from what I think you were saying, it
23 sort of falls in between. And to go back, I think
24 what Jeff said is right, we need to put our heads
25 together because where you would need to operate a

1 given plant would depend on how many lines you have,
2 and we're all different sizes here in terms of
3 particular --

4 But just to give a general context I'll go
5 out on a limb here. You're right that you don't need
6 to be at 100 percent to make money, we've demonstrated
7 that, but there are generally related to fixed and to
8 a degree even some of the variable costs there's sort
9 of this stair step function of costs that go on in
10 most plants, and if you're general rule of thumb, if
11 you're trying to operate a pretty single purpose
12 factory under somewhere around that 65 or 66 percent
13 range you want to be doing everything you can to get
14 to that point.

15 And the Italians are not there, I don't
16 think we're concerned that it would be necessarily 100
17 percent because they couldn't sell it all anyway, but
18 they're in that I would call it the no man's land.
19 And it's very compelling from having run factories
20 throughout my career, you want to get to those kind of
21 numbers. And it's partly related to your astute
22 observation about heat, warming things up, and when
23 you can't fully utilize somewhere north of 65 percent
24 you've got a problem.

25 CHAIRMAN ARANOFF: Okay.

1 MR. SERRA: Commissioner Aranoff, let me add
2 to what Wayne said. It's not only the heating and
3 cooling, it's the purging and cleaning of the
4 equipment, in which case now you're wasting raw
5 material. Because it has to be molten and you can't
6 let this material sit in that extruder or sit in that
7 tank because it's going to degrade on you. So you
8 have to go through all these cleaning cycles, and
9 that's manpower, that's waste that you're generating.
10 So it's not only just the heating and cooling that you
11 have to worry about.

12 CHAIRMAN ARANOFF: Okay, well I appreciate
13 those answers because that's really helping me to get
14 a picture. For the posthearing, if you could just
15 walk me through the different steps of the process and
16 what has to stay turned on all the time or is more
17 efficient if it's turned on all the time, whether you
18 actually, you know, I assume you close lines down for
19 maintenance anyway, but if there's other reasons. And
20 sometimes we run into industries where you might have
21 multiple lines operating and so there's a difference
22 between closing one line, which isn't that hard, and
23 turning on and off the whole plant, so I'm still
24 trying to work that part through in my mind, so
25 anything that you can add to help me. But I am

1 starting to understand so I appreciate these answers.
2 And let me turn to Vice Chairman Pearson.

3 VICE CHAIRMAN PEARSON: Thank you, Madam
4 Chairman. I'd like to go back briefly to Commissioner
5 Williamson's questions on demand trends. What we're
6 showing in the staff report is a slight decline over
7 the three full years of about four percent. Is that
8 an anomaly that's related to the recession that caught
9 us in late 2008?

10 MR. RICK ANDERSON: I'm sorry, just for
11 clarification, Commissioner Pearson, you're saying a
12 decline in the reported values submitted by the
13 companies?

14 VICE CHAIRMAN PEARSON: I'm sorry, the
15 decline in the apparent consumption, the demand.

16 MR. RICK ANDERSON: Yeah, and what probably
17 is prompting that is, I'm guessing that that
18 information doesn't include all the imported Asian
19 products that are coming in under private labels. So
20 the market, probably Freedonia's numbers is probably
21 showing, you know, two percent growth, but that
22 domestic production it's losing some of its share to
23 outsourced or to imported products.

24 VICE CHAIRMAN PEARSON: Okay, so -- I'm
25 sorry, Mr. Martin, you wish to speak?

1 MR. MARTIN: Yeah, and there are some
2 industries that are affecting that as well, you know,
3 the whole transportation automobile industry has
4 really affected that too. So there's certain markets
5 that have been affected on it as well.

6 VICE CHAIRMAN PEARSON: Okay, but based --
7 Mr. Helton?

8 MR. HELTON: I was going to add from some of
9 ours, business is down so I think you're right, the
10 recession caught pretty significantly in 2008, even
11 though it was just a quarter it was so dramatically
12 down, and then all 2009 for us was down. But then I
13 think furthermore, overall those numbers there was
14 such a concentration on pulling cash out of
15 inventories, so inventories were so high because the
16 smash in the fourth quarter was so rapid, so also
17 affecting there through 2009 would be nonnormal
18 replacement of inventory as well.

19 VICE CHAIRMAN PEARSON: Okay, but if I
20 understand correctly, and don't let me put words into
21 your mouth, but if you look at a longer term trend you
22 would expect to see some increase in consumption of
23 this tape in the United States year by year over time
24 with the real question being is it produced in the
25 United States or is it produced somewhere overseas,

1 but the fundamental demand base looks pretty strong
2 here?

3 MR. RICK ANDERSON: We anticipate, you know,
4 or we're hopeful for one to three percent growth, so
5 we anticipate there should be a volume growth over
6 time in normal economic conditions.

7 VICE CHAIRMAN PEARSON: Okay, good. Thank
8 you for those responses. In another case involving
9 Italy an Italian pasta producer that really wanted to
10 participate in the U.S. market, it was stuck with an
11 antidumping duty, and what they did was they invested
12 aggressively in U.S. production facilities and they
13 are indeed a major participant in the U.S. market now.
14 Have we seen any similar moves by Italian tape
15 manufacturers?

16 MR. HELTON: We're looking at each other. I
17 can't think of any cases where that has happened or
18 even rumored of happening.

19 VICE CHAIRMAN PEARSON: Okay.

20 MR. RICK ANDERSON: If I could add to that,
21 Commissioner Pearson, I'm sorry?

22 VICE CHAIRMAN PEARSON: Yes.

23 MR. RICK ANDERSON: We've looked at this
24 before too. It's virtually costly and impractical to
25 move manufacturing capacity across continents of this

1 sort, you're virtually better off buying new coaters.
2 So, you know, like I said we've investigated this in
3 the past and it really doesn't make sense to pick up
4 and move part of a manufacturing operation in this
5 category.

6 VICE CHAIRMAN PEARSON: No, I appreciate
7 that, but interestingly during the period of review we
8 have seen some change in corporate ownership and some
9 changes in capacity, there have been things happening
10 in domestic production of this tape, and I just want
11 to make sure I'm correct to understand that Italian
12 firms have really not been participating in that
13 dynamic change that we've seen in the United States
14 marketplace?

15 MR. HELTON: You know, it may be a little
16 speculative, but anyway we haven't seen them
17 participate in acquisition combinations and mergers
18 and that sort of thing because, and again I'll go
19 back, this industry because of its up-front capital
20 costs and so on is so volume and capacity driven, so
21 there's not much advantage to come over here and have
22 more capacity.

