

UNITED STATES INTERNATIONAL TRADE COMMISSION

In the Matter of:
RUBBER BANDS FROM CHINA, SRI LANKA,
AND THAILAND

) Investigation Nos.:
) 701-TA-598-600 AND 731-TA-1408-1410
)

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Place: Washington, D.C.
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3 In the Matter of:) Investigation Nos.:

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5 CHINA, SRI LANKA,) 731-TA-1408-1410

6 AND THAILAND) (PRELIMINARY)

7

8

9 Tuesday, February 20, 2018

10 Main Hearing Room

11 U.S. International

12 Trade Commission

13 500 E Street, S.W.

14 Washington, D.C.

15 The meeting commenced, pursuant to notice, at

16 9:30 a.m., before the United States International Trade

17 Commission Investigative Staff. Elizabeth Haines,

18 Supervisory Investigator, presiding.

19 APPEARANCES:

20 On behalf of the International Trade Commission:

21 Elizabeth Haines, Supervisory Investigator

22 (presiding)

23 Mary Messer, Investigator

24 Amanda Lawrence, Investigator

25 Lauren Gamache, Economist

1 APPEARANCES (Continued):

2 Raymond Cantrell, International Trade Analyst

3 Janet Freas, Accountant/Auditor

4 Jane Dempsey, Attorney/Advisor

5

6 William R. Bishop, Supervisory Hearings and

7 Information Officer

8 Sharon Bellamy, Program Support

9 Opening Remarks:

10 In Support of Imposition (Roy Goldberg, Stinson Leonard

11 Street, LLP)

12 In Opposition to Imposition (Lizbeth R. Levinson, Fox

13 Rothschild LLP)

14

15 In Support of the Imposition of Antidumping and

16 Countervailing Duty Orders:

17 Stinson Leonard Street, LLP Washington, DC,

18 On behalf of:

19 Alliance Rubber Co.

20 Bonnie Swayze, President, Alliance Rubber Co.

21 Jason Risner, Director of Sales and Marketing,

22 Alliance Rubber Co.

23 Roy Goldberg)

24) -- Of Counsel

25 Denyse Zosa)

1 In Opposition to the Imposition of Antidumping and
2 Countervailing Duty Orders:

3 Fox Rothschild LLP, Washington, DC

4 On behalf of:

5 Schermerhorn Bros. Co.

6 Frank Wionne & Sons, Inc.

7 Kevin J. Jordan, President, Schermerhorn Bros.
8 Co.

9 Robert P. Adelizzi, Co-President, Frank Winne &
10 Sons, Inc.

11 Michael P. Aversano, Co-President, Frank Winne &
12 Sons, Inc.

13 Nicholas R. Adelizzi, Import Manager, Frank Winne
14 & Sons, Inc.

15

16 Lizbeth R. Levinson) -- Of Counsel

17

18

19 Rebuttal/Closing Remarks:

20 In Support of Imposition (Roy Goldberg, Stinson Leonard
21 Street, LLP)

22 In Opposition to Imposition (Lizbeth R. Levinson, Fox
23 Rothschild LLP)

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9:30 a.m.

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

MS. HAINES: Good morning and welcome to the International Trade Commission's Conference in connection with the Preliminary Phase of Antidumping and Countervailing Duty Investigations No. 701-TA-598-600 and 731-TA-1408-1410 concerning rubber bands from China, Sri Lanka, and Thailand.

My name is Elizabeth Haines. I am the Supervisory Investigator on these investigations and I will preside at this Conference. Among those present from the Commission Staff are Mary Messer, Investigator; Amanda Lawrence, Investigator, Jane Dempsey, Attorney; Lauren Gamauche, Economist; Jane Freas, Accountant; and Ray Cantrell, the Industry Analyst.

I understand that parties are aware of the time allocations. Any questions regarding the time allocations should be addressed with the Secretary. I would remind speakers not to refer in your remarks to business proprietary information and speak directly into the microphones. We also ask that you state your name and affiliation for the record before beginning your presentation or answering questions for the benefit of the court reporter.

All witnesses must be sworn in before presenting

1 testimony. Are there any questions?

2 (Silence)

3 Mr. Secretary, are there any preliminary matters?

4 MR. BISHOP: Yes, Madam Chairman. First of all I
5 would like to correct the countries for this investigation.
6 The correct countries are China, Sri Lanka, and Thailand. I
7 apologize for that. Also, with your permission we will add
8 to today's witness list Robert P. Adelizzi, Co-President of
9 Frank Winne and Son; Michael P. Aversano, Co-President of
10 Frank Winne and Son and Nicholas R. Adelizzi, Import Manager
11 of Frank Winne and Son. Also Lizabeth R. Levinson of Fox
12 Rothschild who is counsel to Schermerhorn Brothers Company
13 and Frank Winnie and Son.

14 All witnesses for today's preliminary conference
15 have been sworn in. There are no other preliminary matters.

16 MS. HAINES: Very well. Let us begin with
17 opening remarks.

18 MR. BISHOP: Opening remarks on behalf of those
19 in support of imposition will be given by Roy Goldberg of
20 Stinson Leonard Street. Mr. Goldberg, you have five
21 minutes.

22 OPENING STATEMENT OF ROY GOLDBERG

23 MR. GOLDBERG: Thank you very much. Good morning
24 members of the Staff. Again, Roy Goldberg on behalf of the
25 Petitioner Alliance Rubber Company, in these cases. We

1 appreciate the opportunity to appear before the Staff this
2 morning and discuss the Petition and the issues before the
3 Commission in the preliminary phase.

4 The Petitioner Alliance has become what is really
5 an endangered species and you'll hear about that this
6 morning. It is a family-owned business going back almost a
7 century and employs approximately 176 persons in a
8 manufacturing facility in Hot Springs, Arkansas. It's a
9 product that is made in the United States for use in the
10 United States by and large.

11 Rubber bands are a product that everybody knows.
12 They are an important product. They are used for daily
13 office and household functions but also for agriculture,
14 industrial, beauty products and newspapers. In this case,
15 the Domestic Industry largely consists of a single company,
16 Alliance. Alliance alleges significant dumping margins as
17 well as subsidies.

18 For Thailand the margins range between 29 and 78
19 percent. For China 27 percent and for Sri Lanka between 57
20 and 133 percent. Again, that is just the dumping margins so
21 theirs also the subsidies which would be added on top. This
22 is not a case where importers or exporters are going to
23 contend or demonstrate that this is an inferior product or
24 that somehow this service or the quality is different.

25 Alliance makes an excellent rubber band product.

1 You will not hear otherwise. But there can be no denying in
2 this type of commodity product price is king. Office supply
3 companies and other people are you know more and more faced
4 with pressure to bring in a lowest-priced product, if
5 possible. Too many times and in this case that means going
6 offshore unfortunately. That's okay if the products are
7 fairly priced but in this case they are not.

8 It's the lower prices of the imported rubber
9 bands from Thailand, China, and Sri Lanka that brings us
10 here today and caused Alliance to request that the
11 Commission make a preliminary determination that there is a
12 reasonable likelihood, a reasonable indication that the
13 Domestic Industry is being injured or threatened with
14 material injury by reason of these unfairly traded imports.

15 Now the financial injury to the Domestic Industry
16 is clear. Alliance accounts for nearly all of the Domestic
17 Industry and they have ample capacity remaining. In years
18 prior they used much more capacity so this is not a
19 pie-in-the-sky or number that is hypothetical. They have
20 had much higher capacity to make a lot more rubber bands and
21 sell them in the United States.

22 They can no longer do that because of the
23 imported threat and if the unfairly traded prices was
24 remedied then this company could make a lot more rubber
25 bands and make a lot more money and hire a lot more staff as

1 well. They should be able to charge more. They want to be
2 able to charge more but they have been constrained by the
3 realities in the market.

4 That has come to a head last spring when a huge
5 client customer, about 10 percent of their business,
6 Staples, told them "you know, we can get what we're buying
7 from you half price overseas". It ended up being Thailand,
8 so that's what they've done. So the numbers won't show for
9 2015, 2016, 2017 -- the POI clearly because Staples actually
10 went to our client in 2015 and ramped up in 2016 and in
11 2017, even though when Staples knew they were going to
12 change the supply they ended up buying a lot more to ramp
13 up. But as 2018 unfolds it will really hit Alliance, the
14 loss of this big customer.

15 That's not the only customer that has been giving
16 them price pressure because of the imports. So we have two
17 panelists that will be addressing you this morning. The
18 first is Bonnie Swayze. She is the daughter of the man back
19 in 1923 that started this company in Alliance, Ohio and then
20 opened up a facility in Hot Springs several decades ago and
21 she will tell you about the history of the company and its
22 role in the domestic market.

23 Then we also have Jason Risner with us. He is
24 the Director of Business Strategy and he will provide
25 insights into the nature of the rubber band industry and

1 specifically address the injury and threat issues that are
2 before the Commission today. He has been instrumental in
3 preparing and filing the antidumping and countervailing duty
4 Petition.

5 He knows the market well. He is actually also a
6 very good tour guide if any of you get the opportunity as I
7 hope you do to come out to Hot Springs and see how rubber
8 bands are made. It's a pretty fascinating process. Thank
9 you very much.

10 MR. BISHOP: Thank you, Mr. Goldberg. Opening
11 remarks on behalf of those in opposition to imposition will
12 be given by Lizbeth R. Levinson of Fox Rothschild. Ms.
13 Levinson, you have 5 minutes.

14 OPENING STATEMENT OF LIZBETH LEVINSON

15 MS. LEVINSON: Good morning. I'm Lizbeth
16 Levinson with Fox Rothschild. I'm here today representing
17 two importers of Subject Merchandise, Frank Winne and Son
18 and Schermerhorn Brothers. We strongly oppose the Petition.
19 Despite the admittedly low legal threshold for an
20 affirmative preliminary injury determination, the Commission
21 should make a finding that there is no reasonable indication
22 of material injury or threat thereof.

23 The record before the Commission fails to support
24 an affirmative injury determination for the following
25 reasons. First, the Petition is woefully deficient. The

1 Petition is unable to provide any credible information
2 regarding the volume of imports subject to this Petition.

3 The official import statistics relied upon
4 provided only information relating to the value of the
5 imports from the Subject Countries. No information was
6 reported regarding the quantity. Even the reported value
7 information was not specific to the merchandise under
8 investigation, that is rubber bands that are under 10 inches
9 in length but was specific to all rubber bands including
10 non-Subject Merchandise which of course would include the
11 larger rubber bands.

12 The Petition also fails to address the critical
13 issue of rubber content in the rubber bands subject to
14 investigation. The rubber content of a rubber band is the
15 primary determinate driving the cost and price with an
16 individual rubber band. Because the Commission did not
17 request information regarding rubber content in the pricing
18 portions of the questionnaire the data elicited will not be
19 meaningful with regard to price comparisons between the
20 imported and the domestically produced merchandise.

21 Second, the necessary requirements to sustain an
22 affirmative determination have not been met in this case.
23 Specifically, sub volumes have decreased significantly
24 between 2015 and 2017 while prices have increased. The
25 import statistics set forth in the Petition show that

1 imports from each of the countries has declined sharply.

2 Imports from China have declined from
3 approximately 9 million to 5 million between 2005 and 2007,
4 a decline of 47 percent. Imports from Sri Lanka have
5 declined by approximately 4 percent. Imports from Thailand
6 have declined from approximately 15 million to 12 million
7 between 2015 and 2017, a decline of 22.73 percent. On a
8 cumulative basis imports from the three countries declined
9 by almost 30 percent between 2015 and 2017.

10 With respect to pricing, as I have already
11 mentioned, the data is not meaningful in the absence of
12 rubber content designations. Nevertheless the
13 administrative record shows prices increased from 2015 to
14 2017. In most cases preliminary determinations are
15 accompanied by significant price declines which are
16 decidedly absent here.

17 There is absolutely no causal nexus between any
18 alleged injury to the Domestic Industry and subject imports.
19 The Petition itself notes that Petitioner's sales that
20 increased during the Period of Investigation. The
21 administrative record shows actual declines in import volume
22 and import value that were coupled with increased prices and
23 rising average unit values during the Period of
24 Investigation.

25 To the extent the Domestic Industry may be

1 suffering injury, such injury is attributable to causes
2 other than Subject Imports. Latex rubber is the major raw
3 material component of the Subject Merchandise and the cost
4 driver of overall production costs. During the Period of
5 Investigation there was a spike in the cost of natural latex
6 rubber due to unanticipated production failures in Thailand
7 from mid-2016 to early 2017. These increases in raw
8 material prices rather than Subject Imports themselves would
9 be the cause of any declines in Petitioners profitability in
10 later portions of the Period of Investigation.

11 Finally, injury suffered by the Petition to the
12 extent there has been any has been self-inflicted by the
13 Petitioner's own ill-advised business practices. Petitioner
14 attempts to serve all market segments from office supply
15 superstores to distributors, large retailers, small
16 retailers, industrial uses, newspapers and
17 produce/agriculture.

18 More importantly, Petitioner's claim of injury
19 centers around its loss of the Staples account in 2017.
20 Petitioner wrested the Staples account from another supplier
21 in 2016. It appears that the Petitioner only had the
22 Staples account for one year and Staples apparently reviews
23 its rubber band purchases on an annual basis.

24 Under these circumstances it was foolhardy at
25 best for Petitioner to build a warehouse for the primary

1 purpose of supplying the Staples account. The financial
2 impact of making large expenditures on a now worthless
3 warehouse was the apparent trigger for filing the Petition,
4 but the Petitioner's ill-advised business decisions cannot
5 be blamed on imports from the three countries under
6 investigation.

7 For the foregoing reasons we urge the Commission
8 to reach a preliminary negative determination on the grounds
9 that there is no reasonable indication of material injury or
10 threat thereof in this investigative record. Thank you very
11 much.

12 MR. BISHOP: Thank you, Ms. Levinson. Madam
13 Chairman, the Panel in support of the imposition of
14 Antidumping and countervailing duty orders has been seated.
15 This Panel has 60 minutes for their direct testimony.

16 STATEMENT OF BONNIE SWAYZE

17 MS. SWAYZE: Good morning. My name is Bonnie
18 Spencer Swayze and I'm the President of Alliance Rubber
19 Company in Hot Springs, Arkansas. My dad Bill Spencer began
20 this company Alliance Rubber in Alliance, Ohio in 1923.
21 This march we're celebrating our 95th anniversary.

22 In 1944 as we grew at a rapid pace, my dad opened
23 a 2nd plant in Hot Springs, Arkansas. He served as Chairman
24 Emeritus until he passed away in 1986 overseeing the
25 company's move across the country as well as many of our

1 product innovations. Today, we make rubber bands at our Hot
2 Springs facility and we have 176 great employees in Hot
3 Springs. We produce approximately 15 million pounds of
4 rubber bands every year. We manufacture and sell a wide
5 range of rubber bands including standard rubber bands,
6 produce and floral bands, imprinted bands, custom bands,
7 shellfish brands, gear wraps and straps.

8 We sell the bands we make in Hot Springs to seven
9 different industries: stationary, paper and packaging,
10 newspapers, agriculture, retail such as Wal-Mart, government
11 and Post Office and ad specialty. We sell to over 1400
12 different ad specialty distributors in America. Most of
13 these segments we've been selling for 95 years.

14 We received the Excellence in Innovation Award
15 from the U.S. Department of Commerce, National Institute of
16 Standards and Technology and the MAP, the Manufacturing
17 Extension Partnership. We were very honored, we were one of
18 the very few people to win it, one of two the year that we
19 won it.

20 Alliance is the leading U.S. manufacturer of
21 rubber bands. There was a time when we had significant
22 manufacturing competition based in the United States. Forty
23 years ago there were 14 different U.S. Manufacturers of
24 rubber bands. Today, there are only three and we have the
25 vast majority of manufacturing. However, over time the

1 pressure from Asian-sourced imports has caused all of our
2 significant U.S. competitors to exit the band manufacturing
3 business in the U.S.A.

4 We are fighting for our survival in the face of
5 imported rubber bands from Thailand, China and Sri Lanka and
6 we seek your assistance in obtaining a level playing field
7 for our rubber band products offered for sale in the U.S.A.
8 In the early 2000's we experienced a slight decrease in
9 sales volume. At that time, one of our biggest industries
10 newspapers was also experiencing a sales decrease as well.

11 To stay relevant in this ever-changing world we
12 began expanding sales to other areas like agriculture.
13 Since 1988 we've maintained an office in Salinas, California
14 where a large share of American produce is grown. Our bands
15 are put on many fruits, vegetables and spices including
16 asparagus, broccoli, celery, carrots and cilantro.

17 In 2008 we battled a severe rubber price
18 fluctuation. To accommodate the rapidly rising cost we had
19 to raise prices and lost a few customers in the short term.
20 The price fluctuation was difficult for us but we never lost
21 sight of what we offer, superior quality rubber bands, the
22 world's largest variety and superlative customer service.

23 Ultimately the market evened out, the majority of
24 the customers came back until the recent spike in imports
25 and the relentless pressure from Asian imports that are

1 taking sales and harming our financial position. The loss
2 of the Staples private label business will cause a decline
3 in our rubber bands made and sold and on down the line
4 you'll see multiple financial hardships caused by that.

5 Last year there was some question by some of our
6 customers about some of the bands advertised on the three
7 Winnie websites and who actually was manufacturing the
8 bands, where they ours, where they imports? So at that time
9 we were doing about 10,000 dollars a year with Winnie and we
10 decided to just part as friends rather than continue on.

11 Alliance and our 176 workers are also threatened
12 with additional material injury if the unfair pricing
13 practices of Thai imports are not restrained by antidumping
14 and countervailing duty orders. For example, in 1999 we
15 were doing 25.5 million, twenty-five and a half million
16 pounds and that was about 70 percent more than the 15
17 million we are doing today. We had 250 employees. We had
18 42 percent more employees than we have today.

19 Thailand is the world's top producer and exporter
20 of rubber. Rubber prices have weakened and demand in China,
21 the world's biggest consumer of rubber remained lackluster
22 due to China's economic slowdown. Thank you for your time
23 and attention this morning.