23 VICE CHAIRMAN PEARSON: No, but lines from
24 existing capacity probably would make more sense.

25 MR. HELTON: Right, right.

1 VICE CHAIRMAN PEARSON: But there's been a
2 bunch of that that's happened in recent years.

3 MR. HELTON: Yes.

4 VICE CHAIRMAN PEARSON: So somebody's been
5 interested in more capacity in the U.S. market and has
6 been, you know, acquiring it, and we have not seen the
7 Italians taking that step?

8 MR. HELTON: No.

9 MR. MARTIN: Commissioner, in this industry
10 it's pretty tight knit, so if it's starts happening it
11 usually gets around pretty quickly. So in all the
12 industry trade shows and things that we've been
13 involved in they're very active on the machinery side,
14 they're there, they're a very high participant and in
15 our associations over here in the U.S., but you know,
16 we haven't seen, you know, the interaction on, okay
17 we're going to set up shop over here.

18 VICE CHAIRMAN PEARSON: Okay. Now one of
19 your arguments is that if the order is revoked if
20 there will be the possibility more easily for Italian
21 manufacturers to sell product in the United States at
22 less than full cost and they wouldn't be hit with any
23 dumping duty and they would cover their variable costs
24 and make some contribution to recovering fixed cost,
25 that's an argument that applies in almost all sum set

1 cases.

2 And I'm wondering, you know, what is it
3 about this case that makes the argument particularly
4 credible especially in the context in which we haven't
5 seen the Italian producers being all that aggressive,
6 the nonsubject ones trying to sell into the United
7 States et cetera. I mean what we need to find is that
8 the outcome that you're suggesting is more likely than
9 not to happen. I understand completely that it's
10 possible, but how do we get over that hurdle and find
11 that it's more likely than not?

12 MR. NEELEY: Let me start, because I can
13 summarize it and maybe others can jump in, but I mean,
14 I don't think we agree that this is like every other
15 case first of all, I think it's actually fairly
16 different. First of all, I don't think we see in
17 every other case that there is this much overcapacity
18 necessarily, I don't think that we see in every other
19 case that the Italians, or whoever it is who's subject
20 to the review, is that export oriented. I'm not sure
21 that in every other case we see --

22 VICE CHAIRMAN PEARSON: Well if I could
23 interject.

24 MR. NEELEY: Sure.

25 VICE CHAIRMAN PEARSON: In every case the

1 subject industry has been export oriented enough so
2 that it managed to have an antidumping duty order put
3 on it at one point.

4 MR. NEELEY: For one point, for sure, but
5 not necessarily at the time that you're reviewing
6 them. And furthermore, I don't think that in all
7 cases we see the limitations on other growth market.
8 So yeah, I mean certainly there are some like that,
9 I'm not saying this is a completely unique case, but I
10 think that those facts are the critical ones that
11 we're looking at here. And despite, you know, the
12 obvious long period of time of 30 years, what's
13 surprising as I said in my opening remarks is that the
14 Italian industry continues along and is still a major
15 industry and what we consider to be a major threat
16 because, you know, oftentimes in a country like that
17 that wouldn't be the case, but we think it is here.
18 So I don't know if others have anything to add.

19 MR. RICK ANDERSON: I could add -- I can't
20 add to the internal things that we look at as we look
21 at imports of nonsubject merchandise -- but when we do
22 exhibitions on outsourced products we see evidence or
23 we suspect sometimes when we're looking at different
24 vendors we'll see pricing that's absurd sometimes, and
25 we know they're doing it basically to get their foot

1 in the door and be there for three years that's, you
2 know, variable cost, and move up.

3 We also see from time to time large
4 importers that operate in the U.S., there's one in
5 particular in the southeast portion of the U.S. that
6 will spot buy products from around the world and they
7 really don't take a look that much what the quality,
8 they really don't have long term relationships with
9 their suppliers, they'll spot buy whatever they can,
10 and they send their prices everywhere so it's fairly
11 commonplace but we see them and we realize, same
12 thing. And when those products come in they're
13 typically below factory costs when they run a special,
14 what we assume would be a reasonable factory cost.

15 VICE CHAIRMAN PEARSON: Okay, any other
16 comments? Okay, my light is changing. Madam
17 Chairman, thank you.

18 CHAIRMAN ARANOFF: Okay. Commissioner Okun.

19 COMMISSIONER OKUN: Thank you, Madam
20 Chairman. Mr. Serra, I wanted to go back to you. In
21 response, or in several responses, you had touched on
22 the difference between the industrial and the consumer
23 oriented purchasers. And I guess my first question
24 is, for the industry as a whole is there a breakdown
25 of how much, the proportion industrial purchasers

1 versus consumer? It's probably proprietary for each
2 individual producer, but just generally what are we
3 talking about here?

4 MR. SERRA: I don't have that figure with
5 me, but some of the reports, I haven't seen the latest
6 Freedonia report but they used to publish that
7 breakdown, so that's something we'd have to respond to
8 you back, we'll come back to you in the posthearing
9 brief.

10 COMMISSIONER OKUN: Okay, if you could that
11 would be helpful. And then, if you could, I guess
12 just hopefully you can give a general response the
13 different producers which is, again, if the order were
14 lifted and you have an industrial customer -- and so
15 if I understood it right industrial customer more
16 likely to see the distinctions between hot-melt and
17 acrylic -- what's the competition going to be like at
18 that particular customer if the Italians don't have an
19 order on them, and what is it right now? I mean are
20 the Asians with their acrylic going to that industrial
21 customer and saying -- I mean are they competing now
22 and how would that dynamic change if the Italians were
23 in the market without an order? Mr. Anderson?

24 MR. RICK ANDERSON: I'm sorry, thank you,
25 Madam Commissioner. I would say for the Asians as

1 well as the Italian producers, where you would go is
2 you would go to the private labels first and foremost.
3 So most of the major channel partners, whether it's
4 either the consumer and office business or the
5 industrial, have very significant private label sales,
6 and that's probably one of the things that continues
7 to be a major trend in this area, for the large
8 distributors they want more private label business
9 now, they want to establish their own brand, so they
10 want their, you know, store brand or their house brand
11 as opposed to the branded products. So for the
12 industrial customers --

13 COMMISSIONER OKUN: Mr. Anderson, what is
14 that breakdown right now do you think undistributed
15 private label versus?

16 MR. RICK ANDERSON: I don't know if I have a
17 great answer on that. I would guess it's probably
18 75/25 branded versus private labels. Do you guys have
19 any different estimates?

20 MR. MARTIN: That's fair.

21 COMMISSIONER OKUN: 75 percent branded
22 versus 25 percent private labels?

23 MR. MARTIN: And the trend is going more
24 private labels.

25 COMMISSIONER OKUN: Towards private labels,

1 okay. So okay, so continue on. That's helpful to my
2 understanding, so then you would see them go to the
3 private labels first?

4 MR. RICK ANDERSON: Yes, yes, they would go
5 to the wholesalers and importers first, then they'd go
6 to the private label and plan to establish private
7 label sales, and that's where the industrial
8 customers, the buyers themselves, would see that.
9 It's large distributors that go present them for --
10 here's a private label opportunity at lower prices
11 than you're dealing with today.

12 COMMISSIONER OKUN: Would the Asians be
13 going to that same, are they trying to compete with
14 their acrylics saying, private labels, use the
15 acrylics?

16 MR. RICK ANDERSON: Yes, I would say the
17 Asian importers sell significantly more private label
18 than they do branded products. They don't establish
19 their own brands, they either sell it to factories
20 such as us or they go private label for distribution.

21 COMMISSIONER OKUN: Okay. And I'm not sure
22 if this is in the record, in terms of the strength of
23 the brand, I mean obviously there's some very
24 recognizable ones out there, what's the premium for a
25 branded product? And if it's confidential please

1 submit it posthearing.

2 MR. MARTIN: It's, you know, from a premium
3 brand perspective, are you talking about private
4 brands? I mean you've got some distributors out there
5 that are pretty large in nature. Una Source has their
6 private brand, you have Xpedex that has their private
7 brand, they're probably the two largest distributors
8 that have private branded programs, they're north of
9 billions of dollars in sales.

10 COMMISSIONER OKUN: Okay, but then how about
11 on the consumer side?

12 MR. MARTIN: It's generally the big retail
13 box stores, you know, the Staples of the world.
14 You've got the Office Max, others like that.

15 COMMISSIONER OKUN: Okay, and so would it be
16 your view that the Italians will be as successful
17 competing in a consumer side as the industrial side if
18 they were to come back into the market?

19 MR. MARTIN: If I were them and I had to
20 build a strategy, a marketing strategy to come over
21 here, it would be first the distribution private label
22 programs, industrial distribution, you know, like the
23 Una Sources, Xpedex of the world, and then secondly I
24 would go to the retail. Retail would probably take a
25 little bit longer for them, but on the industrial

1 channel side they would definitely -- because it takes
2 no infrastructure, you don't have to really have a
3 full network of sales people or things of that nature.

4 COMMISSIONER OKUN: Okay. Other producers?

5 MR. HELTON: May I make some comment maybe
6 in this continuum, because you made a couple of
7 comments that I maybe misunderstood, but where the
8 Asians are coming in, that lower end that we've talked
9 about, whether it's showing up in the industrial
10 channel and they're trying to sell that product versus
11 a hot-melt versus whatever, so there's a lot trying to
12 be sold there.

13 But in the true high end, customers in
14 particular, I'm going to use the example although it's
15 not the only one, that are like Dell closing a box
16 with a computer in it, they're going to tend, whoever
17 makes the call, they're going to tend to understand,
18 oh the hot-melt is what I want, not the cheaper
19 acrylic although I would like to have the price of the
20 acrylic, I'm not going to do the acrylic I'm going to
21 do the hot-melt.

22 And if the distributor that's making the
23 call that they had mentioned before and leverage as I
24 was saying, and it happens in this industry more than
25 we would like it to, but if a distributor then says,

1 you know what, if the Italian tape is over here
2 cheaper and it's hot-melt so I know it applies to the
3 Dells in my territory, then under a private label,
4 which is where they would go first and I agree with
5 him.

6 That's a transparent substitution to a Dell,
7 they just know it's hot-melt and it keeps the box shut
8 with one strip of tape. So there's that continuum in
9 there in sophistication I guess, and including the
10 sophistication and size of the distributor that's
11 making the call, especially when you're talking about
12 the industrial market.

13 COMMISSIONER OKUN: And in the industrial
14 market would the purchaser be dual sourcing, do they
15 currently and would they use both a private and a
16 branded if it's industrial?

17 MR. HELTON: I'll let them add because I'm
18 the manufacturing guy, but the answer to that is
19 they'll usually have a primary and a backup, and where
20 brand is strong, and some of our industry does have
21 good brand, they will kind of have that brand but then
22 force anybody else that's in there as a supply as best
23 they can to be the private label.

24 COMMISSIONER OKUN: Okay, are there other
25 comments on that?

1 MR. MARTIN: Yeah, he's spot on,
2 Commissioner. They would generally have their private
3 brands, if they're large enough and they have scale.
4 If they have scale they're going to go and source
5 that. And then they would traditionally have a
6 primary national brand and most likely a secondary
7 brand. So typically they'll store or, you know,
8 promote three within their industrial distribution.

9 COMMISSIONER OKUN: Okay, and would you
10 expect that to change if the Italians were not under
11 order, those sourcing patterns? Or whether having
12 dual sourcing, not whether the Italians would sell
13 more but would they continue?

14 MR. MARTIN: I think it would continue to be
15 that way. What they would do is focus on the private
16 because it would be hard for them to sustain a
17 national brand, like the three that are represented
18 here today, without infrastructure, without local
19 manufacturing, local sales people, local marketing,
20 because at the end of the day eventually these
21 distributors, if you're going to have a national
22 brand, they're going to want you to go and push it in
23 and out of their warehouses. On the private brands,
24 typically they will take the ownership to drive that.

25 COMMISSIONER OKUN: Okay, that's helpful.

1 Any comments, Mr. Anderson?

2 MR. RICK ANDERSON: I was just going to add,
3 I agree with the other people on the panel just from
4 the standpoint that the cost to maintain a brand is
5 typically one or two percent of sales, just the
6 outside estimates we did as far as what it takes to
7 maintain a Scotch or Suretape brand the investments
8 are fairly significant. And you know, if I was an
9 Italian producer of course I'd go private label, I'm
10 not going to make that significant investment to
11 establish a brand. And getting to your other
12 question, we'd expect the channel to continue to focus
13 hard on private label and one or two other products,
14 but the end users, industrial customers, they
15 typically will buy one brand and have likely a backup,
16 so they will have a secondary product if, you know,
17 they can't get that sourced. But they try to minimize
18 the use -- their warehouses.

19 COMMISSIONER OKUN: Okay. And just my last
20 question which you had touched on it on one of the
21 demand, about projections looking at future demands,
22 Internet purchases -- I mean I get a lot of boxes at
23 my house, I think more than I used to -- someone like
24 Amazon, what would they be focused on? They
25 understand that you need a really good tape that you

1 need backup on?

2 MR. MARTIN: Yeah, their concern, because
3 they are shipping a variety of different products and
4 a variety of different weights, their concern is any
5 kind of pilferage, anyone who arrives at the doorstep
6 of your home, my home, it's fully secured, they don't
7 want any tampering of that product so the consumer
8 feels very confident that they're getting what they
9 said they were going to be getting. They have various
10 operations, they will have where they have an
11 automated line and then they will have a hand fill
12 line.

13 So they use variations of product, and just
14 the number one, they don't use any acrylic in their
15 operations, they use nothing but high end because of
16 that. If you look at the dollars that, you know,
17 they're shipping out, what's another penny or penny
18 and a half or whatever to secure and not have customer
19 complaints, not have returns, because that costs them
20 money and they don't want anything to -- what's
21 another penny if you're saving thousands of dollars?