24 STATEMENT OF JASON RISNER

25 MR. RISNER: Good morning and thank you for your

1 time. My name is Jason Risner and I'm Director of Business
2 Strategy. I was involved in the preparation of the
3 antidumping and countervailing duty Petition that Alliance
4 filed on January 30, 2018 and had firsthand knowledge of the
5 injury and threatened injury that unfairly traded imports of
6 rubber bands from China, Sri Lanka, and Thailand have been
7 having on our company.

8 I have been working at Alliance since 2010 and
9 I'm very familiar with all the facets of the rubber band
10 business, including how rubber bands are produced, how they
11 are marketed and sold, the market for rubber bands in the
12 United States, the nature of the competition that Alliance
13 faces for rubber band sales and the role that imported
14 rubber bands play and have played in the U.S. Rubber Band
15 Market.

16 I've held the title of Alliance Director of
17 Business Strategy since August 2016. Prior to that time, I
18 was the Marketing Director for Alliance from February of
19 2010 to August 2016. In my role as Director of Business
20 Strategy I am responsible for identifying issues and
21 opportunities that could affect future growth and
22 profitability and for developing and implementing plans to
23 increase revenues and profits at Alliance and especially its
24 rubber band business.

25 As part of my job I track industry and

1 competitive trends, identify business threats, support
2 client relations and assist with the client base to gain
3 market share. As the Marketing Director I had
4 responsibility for the company's marketing, corporate
5 communications and business development. I oversaw a
6 marketing approach and brand strategy for Alliance in 7
7 distinct industries.

8 The single like product for this investigation
9 includes all rubber bands of vulcanized rubber because a
10 band would not be a rubber band unless it is vulcanized. In
11 order to function as a rubber band which means to have the
12 necessary elasticity to close around an object, rubber must
13 be vulcanized. To vulcanize merely means to tier the rubber
14 so that it will work as a rubber band.

15 Nomenclature-wise latex, natural latex, crepe and
16 rubber mean the same thing. As a Domestic Producer of
17 rubber bands Alliance is concerned about imported bands that
18 are either natural rubber or synthetic rubber which includes
19 non-latex which are a part of the scope.

20 Rubber bands from the United States, Thailand,
21 China and Sri Lanka have identical characteristics and uses.
22 Utilization of elasticity to hold multiple objects together
23 including papers, fruits and vegetables, pieces of equipment
24 and other items. Rubber bands whether produced
25 domestically, in Thailand, China or Sri Lanka or in a

1 non-Subject Country are used for the same purpose.

2 Rubber bands are typically sold in the United
3 States to large wholesalers and retailers. Alliance uses
4 several trade channels to sell its rubber band products to
5 the United States. For larger volume sales Alliance may
6 respond to a request for proposal or engage in discussions
7 with the customer. Other times, Alliance is contacted by
8 companies interested in purchasing Alliance rubber bands.

9 Alliance maintains an active sales force that
10 seeks to sell its bands whenever possible across a wide
11 range of industries including office stationary, newspapers,
12 agricultural and military. Many of Alliance's competitors
13 are distribution companies that import rubber bands from
14 Thailand, China or Sri Lanka and seek to sell the imported
15 rubber bands to the same customers that Alliance seeks to
16 serve.

17 Rubber bands produced domestically or in
18 Thailand, China or Sri Lanka or in a non-Subject Country are
19 generally viewed similarly by producers and customers. The
20 manufacturing facilities, production processes and employees
21 used for rubber band manufacturing in the United States and
22 in Thai, Chinese and Sri Lankan factories share many
23 similarities however Alliance believes that the Alliance
24 system of manufacturing results in a higher quality product.

25

1 In addition, not all of the Thai, Chinese and Sri
2 Lankan exporters sell their rubber bands and plastic bags
3 that they themselves manufacture. Alliance is a
4 manufacturer of rubber band products and produces nearly all
5 of the Domestic Production of rubber bands. These rubber
6 bands are used for a wide range of business, agricultural,
7 industrial and consumer applications.

8 The Hot Springs manufacturing plant is large and
9 employs approximately 176 employees. Alliance accounts for
10 a large percentage of the total production of the rubber
11 bands made in the United States that are most similar to and
12 constitute the like product in relation to the imported
13 rubber bands at issue in this proceeding. The like products
14 manufactured by Alliance at its Hot Springs factory
15 constitute a major proportion of the total domestic
16 production of the like product.

17 Forty years ago the list of rubber band
18 manufacturers would have been longer and the Alliance
19 domestic market share would have been less. However, the
20 shift to lower priced imports has impacted the rubber band
21 industry in this country and it has left only a single
22 entity, Alliance, with any significant size, production
23 capacity, annual shipments and domestic employment in this
24 industry.

25 Alliance does not have access to information that

1 would state the quantity of rubber bands produced by other
2 manufacturers in the United States nor the relative
3 percentages of production. However, based on our extensive
4 knowledge of the rubber band industry and market and the
5 best available information, Alliance reasonably believes
6 that it accounts for at least 90 percent of all rubber
7 bands produced in the United States and that its only source
8 of true competition for rubber band sales in the United
9 States is from rubber bands produced in Thailand, China, and
10 Sri Lanka.

11 As reflected in our petition and supplemental
12 filings made by alliance to the Department of Commerce and
13 in our ITC questionnaire responses, the Subject Imports have
14 materially injured and threatened material injury to the
15 Domestic Industry that produces in scope rubber bands.
16 Given the nature of rubber bands the imported and domestic
17 products are a close substitute and are sold in the same
18 commercial channels and used by the same type of consumers.

19 The volume of imports from Thailand, China and
20 Sri Lanka is significant comprising several millions of
21 pounds per year and are being sold at unfair and subsidized
22 prices in the United States and have prevented the Domestic
23 Industry from increasing pricing and profits.

24 Imports of the subject merchandise have increased
25 from 2014 and 2016. Subject Imports from Thailand appear to

1 have grown by 23 percent from 2014 to 2016. Chinese imports
2 appear to have risen by 116 percent between 2014 and 2015
3 and still remain higher in 2016 than 2014. The Dataweb
4 statistics only reflect the 2nd half of 2014 due to the
5 dedicated HTSUS number not being in place until then.

6 We obtained the special tariff number in 2014 to
7 track the Subject Imports but because the number was not
8 used by customs until 2014 the Dataweb figures only reflect
9 the transactions for the 2nd half of 2014. We annualize the
10 2014 figures by doubling them. We believe this was a
11 reasonable approach to obtaining figures for 2014 to compare
12 to later years.

13 Regardless of the channel of sale, the main
14 determining factor in the decision making process for U.S.
15 customers is the price of rubber bands. Thai, Chinese and
16 Sri Lankan producers and exporters are using low prices to
17 push large volumes of unfairly traded Subject Imports into
18 the U.S. Market at the expense of the Domestic Industry.

19 Thai, Chinese and Sri Lankan companies sold and
20 continue to sell subject merchandise at dumped and
21 subsidized prices preventing U.S. Producers from making the
22 amount of sales that they should be getting. In the Spring
23 of 2017, Alliance received a serious shock when we were
24 informed that office supply superstore company, Staples
25 Incorporated was switching its private label rubber band

1 business from Alliance to Asian Imports which we have
2 confirmed means Thailand.

3 Staples is Alliance's largest customer and its
4 business is what helps our company earn a profit. The loss
5 of the Staples private label business to Thailand will have
6 serious negative repercussions for our company. It was not
7 that long ago that Alliance was able to obtain the Staples
8 private label rubber band business in the first place.

9 We bid for the work in 2015 and it was not until
10 mid-2016 that Staples private label started to buy our
11 rubber bands. Once the Staples purchase started they were
12 very significant. Millions of dollars in private label
13 rubber bands on an annual basis. Unfortunately this
14 important business win for Alliance was short-lived. In the
15 Spring of last year we were told that Staples private label
16 was switching its sourcing of rubber bands to Asia because
17 it was offered one half the price that Alliance was giving
18 Staples.

19 For a product like rubber bands there is no way
20 for us to compete fairly when the imports are offered at
21 half price. Alliance stands to lose millions of dollars in
22 yearly revenues now that Staples has switched to Thai
23 imports. Alliance learned late last year, 2017, that
24 Staples brought in their first shipment of private label
25 rubber bands on November 19, 2017.

1 The report does not identify the shipper but the
2 country of origin is Thailand. The weight was 298,144
3 pounds and it was all rubber bands. Because of the time it
4 takes for Staples to import rubber bands from Thailand the
5 bands are transported in container ships on the ocean. The
6 switch from Alliance to the imports has been gradual and
7 will not fully ramp up until early 2018.

8 However, the financial impact of Alliance will be
9 millions of dollars each year in lost revenues. Alliance
10 also is concerned that this will be the tip of the iceberg
11 as Staples will continue to source even more rubber bands
12 from Thailand to sell to other distributors in the United
13 States and Staples' competitors will follow Staples' example
14 and import an increasing amount of rubber bands into the
15 United States which will result in fewer sales for
16 Alliance.

17 Indeed, I recently heard from Office Depot that
18 it is considering putting its private label rubber band
19 account for bid. This suggests to me that Staples'
20 competitors are considering copying Staples decision to move
21 rubber band sales to Thailand or China or Sri Lanka.

22 The import statistics and Alliances financial
23 results for 2017 would not reflect this significant
24 development because of the time lag that existed for Staples
25 to finish stocking up private label rubber bands from

1 Alliance during 2017 and the amount of time it takes to ship
2 rubber bands from Thailand to the United States on container
3 ocean vessels.

4 Although Staples is only one of multiple rubber
5 band customers it is by far the largest single customer and
6 the loss of Staples' private label will have a very
7 significant negative impact on Alliance's financials. The
8 Staples' private label business was a primary reason why
9 Alliance decided to build an additional 20,000 square foot
10 warehouse annex to its factory. Alliance believed
11 that the Staples private label sales would continue into
12 2018 and beyond and thought it needed the extra warehouse
13 space to house the rubber to be used for the manufacture of
14 Staples rubber bands. Now that Staples private label has
15 switched to imported rubber bands from Thailand, the new
16 additional 20,000 square foot warehouse it constructed in
17 2017 is no longer needed.

18 Part of the injury experienced by Alliance from
19 the Subject Imports is that we have a lot of capacity for
20 rubber bands that is not being tapped. Given Alliance's
21 significant unused capacity and the market share of imports
22 domestic shipments could have increased significantly
23 because Alliance would have virtually no competition for a
24 reasonable period of time if the Subject Imports were fairly
25 traded.

1 The negative pressure on domestic prices is
2 clear. There has been a decline in average unit values
3 during the three-year Period of Investigation. Alliance
4 would have like to increase its prices for sale in the
5 United States but was unable to do so because of the
6 unfairly traded imports.

7 Although other financials for the last three
8 years are largely static or even show temporary improvements
9 in financial performance from 2015 to 2017. All of that
10 reflects the fact that Alliance was able to obtain the
11 Staples private label account which started to manifest
12 itself in sales in 2016 and continued in shipments through
13 most of 2017. The lost sales due to Staples private label
14 shifting its rubber band purchases to Thailand will not
15 begin to impact the Petitioner's financials until the year
16 2018.

17 Alliance may also be on the verge of losing the
18 S.P. Richards private label rubber bands account.
19 Historically S.P. Richards has featured two different brands
20 of rubber bands. Alliance supplied the SP "Sparco" Brand
21 and S.P. Richard has been importing rubber bands for its BSN
22 brand. S.P. Richards is now consolidating its two rubber
23 band brands into a single brand and may drop the Sparco
24 brand that Alliance has been supplying while retaining the
25 imported brand, BSN. This would result in increased

1 financial injury to Alliance.

2 Alliance has experienced loss of 156,000 dollars
3 in revenue in connection with Calpine Containers and their
4 #14 blue/green onion bands and the loss of 572,000 dollars
5 in connection with the Calpine Containers and their #63
6 Random imprinted band. Alliance was forced to lower its
7 price and even then lost to competitor Schermerhorn and its
8 Thai produced rubber bands, 60 percent of the asparagus band
9 business and 100 percent of the green onion band business.

10 Alliance has also experienced lost revenue of
11 117,000 dollars from Thai rubber bands with regard to
12 Boskovich Farms and the #14 bands for green onions, 214,500
13 dollars in lost revenue in 2017 because of Thai rubber bands
14 for Murannaka Farms and #15 bands for green onions as well
15 as the loss of 78,000 dollars in 2017 in connection with
16 vegetable grower supply for rubber bands for green onions
17 and broccoli because of the imports from Thailand.

18 Schermerhorn has all of the Boskovich Farms green
19 onion rubber band business and Boskovich advised Alliance
20 that it would need to sell its rubber bands for less than a
21 1.50 per pound to get the sales. It is also clear that the
22 Domestic Industry is threatened with material injury by
23 reason of the Subject Imports.

24 The Thai, Chinese and Sri Lankan manufacturers
25 and exporters already had a significant foothold in the

1 United States rubber band market, are selling their products
2 in the United States at a significant alleged unfair margins
3 and have excess capacity to flood the domestic market with
4 more unfairly traded imports.

5 There are primary producers of rubber bands in
6 the Subject Countries that have huge capacity to manufacture
7 and export multiple millions of rubber bands to the United
8 States. One of the two largest Thai producers of rubber
9 bands Mahakit Rubber Company, owns its own rubber plantation
10 as well as its own rubber production and rubber band
11 production facilities.

12 Mahakit can use its own rubber to produce an
13 increasing number of rubber bands to dominate the U.S.
14 Marketplace. In addition, one of Thailand's largest rubber
15 band producers, Liang Hah Heng Factory (LHH) produces
16 approximately 18 million pounds of rubber bands each year
17 and employs approximately 650 workers. This is a huge
18 capacity for rubber bands that can be sold in the United
19 States at unfairly traded prices.

20 Furthermore, the government of Sri Lanka has made
21 it clear that it wants to increase significantly both rubber
22 product production and exports in the near future. That
23 concludes my statement. Thank you for your time and
24 attention this morning.

25 MR. GOLDBERG: That is our affirmative

1 presentation.

2 MS. HAINES: Thank you very much. We'll start
3 questions with Amanda Lawrence.

4 MS. LAWRENCE: Good morning. Thank you for your
5 time and answering our questions today and your
6 presentations. The first question I have is about the
7 domestic industry and the rubber band industry in general.
8 Are there any characteristics of rubber bands that are
9 produced in these three subject countries that are unique to
10 those countries that could not be produced here in the
11 U.S.?

12 MR. RISNER: There is nothing unique about those
13 rubber bands that they could not be produced in the U.S.

14 MS. LAWRENCE: Are U.S. producers unable to meet
15 any certain requirements or specifications of their
16 customers that then require an import -- imported rubber
17 band product?

18 MR. RISNER: Jason Risner. No, ma'am, there
19 would be nothing like that.

20 MS. LAWRENCE: And is there any part of the U.S.
21 market that requires imports because U.S. producers don't
22 manufacture that type of rubber band?

23 MR. RISNER: Not within the scope.

24 MS. LAWRENCE: Okay. You said in the petition
25 and in your presentation that Alliance is the producer of

1 the majority of rubber bands domestically. Can you estimate
2 the amount of U.S. production of rubber bands outside of
3 Alliance?

4 MR. RISNER: We estimate that we have about 90
5 percent or more of the U.S. production of rubber bands.

6 MS. LAWRENCE: And are there any producers,
7 other than those listed in the petition, that produce rubber
8 bands domestically?

9 MR. RISNER: Not that we're aware of.

10 MS. LAWRENCE: Okay. To what extent is there
11 intra industry competition among the domestic producers?

12 MR. RISNER: We experience very little
13 competition with those other domestic producers.

14 MS. LAWRENCE: So does competition impact
15 performance at all at alliance?

16 MR. RISNER: I would say no.

17 MS. LAWRENCE: Can you talk about the different
18 rubber content that goes to into rubber bands? Are there
19 various grades of rubber bands based on rubber content?

20 MR. RISNER: Sure. So Alliance produces three
21 grades standardly. And they graded by rubber content. So
22 we have the highest grade of rubber grade content would be
23 our Pale Crepe Gold. And the higher the rubber content, the
24 better the attributes of what you would think of with a
25 rubber band, whether it's elasticity, or longevity, or

1 memory, modulus. The higher the rubber content, the softer
2 the stretch, the -- you know, the things that you attribute
3 to a rubber band.

4 Our second highest grade would be Sterling.
5 That grade you would find in the majority of our private
6 label business is a sterling grade.

7 And our third grade that we produce would be
8 Advantage and would be on the lower side of the rubber
9 content.

10 MS. LAWRENCE: Are these grades standard across
11 the industry?

12 MR. RISNER: No, those grades would be standard
13 to Alliance Rubber Company.

14 MS. LAWRENCE: Okay.

15 MR. RISNER: But the percentages of rubber
16 content seem to be standard when we see different quotes
17 from overseas. We'll see them with similar percentages of
18 rubber based on our grades, whether it's 55 percent, 65
19 percent, 75 percent.

20 MS. LAWRENCE: Is -- are the 55, 65, and 75 --

21 MR. RISNER: No, that was just for illustration
22 purposes, so no.

23 MS. LAWRENCE: Okay. Are bands across grades
24 interchangeable?

25 MR. RISNER: Sure. So a lot of times, you'll

1 find that a -- you can get a customer, an Alliance customer,
2 that was ordering a higher rubber content rubber band, say
3 Sterling, to maybe drop back a size, get more bands per
4 pound in Advantage grade or excuse me, add a size. So
5 because the Advantage rubber bands have less rubber content
6 and they have a tighter told, they might be able to go up a
7 size, down in cost, and accomplish the same goal.

8 MS. LAWRENCE: Can you describe the trend in
9 U.S. consumption for rubber bands over the past three years
10 and does -- explain what drives demand to rubber bands?

11 MR. RISNER: We have seen our production
12 increase, but that's strictly due to the Staples private
13 label business. Without that, we would have seen a slight
14 decrease. And from what we can see in the reports that we
15 do have access to, it is a data poor environment as far
16 rubber bands. There's no special reports for that kind of
17 thing. But what we can see coming into the country seems to
18 be -- seems to ebb and flow within, but stays pretty
19 stagnant with the exception of we'll see a huge increase in
20 Thailand imports coming in in 2018 because of the switch
21 from Staples to Thailand.

22 MS. LAWRENCE: So do you -- what sort of
23 barometers do you look to when you're estimating the future
24 production or demand for rubber bands?

25 MR. RISNER: We forecast. So we work with the

1 sales team and production team to forecast what we think the
2 sales would be let's say for a quarter. We use that to
3 estimate how much raw rubber we'll need to stockpile an
4 inventory in order to meet those production requirements.
5 And generally, we have found ourselves in times when the
6 cost of rubber goes up or down in positions to have to order
7 more frequently or --

8 MS. LAWRENCE: Has the domestic workforce
9 changed or evolved over the past couple of years? Like for
10 instance, has there been advances in technology or something
11 like that affecting the workforce?

12 MR. RISNER: We have invested over the years in
13 automation. And if you were to look at our production
14 facility versus a facility in overseas, you would find a lot
15 more automation, a lot more packaging capabilities. We do
16 have a hard time keeping quality individuals employed at the
17 current rate of pay. We do have some competition in Hot
18 Springs for employees. And so we have struggled with
19 getting people with the proper background to be able to
20 accomplish our goals.

21 MS. LAWRENCE: Another question on the
22 production process. The scope as you articulated in your
23 presentation includes all vulcanized rubber bands, which is
24 vulcanization makes the rubber bands stretchy. Is that
25 correct understanding?

1 MR. RISNER: So the vulcanization is actually
2 the term for the cure. So it's basically you take a -- an
3 uncured tube of rubber. And before you cure it, before you
4 heat it to a certain temperature, it could be anything. You
5 could mold it in any shape. But once it's vulcanized, once
6 it's heated, it interacts a chemical agent with the sulfur
7 and cures it. So you know, it's going to be a rubber band
8 from that day forward.

9 MS. LAWRENCE: Okay. So is there such a thing
10 as a non-vulcanized rubber band?

11 MR. RISNER: No, not to my knowledge.

12 MS. LAWRENCE: Okay. But both nature and
13 synthetic rubber bands then would have to be vulcanized, is
14 that correct?

15 MR. RISNER: Correct.

16 MS. LAWRENCE: Okay. And is non-latex in
17 synthetic rubber bands, are those synonymous or is there a
18 distinguishing characteristics between those two phrases --
19 two terms?

20 MR. RISNER: No, that would be accurate.
21 Non-latex and synthetic could be used interchangeably.

22 MS. LAWRENCE: Okay. And do you produce both
23 natural and synthetic rubber bands?

24 MR. RISNER: Yes, that's correct.

25 MS. LAWRENCE: What would be a reason for

1 producing one versus the other?

2 MR. RISNER: The synthetic raw material is more
3 expensive than natural rubber latex, but we found a market
4 for medical applications and school applications that deal
5 with latex allergies. So we produce a synthetic band for
6 them. And we've also found that synthetic has better
7 properties for imprint for some of our custom imprinted
8 items.

9 MS. LAWRENCE: Okay. The petition and your
10 presentation outlined seven different industries that use
11 these rubber bands that you produce.

12 MR. RISNER: Uh-huh.

13 MS. LAWRENCE: Does Alliance also produce rubber
14 bands for the -- for like hair accessories?

15 MR. RISNER: Sure, we can do a ponytail size.
16 And we do see competition with the ponytail bands that come
17 in from China, Thailand, and Sri Lanka.

18 MS. LAWRENCE: Are there any differences in the
19 production process for these hair tie-type rubber bands?

20 MR. RISNER: No, I would say the only difference
21 would be that it would be a slower process because of the
22 very small size.

23 MS. LAWRENCE: Okay. I have a few questions
24 about the Staples account you mentioned as well. Had
25 Staples continued to purchase rubber bands from Alliance in

1 2017 and 2018, would you have still pursued this petition
2 for import relief?

3 MR. RISNER: I think the Staples -- the loss of
4 Staples certainly precipitated this process, so.

5 MS. LAWRENCE: And then you specified that you
6 obtained the staple account in 2015, is this correct?

7 MR. RISNER: Sure. So we secured the account in
8 2015, but the same type of time lag that we have experienced
9 with them continuing to order from us was kind of in place.
10 So they didn't actually start placing orders --

11 MS. LAWRENCE: Oh.

12 MR. RISNER: -- with us until halfway through
13 the next year.

14 MS. LAWRENCE: Okay.

15 MR. RISNER: 2016.

16 MS. LAWRENCE: I see. And had -- prior to 2016,
17 had Staples ever purchased from Alliance?

18 MR. RISNER: So Staples is a current customer of
19 Alliance. And we have long history with them in supplying
20 our branded products. But up until that time, we had not
21 had their private label business at any point.

22 MS. LAWRENCE: I see. So the private label
23 business was the business that you gained in 2015, started
24 producing in 2016, and then was not renewed in 2017?

25 MR. RISNER: Correct.

1 MS. SWAYZE: 18.

2 MS. LAWRENCE: 18, okay. 2018, okay, thank you.

3 So you also mentioned the construction of a \$1.3 million
4 warehouse to store the rubber that you purchased in order to
5 make rubber bands for the Staples account. I'm curious in
6 the rubber band industry, is that common to make capital
7 purchases such as a warehouse after a one to two-year
8 business agreement?

9 MR. RISNER: So that came from a lesson that I
10 suppose we had learned the hard way. The price of rubber
11 has fluctuated over the last 10 years erratically. And when
12 you land an account that, you know, you guarantee your price
13 to a Staples for a year for 18 months, in some cases 24
14 months depending on the customer. If you don't have access
15 to the rubber that you bought at a set price, then the price
16 of rubber could fluctuate during the term of that contract
17 and you would be stuck with a loss.

18 So when we committed to buy the rubber that it
19 would take to produce the Staples private label business, we
20 had to commit to a large load commitment. And we had to
21 take possession of it. So we had to put it somewhere.

22 MS. LAWRENCE: Is like -- is there a market for
23 hedging the price of rubber so that you could get a certain,
24 you know, hedge the cost if it fluctuates?

25 MR. RISNER: Not that I'm aware of.

1 MS. LAWRENCE: Okay. Can you talk more about
2 the business contracts? Are they typically renewed on a
3 one-year basis or how often are your clients and customers
4 renewing contracts?

5 MR. RISNER: The larger customers, it does vary.
6 You would see certainly in a longer -- or no shorter than 12
7 months, but it could be a 24-month to 36-month contract.

8 MS. LAWRENCE: Okay. And you also mentioned
9 that Staples switched their business to a Thai producer. Do
10 you know if this is the same producer that they were
11 purchasing rubber bands from before they had -- before you
12 secured the private label account?

13 MR. RISNER: We were not able to find that out.
14 We'd hope to bring it to the meeting today, but we've not be
15 able to find that out yet, but it was Thai.

16 MS. LAWRENCE: I see. And then aside from the
17 loss of the Staples account, what other factors affected
18 your decision to file this petition?

19 MR. RISNER: So in 2014, we knew -- we've always
20 known that we're up against some pretty stiff competition
21 from overseas. We know that they have cheaper labor and
22 less regulations. But what we didn't know until the loss of
23 the Staples account business and by virtue of us setting up
24 that tariff code for specifically for rubber bands and being
25 able to see the dollar values that were coming in, we didn't

1 realize that they were actually selling at a price lower to
2 the U.S. than they sell in their countries.

3 And we were certainly aware of the competition,
4 but that motivated quite a bit, that knowledge that, you
5 know, how could we compete against the price that's half of
6 what ours is? That in our opinion couldn't even cover the
7 full inputs of what it takes to make a pound of rubber
8 bands.

9 MS. SWAYZE: May I add one to further on with
10 his answer there? Number one, we're trying to sell our
11 products at a fair price here in the USA.

12 Number two, we valiantly competed against all
13 the imports for 95 years and we have waited till the 11th
14 hour, 59th minute to consider any type of relief whatsoever
15 from the ITC. We just always do things our own and have for
16 95 years.

17 Number three, we have our 176 hardworking people
18 are the salt of the earth. They're some of the greatest
19 workers in America. And they come to me every year for
20 their annual raise. They come to me for the summer bonus
21 and for the year-end bonus. All that's predicated upon
22 profits.

23 And it's heartbreaking for somebody to come to
24 you and they say, I've got to have this. I need the new
25 car. I need the house. I've got to send my child to

1 college. And you say, I'm sorry, but our business is going
2 down.

3 And we have 170,000 square foot plant in Hot
4 Springs, Arkansas that is operating right now between 50 and
5 55 percent of the business at -- 50 to 55 percent capacity.
6 That's not any sustainable business model for any business
7 person in America.

8 So what I'm trying to say, there are 28 million
9 businesses in America. We are a wonderful example of the
10 American dream. My dad began with a -- the equivalent of a
11 second-grade education. He left home at age 13 and he got
12 an education in a one-room log cabin. So for him to be able
13 to achieve success is something we're all very proud of and
14 very lucky that we've been able to succeed. We're just
15 asking for a little relief.

16 MS. LAWRENCE: Thank you. Just a couple more
17 quick questions. With regard to the 10-digit subheading
18 that you've mentioned, can you estimate the share of imports
19 under the statistical number that are outside of the scope
20 being their larger in dimension or they're -- they fit into
21 the exclusions that you've mentioned into this -- put into
22 the scope?

23 MR. RISNER: The only information that I can
24 think that we would have easy access to is what it makes up
25 of our sales, which we could maybe get to you.

1 MS. LAWRENCE: In the post-conference brief?

2 MR. RISNER: In the post-conference brief.

3 MS. LAWRENCE: Thank you, that would be helpful.

4 And do you have any estimate of imports that are within the
5 scope that come under a different HTS? For example, I'm
6 thinking of those rubber bands that are not made from
7 natural rubber?

8 MR. RISNER: That's correct. So what we have
9 clearly identified in the HTS U.S. Code was rubber bands
10 made of natural rubber, which would not cover synthetic.
11 The reason synthetic is included in our scope is because a
12 synthetic rubber band functions the same as a latex rubber
13 band, but we don't see a lot of competition in the synthetic
14 rubber bands simply due to the fact that the raw material is
15 more costly, but they are interchangeable.

16 MS. LAWRENCE: Okay.

17 MR. RISNER: As far as function.

18 MS. LAWRENCE: Do you have any estimate of the
19 size of the import market of synthetic rubber bands?

20 MR. RISNER: No, ma'am.

21 MS. LAWRENCE: Another question related to the
22 scope. Have there been any changes to the scope definition
23 from how it was defined in the petition?

24 MR. GOLDBERG: Yes, we've dealt with Commerce on
25 some minor changes that has been documented through

1 Commerce. And I'm imagining if they initiate, I think
2 they'll put the up-to date scope.

3 I believe that -- I think Denyse may have sent
4 one of you almost the most recent scope, but I think the
5 final changes actually made on Friday. And that final
6 change, I think, was just to address the fact that in
7 addition to the tariff number that Alliance was able to
8 acquire in 2014, it was to address the fact that there are
9 some in scope products that may also be coming into
10 synthetics under the basket scope. So we can get you that
11 language, although I, you know, I imagine it will be in --
12 if there's an initiation today, it should be in the Federal
13 Register, too.

14 MS. LAWRENCE: Sure. Will any of the changes
15 affect the relevancy of the day that we captured in the
16 questionnaire?

17 MR. GOLDBERG: No. The only issue we had before
18 is there was a misunderstanding, I think, in the
19 questionnaires as to whether the scope included the
20 synthetic, but we think the -- things can always worded
21 better, but we believe the initial scope included synthetic
22 as well.

23 MS. LAWRENCE: Okay. Yeah. Just a couple more.
24 Are there any anti-dumping or countervailing duty orders on
25 the subject product from the three countries? Are you aware

1 of any?

2 MR. GOLDBERG: Not aware of this case or a case
3 ever like it ever being filed on rubber bands.

4 MS. LAWRENCE: Okay. And regarding production
5 in third countries, what other countries besides the three
6 specified in the petition produce rubber in rubber bands?

7 MR. GOLDBERG: The data web statistics from the
8 ITC and under the tariff, and I think one reason why we --
9 we're still on 2014 in the petition is I don't believe that
10 we have the Data Web statistics for all of year 2017 as will
11 be available shortly, I imagine.

12 But there is a list in data web and of other
13 countries. And certainly, it doesn't stop at Sri Lanka. It
14 just happens to be that Thailand is -- let's see, we -- it's
15 something for commerce. We tried to use the values and also
16 the other knowledge that we had to put on some quantities.
17 And the -- Thailand is about 37 percent of the U.S. market.
18 China is about 11 percent. Sri Lanka is about 7 percent.
19 And then the other countries are just tiny percentages. I
20 don't think any of them would be even get above a
21 negligible, but they are out there. They're just very, very
22 small amounts. So the only major exporters to the United
23 States are Thailand, China, and Sri Lanka.

24 MS. LAWRENCE: Okay, thank you. Thank you for
25 answering my questions and that's all I have.

1 MS. HAINES: Okay, Ms. Messer?

2 MS. MESSER: Thank you. Mary Messer, Office of
3 Investigations. I appreciate your presentation and
4 answering our questions today. Apologies, I probably will
5 skip around quite a bit to follow up on a few of the
6 questions.

7 Mr. Risner, in your testimony, and correct me if
8 I'm wrong, I thought I heard you say that you propose that
9 the domestic-like product include all vulcanized bands, is
10 that correct?

11 MR. RISNER: So the scope covers vulcanized
12 rubber bands within I think it's below two inches flat link
13 to 10 inch flat link. So it's not all vulcanized rubber
14 band as far as the scope goes. It's not all rubber bands.
15 It's all rubber bands within a certain size range.

16 MS. MESSER: So I'm hearing then that you
17 propose that the domestic-like product be the same as the
18 scope language, is that correct?

19 MR. GOLDBERG: Correct.

20 MS. MESSER: So then for the bands that are
21 smaller, and the bands that are larger than sizes indicated
22 in the scope, is there any U.S. production of that material?

23 MR. RISNER: We do not produce bands that are
24 smaller than those sizes in scope, nor do we produce bands
25 that are larger than that scope. That's kind of what helped

1 us define the scope is what do we have the ability to
2 produce?

3 And so, we didn't want it to impact -- there's
4 popular sizes of rubber bands that are over 10 inches, 12
5 inch, 14 inch, 17 inch. They make pallet bands that are
6 really large. We wanted to exclude those from the scope.

7 MS. MESSER: Are there any other U.S. producers
8 that produce those larger bands or the smaller bands?

9 MR. RISNER: No ma'am, not to my knowledge.

10 MS. MESSER: So all rubber bands that are
11 larger or smaller are imported -- all band use in the United
12 States that are either larger or smaller than the scope
13 language are imported; is that correct?

14 MR. RISNER: Yes ma'am. To the best of my
15 knowledge, yes.

16 MS. MESSER: Okay.

17 (Pause.)

18 MS. MESSER: Just to follow up on a few of the
19 other factors that the Commission considers in determining
20 domestic like product. Can you describe the uses, still
21 looking at the size, the smaller and the larger. Are the
22 uses the same as the in scope merchandise?

23 MR. RISNER: Are you saying are all -- are all
24 uses for the sizes that are in scope used for the same
25 purposes?

1 MS. MESSER: Are there any differences in the
2 uses of the in scope sizes and those that are smaller, and
3 those that are larger?

4 MR. RISNER: If you were to define the use
5 broadly, as bundling objects together, they would be the
6 same. But if you're talking -- I mean obviously you would
7 maybe bundle smaller objects together with smaller bands.

8 MS. MESSER: Are they serving different
9 markets?

10 MR. RISNER: Serving, yes, serving different
11 markets. So the seven industries that we mentioned, there's
12 the -- and this is how we define those industries. There's
13 the stationery industry, which would be like your Staples
14 and your Office Depot. We have the paper and packaging
15 industry, which is more geared towards let's say like Jansen
16 type uses, break room facility supply type uses. The
17 customers like maybe a bundle or a Granger.

18 We have newspapers. We have the agricultural
19 market. We have the retail market. We sell to the
20 government and the post office, and we sell some Ag
21 specialty. So those -- so there's different applications.

22 MS. MESSER: So what are then the applications
23 for the larger bands? How are they different?

24 MR. RISNER: So the larger bands would --
25 popular use for one of the larger bands would be to hold

1 file folders together. Another population use for the
2 larger bands would be to secure trash can liners. There's
3 also securing box flaps in kind of an industrial setting,
4 you know, while you're loading a box.

5 The smaller sizes tend themselves -- tend to
6 be used in newspapers, you know, to bundle one newspaper
7 together.

8 MS. MESSER: So the smaller size, the ones
9 that are smaller than your scope than what -- how are those
10 different?

11 MR. RISNER: So as far as I have seen in the
12 marketplace, you will not find a rubber band that's smaller,
13 except for that we don't have the --

14 (Off mic comments.)

15 MR. RISNER: Orthodontic bands, yeah, may be
16 smaller. To my knowledge, those aren't produced in the
17 United States. But you may -- so the ones they use for
18 braces may be slightly smaller than what we have the
19 capability to produce.

20 MS. MESSER: Are those made of rubber or are
21 they synthetic?

22 MR. RISNER: Honestly --

23 (Off mic comments.)

24 MR. RISNER: Yeah. I honestly couldn't tell
25 you.

1 MS. MESSER: I'm just curious.

2 MR. RISNER: We don't -- yeah. I would hope
3 that they were either --

4 MS. MESSER: I imagine there would be some
5 allergies.

6 MR. RISNER: Yeah. I would hope that they
7 were either non-latex or silicone for anybody with latex
8 allergies.

9 MS. MESSER: All right. So to follow up on a
10 question about the vulcanization, did I hear you correctly
11 when you said that there are no rubber bands that are
12 non-vulcanized to your knowledge?

13 MR. RISNER: Correct, correct.

14 MS. MESSER: Okay. So according to record
15 evidence we -- there might be some non-vulcanized it's our
16 understanding. Then is this incorrect, are there any bands
17 out there -- I'm just following up on the record evidence
18 that we have on non-vulcanized?