22 COMMISSIONER OKUN: Thank you very much for
23 those comments.

24 CHAIRMAN ARANOFF: Commissioner Lane.

25 COMMISSIONER LANE: In looking at the

1 current profitability of the industry and the fact
2 that there are very few Italian imports in the market
3 right now, would you indicate the volume and the price
4 effects that you would expect to see if the order
5 would be revoked? And you might want to think about
6 that and provide that posthearing.

7 MR. NEELEY: We'll be glad to do that.

8 COMMISSIONER LANE: Okay, thank you. If the
9 order were to be revoked who would be the most likely
10 customers for the tape coming from Italy? Would it be
11 likely to be sold rolls or packages ready for end use
12 or would it be likely sold in bulk subject to further
13 slitting and packaging?

14 MR. RICK ANDERSON: I think the Italians,
15 once again because of their sophisticated converting
16 capabilities, would probably sell products that are
17 ready for end use. The difference once again with the
18 Italians is they would probably not only have the
19 small hand rolls but also a good deal of the 1,000-
20 yard rolls that are sold to industrial customers.
21 Once again, the Italians are very good at
22 manufacturing, you know, in that realm, very efficient
23 at it, and of course they're very big on making
24 equipment that actually applies the tape.

25 COMMISSIONER LANE: Okay. We've heard a lot

1 of discussion about the acrylic and the hot-melt and
2 the different types of, where the product is coming in
3 and what's competing with what, but there has not been
4 an argument that we consider two like products or more
5 than one like product, and one of you in your initial
6 testimony called this a commodity product. Mr.
7 Neeley, would you say that all of the different
8 variations all fall into that commodity product
9 category?

10 MR. NEELEY: Yeah, we think -- well first we
11 think that there's one like product, we tried to make
12 that clear in Mr. Anderson's testimony, that it's a
13 continuum, there's overlap between acrylics and hot-
14 melt. Is it all a commodity? There probably are some
15 specialized uses that you could consider to be
16 noncommodities, that's a really tiny part of the
17 market though. I would say that based on what I know
18 and what these people have really taught me, that
19 overwhelmingly it's a commodity product within a
20 particular classification or specification. If you
21 want to use a hot-melt, you know, to hold this much,
22 it's pretty much commodity driven.

23 COMMISSIONER LANE: Going back to the excess
24 capacity in Italy, are the facilities in Italy capable
25 of starting up production without much delay?

1 MR. SERRA: Commissioner Lane, yes the lines
2 are there. Basically it's turning the switch on and
3 getting the raw materials in place. So whatever the
4 lead time for the raws in Italy are would determine
5 the speed with which they can turn those lines on. If
6 it's there, fire them up and they're good to go.

7 COMMISSIONER LANE: Okay, now let's go back
8 to the earlier testimony about why it's important in
9 this country that we keep the facilities going because
10 when you shut them down there are costs involved with
11 cleaning and all of that. So how do you reconcile why
12 it's important to keep the industry going in this
13 country because of the costs you would incur if you
14 shut it down and then try to start it back up again as
15 opposed to the minimal costs that I just heard you
16 talk about for the Italians to start up their
17 facilities that have been shut down?

18 MR. SERRA: Yeah, well I think you're
19 missing a point here.

20 COMMISSIONER LANE: I probably am, and
21 that's why you all are here to testify.

22 MR. SERRA: If you have a line that you've
23 shut down, it's down, it's clean, okay, and so it's
24 just sitting there, now it's time to start that line
25 up. Basically you go in and you turn the switches on

1 and hopefully there hasn't been any erosion or
2 corrosion problems. The line will run once you put
3 the raw materials in it. The problem becomes now
4 shutting that line down again, let's say you're only
5 going to make a short run, say you're going to make a
6 four-hour run. That's going to cost you a ton of
7 money because you just spent maybe, I don't know,
8 again depending on the size of the line, four to eight
9 hours or twelve hours to get it ready to run, just to
10 heat it up, you make a four-hour run, now it's going
11 to take another eight hours to cool it and clean it up
12 again. So there's the distinction, so the trick is to
13 start it and let it run so you don't have to keep
14 going through those cycles. Does that answer your?

15 COMMISSIONER LANE: Yes, that does. Mr.
16 Helton?

17 MR. HELTON: I would add to that that
18 probably the situation that I'm assuming is that the
19 equipment is there, it's ready to go, would be rather
20 quickly the supply chains are already set up even, and
21 that the situation now is, and part of what would
22 compel them, is that they are starting up on a Monday
23 morning and running two to three days a week and then
24 they are shutting it down, as opposed to the line
25 sitting there doing nothing waiting for the next

1 order, you follow what I'm saying?

2 COMMISSIONER LANE: Yes.

3 MR. HELTON: So it's even more immediate in
4 a lot of cases. I doubt it's completely idle, it's
5 just 45 percent of the time idle.

6 COMMISSIONER LANE: Is there any seasonality
7 to this industry? For instance do you see more sales
8 during certain periods of time than others?

9 MR. RICK ANDERSON: Madam Commissioner, we
10 see from our two businesses, the industrial business
11 it's a little bit more of a steady state, there's a
12 little bit of pickup and then it's more tied to
13 general manufacturing activity if we see seasonality
14 in that. But on the consumer side business, that's
15 extremely seasonal. So you see, you know, as you'd
16 expect, a little bit of a burst from back to school
17 which a lot of consumer products hit, and then the big
18 hit comes around the holiday season, so the third and
19 fourth quarters is where a significant portion of
20 sales hit.

21 COMMISSIONER LANE: Okay, thank you. Could
22 you describe your estimates of the future market for
23 tape and your longer term business plans? And in
24 answering please indicate the extent to which any such
25 business plans consider continuation of the order on

1 Italy or would it change if the order would be
2 revoked?

3 MR. NEELEY: I think part of, in terms of
4 business plans, I think we'd probably want to defer to
5 the posthearing brief for that because some of that's
6 confidential. We have provided some business plan
7 information. In terms of future markets, if anybody
8 wants to talk about that let's, yeah, why don't we, we
9 can talk about that now.

10 MR. RICK ANDERSON: Madam Commissioner, 3M
11 is the biggest tape manufacturer in the world
12 according to Freedonia research, and being the biggest
13 their estimate is that 3M is 12 percent of the overall
14 market in the world, which in a lot of other
15 categories that's not that big, but we're proud of it.
16 And the subject merchandise we're talking about is
17 about two thirds of the world's volume of tape, so
18 it's an important category for us and we'll continue
19 to be in this category, you know, as long as we can
20 have a viable business.

21 So our goal is to continue investing in this
22 business, and you know, I think each of the companies
23 have talked about the importance of, you know,
24 production, the importance of the U.S. production of
25 this product. And during very difficult times like we

1 hit in 2009, I think we each invested in more and more
2 insourcing, so it's an important, without getting into
3 proprietary strategies, we will continue to be in
4 this.