19 MR. RISNER: As far as I know, the
20 vulcanization is term used for the cure. So it's the
21 heating process that actually causes the band to cure. If
22 you had a rubber band that was not cured or was not
23 vulcanized, it would just, you know, kind of be gooey.

24 MS. SWAYZE: No memory.

25 MR. RISNER: Yeah, have no memory. You'd just

1 stretch it and it wouldn't go back to its original shape.
2 It wouldn't have any kind of spring to it. So as far as I
3 know, you wouldn't be able to create a rubber band without a
4 curing process, without a vulcanization process.

5 MS. MESSER: Okay, even for the synthetic?

6 MR. RISNER: Even for the synthetic.

7 MS. MESSER: Okay, all right. So Respondents'
8 opening statement leads me to believe that they may be
9 making some arguments this afternoon on rubber content, and
10 you had indicated that Alliance has three different grades
11 based on different percentages of rubber content, the gold,
12 Sterling and Advantage. What are those? Can you tell us
13 what the rubber content is in each of those grades?

14 MR. RISNER: Can we supply that to you in the
15 post-conference brief?

16 MS. MESSER: The imported material from China,
17 Sri Lanka and Thailand, do the imports from each of those
18 three countries serve each of the three levels that Alliance
19 serves? Do they serve a comparable product to your gold, a
20 comparable product to your Sterling and a comparable product
21 to your Advantage, as far as rubber content?

22 MR. RISNER: Yes. The quotes that I have been
23 privy to coming from Thailand, China and Sri Lanka typically
24 will quote different rubber percentages. They are
25 comparable to our grades. Thailand for sure. I may not

1 have seen a quote from Sri Lanka that says that. But
2 typically when you do a quote, you may quote them on
3 different rubber content bands, with different prices per
4 pound.

5 I will say that you do need a certain
6 percentage of rubber to have the rubber band function as a
7 rubber band at all. If you do too much filler or, you know,
8 it just won't --

9 MS. MESSER: And what is that percentage?

10 MR. RISNER: Point of diminishing return.

11 (Off mic comment.)

12 MR. RISNER: Yeah. So you would see seriously
13 diminishing quality at below 50 percent rubber.

14 MS. MESSER: You mentioned Sri Lanka may not
15 serve all three levels that Alliance serves. Which level do
16 they not participate in?

17 MR. RISNER: So I only meant to say that I was
18 not aware of a quote that I had seen from Sri Lanka that was
19 broken out in that way. Not that they don't serve it that
20 way; just that I have not seen it.

21 MS. MESSER: All right. But as far as you are
22 aware, they might, or do you just --

23 MR. RISNER: Sure, it seems like an industry
24 standards to be able to quote a customer based on varying
25 degrees of rubber content.

1 MS. MESSER: Okay.

2 MR. RISNER: That would be comparable.

3 MS. MESSER: Is there a price difference?
4 What is the price difference between the three levels?

5 MR. RISNER: Sure. So the main determining
6 factor in the cost of rubber bands is the cost of the raw
7 material rubber. So there is a cost difference between --
8 as you move down in rubber content you move down in price.

9 MS. MESSER: Okay. Do you -- do rubber bands
10 of the varying degrees or rubber content serve the same
11 customers?

12 MR. RISNER: Yes. I think you'll see a
13 preference --

14 MS. MESSER: Of the same types of content?

15 MR. RISNER: Yeah. You could see a preference
16 one way or the other to a softer stretch. But as far as the
17 purpose, you know, they all serve the same purpose.

18 MS. MESSER: And do they serve the same
19 markets? For instance, does the gold market serve all
20 markets that Alliance sells in?

21 MR. RISNER: I would say that they're
22 interchangeable, but the Pale Crepe Gold would be -- sorry,
23 the grade with the highest rubber content would be maybe top
24 level offices who want, you know a softer band so their
25 papers don't crinkle or banks typically buy some of the

1 higher rubber content bands.

2 So they are interchangeable in the sense that
3 a rubber band functions as a rubber band no matter how you
4 use it. But there are preferences to higher rubber content
5 based on the application.

6 MS. MESSER: And would like the lower --

7 MS. SWAYZE: One of the diseases, if I may
8 just one further thing. One of the office diseases of today
9 is carpal tunnel syndrome, and our soft stretch prevents the
10 stress that leads to carpal tunnel syndrome. That's why so
11 many people like Office Depot, when you look in their
12 catalogue and online, you'll our Pell Crepe Gold bands.

13 Another factor is the soft stretch that our
14 bands have, enable you many times to drop back a size. You
15 measure rubber band by will it -- and will it perform the
16 purpose for which it's intended, how far will it stretch.
17 Our bands typically will stretch further, enabling you to
18 drop back a size. Bands are bought by the pound but they're
19 used by the piece.

20 So a lot of times the high cost of the Pell
21 Crepe Gold could be actually cheaper on a per piece basis.
22 So sometimes per pound is a much stronger factor than the
23 price per pound.

24 MS. MESSER: Would your lower, your Advantage
25 level serve all of your markets, for example, the vegetable

1 market? Would they -- would they buy in all three levels?

2 MR. RISNER: You typically wouldn't see an
3 agricultural user of rubber bands buy a Pale Crepe Gold.
4 Between Sterling and Advantage, the varying rubber degrees,
5 between there you may see. And for those large runs, for
6 those large agricultural runs, sometimes because there's
7 such a large run that we can do dedicated to that, let's say
8 broccoli band, we can play with the rubber content to price
9 that customer specifically, based on something that's maybe
10 a little off standard, you know, a varying degree of rubber
11 content.

12 MS. SWAYZE: And we have a customer in
13 Florida, a watercress customer that he asked for his Pale
14 Crepe Gold to come out in purple. So he has a purple Pale
15 Crepe Gold band that we provide him. We do a lot of
16 specials for people, because he wanted the soft stretch.

17 MS. MESSER: Okay, thank you.

18 MR. RISNER: Also to the question on rubber
19 content, I have seen quotes come through from Thailand that
20 would say 100 percent rubber, because people -- people want
21 to see that they have a high rubber content. But it would
22 be impossible to create a rubber band with 100 percent
23 rubber. You'd have to have the curing element. You'd have
24 to have the other ingredients to make, you know, a rubber
25 band function as a rubber band. So you know, anything

1 nearing 100 percent rubber would be false.

2 MS. MESSER: So in each of these three bands
3 that Alliance sells, the Gold, Sterling and Advantage, do
4 you advertise to your customers the rubber content in that
5 or --

6 MR. RISNER: It's a good, better, best type
7 proposition to our customers.

8 MS. MESSER: Okay.

9 MR. RISNER: But we do say Pale Crepe Gold is
10 our highest rubber content band; Sterling is our mid-range
11 and Advantage is our lowest rubber content.

12 MS. MESSER: And when importers sell, do they
13 indicate to their buyers the rubber content or do they have
14 a similar high, medium low?

15 MR. RISNER: The quotes that I have seen have
16 an exact percentage on the rubber content.

17 MS. MESSER: Okay. Are your -- do the
18 machinery that is used to produce each of these levels, are
19 they the same machinery? You make adjustments to that or
20 are they totally different?

21 MR. RISNER: There's no adjustment needed on
22 the machinery to produce the different grades with rubber
23 content. There are some small adjustments to produce
24 different sizes.

25 MS. MESSER: Okay. The same employees used?

1 MR. RISNER: Correct.

2 MS. MESSER: Okay, all right. So I'd like to
3 -- Mr. Goldberg, you might want to jump in here if you feel
4 appropriate. I'd like to give your panel a chance to
5 respond to some of the opening arguments that were presented
6 by the Respondents this morning, that any injury that your
7 firm has experienced -- has experienced is not due to the
8 imports, but is due to other causes such as rising rubber
9 prices, or perhaps they allege bad business decisions made
10 by your firm, especially related to the loss of the Staples
11 business.

12 MR. GOLDBERG: Yeah, thank you very much. Roy
13 Goldberg. I'll address the last one. I meant that is --
14 that doesn't fly because it's quite the opposite. I mean
15 Alliance was able to get the Staples business and as Mr.
16 Risner testified, the only way to maintain that business was
17 to be able to have enough rubber to meet the large quantity
18 of rubber bands that Staples needed.

19 So and they built an extra warehouse addition
20 at their main facility. It wasn't a separate facility but
21 an addition, in order to store all the extra rubber that has
22 to come from overseas. Rubber's not made in the United
23 States, of course. It's from Thailand, Malaysia, etcetera,
24 and I suppose had they not done so, then they would have
25 been fired from Staples not because of pricing but because

1 they couldn't meet the requirements, you know.

2 Then I could see an argument maybe, well you
3 know you're complaining because of a self-inflicted wound.
4 They were extremely responsible, tried to meet this business
5 and the only thing that happened is there's no quality issue
6 and you'll note there's no Staples here to say otherwise.
7 Staples got a really good aggressively low price, half the
8 price as to what the domestic was able to offer.

9 Staples, as we know, has been through -- their
10 profitability has gone down significantly, and that's an
11 operation where price is king. And price was king, and they
12 made a decision based on price and price alone, and that's
13 all it was. And you know, so it's not a self-inflicted
14 wound by Alliance when they did everything they could to
15 possibly serve this client, and this client just got a dirt
16 rate price and went for it. That's the only explanation in
17 the record.

18 MS. MESSER: Okay, thank you. I have just one
19 question that perhaps you might want to address in your
20 post-conference brief. We'd be interested in your view on
21 what our import data coverage are from questionnaires.

22 MR. GOLDBERG: Sure, and so the import data?

23 MS. MESSER: So the data that we've received
24 from our importer questionnaires.

25 MR. GOLDBERG: Right.

1 MS. MESSER: We'd like your view as to what
2 level of coverage you believe that we might have.

3 MR. GOLDBERG: Oh, we can do that yeah,
4 because we can compare what they've done to what we've given
5 Commerce as to our best estimate as to what the quantities
6 are. We can do that.

7 MS. MESSER: Okay. Thank you very much.

8 MS. HAINES: Ms. Dempsey.

9 MS. DEMPSEY: Thank you for appearing here
10 today to testify. I just have a couple of questions.
11 First, I'd like to address the domestic like product. I
12 think Mr. Risner you testified that Alliance produces
13 synthetic, vulcanized synthetic rubber bands that are sold
14 mainly to schools and hospitals. Using -- and Mr. Goldberg,
15 you may want to chime in here.

16 Using the six domestic like products that the
17 Commission typically considers, should these vulcanized
18 synthetic rubber bands be considered a separate domestic
19 like product than the other in scope rubber bands?

20 MR. GOLDBERG: No. Our consideration -- thank
21 you, I'm Roy Goldberg, Ms. Dempsey -- was that the like
22 product could follow the scope, and that that made sense.
23 I'm not aware that there is any actual producer in the
24 United States of the synthetic brands. So it could be a
25 kind of a moot situation.

1 MS. DEMPSEY: Oh, there's no domestic
2 production of synthetic, vulcanized synthetic rubber bands?

3 MR. GOLDBERG: I'm not aware.

4 MR. RISNER: Just our -- just our production.

5 MR. GOLDBERG: Okay, Alliance.

6 MS. DEMPSEY: Okay.

7 MS. SWAYZE: We can't be for sure. There are
8 two companies, Keener Rubber and Alliance Ohio and HBD
9 Thermoid in Salisbury, North Carolina and we do not know.

10 MR. RISNER: Jason Risner.

11 MR. BISHOP: Could everybody please make sure
12 you identify yourself when you speak? Thank you.

13 MR. RISNER: Jason Risner. To the point on
14 synthetic, so we do have a strong business with synthetic
15 rubber bands for medical and office and school use, but
16 that's not the only purpose. So synthetic rubber bands also
17 give us better color capability. So we're able to make
18 brightly-colored office stationery bands. So they overlap.
19 As far as synthetic bands go that we produce, they overlap
20 into the other markets as well.

21 MS. DEMPSEY: Okay, and what are your
22 synthetic rubber bands made of? What synthetic materials?
23 Do you know?

24 MS. SWAYZE: Bonnie Swayze. Synthetic rubber
25 comes from crude oil instead of crude rubber, which comes

1 from liquid latex from a tree.

2 MS. DEMPSEY: Okay, and is the production
3 processes the same for synthetic versus latex?

4 MS. SWAYZE: Yes, yes.

5 MS. DEMPSEY: Okay, and with respect to price,
6 are there any price differences between the two products?

7 MS. SWAYZE: Typically, synthetic is more
8 expensive than crude rubber.

9 MS. DEMPSEY: Thank you. Does Alliance have
10 the capacity to serve all of U.S. demand or would you know?

11 MR. RISNER: We believe that we do, based on
12 the numbers that we've been able to accumulate through the
13 HTS US number and our own internal or the other report that
14 we use, the ISIS report. We think that we do have the
15 capability to absorb all of that production.

16 MR. GOLDBERG: Although -- Roy Goldberg. The
17 reality is is that if there was an order in place against
18 unfairly traded imports, even though Alliance could satisfy
19 the U.S. demand and there would be no shortage caused by
20 that, as a reality we think it's fair to, reasonable to
21 assume there would be other U.S. manufacturers. I mean
22 there were 14 more 40 years ago. Alliance does not expect
23 or want to have the market to itself; it just wants to have
24 competitors that are fairly pricing their goods.

25 MS. DEMPSEY: I think you mentioned that

1 rubber bands are sold primarily on the basis of price. Are
2 there any other non-price factors that go into your
3 customer's pricing decisions? I think Mr. Risner, you
4 mentioned that based on the manufacturing processes Alliance
5 uses that you produce a higher quality product? Would that
6 be a consideration for your customers?

7 MR. RISNER: Sure. Of the customers that
8 we've retained over the years, if you were to interview them
9 I'd hope that we'd hear that we have a higher quality. Some
10 do business with us because we are domestic and we can get
11 shipments out faster. It's a pressure stock, you know. It
12 doesn't wait overseas.

13 We also have a significant amount of business
14 that we can tag to us being a woman-owned small business,
15 and then also we enjoy the benefits of being a U.S.
16 manufacturer, and there are companies out there that make it
17 a point to do business with those types of businesses.

18 MS. DEMPSEY: Are there any other
19 considerations that you know of that your customers would
20 think of in order to select you as their supplier?

21 MR. RISNER: Maybe the quality of service that
22 they get from us.

23 MS. DEMPSEY: But price is the main driving
24 factor. Is that --

25 MR. RISNER: Sure. So I would say that you

1 would be hard-pressed to find a customer who's left us over
2 the last ten years that says it's a quality issue, you know.
3 They would tell you straight to your face it's price.

4 MS. DEMPSEY: Has any customers ever -- I
5 think you already answered this, but there has been no
6 customer that's come to you complaining of quality issues?

7 MR. RISNER: Correct.

8 MS. DEMPSEY: One last question. You could
9 address this in your post-conference brief, but if there is
10 any impact of any imports of rubber bands from non-subject
11 countries. If they're priced higher or lower than subject
12 imports, that would be helpful. Thank you.

13 MS. HAINES: Ms. Gamache.

14 MS. GAMACHE: Good morning. Lauren Gamache
15 from the Office of Economics. I'd like to first thank you
16 all for coming and for giving us such helpful information
17 when we're exploring this. To start off, I'd like to focus
18 on a purchaser's requirements. Generally, are there -- what
19 quality characteristics are important to purchasers? What
20 sorts of requirements do they have?

21 I know that we talked a little bit about
22 different elasticities depending on end use, so that papers
23 need -- like office end users using paper need stretchier
24 rubber bands. Are there any other types of characteristics
25 that they look for when they're determining who they're

1 buying from or what type of rubber band they're buying?

2 MR. RISNER: So a purchaser would -- I'm
3 sorry, Jason Risner. A purchaser would look at count per
4 pound. So based on the rubber content, another major
5 determining factor of, you know, a stretchier band is also a
6 lighter rubber band. So the higher the rubber content, the
7 less filler that you'd use and the lighter the band is.

8 You'll actually get, for the same-sized band,
9 you'll get a higher count per pound. So they'll compare
10 that as well. Also something that we are aware of on import
11 bands, the buyer looks at the way the bands smell. So it
12 had historically been true that import bands were a lot
13 stinkier, and that was a big consideration for a lot of
14 buyers.

15 MS. GAMACHE: Are there any particular
16 characteristics that might lead products to vary drastically
17 in price, aside from rubber content, given the same basic
18 characteristics?

19 MR. RISNER: So when we do a colored band, a
20 brightly colored band in neon colors, that could cause the
21 band to be more expensive based on the inputs that go into
22 that. Also, an in scope rubber band would also be an
23 imprinted band, and when we do an imprint on a band, you
24 know a logo, a company's logo or something of that nature,
25 that also causes them to be more expensive.

1 MS. GAMACHE: We talked a little bit about
2 private labeling earlier. Can you give an estimate either
3 of your own firm's production or of the market in general,
4 the share of the market that's attributed to private label
5 versus your own firm's brand?

6 MR. RISNER: I don't have it handily
7 available. We could get that in the post-conference brief.

8 MS. GAMACHE: Okay, thank you. In terms of
9 pricing comparability when we're looking at rubber content,
10 what would you say the range and price difference is between
11 like the lowest grade of rubber versus the highest grade of
12 rubber content? Like a 50 percent price difference?

13 MR. RISNER: For our production?

14 MS. GAMACHE: Yeah, or just in general.

15 (Pause.)

16 MR. RISNER: Maybe about 25 to 50 percent
17 difference between let's say an Advantage, low level grade
18 of rubber versus a Pale Crepe Gold of similar size.

19 MS. GAMACHE: Okay.

20 MS. SWAYZE: Bonnie Swayze. One further
21 consideration. Sometimes customers will come to us and say
22 what is the actual band that you recommend for this purpose?
23 Will it do the stretch and perform how I need the band to
24 perform? Whether it's one time use or many times use, how
25 far do you need it to stretch, because of our soft stretch a

1 lot of times you can drop back a size and increase the count
2 per pound even more.

3 Your customers buy them by the pound, but they
4 use them by the piece. So sometimes you can have a Pale
5 Crepe Gold or a Sterling band that's cheaper on a per piece
6 basis than Advantage. So that's where our sales team comes
7 in handy. We have 17 people on our sales team that help
8 give the proper consultation to our customers, to make sure
9 they get the right band.

10 MS. GAMACHE: Okay, thank you. We may have
11 already asked this question, so apologies if this is
12 repetitive. But has there been any disruptions in the
13 market in terms of supply availability, either in the
14 domestic or subject markets that you know of?

15 MR. RISNER: Jason Risner. Not within the
16 last three years, but certainly before that.

17 MS. GAMACHE: Okay. Another, this is going to
18 be intentionally vague. But was there anything in
19 particular about the market during the last quarter of 2015
20 that might show us a different pattern in our pricing data?
21 Was there anything weird about the market in the 4th quarter
22 of 2015?

23 MR. RISNER: Jason Risner. Are you asking on
24 the imports or the -- our production?

25 MS. GAMACHE: Just in general.

1 MR. RISNER: In general, anything happening in
2 the last quarter of 2015?

3 MS. GAMACHE: Uh-huh.

4 MR. GOLDBERG: Roy Goldberg. Just for
5 clarification, are you talking about with the source, the
6 rubber coming from overseas, or are you talking about people
7 buying or not buying rubber bands in the United States?

8 MS. GAMACHE: Well for the sake of
9 confidentiality, I can't get much more specific than that.
10 But if we saw a change in pattern, I'm wondering if you
11 might have an idea what might have caused that. If not, we
12 can just move on.

13 MR. RISNER: Would we have an opportunity to
14 maybe look at that and provide that in the post-conference,
15 because I don't have the numbers here in front of me.

16 MS. GAMACHE: Okay, sure. That's fine.
17 Lastly, I'd like to ask a few questions about raw material
18 input and how that has affected pricing. Are your prices
19 indexed to either rubber or crude oil prices at all?

20 MR. RISNER: Jason Risner. They're certainly
21 indexed to the price of rubber, the cost of the raw
22 material.

23 MS. GAMACHE: Okay.

24 MR. RISNER: We're in a tricky situation like
25 I mentioned before, where a good chunk of our business is

1 tied to contracts. So any fluctuations in the short term of
2 the price of rubber that we haven't planned appropriately
3 for and bought out could have serious impacts on our
4 profitability.

5 MS. GAMACHE: Okay. Are those price indices
6 mentioned in your contracts, and are they publicly
7 available?

8 MR. RISNER: Unfortunately the contracts
9 pretty well are one-sided to the customer, and so you
10 guarantee their price.

11 MS. GAMACHE: Okay, and are you aware of any
12 publicly available rubber indices or do you have a
13 particular rubber indicia that you look at when you're
14 determining prices?

15 MR. RISNER: So we track what rubber has done
16 historically, try to use that to predict the future. But as
17 far as I know, there's no indices that would help us make
18 those kind of guesses.

19 Yes, sorry, we do consult with our rubber
20 brokers.

21 MS. GAMACHE: Alright, thank you. That
22 concludes my questions.

23 MS. HAINES: Ms. Freas, do you have questions?

24 MS. FREAS: This is Janet Freas, the accountant.
25 I have no questions at this time, but thank you for your

1 testimony.

2 MS. HAINES: Mr. Cantrell?

3 MR. CANTRELL: Good morning. I'm having a bit of
4 a problem with my voice, so excuse that. And if any of my
5 questions, I do the technical work for the, you know, the
6 description and uses and manufacturing process description
7 in our reports, and our staff here have done a great job I
8 think of, you know, asking many of the questions that I had
9 thought about, but what I wanted to do this morning is, you
10 know, kind of start out at ground level with the raw
11 materials, and work our way to the product and the
12 manufacturing processes, and a little bit on supply/demand.

13 So I wanted to start out with the raw materials
14 that are better used in manufacturing of rubber bands. And
15 so I know that there's mention in talking about your general
16 purpose rubber bands, the three different types that have
17 been talked this morning. I believe they're all natural
18 rubber?

19 MR. RISNER: Yes, that's correct.

20 MR. CANTRELL: With fillers and so forth. And
21 also I noticed you mentioned in your literature the General
22 Services Administration description of stationary rubber
23 bands, the designation AA131a. And in there it mentions the
24 natural rubber, synthetic--or synthetic natural rubber
25 bands. And so I think, you know, there have been some

1 question marks about what's "synthetic" and what's not, and
2 that type of thing, but I mean there is the one synthetic
3 polyisophrene rubber that, you know, I was wondering if you
4 have some products that are listed as non-latex. And I was
5 just wondering, do you use any synthetic polyisophrene in
6 your rubber bands for in the nonsynthetic that would not--
7 for those in the population that are subjected to allergies
8 from natural rubber, that the synthetic polyisophrene may
9 avert that problem and be contained in your rubber bands?

10 MR. RISNER: Jason Risner, yes, that's correct.
11 We can confirm that we use polyisophrene.

12 MR. CANTRELL: Okay. As far as the types of
13 rubber that--natural rubber, I know, you know, that you've
14 got smoked sheet, you've got technically specified rubbers,
15 and then you've got crepe rubber. And so if this is too
16 confidential, I mean, you know, please refer to
17 postconference, but I was curious as to which type of rubber
18 of these three that I have mentioned are the principal ones
19 that you would purchase to produce your rubber bands.

20 (Pause.)

21 MR. RISNER: We'd like to provide that
22 information in the post-brief.

23 MR. CANTRELL: What's that, sir?

24 MR. RISNER: We'd like to provide that
25 information in the post-brief, if that's okay.

1 MR. CANTRELL: Oh, okay, sure. Sure. No problem.
2 I had just read, in reading through the literature, that,
3 you know, crepe rubber is kind of a lot of people it seems
4 are--are that in reading the rubber technology texts and so
5 forth, that it seems that perhaps crepe has migrated into
6 technically specified as, you know, being a more preferred
7 product these days. That just comes out of technical rubber
8 technology texts and so forth.

9 Also, this might be a post-conference. The
10 origin, country of origin that you import from for your
11 natural rubber.

12 MR. RISNER: Jason Risner. Yes, we could also
13 provide that in the post-brief.

14 MR. CANTRELL: And I was just--this is just a
15 kind of an off-the-cuff question, but out of all of the
16 rubber that you use, natural and synthetic, you know, what's
17 your guesstimate of about what percentage would be natural
18 rubber?

19 MR. RISNER: Jason Risner. About 95 percent of
20 our production would be natural rubber.

21 MR. CANTRELL: Ninety-five?

22 MR. RISNER: Um-hmm.

23 MR. CANTRELL: Okay, regarding the synthetic
24 rubber, I notice, you know, and this is public information
25 off of your website, which is a great website with a lot of

1 information, I notice one form is your EPDM synthetic rubber
2 that apparently, you know, it has, according to your
3 information, it has certain properties that are advantageous
4 in certain usage areas.

5 Could you elaborate a little bit on where it
6 would be more beneficial to be using an EPDM versus a
7 natural rubber?

8 MR. RISNER: Sure. Jason Risner. The EPDM
9 rubber, which is a very small amount of our production, has
10 properties that make it more UV and ozone resistant. So
11 it's great to be used out in direct sunlight. We produce it
12 for some of our retail products which we call gear wraps and
13 cable wraps, which is basically a band with a little plastic
14 head on that's for securing tarps and load and sleeping bags
15 and things of that nature.

16 It is non-latex, and primarily done--EPDM is a
17 dark rubber, so it's primarily done in black.

18 MR. CANTRELL: Are these products that you
19 mentioned in scope product?

20 MR. RISNER: Jason Risner. So, yes, the
21 synthetic rubber bands that were mentioned with
22 polyisophrene would be within scope, and that's what we are
23 determining as synthetic. And then also EPDM would also be
24 termed as a synthetic rubber, so it would also be included
25 in the scope.

1 MR. CANTRELL: I meant the finished product that
2 you mentioned.

3 MR. RISNER: Yes. Sorry. So the bands--so
4 there again, the band that we produce we can only do
5 slightly below 2 inches up to 10 inches, and these EPDM
6 bands are done in those sizes. The synthetic, the
7 polyisophrene bands are also done in those sizes within
8 scope.

9 MR. CANTRELL: Okay, thank you for that.
10 Something that was brought up earlier by one of my
11 colleagues was the--there is a form of rubber known as a
12 thermoplastic elastomers, which is I think a technical
13 terminology block copolymer like styrene, butadiene styrene
14 type of arrangement. And I was wondering if--I believe
15 that you produce a flex product. I didn't know if those
16 were rubber bands or what. But anyway, it said in your
17 literature that, you know, that it's produced from a
18 thermoplastic elastomer. And my question is, you know, what
19 are the advantages and disadvantages of using a
20 thermoplastic elastomer versus a cured vulcanized natural or
21 synthetic rubber?

22 MR. RISNER: Jason Risner. So the thermoplastic
23 elastomer, which is an exceptionally small part of our
24 overall business, it does have attributes that we can make a
25 transparent--a semi-transparent band. They are

1 exceptionally light, so that you get a higher count per
2 pound.

3 We've seen them used primarily in packaging
4 applications, secondary packaging applications, to maybe
5 more upscale packaging where you're holding two bottles of
6 shampoo together, shampoo and conditioner to bundle those
7 two things together with a flex band.

8 We can do neon colors. One thing that did make
9 them popular a few years back was that we're actually able
10 to add fragrance to the bands so we can make them scented.
11 They hold a scent.

12 MR. CANTRELL: Will they--I mean do they have
13 the same type of strength as a vulcanized natural rubber,
14 for example? Or other synthetic? I mean, will they stretch
15 700 percent and that sort of thing?

16 MR. RISNER: Jason Risner. Yes. So we can
17 mimic attributes of rubber bands by either making the wall
18 of the band thicker, or the cut, you know, a little smaller,
19 to mimic, but they don't have as good a memory as a rubber
20 band. And again they're not made of rubber, natural or
21 synthetic.

22 MR. CANTRELL: Well I mean if -- would it be
23 detrimental if they were exposed to higher temperatures
24 versus a cured or vulcanized product?

25 MR. RISNER: So what we--Jason Risner--what we

1 found with the TPE bands is a lot of times when you ship
2 them they go on a hot truck. They do tend to stick together
3 when they arrive at their location. So they do not have the
4 heat properties that a rubber band would have.

5 MR. CANTRELL: So that's one detriment--

6 MR. RISNER: One detriment, yeah. Also, they
7 tend to take the shape of wherever they are. So if you cram
8 them into a one-pound bag and they come out and they're not
9 open ring. They're not nice and pretty like our rubber
10 bands. They just kind of crinkle together.

11 MR. CANTRELL: Are they--I mean, can you just
12 extrude those as you typically do with your other rubber
13 bands in a tube?

14 MR. RISNER: Jason Risner. Sure. It's a very
15 similar process as far as extrusion. It starts with a
16 completely different raw material, though, and it's a much
17 shorter process. But they are--you would say that it is
18 similar, yes.

19 MR. CANTRELL: Okay. Something that would be
20 helpful--I know my colleagues have alluded to, you know, the
21 different rubber contents of the products. You know, most
22 vendors of product would distribute a miscellaneous data
23 sheet, miscellaneous safety data sheets and that sort of
24 thing to their whoever you're selling to, vending to. And I
25 found a couple of those on, you know, just public websites.

1 But they are helpful in providing, you know, just showing
2 the range of rubber content and filler contents. And I
3 think it would be helpful to us if we had some--you know,
4 also there are technical data sheets in many cases that are
5 published with the different products.

6 I think if we could receive those technical data
7 sheets and MSDS sheets, it would be helpful to us for
8 clarifying. I mean, if you feel like it's confidential, you
9 know, of course they would be--and we did report those, they
10 would be bracketed in our--and withheld from public
11 disclosure in our reports.

12 MR. RISNER: Jason Risner. Sure. That will be
13 no problem. We can supply that.

14 MR. CANTRELL: Okay. Thank you. Appreciate
15 that. As far as the fillers that go in, I mean from what
16 I've read clay is a common filler. I don't know about
17 whiting or calcium carbonate may be, I don't know, in there
18 or not in some of your products, and, you know, other things
19 that I could think about would be, you know, like processing
20 aides, of course sulfur, or sulfur-type compounds, or
21 peroxides for curing, and antioxidants, accelerators, all
22 that sort of thing. So, you know, if we could have some
23 information on that, it would be helpful. Or maybe it would
24 be in the technical data sheets or the MSDS.

25 Getting into--getting into the kind of rubber

1 supply demand situation, I know it was brought up, you know,
2 about what percent of the total supply do the U.S.
3 manufacturers account for? And since you all are I think
4 estimating 90 percent of the industry or so, I mean how does
5 that stack up now? Is it 20/80? Or alliance to the total
6 supply? Or what--do you have any estimates on that?

7 MR. RISNER: Jason Risner. The estimate that we
8 came up with on how much of our production--how much is made
9 up of what we produce versus what is imported, we
10 guesstimate that we have about 40 percent of the total U.S.
11 market. Ninety percent of U.S. production, but only 40
12 percent of the U.S. market for rubber bands.

13 MR. CANTRELL: And I believe the testimony was
14 given this morning, too, that you are only operating at some
15 50 percent of capacity utilization?

16 MR. RISNER: Jason Risner. Yes, that's correct.

17 MR. CANTRELL: So I mean if--I mean do you feel
18 like you could go to, say if these A Ds and CVDs are
19 imposed, and some of your foreign competition backed off,
20 maybe not totally exited the market but backed off to an
21 extent, what kind of capacity utilization rate do you think
22 you could go to?

23 MR. RISNER: Jason Risner. So we could--we love
24 to be at 100 percent capacity. And if the playing field was
25 level, we think for some period of time we would be able to

1 reap that benefit, with the idea that certainly other
2 domestic competitors would enter the market in the future.

3 MR. GOLDBERG: Roy Goldberg. They can also--
4 Bonnie and Jason could let you know that there are shifts
5 that aren't running right now. There could be three shifts:
6 morning, afternoon, and evening--or actually early morning.
7 And maybe let me ask Ms. Swayze to address in the past how
8 the shifts have operated, and what the comparison would be
9 to currently while you do not have all full shifts operating
10 full time.

11 MS. SWAYZE: Bonnie Swayze. When we were doing
12 the 25-1/2 million pounds a year of rubber bands in 1999, we
13 had all three shifts of extrusion. We had six extruders,
14 and they were all three shifts.

15 So we were--

16 MR. GOLDBERG: What were the timing of the shifts,
17 the hours of the day?

18 MS. SWAYZE: Third shift is 11:00 to 7:00. First
19 shift is 7:00 to 3:00. And second is 3:00 to 11:00. And as
20 I said, when we were at 90 percent capacity, 25-1/2 million
21 pounds, we were at 250 great people. And we've had to cut
22 back to 176 today because of lack of business.

23 So we are up for the challenge. People throw
24 things at us, we are up for the challenge.

25 MR. CANTRELL: So I take it that the extruders

1 that are currently running are, say, running at 50 percent?
2 So do you have the capacity in place now capable of going
3 back up to those past levels?

4 MS. SWAYZE: Yes. Yes, we would be able to
5 increase from the current 15 million pounds a year. We
6 would be able to easily handle 30 million pounds a year.

7 MR. CANTRELL: With the existing equipment?

8 MS. SWAYZE: With the existing, correct.

9 MR. CANTRELL: Oh, thank you. On your sales in
10 the United States, are there any Buy American laws,
11 provisions like relating to sales to the Post Office, to the
12 Federal Government, to the Military, that type of thing I
13 mean where it's mandatory that certain federal agencies and
14 other agencies purchase American-made goods?

15 MS. SWAYZE: There is the--Bonnie Swayze--on the
16 GSA Stationery Contract for office bands, they enforce the
17 Buy American clause. And we have that business through
18 Central Association for the Blind, CAFTB, in Utica, New
19 York. We provide the bulk product to them, and they
20 repackage it. So from the President's office down to the
21 smallest GSA office around the globe, when you open the
22 Skilcraft product, that is an Alliance Sterling band made in
23 Hot Springs.

24 The U.S. Postal Service does not have a Buy
25 American clause.

1 MR. CANTRELL: What about the Military?

2 MS. SWAYZE: We don't have Mil numbers for our
3 products. In 2000 we invented a Strakpac, Strike ready
4 around the clock. It silences and secures all your gear.
5 The troops in Afghanistan and Iraq save lives over there.
6 It's a great product, but we don't have a MSN number for the
7 product. All those products are made in the USA. All of
8 our parachute bands for 40 years have been made in the USA.
9 What other products have we got that are Military, Jason?
10 Parachute Strakpacs, gear straps, all those are made in the
11 USA. But we have not been able to break into getting
12 Military contracts. We've gotten small pockets of business
13 with Special Forces, and we have with DFAS in Natick,
14 Massachusetts. We have the contract for the parachute
15 bands. Those are all made in the USA.

16 And we helped--developed the Postal band in 1966,
17 the correct band 2-3/4 by 3/8ths that they wanted back in
18 1966. But the Postal Service does not have a Buy American
19 clause. But we do enjoy that business.

20 MR. CANTRELL: So I mean does it--I mean does it
21 seem that these certain like federal agencies, Post Office,
22 Military, and so forth, seem to prefer to Buy American even
23 though there aren't any particular laws?

24 MS. SWAYZE: Yes, they would prefer--they would
25 prefer to buy American-made products. And definitely the

1 Skillcraft Bands that we provide to CAFTB in Utica, New
2 York, they enjoy that business because U.S. Government, for
3 the Office Supply Contract, require that they adhere to the
4 Buy American clause.

5 MR. CANTRELL: One product that I was curious
6 about that I read in your literature on these parachute
7 bands, I mean how are these used by the paratroopers, or
8 whatever?

9 MS. SWAYZE: Yes. To secure the lines. We have
10 type one, type two, and one is for static line jumps, type
11 one. Type two are for free-falls. And then we have size
12 nine, little small bands, that are used to wrap cords and
13 all the apparatus.

14 MR. CANTRELL: Those are interesting
15 applications. Thank you.

16 MS. SWAYZE: Thank you.

17 MR. CANTRELL: Speaking of these other
18 producers, I believe it's been--testimony has indicated that
19 it's believed to be four producers of rubber bands in the
20 United States? I know Kenno was mentioned.