5 COMMISSIONER LANE: Okay, I have one more
6 question, and it relates back to my question about the
7 effects of the recession. As the recession or let's
8 say as the period of time progresses, are you having
9 to make plans for layoffs or shutdown of facilities or
10 shutdown of lines, or do you have plans or are you
11 preparing for that type of contingency, and if so
12 could you put that in the record posthearing?

13 MR. NEELEY: I think we'll probably better
14 address that in a posthearing brief in terms of what
15 we see in the immediate future; layoffs and other
16 issues such as that.

17 COMMISSIONER LANE: Okay. Thank you.

18 VOICE: Thank you.

19 COMMISSIONER LANE: I appreciate your
20 testimony today. Thank you. Mr. Williamson?

21 COMMISSIONER WILLIAMSON: Thank you, Madame
22 Chairman. Just a couple of questions. You have
23 argued that the Italians usually can't sell in the
24 U.S. market without dumping, and one thing you point
25 to is language in commerce revocation notices that the

1 order could be reinstated on each product if nothing
2 were found in the future. It's my understanding that
3 this is sort of standard language in such revocation
4 notices, and it's unclear to me whether this provision
5 had any effect, and I was wondering if you could
6 discuss that.

7 MR. NEELEY: We can provide the exact cases
8 in the post-hearing brief. There's at least three
9 cases where they've actually brought companies back in
10 under these circumstances as we understand it, so
11 we'll be glad to discuss that. I think there's a
12 couple of things going on. There is a threat of them
13 being brought back in, but as we've done more research
14 and as Mr. Anderson testified, the other thing that's
15 going on is that Buston simply is not a big producer
16 of the subject merchandise.

17 The other company, Autodevisi is owned 3M
18 and has been for a while, so we'll discuss I think all
19 of that together probably in one response as to how
20 those companies reacted.

21 COMMISSIONER WILLIAMSON: Okay. Thank you
22 for that. A clarification, Mr. Serra, you were
23 talking about the problems in shutting down, and you
24 mentioned all the expenses with hot melt products.
25 Does that also apply to the rubber products, since the

1 rubber is a high percentage of the European
2 production?

3 MR. SERRA: Yes. Yes, the primary
4 difference on the rubber side is that you have the big
5 tanks that contain the solution, and so those are warm
6 as well. In one case you have the mixing equipment
7 for the hot melt, which has to be heated enough, so it
8 takes time versus a solution product, which is sitting
9 in the holding tanks. Now, the big difference is the
10 coating line.

11 Usually, the feeding device that feeds the
12 hot melt line to the coated actually applies it to the
13 polypropylene backing. Those are linked together,
14 whereas when you go to the solution coated line, the
15 holding tanks that hold the solution product, they can
16 be held, but it's costing you money because you're
17 heating these things, and you want them keep them
18 turned, keep the volume flowing through them, but the
19 coating line piece of that is much easier to shut down
20 than it is the hot melt line when it gets started up
21 again simply because it is complex.

22 COMMISSIONER WILLIAMSON: Okay. Thank you
23 for that clarification.

24 MR. SERRA: You're welcome.

25 COMMISSIONER WILLIAMSON: I have no further

1 questions. I want to thank the witnesses for their
2 testimony.

3 CHAIRMAN ARANOFF: Mr. Pinkert?

4 COMMISSIONER PINKERT: I continue to thank
5 the witnesses for the testimony and look forward to
6 the post-hearing commission.

7 CHAIRMAN ARANOFF: Okay. Well, every now
8 and then we run into a case where one commissioner has
9 a lot more questions than others, and I have quite a
10 few questions left, so I'm going to jump right in.
11 Let me just clarify the Freedonia information that has
12 been referred to, is that our only source right now
13 that we have on the record with respect to the
14 capacity utilization levels with the Italian Industry
15 as a whole?

16 MR. NEELEY: No. It depends on what you
17 mean on the record I guess. We attached Mr.
18 Anderson's testimony, the Exxon Mobile study, which is
19 a different source of similar information, and we
20 intend to attach for the record those exhibits. We
21 also have a somewhat different methodology and I think
22 a little different year for Exxon Mobile that Mr.
23 Serra also did, so we'll put that on the record as
24 well.

25 There's a couple of different sources, and

1 then the third source is 3M's own internal buildup,
2 which we also put in Mr. Anderson's testimony where we
3 went through not just pulling down from global
4 numbers, but built up data for individual
5 manufacturers based on the knowledge of 3M in Italy,
6 so I think there's resources that kind of come to the
7 more or less the same range.

8 CHAIRMAN ARANOFF: Okay. In addition to
9 those sources which all address the Italian industry
10 kind of as a whole, we do have specific responses from
11 several individual Italian producers that are on our
12 record, and those of course are confidential, but one
13 thing that I've noticed about them is they're
14 different, at least the ones I saw, the Freedonia
15 numbers that I saw, which you say are consistent with
16 the other sources for the industry as a whole, and
17 they're in fact higher level of capacity utilization.

18 Is there something about those individual
19 companies that makes them different? I mean, one of
20 them obviously is 3M's affiliates.

21 MR. NEELEY: Right. No. I mean, yes I
22 agree they're different. I also agree that if you
23 look from one of the companies, which I can't name
24 obviously, but if you'll look at the one against the
25 data that we put in when we built up from the 3M

1 information as to what the capacity is, they're
2 utterly and completely different. Absolutely, they're
3 not even close. Can I explain that? No. I mean, I
4 don't know how they derived their numbers.

5 I mean, we feel quite confident in the
6 numbers that we came up with, and we think that our
7 numbers are very consistent with those of Exxon Mobile
8 and Freedonia when we compare the buildup. They're
9 both a little bit north of five billion, however we
10 come up with it, so when we say five billion, we think
11 it's a conservative estimate. Are they even remotely
12 close to that one company I'm referring to? No, not
13 at all.

14 CHAIRMAN ARANOFF: Okay. I mean, obviously
15 what I'm getting at here is that I've got information
16 that's based on kind of market intelligence source's
17 research that's telling me what the capacity
18 utilization is, level is for the industry as a whole,
19 and your case depends very heavily on that
20 information, but I've got individual company data that
21 people have signed under oath which is not consistent
22 with the broader market intelligence.

23 I've got to weigh those two and decide
24 whether that market intelligence is really right or
25 whether these other companies are more representative

1 of what's actually going on. I'm trying to figure out
2 how I can weigh that, and the one question that I had
3 is if those companies that we have specific
4 information from are selling us pretty typical product
5 mix for the Italian companies that you're concerned
6 about, then why shouldn't I be relying more heavily on
7 what they've told me?

8 MR. NEELEY: Well, you do have to assess the
9 credibility, but I would say in assessing the
10 credibility a couple things need to be taken into
11 account. I mean, first, the Freedonia study is widely
12 used throughout the world. People pay a lot of money
13 for it, the same as Exxon Mobile is not sole I don't
14 think, but it's used universally in the industry, and
15 it's relied upon in meetings throughout the world in
16 this industry, so there's no reason to think that
17 they're not credible and people seem to rely on them.

18 Third, the information of course that we're
19 going to be putting in from 3M Italia also would be
20 put in under oath and will be certified like all the
21 information we put in, so yes, you've got to make a
22 decision. We don't disagree with that, but I think
23 when you have three sources pointing in one direction
24 and an outlier, we think we win.

25 MR. SERRA: Commissioner Aranoff, the Exxon

1 Mobile study is a little different than the Freedonia
2 study in that because Exxon Mobile is a primary
3 supplier of the key ingredients that go into the hot-
4 melt adhesives and solution adhesives, they have a
5 check and balance on their data simply by the amount
6 of raw materials they're selling versus the amount of
7 tape produced, so they can do that math. I look at
8 the Exxon Mobile as pretty good information simply
9 because they have that check and balance.

10 CHAIRMAN ARANOFF: Those answers are
11 helpful. I appreciate them. Turning to another
12 issue, there are a fair number of domestic producers
13 of this product, and I know some of them are smaller,
14 and some of them are larger. I noticed also when I
15 was rereading the Commission's opinions from the
16 original investigation, and the two commissioners who
17 voted in the negative said what we think is really
18 going on here is that there are these new domestic
19 producers that are coming onto market because the
20 industry was newer then.

21 They're trying to get market share, and so
22 they're the ones who are doing the underselling and
23 causing the problem. My question to you is given the
24 number of producers that there are domestically in
25 this industry, not to mention the non-subject imports

1 that are coming third countries, to what extent does
2 intra-industry competition account for the failure of
3 prices to rise significantly during the period where
4 the economy was really doing well and production costs
5 were rising?

6 Would the addition of a few Italian
7 producers to an already significant mix really make
8 that much of a difference to price competition in the
9 market?

10 MR. RICH ANDERSON: I'm sorry. For
11 clarification you're asking about just the overall
12 price volatility both up and down given the amount of
13 producers in the industry?

14 CHAIRMAN ARANOFF: Yes. I mean, I guess
15 we're talking about Italian producers coming into the
16 market and engaging very aggressive price competition,
17 and I guess what I'm suggesting to you is given the
18 number of producers that are already in the market,
19 maybe we already have price competition that's quite
20 aggressive just because it's a fairly diversified
21 supply base of both domestic producers and producers
22 from third countries, so why would it make that much
23 of a different?

24 MR. RICH ANDERSON: I think my assumption
25 would be the domestic producers that compete today are

1 probably similar in business plans in that they're
2 trying to keep their plants full, trying to compete,
3 but they're not selling product at variable cost.
4 It's not part of their overall business plan just to
5 try to fill capacity, to try and sell stock 20 percent
6 in excess or 20 percent of under-utilized capacity, so
7 I think we do compete very heavily on price today, so
8 we compete on price on I think a fairly level playing
9 field. I ask the gentlemen too if they've got other
10 comments.

11 MR. HOLTON: I would agree with that
12 comment. We have seen any signs from our point of
13 view that anybody is doing other than trying to
14 capture the best on top of cost, whatever those might
15 be, and they would vary, and have some recoverable
16 gross margin versus a competitor that would come in
17 from some numbers that have noodled around in terms of
18 what our factory costs are, and if you decided to
19 forego some of the fixed overhead and all the things
20 you talked about before, in a penny's business, there
21 are enough pennies if you calculate against what we
22 did as an industry in 2009.

23 There are enough pennies that they could
24 have on the table that changes that field so
25 dramatically is the way I would interpret it compared

1 to aggressiveness with different rules of the game
2 that we're playing with each other now. I don't know
3 if I said that well.

4 MR. SERRA: Commissioner Aranoff, there's
5 another dynamic that you have to consider here, and
6 it's probably difficult to get your arms around it,
7 and that's the size of the plant, the footprint of the
8 plant. When you think of the other competitors that
9 are within the U.S., they tend to be much smaller than
10 the three sitting in front of you. Therefore, let's
11 say their fixed costs are going to tend to be lower
12 because they simply have a smaller facility.

13 If you think of the Italians that we're
14 considering here, they have big plants, to their fix
15 are going to be running higher, so they have even more
16 incentive to try to get that plant full, so I think
17 you have to think about the size of the company, a la
18 footprint of the plant, in helping making that
19 decision because that plays a key role here.

20 CHAIRMAN ARANOFF: Now, are the Italian
21 plants much bigger than the largest domestic
22 producer's plants, or about the same?

23 MR. SERRA: I can only comment on, and I
24 can't reveal the name, but I know of a couple that I
25 actually was in. They're big, like the guys sitting

1 in front of you, like the three clients here.

2 CHAIRMAN ARANOFF: But comparable?

3 MR. SERRA: Yes.

4 CHAIRMAN ARANOFF: Not orders of magnitude
5 larger than what our larger domestic producers are?

6 MR. SERRA: Well, I haven't been in all the
7 plants, so I can't say about here, but I will tell you
8 the Italian plants are not small plants by our
9 definition in the tape industry.

10 CHAIRMAN ARANOFF: Okay. All right.

11 MR. RICH ANDERSON: If I could add to that?
12 There are two of those plants in our estimates that
13 are a near a billion square meters in capacity and
14 that is substantial. Those are considered to be
15 fairly big, and there's very few companies in the
16 world that have that much capacity, but two of them
17 happen to be in Italy.

18 CHAIRMAN ARANOFF: Okay. Question, Mr.
19 Pearson?

20 VICE CHAIRMAN PEARSON: Madame Chairman,
21 you're on a roll. I think I'll ask no further
22 questions at least at this point and just kind of
23 stand back and pass. Thank you.

24 CHAIRMAN ARANOFF: Okay. My colleagues
25 don't have more questions, but I'm afraid I still do,

1 so I'll beg everyone's indulgence, and I should tell
2 the witnesses we do have a habit here of giving an
3 extra hard time when only one side shows up for the
4 hearing. We give you an extra workout, so don't take
5 it personally.

6 In your pre-hearing brief that you submitted
7 to us on page 6, you quote from the Commission's
8 opinion in the second review to the effect that
9 because tape represents a small share of the value of
10 sealed cartons and boxes, "decreased prices for PSP
11 tape would not stimulate additional demand, but would
12 likely result in changes in market share if suppliers
13 and purchasers switched to lower-priced subject
14 imports of PSP tape."

15 The Commission said in that review and I
16 think in the prior one as well, that on the record it
17 didn't see any viable substitutes for PSP tape, but in
18 the current review on pages 2-5 and 2-6 of the staff
19 report, Commission staff indicate that there are some
20 available substitutes for PSP tape, and generally the
21 availability of substitutes would mean that lower
22 prices might in fact trigger increased demand for the
23 product as purchasers switch to this product from
24 another thing that might previously have been less
25 expensive.