21 MS. SWAYZE: Keener Rubber in Alliance, Ohio; HBD
22 Thermoid in Salisbury, North Carolina. There's a company in
23 New Jersey by the name os Antistatic Industries, and they do
24 conductive rubber bands, a very small amount.

25 MR. CANTRELL: Are these--I notice there's a

1 superflex band, hair band. It says--the only thing I've
2 seen on the packages is "Made In The USA." I thought
3 perhaps you all may have manufactured those, but I'm not
4 certain.

5 MS. SWAYZE: We may do that. We do a lot of
6 private-label for people. We will ship to pony tail
7 repackaging companies in large 25 and 50-pound cases, and in
8 500-pound Gaylords, and they repackage at their own
9 facilities in the small little hair care products packs.

10 MR. CANTRELL: One thing that I was curious
11 about is any impact on the new tax reforms that you think
12 may benefit business, small businesses in the United States?
13 I mean, if the taxes are really slashed as they're talking--

14
15 MS. SWAYZE: Our 176 people are extremely
16 thrilled about it because every summer, and at the end of
17 every year, their bonuses are predicated on the profits of
18 the company. And with the federal income tax going down so
19 drastically, it's going to be more money in their pocket.
20 So they're thrilled about it.

21 We have a very unique company in that everybody
22 is on the same page because of the bonuses. And that's why
23 we feel extremely loyal to our people, because two-thirds of
24 our people have been with us over five years, and we just
25 have an extreme strong sense of loyalty to them. Many

1 people have been with us over 30 years. Sometimes we have
2 three generations of people working there.

3 And the reason we're successful today is because
4 of our great people. So we're very happy about the tax
5 cuts.

6 MR. CANTRELL: Regarding purchases of natural
7 rubber do you head in the market to an extent, since there
8 are rubber exchanges I know.

9 MR. RISNER: So our purchasing agent for rubber
10 works closely with our brokers with the understanding that,
11 you know, there's no guarantees. And certainly, we've
12 waited for prices to come down when they were going the
13 opposite way, but for the most part, we tried to -- when we
14 feel like the price has come down low enough, we like to buy
15 in larger quantities to take advantage of the lower price.

16 MR. CANTRELL: Let's see, the last part of what
17 I had it's primarily about some of the things that have been
18 talked about of how much of the U.S. supply that Alliance
19 would be capable of producing. You know say all of the
20 three major importers now, say, if they were to cease
21 importing.

22 MR. RISNER: We feel like we could handle the
23 bulk of what would come to us if those three countries were
24 to be forced to play on a level playing field with the
25 understanding that if any other production did come our way

1 we would have the ability to absorb it as well.

2 MR. CANTRELL: So you know one thing that's
3 causing us some difficulty are the statistics on the foreign
4 producers. You know it seems to be just limited information
5 on the rubber band -- global rubber band industry and so we
6 have very little data on who can produce what volume of
7 rubber bands and I think testimony has been given here this
8 morning to the affect that the three subject countries that
9 we're talking here are the primary importers. I don't know
10 about other global production, though, like Indonesia,
11 Malaysia, Vietnam -- those countries. I mean we don't have
12 -- we just have limited information on it and we always try
13 to address the non-subject countries also, so we're kind of
14 in a bind here in coming up with numbers, both for the
15 subject and the non-subject.

16 MR. GOLDBERG: Yes, we share the same concern.
17 This is a data-poor industry. It just is. I mean I've been
18 involved in other cases where you have consultants, trade
19 associations, and everybody pretty much knows or at least
20 can guess.

21 Now we do have -- thankfully, Alliance did get
22 the tariff number, which covers a lot of the goods. And I
23 believe it's ITC has the data web and so it's in values as
24 opposed to quantities, but still is meaningful and so
25 certainly that data shows us that the three we've identified

1 are the biggest. Thailand, by far, the biggest, China very
2 big too, Sri Lanka, also, I think 7 percent or so. Then all
3 the other countries that are out there, that would include
4 Malaysia, Vietnam, and down the line they do, obviously,
5 manufacture and they do export some to the United States,
6 but it's negligible.

7 What we have been able to give, though, is there
8 could be countries that we're focusing here. I mean it's
9 not like somebody just moved there. I mean that's where the
10 rubber is. You know Thailand specially, but also China and
11 Sri Lanka, I mean they grow their own rubber and Mahakit
12 Thai is one of the Thai companies that we've identified.
13 And you know when they want to make more rubber bands -- and
14 they do make rubber bands -- it's pretty easy. They just
15 get their own rubber. So we have given the best numbers we
16 can as with regard to, I think, threat. And I've seen --
17 you know the record also substantiates some of this. I mean
18 these are huge players with governments who have major
19 motivation and incentives and it's not limited to rubber
20 bands. Obviously, you've had cases with rubber tires, but
21 the governments are motivated and incentivized to get these
22 products manufactured, not just rubber bands, but certainly
23 including rubber bands and exported to the large markets,
24 which aren't confined to the United States, but the United
25 States is the big market.

1 And so, again, we've dealt with the best
2 information that we can. It is frustrating. It is a
3 data-poor environment because there's no trade association
4 that's covering this. There's no Goldman Sachs to report on
5 this. It just doesn't seem to be there. We're thankful
6 the information that is there and we're using that to the
7 best ability that we can. And the information that is there
8 is still solid information and it's the import data that
9 shows, again, that these three countries are, by far, the
10 lion's share of what's coming in. And even if you combined
11 all the others, you're still dealing with some huge numbers
12 comings from Thailand, Sri Lanka, and China.

13 MR. CANTRELL: Yes. And the problem with, say,
14 especially, with all the countries, but with the
15 non-subjects, if were the AD and CVD orders imposed you
16 know, of course, right now we don't know where Thailand,
17 Vietnam, Malaysia, the big, other large rubber-producing
18 countries are shipping their rubber bands. You know they're
19 obviously shipping them. If they aren't consuming -- I
20 wouldn't assume that their domestic consumption is too high,
21 but perhaps they're shipping -- they're exporting these to
22 other countries in the world. Were the orders to go in
23 place would they -- the question is would they shift? Would
24 they see the U.S. as a more lucrative market and shift their
25 marketing strategy more to the U.S.? And that's something

1 that we are challenged to answer in our reports or to speak
2 to in our reports, so any assistance appreciated.

3 MR. GOLDBERG: I mean barring us mentioning and
4 trying through cumulation to involve dozen more countries in
5 a case based just on some possible circumvention or
6 something like that down the road was just beyond the pale
7 of what we thought was reasonable to do. You know maybe the
8 next time we're here the question is has there ever been a
9 case against rubber bands. We may say, yes, unfortunately,
10 we brought one and we had to bring more.

11 Obviously that did happen in front of this
12 Commission, starting with Japan and then went on to China
13 and so we've seen that happen before, but I think we took
14 the one reasonable approach we could take, which was, you
15 know we didn't want to limit it to Thailand because they
16 were already producing enough in China that that would
17 circumvent what we're doing here and the same with Sri
18 Lanka. It was very important to include Sri Lanka in there,
19 but the rest are small enough right now that it's just -- I
20 think we'd be spending most of the morning probably talking
21 about negligible imports and things like that, so we just
22 wanted to take the most responsible approach.

23 MR. CANTRELL: Okay. Well, thank you very much.
24 That's about every thing, exhaust everything that I had and
25 I really appreciate you coming here today and sharing your

1 testimony with us.

2 MS. HAINES: Thank you. I have just one
3 question. I'm sorry if you've addressed it all ready.

4 In their opening statement the Respondents made
5 reference to a disruption of raw material in Thailand during
6 '16 and '17. Did I scribble my notes wrong? Can you expand
7 on that? I mean was that just Thailand, was that all the
8 subject countries?

9 MR. RISNER: Just to be clear, you're talking
10 about rubber production -- the raw material?

11 MS. HAINES: They made reference to disruption
12 of raw material in Thailand.

13 MR. RISNER: So we do not import our raw
14 material from Thailand and we did not have any such
15 disruption in our rubber supply.

16 MS. HAINES: Okay.

17 MR. RISNER: If anything, the price of rubber in
18 the last three years has come down, not up.

19 MS. HAINES: Okay. Okay, that's good. Well, I
20 think that's all I had. Thank you very much for coming all
21 this way to give us your testimony. I think I'd like to
22 take a 15-minute break.

23 (Whereupon a brief break was taken to reconvene
24 this same day.)

25

1 A F T E R N O O N S E S S I O N

2 MR. BISHOP: Will the room please come to order?
3 Madam Chairman, the panel in opposition to the imposition of
4 anti-dumping and countervailing duty orders have been
5 seated. This panel has 60 minutes for their direct
6 testimony.

7 You may begin when you're ready.

8 MS. LEVINSON: Thank you very much. I guess I
9 can say good afternoon in two minutes. I'm Liz Levinson.
10 I'm with Fox Rothschild. I'm particularly proud to present
11 our panel this afternoon, because we have two companies
12 before us. We have representatives of Frank Winne & Sons
13 and Schermerhorn Bros. And these companies have employed
14 Americans and have been in existence for over 100 years
15 each. So they have a great deal of experience in this
16 industry.

17 I'll introduce the witnesses specifically. To
18 my left is Michael Aversano. He's with Frank Winne & Sons.
19 To his left is Robert Adelizzi, who's also with Frank Winne.
20 And then to the left is Nicholas Adelizzi, who's with Frank
21 Winne & Sons.

22 And to my right is Kevin Jordan, who's with
23 Schermerhorn Bros. They -- I'm anxious to hear what they
24 have to say.

25 STATEMENT OF MICHAEL AVERSANO

1 MR. AVERSANO: My name is Mike Aversano and I am
2 one of the owners at Frank Winne & Son. Thank you to the
3 Commission staff here for allowing us the opportunity to
4 speak today and present some information that we feel might
5 have been overlooked by the Petitioner.

6 I started at Frank Winne in 2002 after
7 graduating from Villanova University with a B.S. in Business
8 Management. During my time at Frank Winne, I've had
9 experience working in almost every aspect of the company.

10 I started in customer service, working my way up
11 into the sales department, then to product line management,
12 then to an executive position. And finally in 2010, along
13 with my business partner Rob Adelizzi, was able to purchase
14 the company.

15 Rob has followed a similar path during his time
16 at Frank Winne. Rob came to Frank Winne in 1981 after two
17 years in public accounting. He has a CPA and a B.A. in
18 accounting from LaSalle University.

19 Starting as the assistant controller, Rob worked
20 his way up the ladder as well. Rob's journey took him
21 through the financial side of the business, while also
22 managing our agricultural twine department for a time.

23 Our journeys at Frank Winne are the definition
24 of the American dream. We started at the bottom and through
25 hard work and determination, we worked our way all the way

1 up to the top.

2 Frank Winne & Son was founded in 1895 by the
3 Winne family as a cordage supplier in Philadelphia,
4 Pennsylvania. The Winnes owned the company until 1913, when
5 the Coath family purchased it.

6 During the time the Coath family ran the
7 company, Frank Winne expanded from cordage items to include
8 adhesive tape products, as well as natural rubber products.

9 In 2010, Rob and myself purchased the company
10 from the Coath family. We have primarily been an importer
11 throughout our entire history, bringing in products that
12 have not always been readily accessible here in the U.S.
13 market.

14 Although we are primary an importer, we are
15 still a proud American company. Throughout our entire 123
16 year history, we have always been American-owned. At the
17 current time, we have approximately 40 employees in eight
18 different states. We also currently contract with nine
19 public warehouses, which also help to provide good paying
20 American jobs.

21 And finally, we spend about \$1.5 million in
22 outbound freight throughout the year, shipping our goods all
23 over the country. Our goods might not all be made here in
24 America, but we feel that our company does support a lot of
25 American jobs.

1 At any given time, we have about 1,000 accounts
2 with open balances across our entire product line. During
3 certain times throughout the year, this can increase by
4 another 1,300 open balances.

5 The reason for having so many open accounts is
6 to make sure we are as diversified as possible. Business is
7 just like a stock portfolio. You need to be diverse.

8 Our top 35 customers only equal 43 percent of
9 our revenue, whereas for Alliance, their top 35 customers
10 equate to 70 percent of their revenue. In Alliance's case,
11 losing only one account such as Staples has a much more
12 drastic effect than it would if their revenue was spread out
13 over more accounts. The injury to Alliance isn't because
14 Alliance lost out on a competitive bid for Staples. The
15 injury is because Alliance was too dependent on one single
16 customer for their revenue.

17 In our view, Alliance has been adversely
18 impacted by its own poor business decision not to diversify
19 itself to protect against losing accounts.

20 We've managed the same business for over 120
21 years due to large part to the relationships we build with
22 our customers. This is accomplished by offering a quality
23 product in a timely manner and providing the best service
24 possible. We like to say that we are pleasantly persistent
25 and attentive to customer needs.

1 We don't always have the lowest price, but
2 people know that when dealing with Frank Winne, you have a
3 knowledgeable staff and 123-year tradition of quality behind
4 every sale.

5 If we sold just on price, we wouldn't have
6 lasted as long as we have. Our customers buy from us
7 because of the level of service we provide, whether it's Rob
8 Russell driving across upstate New York and stopping to have
9 tea with his customers, or it's Mark Taylor in Tennessee
10 jumping in his car at 2 p.m. on a Tuesday to make a 10-hour
11 drive to be at a customer in the morning to help them out of
12 a bind, or it's Brian Gatto getting on a plane and flying
13 across country just to make sure a customer is happy with a
14 recent shipment, we're all about providing service to your
15 customers.

16 Another bad business decision made by Alliance
17 in our opinion is building a \$1.3 million warehouse based on
18 supporting a very competitive contract that to our knowledge
19 is up for bid every year. We have been in business for over
20 100 years. We've never built a warehouse to predominantly
21 service a single customer. This decision caused harm to
22 Alliance for sure, but the harm is not from any import
23 rubber band. The harm was in the poor decision-making in
24 building a new warehouse based on Alliance's assumption that
25 they would have the Staples business for many years.

1 Regarding the Staples business, which seems to
2 be the main reason Alliance has filed this petition, it
3 seems reasonable to us that Staples might be the largest
4 single purchaser of in-scope rubber band product in the
5 country. Staples is also a global company and has access to
6 suppliers from around the world. Because of this, it is
7 reasonable to assume that Staples commands a very
8 competitive price.

9 Alliance asserts in the petition that was
10 Staples was able to obtain a very low price from a Thai
11 supplier. However, Alliance does not address the most
12 important factor driving the price of a rubber band, the
13 rubber content. Any time you're comparing the price of
14 rubber bands, the rubber content of the band must be taken
15 into account to make sure that you're comparing apples to
16 apples.

17 Rubber content is the single largest determinant
18 of cost and ultimately price. In all the data in questions
19 asked of us from the Commission staff, we were never asked
20 about rubber content of our products. Pricing information
21 of rubber bands can be very misleading if the rubber content
22 is not specified.

23 Alliance's -- Alliance claims that its prices
24 are higher, but it never mentions as it should that its
25 product is generally higher in rubber content than rubber

1 bands from Thailand.

2 It is meaningless to compare the price of an
3 Alliance produced product with 80 percent rubber content to
4 a Thai-produced rubber band with 50 percent rubber content.
5 A customer like Staples does not need a product with 80
6 percent rubber content and they're not willing to pay the
7 higher premium that such a product commands.

8 They would much prefer to purchase a less
9 expensive product with a lower rubber content because that
10 it is all their customers in the office service sector
11 require. In fact, Alliance may have lost the Staples
12 business because Alliance refused for provide lower quality
13 product with lower rubber content at lower prices.

14 If so, Staples' decision to change suppliers
15 cannot be attributed -- cannot be said to be attributed to
16 dumped or subsidized imports.

17 The Tariff Act defines domestic-like product as
18 being a product which is like or in the absence of like,
19 most similar in characteristic and use with the articles
20 subject to an investigation.

21 It is our opinion that by omitting the rubber
22 content from the questionnaire, the Commission is not
23 comparing like items between importers and Alliance,
24 especially when reviewing the pricing data. As currently
25 constructed, the questionnaire may elicit data which shows

1 underselling by imports over domestically produced items.
2 But in actuality, a comparison cannot be made because we are
3 not addressing the rubber content, which is the major driver
4 of price and not comparing apples to apples.

5 While the uses might be similar, the physical
6 characteristics are not. Higher rubber content would have
7 more elasticity and would yield more bands per pound, while
8 a lower rubber content would have less elasticity and less
9 bands per pound.

10 We've always believed that Alliance produced a
11 higher rubber content-band and because of this, we rarely
12 compete against them. Alliance has the ability to produce
13 custom sizes, colors and packaging with a shorter turnaround
14 time and smaller minimums. Therefore, we don't feel our
15 import bands are causing injury to Alliance.

16 The fact is until recently, we purchased rubber
17 bands directly from Alliance. Surprisingly in February of
18 2017, we received a letter from Bonnie Swayze, the president
19 of Alliance, advising us that we no longer fit in their
20 business strategy and so they would no longer sell us
21 product. We have since shifted most of those products to
22 purchasers from Keener Rubber and other domestic
23 manufacturers.

24 We were very surprised to see statements in the
25 petition that rubber bands from Thailand, Sri Lanka, and

1 China are fungible. This simply is not true. There's a
2 large difference in quality between a rubber band made in
3 Thailand, China, or Sri Lanka.

4 Products made in those countries -- products
5 made in those countries are also very different from the
6 rubber bands made by Alliance. Once again, a large portion
7 of the difference in quality is attributed to rubber content
8 and how much filler is used in the band. Even among
9 products with the same rubber content, there are vast
10 differences, depending on the source country of the rubber
11 itself.

12 In closing, we believe that even if Alliance
13 might be suffering injuries, such injury has not been caused
14 by imports of rubber bands. Alliance has relied heavily on
15 a small number of accounts for its revenue and made some
16 poor business decisions regarding capital investments. In
17 filing this petition, they have ignored one of the main
18 characteristics that separate rubber bands from each, that
19 being the rubber content. By knowing that, we are not
20 discussing similar items when comparing price data between
21 imports and Alliance products.