1 Which of those views of the market is more
2 accurate? If prices go down, are there people using
3 other products who might switch to PSP tape or even
4 might switch from the acrylic product that the
5 domestic industry doesn't make to much to the hot melt
6 product?

7 MR. RICH ANDERSON: So I understand your
8 question correctly, when you talk about substitute
9 products, there are substitutes for PSP tapes like
10 hot-melt glues, for example, or staples.

11 CHAIRMAN ARANOFF: That's the first part of
12 the question.

13 MR. RICH ANDERSON: Okay. Okay.

14 CHAIRMAN ARANOFF: The first part of the
15 question is products that are totally outside of the
16 scope here that people might be using, and if the
17 price of PSP tape went down, they might switch and
18 start using the --

19 MR. RICH ANDERSON: Yes. Right. It could
20 have some impact on hot-melt glues. Staples are used
21 primarily for strength, but they're frowned up by a
22 lot of folks just from safety issues, and they're
23 difficult to open. The hot-melt glue is typically a
24 little bit cheaper for application than tape is, so
25 there's benefits to that, and it can run significantly

1 faster, so on very high speeds.

2 Food packaging lines, for example, people
3 will use their glue closure, but it doesn't protect
4 from dust, and there's other reasons, so they're
5 slightly different applications. There might be some
6 difference if PSP tape came down, but I think the
7 applications are kind of defined more on the installed
8 equipment. Hot-melt glue is based on having capital
9 investments to be able to apply it. It's not really
10 important simply to use.

11 MR. MARTIN: Yes. Most of the hot glue is
12 used in high capacity, so they would have to put in
13 high speed machines because they're running those
14 machines pretty fast, and to be able to do that,
15 that's a capital investment, and that's a whole
16 changeover, and if you're a manufacturer of any size,
17 that could be a down time, and from a converting line
18 perspective, that would be very difficult.

19 CHAIRMAN ARANOFF: Okay. And if prices came
20 down to the point where people no longer saw a big
21 benefit in using acrylic versus hot melt, would that
22 benefit you? I guess you'd have to weigh the costs
23 and benefits to lower price on your main product
24 versus more demand for your main product, but you
25 apparently see yourself on the losing end of that

1 proposition?

2 MR. HOLTON: I think we're all still trying
3 to sell hot melt where the buyer will bring it in in
4 the handrolls, and we still sell some handrolls into
5 the industry, but it's long term, not as we've already
6 said that we think they're going to have any growth.
7 We're going to lose that.

8 MR. SERRA: Commissioner Aranoff, I think
9 the other dynamic is if you think about what's in the
10 box and what the shipper wants to do and how the
11 shipper wants to protect what's in the box. If the
12 shipper wants to protect the contents of that box from
13 dirt, dust, water, whatever from coming in at the
14 opening, then there's no choice that you have to use
15 something like tape, or you'll shrink the whole box
16 into a piece of plastic, but you still have to seal
17 it, whereas when you go to the alternatives, the
18 staples and the hot melt, it's not a sealed box. It's
19 a closed box, and I think that's a huge distinction.

20 CHAIRMAN ARANOFF: Okay. I appreciate that.
21 Your brief mentions that some hot melt products have
22 been entering the U.S. from Asia recently even though
23 most of the Asian product is acrylic. Is there
24 anything that you can tell me about what country or
25 countries or what specific Asian producers have the

1 capacity to make the hot-melt product?

2 MR. NEELEY: It's primarily Indonesia,
3 primarily Pitimus I believe. Is that correct?

4 MR. RICH ANDERSON: Actually, in Taiwan they
5 just had a capacity --

6 MR. NEELEY: In Taiwan also. I should have
7 mentioned that. Absolutely, they also have some --
8 anything to Taiwan on this business as well.

9 CHAIRMAN ARANOFF: Is that product, either
10 the product from Taiwan or from Indonesia, in your
11 experience a sufficient quality that at least on a
12 quality basis people who use your hot melt product in
13 the U.S. Market would be able to use that product?
14 The people who are demanding about how long and how
15 well the box stays sealed?

16 MR. HOLTON: We've seen a few samples, and
17 the answer for right now is no, we don't think it's as
18 good as ours. The concern thinking on a different
19 subject is down the road will we get better, or have
20 we educated in all cases the end users of our product.
21 I understand why in fact we are so much better. When
22 you get them educated into hot melt, but then you've
23 got to start understanding the differences between hot
24 melt, and that's even further sophistication.

25 That round of selling features might still

1 have to come, but the short answer is earlier we
2 didn't think it was as good, but that's a tape person
3 analyzing tape in those tape to, not a consumer
4 talking price.

5 MR. RICH ANDERSON: If I could add to that
6 comment because we have experience with that
7 manufacturer? Typically, they enter a market with the
8 best quality they can come up with to start with, but
9 then they end of up hiring American engineers, often
10 retired people from one of these companies, to improve
11 their quality. They will get better without a doubt,
12 and I've run into multiple distributors in New York
13 that actually has their products. They buy basically
14 containers full, so it's here. It's at the lower-tier
15 distributors right now in the private label form, but
16 I assume that it's just going to continue to grow.

17 CHAIRMAN ARANOFF: If in fact as you tell me
18 Asian producers are making a move into the hot-melt
19 tape part of the market and are already present here
20 in the U.S. to some extent, is that going to act as a
21 barrier to entry for Italian producers in the
22 reasonably foreseeable future?

23 MR. RICH ANDERSON: It probably will over
24 time. The advantage is the Italians have been making
25 hot melt tape for many years and are very, very good

1 at it, so from a quality standpoint, they would start
2 at the top of the pyramid as opposed to the bottom, so
3 they would have an advantage. They'll have the same
4 issues long term -- plus years out.

5 MR. MARTIN: Commissioner, speed to market
6 is to their advantage. They have the technology.
7 They've been doing it for years. They have the
8 capacity to get here and get here real quick where on
9 the Asian side they're still developing those
10 technologies, building their capacity around it.

11 CHAIRMAN ARANOFF: Okay. Is there any
12 evidence or information on the record that would
13 suggest that Italians producers would shift production
14 from tape products that are not within the scope of
15 this investigation to within-scope products if the
16 order were revoked, or would you argue that there's
17 sufficient excess capacity of the subject product
18 already that we shouldn't even be concerned about
19 product shifting?

20 MR. NEELEY: I don't think we're really
21 arguing about product shifting. I think we're just
22 saying excess capacity on the subject merchandise.

23 CHAIRMAN ARANOFF: Okay. If several of the
24 smaller domestic producers appear to sell into high-
25 end niche markets, and we're still talking about the

1 subject product here, are there any of these high-end
2 niche markets that show any significant growth
3 potential, or are there any new uses that we don't
4 have on the record now that you have under
5 development?