22 We feel that this petition is a thinly-veiled
23 attempt and a government bail out in the form of duties and
24 tariffs assessed on imports. Thank you.

25 STATEMENT OF KEVIN JORDAN

1 MR. JORDAN: Thank you, Mike. My name is Kevin
2 Jordan. I'm here representing Schermerhorn Bros. of
3 Lombard, Illinois. SB Co. is a 125-year old American
4 distributor of premium quality industrial and agricultural
5 packaging products. We have facilities in Chicago, Los
6 Angeles, Houston, Seattle, Philadelphia, and Phoenix and 40
7 American employees.

8 I graduated from the University of Missouri and
9 went to work for SB Co. in 1980. I've done warehouse work,
10 clerical work, sales and sales management at SB Co. before
11 becoming president in 2010.

12 I've worked for SB Co. my entire professional
13 life. I truly love the company and I'm proud the way we
14 treat our employees, our suppliers, and our clients.

15 I want to start out by thanking the ITC and the
16 members of the panel to this opportunity to be here today
17 and share a little truth among the nonsense and also for all
18 the help you've provided in putting together my preparation
19 for this hearing.

20 If it's not against the rules, I'd also like to
21 share with you all a sample of our beacon rubber bands. Is
22 that good? Can we do that? No?

23 UNIDENTIFIED SPEAKER: Yeah.

24 MR. JORDAN: Okay, I was just thinking if the
25 subject of the best rubber bands on the planet came up, at

1 least you'd know what they're talking about.

2 But I'll get you some later. Okay, as I
3 understand -- oh, you just want to pass around one bag? I
4 brought enough for everybody. I'd hate to take them back on
5 the plane. Things weigh a ton. Anyway, that is our
6 product.

7 As I understand things, Alliance Rubber has
8 recently gotten and then lost the rubber band business at
9 Staples. Alliance apparently built a whole new warehouse to
10 support this business because they thought they could never
11 lose it even though they just got it. Now that they've lost
12 it, they have a big empty warehouse, no Staples business,
13 and money problems.

14 Instead of blaming themselves for making a
15 horrible business decision, that being the building of a
16 warehouse to support a one-time commitment from one brand
17 new high visibility price shopping client, who puts their
18 business out for bid every year and buys the cheapest
19 products they can find, they have started this proceeding in
20 an effort to blame their problems on other people.

21 It seems to me that Alliance's problems are 100
22 percent self-inflicted. And I personally think it's an
23 outrage that they have dragged 38 manufacturers from three
24 countries along with 41 U.S. importers and two government
25 agencies into this expensive, time-consuming charade,

1 instead of just owning their blunder and learning this one
2 simple lesson. If you get a piece of business with a low
3 price, you're going to lose it to a lower price. Think
4 before you start building warehouses.

5 If you accept a year-long contract at a fixed
6 price, and then buy a year's worth of inventory to protect
7 your cost, and then build a brand new warehouse to house all
8 that stuff, and it blows up in your face, that's not unfair
9 competition and that's not bad luck. That's just stupid.

10 SB Co. does not sell rubber bands to Staples,
11 nor do we want to. We don't do retail and we don't do
12 office supply. The Staples fiasco actually has until to do
13 with us. In fact, 70 percent of our 2017 sales volume falls
14 completely outside the scope of this investigation.

15 Here's the story of Schermerhorn Bros. and the
16 bands that we do sell. SB Co. was founded in 1893, that's
17 125 years ago, in St. Louis, Missouri and incorporated in
18 Illinois in 1936. We turn a profit every single year.
19 We've declared dividends for more than 200 consecutive
20 quarters, that's 50 years. We've declared an extra dividend
21 at the end of every fiscal year since 1968.

22 We are a successful and well-respected company
23 in every industry we serve. We don't sell our products at a
24 loss and we don't engage in any unfair trade practices.

25 We work hard, we play fair, and we're tough

1 competition. Our clients are smart, successful business
2 people who depend on us for premium quality products,
3 world-class service, and a reputation to integrity that
4 comes with 125 years of keeping promises.

5 We started importing rubber bands in 1984 and
6 we've been competed with Alliance since Day 1. We consider
7 them a worthy adversary. And when we compete with them,
8 believe me, they win their share.

9 Until their recent antics, we've always
10 considered them to be honest and respectable competitors.
11 We've built the Beacon band of rubber bands into one of the
12 countries most respected. And rubber bands are one of our
13 most successful product categories.

14 We've purchased our bands from the same three
15 Thai factories for 35 years. We complete -- we compete
16 successfully against products and companies worldwide, USA
17 included, by delivering quality, integrity, service, and
18 value.

19 Rubber bands to us and our clients are not some
20 commodity to be bought and sold at the cheapest price
21 around. Rubber bands are avital part of our clients'
22 businesses and ours. Our bands have to arrive as expected
23 and perform as promised every single time.

24 If they don't, it can bring a great big business
25 to a grinding halt. In our world, all rubber bands are

1 absolutely not created equal. The rubber bands that
2 Alliance distributes through companies like Staples are like
3 a \$10-hammer that you buy at Walgreens. They're good enough
4 to stash in your kitchen drawer and use once every few
5 months, but you will not find professionals using them.

6 Our bands are professional grade, like the \$150
7 hammer a professional carpenter uses. They are premium
8 quality in terms of their rubber content, count per pound,
9 consistency of dimension, elasticity, durability, and
10 performance.

11 Our bands are used in high volume, high demand
12 industries, and they have to meet very, very high standards
13 for quality. Alliance is capable of making bands that
14 perform like ours and they do. That's where our paths cross
15 as competitors. The bands you'll find at Staples, though,
16 are like a whole different product.

17 Our clients know plenty about rubber bands.
18 They know plenty about Alliance. And they choose to buy
19 from SB Co. again and again. Here's why. Our bands have a
20 35-year track record of quality. I'm talking about the
21 rubber content, the consistency, the count, the elasticity,
22 the durability, and their performance.

23 SBCo. has a 125-year track record of integrity.
24 We combine premium quality products with world class service
25 to create the maximum value for our clients. We maintain

1 large inventories that allow us to solve problems and smooth
2 out price fluctuations for our clients.

3 We're experts at delivering our products
4 quickly, safely, and economically. We provide additional
5 items like stretch wrap, plastic bags, twist ties, pallet
6 covers, twine, strapping and wire that add value to our
7 offering.

8 We've built long standing relationships with
9 hundreds of clients who really trust us. Our central
10 California sales rep has stood up at more than one client's
11 wedding. We tell the truth, we keep our promises, and when
12 we make a mess, we clean it up. We focus on the markets we
13 serve. We know the people we work with and we understand
14 their business.

15 90 percent of our rubber band volume is made up
16 of 10 sizes, four colors, for two markets. That's focus.
17 Contrast that to our friends at Alliance, who are selling
18 latex bands, non-latex bands, oversized bands, retail bands,
19 office supply bands, stationary bands, post office bands,
20 Wrapz with a Z, Strapz with a Z, Brites with no G or H,
21 slip-on grips, extreme file bands, menu board bands, can
22 bands, tie-dye bands, STRAC packs, exercise bands, military
23 products, tattoo bands, fishing bands, and mailing bands.
24 And by the way, they will also do your custom extrusion for
25 you.

1 We don't try to be all things to all people. We
2 know who our clients are, we know what they need, and we're
3 very good at giving it to them.

4 Reading Alliance's complaint, you'll notice that
5 all they talk about is price, price, price as if everybody's
6 bands are the same and price is all that matters when
7 choosing a product and a supplier.

8 That is miles away from the truth and they know
9 it. Rubber band quality varies widely from factory to
10 factory, from grade to grade, and from country to country.
11 To the extent that Alliance denies this fact, they are
12 either completely oblivious to the realities of the market
13 or flat-out lying.

14 Of course, we have to offer a great price to
15 sell bands at the level we do, but there is so much more
16 than price that goes into building and maintaining rubber
17 band business at the professional level.

18 A great price is like the ante in a poker game.
19 You can't play without it, but you have to bring a whole lot
20 more to the table if you're going to win. As part of my
21 confidential post-conference submission, I will share with
22 you more information from our clients about why they buy
23 from us in their own words and it will have very, very
24 little to do with price.

25 You'll recognize some of these people as the

1 ones that Alliance mentioned in their complaint, saying that
2 they could sell them if they could only get a lower price.

3 I will also share factory pricing data that
4 completely refutes Alliance's notion that prices on imported
5 rubber bands have fallen drastically or at all in the last
6 three years.

7 I will share internal SB Co. Communications,
8 which will illustrate clearly how we feel about prices and
9 profits and dispel any notions you might have about us
10 selling at unreasonably low prices.

11 Finally, I will include a complete rundown of
12 the wild guesses, misrepresentations, and outright lies that
13 populate Alliance's original complaint.

14 To summarize, Alliance Rubber has been one of
15 our toughest competitors in the rubber band business for 35
16 years. They offer fine products and very competitive
17 pricing. They have a lot of loyal clients. They're a tough
18 competitor, and when we do compete, they win their share of
19 the business.

20 Alliance claims that they have been hurt by
21 unfair competition. We say that's nonsense. They've mainly
22 been hurt by their own poor judgment, chasing fickle
23 business and building warehouses when they shouldn't. And
24 they're trying to blame other people for the results. If
25 they got hurt competing with us, it's because our bands are

1 better than theirs, our people work harder than theirs, and
2 our clients trust us more than they trust them.

3 Alliance paints itself as a victim, but that's
4 not true. They are greedy opportunists, trying through
5 these proceedings to trick the U.S. government into imposing
6 punitive tariffs on honest American companies like SB Co. to
7 raise our costs, so they can selfishly increase their
8 prices, their profits, and their market share.

9 Blaming other people for their mistakes and
10 trying to rig the game for their own benefit, that's
11 Alliance in 2018. Our clients buy our bands because they
12 trust our products, they trust their service, and they trust
13 us. We love our clients and we are devoted to their
14 satisfaction and their success. They know that and they
15 love us right back.

16 If Alliance succeeds in getting these
17 unreasonable and unjustified tariffs imposed, it will damage
18 American businesses like SB Co. and the other 41 importers
19 all of which are American companies. Our American employees
20 will take pay cuts or lose their jobs while our American
21 clients pay higher prices, which will be passed on to their
22 American clients and eventually to millions of American
23 consumers. There will be millions of losers and just one
24 winner, the Staples-chasing warehouse builders at Alliance.

25 If you find foreign manufacturers and/or U.S.

1 importers who are engaging in illegal activity, I hope you
2 throw the book at them, but I don't think you will. The
3 rubber band business is not much different now than it was
4 three years ago or 10 years ago, except for Alliance being
5 stuck with a useless warehouse. They screwed up, it's their
6 problem. Please let's not make a federal case out of it.

7 Finally, I want to thank everyone on the panel
8 again for allowing us to have our say and for helping me to
9 prepare for this hearing. This has been an expensive and
10 unpleasant business for all of us. I wish it would have
11 never happened. And I hope that Alliance will someday be
12 held responsible for the needless work, expense, and havoc
13 they have caused for so many people. Thank you for
14 listening. Thank you for your help. And it's been a
15 pleasure working with you.

16 MR. LEVINSON: That concludes our direct
17 testimony, but all members of the panel are available to
18 respond to questions.

19 MS. HAINES: Okay. Thank you very much.
20 We'll start with Ms. Lawrence.

21 MS. LAWRENCE: Good afternoon. Thank you for
22 taking the time to present for us and answer our questions.
23 Most of my questions are going to be directed to both Mr.
24 Jordan and Mr. Aversano, so if you would both respond
25 please. Are there any characteristics of rubber bands that

1 are produced in the three subject countries that are unique
2 to those countries?

3 MR. JORDAN: I would say that --

4 MR. BISHOP: Could you identify yourself
5 please?

6 MR. JORDAN: Oh, I'm Kevin Jordan. I would
7 say that there's no differences that can directly be tied to
8 the country they're from, although there would be more
9 difference between the bands that Factory A in Thailand
10 makes and Factory B. There are differences between
11 factories. People have different recipes, different
12 processes.

13 There's nothing specifically about bands from
14 Vietnam that all Vietnam bands are like that. But every
15 band from every factory is a little bit different.

16 MR. AVERSANO: Michael Aversano, Frank Winne
17 and Son. I would agree with Kevin, in that I guess the best
18 way I can explain it to you would be if we decided to move
19 our imports, and we buy currently from a producer in
20 Thailand. We've been buying from them for over 30 years
21 now. If we ever decided to make a switch to a company in
22 China or in Sri Lanka, or even if we went to switch to a
23 domestic company, we wouldn't just assume that the bands
24 were the same.

25 We would have to get samples, and I know for a

1 fact we would have customers who would tell us that there
2 was some difference between the band, whether it was the
3 feel, whether it was the stretch, whether it was the smell,
4 the color, and that would be if we compared an apples to
5 apples, say an 80 percent band to an 80 percent band made,
6 you know, from all of four of them.

7 I bet if we put them in front of some of our
8 customers, they would find something different with each one
9 of them.

10 MS. LAWRENCE: Thank you.

11 MR. JORDAN: Can I add something? You would
12 be just amazed if you met people that work with rubber bands
13 all day about the strength of their opinions about one
14 rubber band versus another. It's spooky. But these people,
15 as you can imagine, there are people in this world that all
16 day long apply rubber bands to stalks of broccoli or bundles
17 of grape leaves or whatever the case may be.

18 And if they don't act a certain way and it's
19 -- very often it's not even a question of better or worse.
20 If it's different, they don't like it. They want what they
21 want, and that's a big part of the business.

22 MS. LAWRENCE: I see, and in your opinion is
23 the U.S. producer able to meet these -- produce rubber bands
24 that meet these same types of requirements of these firms?

25 MR. JORDAN: Kevin Jordan again. Yes,

1 Alliance is quite capable of making very good rubber bands.
2 They don't always, but it's not like they don't -- by
3 accident they don't. I don't, I can't say that they don't
4 concentrate on premium grade, but I know that when we run
5 into them and the customer demands premium grade bands, that
6 they're as tough as anybody on the block always.

7 MR. AVERSANO: Mike Aversano with Frank Winne
8 and Son. I'm under the impression that Alliance would have
9 the capability of making any quality of rubber band that
10 anyone would need.

11 MS. LAWRENCE: Thank you.

12 MR. AVERSANO: You're welcome.

13 MS. LAWRENCE: To your knowledge, are there
14 any difference in standards of production overseas, compared
15 with the production standards here in the States?

16 MR. AVERSANO: Mike Aversano, Frank Winne and
17 Son. I can't really answer that. I don't have firsthand
18 knowledge really of how the factories are run. You know,
19 we're just an importer. We see the finished product. So I
20 would assume that based just on reputation, you know, a U.S.
21 company is going to have a better reputation for quality
22 than say a company in China, at least with the customers
23 that we deal with. That would be the same. I would
24 probably put a U.S. company, a Thai company, a Sri Lankan
25 company and then a Chinese company. But that's just my

1 speculation. Thank you.

2 MR. JORDAN: Kevin Jordan and Schermerhorn
3 Brothers. I don't honestly know what Alliance's standards
4 are. I assume they're very high. I do know that when we've
5 been asked by our clients to provide safety data or anything
6 to do with certifications of how these bands are made, that
7 the factories that we do business with, and realize I only
8 buy from --

9 I only buy from two people. I correspond with
10 three people. These are not shacks out in the jungle.
11 These are real factories, real businesses and they do a heck
12 of a job.

13 MS. LAWRENCE: Are you aware of any
14 differences in technology of the production overseas
15 compared with the technology here?

16 MR. AVERSANO: Michael Aversano, Frank Winne
17 and Son. Not to my knowledge. I couldn't speak
18 intelligently about the production, the technology used in
19 the Alliance factory or the import factories.

20 MR. JORDAN: Kevin Jordan, Schermerhorn
21 Brothers. Me neither. I have never been to any of them.

22 MS. LAWRENCE: Okay, thank you. My next
23 question is about interchangeability, and you mentioned both
24 of you in your testimony that different countries and each
25 individual firm might have slight differences. But

1 generally rubber bands are interchangeable across imports or
2 domestic production; is that correct?

3 MR. JORDAN: Kevin Jordan, Schermerhorn.

4 That's not correct. They say that's correct, but that's
5 completely incorrect.

6 MS. LAWRENCE: Okay. Will you elaborate then?

7 MR. JORDAN: The key to a good rubber band is
8 the amount of rubber that you put on and vary -- I mean I
9 can't speak to it in the technical terms that they do, or
10 even that Mr. Cantrell can. But rubber bands are basically
11 made out of rubber and clay, okay. The more rubber you put
12 in, the better the rubber band is, better in terms of
13 elasticity, better in terms of strength, better in terms of
14 durability.

15 And the one thing that nobody's brought up yet
16 at these proceedings is that the rubber weighs less than the
17 clay. So in addition to be producing a better band, it also
18 produces a lighter band.

19 And since, as Ms. Bonnie said, rubber bands
20 are bought by the pound and used by the units, in many cases
21 the best rubber bands are the cheapest rubber bands, because
22 your price may go up 20 percent due to the higher grade, but
23 you get 25 percent more bands in the bag. So I'm sorry,
24 what was the original question?

25 MS. LAWRENCE: Interchangeability in imported

1 rubber bands.

2 MR. JORDAN: You know, you can -- okay. We're
3 simple people and we live in a simple world. Rubber content
4 is always going to vary from say 55 percent on the low side
5 to 95 percent on the high side, okay. We've settled on two
6 different formulations. The good one we call crepe; the
7 cheap one we call compound, okay.

8 If I have a client that's used to crepe and
9 I'm out of crepe and I have to sneak him compound, he'll be
10 fine with that. He doesn't want to switch to it, but it's
11 not like they can't be used. But the people who buy rubber
12 bands from us, they do it for a reason. They don't say ship
13 us over whatever you've got.

14 So they'll be patient with substitutions, and
15 to go to a different band won't put them out of business.
16 But they don't you doing it, you know, twice a month, you
17 know. They want what they want. They're used to what
18 they're used to. Ironically, it's not always true that
19 people like the crepe bands better than the compound bands.
20 They're different.