6 MR. HOLTON: I can't think of any in our
7 case, Commissioner.

8 MR. RICH ANDERSON: I would say from our
9 perspective, the two areas of opportunity right now
10 are around security products as Craig was mentioning.
11 There's growth in that area, but I think the other
12 undeveloped areas are around sustainability solutions
13 for the manufacturers that I think are more important.

14 MR. MARTIN: Same add on. Yes, it's
15 sustainability. Green is going to be more and more
16 important. Our customers are asking for it, so the
17 development of that is crucial.

18 CHAIRMAN ARANOFF: Would that grow demand or
19 just shift demand to a greener product?

20 MR. MARTIN: It shifts. They may be using a
21 hot melt today, or they want something a little bit
22 different. We manufacture a water activated tape,
23 which is just paper, and it's totally recyclable where
24 in some of these instances these are not.

25 CHAIRMAN ARANOFF: Okay. I know there's

1 been some reference that there are, for example,
2 medical uses for PSP tape. Is that a growth area? It
3 seems like everything having to do with health
4 industry is a growth area.

5 MR. MARTIN: Again, the internet,
6 pharmaceutical, medical, Rick's point around the
7 security. You think about somebody that's got a box
8 about like this, and it costs about \$2,000, they're
9 going to protect it, and they're going to make sure
10 that it's sealed properly and totally sealed, so
11 they'll make the investment and make the right produce
12 choice to secure that product on delivery.

13 CHAIRMAN ARANOFF: Okay. One of the things
14 that we've heard in the testimony today is that
15 companies need to invest fairly consistently in order
16 to keep up with the technology and be competitive in
17 the market, but we've also been told that maybe there
18 are some investments that domestic producers are
19 thinking about but they consider to be contingent on
20 the outcome of this review, and I'm trying to
21 reconcile those two statements because if the Italian
22 producers were to come into the market, you'd want to
23 be even more attentive to competitiveness.

24 One of the things I'm wondering about,
25 perhaps they're already on the record, and I just

1 haven't noticed them yet, or if you can put on the
2 record if there are any contemporaneous company
3 documents that weren't prepared in preparation for
4 this review that would indicate that the companies
5 considered or are considering investments that are
6 contingent on the outcome of this proceeding?

7 That would be very helpful, and there's one
8 company in particular, and I can't say which one, but
9 it's present today who specifically talked about an
10 investment that's contingent on the outcome of this
11 proceeding. Thank you. One of the last things I
12 wanted to explore, with respect to demand, I know a
13 number of you have said that one of the reasons why
14 demand is expected to grow for this product is sort of
15 the phenomenon of internet sales, Amazon and all the
16 other people who are selling small quantities of
17 things over the internet.

18 It depends what you're selling obviously,
19 but it seems like some of those people may not be as
20 concerned about buying the high-end, best sealing,
21 holds-the-heaviest-weight kind of tape as a computer
22 manufacturer might be, so if you're selling clothing
23 products or paperback books or more consumer-oriented
24 products in small quantities over the internet, do you
25 need hot melt?

1 MR. RICH ANDERSON: Well, I think you hit on
2 something. Again, electronics manufacturers typically
3 buy the Tier A product, the heaviest coating weight,
4 the strongest strength. They've got the \$10,000
5 computers or servers or what have you. The Amazons of
6 the world and those folks will paper hot melt, but
7 they're buying the products that kind of are in the
8 Top of Tier C, so the products that are priced just
9 slightly above the acrylics, so they're not buying the
10 high-end product. They're buying the lowest-grade
11 products typically.

12 CHAIRMAN ARANOFF: What about one of my old
13 favorites like Land's End or somebody like that? What
14 are they using?

15 MR. RICH ANDERSON: Actually, a lot of
16 clothing retailers are in the same thing. There's a
17 whole tier of those folks. The only difference is in
18 that clothing market, for example, apparel, they tend
19 to be a little bit more security conscious, so they
20 made a printing, or they may have some sort of
21 security supply chain, but that would be the only
22 difference I'd observe.

23 CHAIRMAN ARANOFF: Okay. I think at this
24 point, I may actually have exhausted my questions, so
25 first let me check again and see if any of my

1 colleagues have a question?

2 VICE CHAIRMAN PEARSON: Madame Chairman,
3 just a comment. Tonight when I go out to the garage
4 to pack together the boxes that I'll take out to the
5 curb for recycling, I'll do it with a renewed sense of
6 appreciation. Frankly, the hot glued boxes can be
7 really difficult to break up. Sometimes I cut them
8 up. The boxes that just fold together in very clever
9 ways on themselves so you can get your fingers under
10 there, you can pull them out, but some of those also
11 are really difficult.

12 However, any box that's sealed with pressure
13 sensitive tape, whip out one's trusty jackknife, and
14 you can disassemble it very easily, and I think that's
15 a real selling point for your product, which you
16 didn't emphasize today, so I just wanted put that out
17 there. Thanks for coming.

18 CHAIRMAN ARANOFF: Okay. If there's no more
19 questions from Commissioners, let me see if staff have
20 any questions for the panel?

21 MR. CORKRON: Douglas Corkron, Office of
22 Investigations, thank you Chairman Aranoff. Staff has
23 no additional questions.

24 CHAIRMAN ARANOFF: Okay. Since we only have
25 side, we don't have any rebuttal, but we do have

1 closing arguments, so, Mr. Neeley, proceed whenever
2 you like.

3 MR. NEELEY: Okay. I'll make it very brief
4 since I don't have to rebut anything, and I think
5 we've said it pretty much. I just thank all of you
6 for your time in listening to us, and I hope that
7 we've given you some things to think about in terms of
8 the development of the industry over the last few
9 years and where the competition comes from and what
10 our concerns are. Thanks again.

11 CHAIRMAN ARANOFF: Well, I want to say thank
12 you again on behalf of the Commission and our staff to
13 all of the witnesses for your hard work in preparing
14 for today and for all the additional information that
15 we've asked you to supply post-hearing. It is a
16 fascinating case. It's only because it has taken us
17 through some history. I can't say that I had made it
18 to graduate school by 1977, middle school, but not
19 graduate school.

20 Post-hearing brief statements responsive to
21 questions and requests of the commissions and
22 corrections to the transcript must be filed by
23 January 25, 2010. Closing of the record and final
24 release of data to parties takes place February 12,
25 2010, and final comments are due on February 16, 2010.

1 Since there is no further business before the
2 Commission, I will say thank you once again, and this
3 hearing is adjourned.

4 (Whereupon, at 12:35 p.m., the hearing was
5 adjourned.)

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CERTIFICATION OF TRANSCRIPTION

TITLE: Pressure Sensitive Plastic Tape from Italy

INVESTIGATION NOS.: AA1921-167 (Third Review)

HEARING DATE: January 14, 2010

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: January 14, 2010

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Washington, D.C. 20005

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