21 The crepe bands are in very real terms better,
22 but that doesn't mean that every single person is going to
23 like them better. You know, and there's a lot of inertia
24 involved. People get used to using a certain thing, and
25 they do act differently.

1 MR. AVERSANO: Michael Aversano, Frank Winne
2 and Son. It's been our experience that bands coming from
3 the different factories in the different countries and the
4 domestic producer are not interchangeable. I can only speak
5 from our experience, and I know that, you know, if we -- if
6 I started to tomorrow bring in bands from China or even Sri
7 Lanka, I'd have a bunch of returns on my hands.

8 It could be the same exact specs. I could
9 give each factory the same specifications, and my customers
10 would reject some of the bands that were from China or some
11 of the bands from Sri Lanka. Even if I tried a different
12 company in Thailand, they might reject them.

13 So just to say that because it's, you know, an
14 80 percent band and it's nine inches in length and it's this
15 width and it's this thickness that it's the same from
16 Alliance, that it's the same from Schermerhorn, that it's
17 the same from Frank Winne, I don't agree with that. I think
18 that they are different. I think customers do notice a
19 different in that.

20 MS. LAWRENCE: Thank you. You both have
21 mentioned rubber content being a large distinguishing
22 factor. Is there an industry standardization of high,
23 medium, low content or how do you characterize that?

24 MR. AVERSANO: Mike Aversano with Frank Winne
25 and Son. I don't believe that there is truly an industry

1 standard. Everyone is very protective of the rubber
2 contents that they bring in now. Similar to Alliance, we do
3 carry, you know, a best, you know, a good and a lower end
4 quality band, but we try not to advertise the rubber content
5 in those.

6 MS. LAWRENCE: Would that be something you
7 could provide in the post-conference brief for us?

8 MR. AVERSANO: Yes, we could definitely
9 provide that to you.

10 MS. LAWRENCE: Thank you.

11 MR. JORDAN: Kevin Jordan Schermerhorn
12 Brothers. At the risk of repeating what I said before,
13 probably everybody in the room, and I'm not sure that you
14 can make rubber bands with less than 50 percent. But maybe
15 -- I've never heard of them. 55 is about the bottom, 95 is
16 about the top. We only have two grades, but you know, we
17 can get people whatever they want if the quantity is right
18 and they can wait for us to make it.

19 But I would say most people when they submit
20 their confidential information, their bottom grade is going
21 to be around 60 percent and their top grade is going to be
22 around 80 percent. They won't all be the same. There's no
23 agreement on it, but everybody kind of knows.

24 MS. LAWRENCE: Okay, thank you. Do you
25 anticipate an increase or decrease in the demand for rubber

1 bands in the foreseeable future, and what barometers do you
2 use to estimate those trends?

3 MR. JORDAN: Kevin Jordan, Schermerhorn
4 Brothers. Well, the results of this meeting would
5 precipitate perhaps an increase in the price of rubber
6 bands. Other than that, I don't know. I don't know, you
7 know. I believe when the price jumped up so much back in
8 2017, it had to do with a drought. I mean these are trees
9 that produce this product.

10 So if the crop doesn't come in, if there's
11 pests, labor is always a big problem over there, you know,
12 because even though people like to say that everybody over
13 in Asia works for \$10 a week or whatever, it's really not
14 that way.

15 I mean we're generations ahead now and these
16 people got Chili's and Ford Mustangs and all this stuff and
17 they don't want to do that work anymore. So a lot of the
18 people are going into the cities, and that drives the price
19 up because the labor pool is not what it used to be.

20 MS. LAWRENCE: So are there other factors
21 besides price that you look to estimate demand?

22 MR. JORDAN: Oh, I'm sorry. I misunderstood
23 the question. I thought you were talking about price
24 fluctuations. I'm sorry, ask me the question again please.

25 MS. LAWRENCE: Sure, yeah. Do you anticipate

1 an increase or decrease in the demand for rubber bands in
2 the foreseeable future?

3 MR. JORDAN: Oh, not -- well, I would say
4 this. Newspapers are just dying in droves, and newspapers
5 were pretty good rubber band customers for a number of
6 years. So generally speaking, your newspaper business is
7 going to decrease steadily and irreversibly. Agriculture is
8 a big part of our business, and you're pretty much talking
9 about Florida and California.

10 And so the weather is a big factor. The
11 drought in California, it killed us, and when California
12 rebounds, that helps us. Okay, the hurricanes in Florida
13 hurt us. So weather is a huge factor in the demand for our
14 bands but that's not something we can predict. But it is
15 something that we allow for because we keep large
16 inventories, and that's one of the things our clients like
17 about us, is that we invest in the inventories.

18 That also allows us to smooth out pricing
19 problems because when price spikes, we don't have to buy it
20 because we can get by for a couple of months, hoping the
21 price will unspike, which is exactly what happened in early
22 2017. Our clients never saw any of those increases.

23 MR. AVERSANO: Michael Aversano, Frank Winne
24 and Son. We had a slightly different experience over the
25 last three years, and if you -- if y'all would reference our

1 questionnaire on page 16, you'll see how our sales increased
2 from 2015 to 2016, but then we saw a decrease from 2016 to
3 2017, which would have coincided with the increase that we
4 saw come out of Thailand for the cost of our product.

5 I can't get into too many details about how
6 much the increases were or the loss of the business, but I'm
7 happy to provide more information to you in our
8 post-conference brief.

9 MS. LAWRENCE: Thank you.

10 MR. AVERSANO: You're welcome.

11 MS. LAWRENCE: Mr. Aversano, when you're
12 looking to forecast changes, what sort of barometers do you
13 use?

14 MR. AVERSANO: We basically just look at our
15 previous sales and try and account for whatever growth that
16 we think is coming. So we -- it takes about 90 to 120 days
17 for us to get product in, so we're -- that's about as far as
18 we're looking in advance. So we'll order, you know, stuff
19 for today that we expect to sell for the next maybe four to
20 six months.

21 We just -- we base it strictly on our previous
22 sales, as well as input from our sales team. That's all the
23 forecasting we do.

24 MS. LAWRENCE: Thank you.

25 MR. AVERSANO: You're welcome.

1 MS. LAWRENCE: For both firms, to what degree
2 do you find your imports competing with imports from other
3 countries? What other competition has there been on the
4 import market?

5 MR. AVERSANO: Michael Aversano, Frank Winne
6 and Son. Our experience is mostly that's really all we
7 compete with is importers. We don't really compete directly
8 with Alliance, and it's mostly Thailand, Thailand imports.
9 To be honest, I've never run into -- my firm has never
10 really run into an in scope rubber band made in Sri Lanka or
11 in China, or for that matter any other country except for
12 Thailand.

13 MR. JORDAN: Kevin Jordan, Schermerhorn
14 Brothers Company. I agree with that.

15 MS. LAWRENCE: Thank you. Mr. Aversano, you
16 said you import only from Thailand, correct?

17 MR. AVERSANO: Yes, that is correct.

18 MS. LAWRENCE: And Mr. Jordan, do you -- which
19 countries do you import from?

20 MR. JORDAN: Thailand exclusively.

21 MS. LAWRENCE: Okay, thank you.

22 MR. JORDAN: I have heard -- I have a memory
23 of competing against Sri Lankan bands years and years ago.
24 But to my knowledge, neither Sri Lanka or China is any kind
25 of a factor in the U.S. rubber band market.

1 MS. LAWRENCE: Thank you. Mr. Jordan, you
2 mentioned that you supply rubber bands to two industries.
3 What industries are those?

4 MR. JORDAN: I'd rather not say that in front
5 of people I don't trust.

6 MS. LAWRENCE: Could you provide that in the
7 post-conference brief?

8 MR. JORDAN: Absolutely. I trust you.

9 MS. LAWRENCE: Thank you. What markets are
10 you involved in Mr. Aversano?

11 MR. AVERSANO: Mike Aversano, Frank Winne and
12 Son. The bulk of our business is in the commercial fishing
13 industry. But then we also -- industrial supply is another
14 one, the newspaper industry. Very little for us in the
15 agricultural, though we do consider the commercial fishing
16 to be a produce application. But that's really -- we don't
17 really sell into the office supply, like to the big office
18 supply companies. Maybe some smaller ones.

19 MS. LAWRENCE: Do these different industries
20 require certain specifications for their bands?

21 MR. AVERSANO: The specifications would vary
22 based on the length of the band probably. You can sometimes
23 get away with changing the rubber content within an
24 industry. Like you can't -- I couldn't sit here and tell
25 you that every commercial fisherman uses a 90 percent band.

1 That's not true. They would use all different kinds, and I
2 think that goes across the industry.

3 But like a commercial fisherman is going to
4 use a small band that obviously is going to fit on the
5 lobster's claw. That's not going to be the same band that
6 you sell to, you know, an industrial application, so they
7 are different.

8 MS. LAWRENCE: Okay, thank you. That's all
9 the questions I have. Thank you.

10 MS. HAINES: Ms. Messer.

11 MS. MESSER: Mary Messer. Thank you for your
12 testimony. I'd like to follow up with the
13 interchangeability line of questioning, just a couple of
14 quick questions. Do each of your companies sell a product
15 that competes with each of Alliance's three grades, the
16 Gold, the Sterling and that Advantage.

17 MR. AVERSANO: Mike Aversano, Frank Winne and
18 Son. I believe so. I don't know the rubber contents that
19 Alliance uses, so I couldn't say for sure what would match
20 up. The way our process would go would be if we were
21 competing against Alliance for a piece of business. We
22 would probably get a sample, determine as best we could
23 which one of our grades would match up with it, and then we
24 would sample the customer.

25 That's ultimately how we'd make the decision.

1 So they would decide whether or not our band matched up with
2 theirs, and then we could also say here's three options.
3 Which one do you want to use, and here are the prices on
4 them. So I don't necessarily have a direct comparison band
5 that I would always use, you know, if I was going up against
6 Alliance's Sterling band.

7 I can tell you that when we were purchasing
8 from Alliance, I believe we were buying their Sterling,
9 their middle grade band and we advertised it as a high
10 quality premium rubber band, and that was just their middle
11 quality band. Thank you.

12 MR. JORDAN: Kevin Jordan, Schermerhorn
13 Brothers. The short answer is yes, we certainly compete
14 with all three grades of their bands. We do not make any
15 attempt though to duplicate or imitate the grades of their
16 bands. As I said before, we've got a pretty good idea what
17 the rubber content is on each of their grades.

18 Our first -- if we're going after a piece of
19 business that they're selling, our first effort is not to
20 duplicate what they're already getting. Our first notion is
21 to sell them what we've decided on as the best band. We've
22 put a lot of thought into the recipe that we use to make our
23 bands, and we feel very strongly that they're the best.

24 So we can duplicate other people's
25 specifications and other people's recipes, but we will try

1 very hard to convince prospects and clients as we convince
2 ourselves, that is the right band for the job.

3 MS. MESSER: Okay. So what I'm hearing from
4 you then, because what I heard earlier I'm a little
5 confused. What I heard earlier was that they're not
6 fungible, that they're not interchangeable. From what you
7 just said, I get the impression that yes, they are.

8 MR. JORDAN: No, no. But I mean you -- okay.
9 If you were going to drive to the store, you could drive in
10 a Honda or you could drive in a Lincoln Continental. Are
11 they fungible? I mean it's just that. I'm not trying to be
12 smart about it. I'm just saying, as the gentleman over
13 there said earlier. I mean if you want to say they're
14 fungible because they both wrap stuff up, yes. To that
15 extent they're fungible. But my clients don't see the
16 world that way.

17 My clients, if I slipped them in some Alliance
18 bands, my phones are going to ring, even if I put them in my
19 bag, because they're different. They're not fungible.
20 They're not fungible to somebody who buys a half a million
21 pounds of rubber bands a year. These people know rubber
22 bands. They know a lot about rubber bands and they care
23 about rubber bands, and they're not fungible.

24 MS. MESSER: So it's based on quality?

25 MR. JORDAN: It's based on quality --

1 MS. MESSER: Perception of quality?

2 MR. JORDAN: Yes quality, and quality means a
3 lot of things. It's based on the consistency of the cut.
4 You know, they can't have breakage. A lot of these
5 machines, a lot of these bands are applied mechanically. So
6 they have to come out of the package. They can't, they've
7 got to be round. They can't be elliptical. You can't have
8 the walls stuck together because people don't even touch
9 these. They go in a hopper and they go on some sort of set
10 of mechanical fingers that opens up and then something drops
11 in there.

12 And so there's a lot of features in these
13 products, and that's why I get so angry when I hear people
14 say they're fungible. They're not fungible. I'd like to
15 send them up to see my friends that use a lot of rubber
16 bands and talk about fungible.

17 MS. MESSER: So the product that you sell
18 that's the top grade, say I'm a purchaser and I look at you
19 top grade product and I look at the Petitioner's Gold, those
20 are not going to be the same product?

21 MR. JORDAN: No, no. They're similar.
22 They're both, you know, they're both rubber bands. If
23 you're going to use ten of them, they're fungible. If
24 you're going to use 10,000 pounds of them, they're not,
25 because a lot of the quality of a product like, you know,

1 wire or rubber bands, it won't show itself over the short
2 run. It won't show itself over ten bands, you know.

3 But it will show itself over ten days of
4 running three shifts using them, and that's where the
5 non-fungibility comes in. I'm not saying that mine are
6 always the best or that everybody likes mine better than
7 theirs. But fungible is not a word that should be used to
8 describe anything that I'm talking about.

9 MR. AVERSANO: Michael Aversano, Frank Winne
10 and Son. I agree with Kevin's comments.

11 MS. MESSER: Okay. So typically, in looking
12 at fungibility, our questionnaires might ask, based on your
13 opening statement and your testimony, information based on
14 the rubber content. And I'm having trouble envisioning the
15 type of question that we might ask, breaking out the front
16 levels, if we can't reveal the rubber content that each --
17 is in each level. Do you have any proposal as to how we
18 might get around that?

19 MR. AVERSANO: Michael Aversano, Frank Winne
20 and Son. We would be happy to share the rubber content of
21 our grades of rubber bands into a questionnaire, as long as
22 it was privileged and not shared. I think that's probably
23 the only way that you'd be able to more accurately get your
24 price data. You'd have to -- you'd have to say somebody's
25 90 percent band, 80 percent band, 70, 75 percent band.

1 You probably would need to have that
2 addressed, so that way the data at least -- you'd have a
3 better shot at comparing it. Because the way that the data
4 is right now, we've had to lump in. So the questionnaire
5 asked for, you know, six products I think it was, and it
6 would say -- say that's for the data on a number 64 band.

7 We'd have to go into our computer and then out
8 our data from anywhere from a 90 percent 64 band all the way
9 down to a 55 percent band, and lump it in. So our data's
10 going to be skewed. If I sell more 90 percent bands than I
11 do 55 and vice-versa, if somebody sold more 55, it's going
12 to look -- I'm assuming when you look at the data you're
13 going to see prices maybe all over the place.

14 That's going to be an indication of certain
15 firms selling a higher grade rubber as opposed to other
16 firms that might sell lower grade rubber. But I think if
17 you -- if you did make mention of the rubber content, you
18 might have cleaner data. Thank you.

19 MR. JORDAN: Kevin Jordan, Schermerhorn
20 Brothers. I don't mind sharing the rubber content on our
21 bands at all in private. But they're not going to line up
22 with Mike's, and they're not going to line up with
23 Alliance's exactly. So the answer to your question, I
24 believe, is there is literally no chance that you're ever
25 going to be able to compare these things. It's impossible.

1 I'm pretty sure it's impossible, and I'm pretty sure it's
2 impossible.

3 MR. ADELIZZI: Nicholas Adelizzi, Frank Winne.
4 I think your question, correct me if I'm misunderstanding,
5 is how would we propose you asking a question to get the
6 relevant data concerning rubber content in a general
7 questionnaire; is that correct?

8 MS. MESSER: Typically what we would ask would
9 be based on whatever levels were viewed by the industry as
10 an industry standard. Whether it be, you know, Gold,
11 Silver, Bronze or whatever the names, we would have a
12 definition of each level that would be an industry standard.
13 We would go out with a questionnaire that would ask for
14 shipment data broken out by those three levels.

15 But what I'm hearing from you is that may not
16 be possible in this industry; is that correct?

17 MR. ADELIZZI: I think everybody has said that
18 we would be happy to share the rubber content with you, just
19 not with each other. So I think with you having all of the
20 information, you would be able to give a range of rubber
21 content and bracket it out yourself, depending upon our
22 confidential information.

23 So you could say, I mean it's already been
24 said today that rubber content is typically from 55 percent
25 to 90 to 95 percent. And then you would have all of our

1 information as to what constitutes our different levels. So
2 you could say like give us all of your pricing data from 50
3 to 65 percent, depending upon --

4 MS. MESSER: That's exactly what I'm getting
5 at. Where, at what -- where do we draw the lines, and we're
6 not the industry experts? So we need some guidance as to
7 where do we separate the first, second and third tiers?

8 MR. ADELIZZI: I think once we respond -- once
9 we all respond, because you've asked for it from all of us.
10 I mean there's only three out of the 41 here. But I think
11 you'll be able to determine yourself where the different
12 levels fit in and fall out.

13 MS. MESSER: Okay.

14 MR. JORDAN: Kevin Jordan, Schermerhorn
15 Brothers if I may. I agree with everything that Nick said,
16 but I think you would be mistaken to think that that's going
17 to allow you to compare the price of say my 67 percent band
18 to his 72 percent band. If my midrange band is 67 and his
19 is 72, it would be nice and I wish I could tell you that,
20 you know, just handicap my price by five percent and it will
21 all work out. But that's not the way it goes.

22 MS. MESSER: But a 62 percent band from one
23 company and the 62 percent band from the other company would
24 be --

25 MR. JORDAN: Right, but you're making an

1 assumption that we both offer 62 percent bands, or that we
2 both sell 62 percent bands, which we don't. Mine might be
3 62 and his might be 67. I wish I could tell you that this
4 is possible, but it's not.

5 MS. MESSER: Understood. Okay, moving on.

6 MS. LEVINSON: Ms. Messer, if I could just
7 add, and this is something we've given a lot of thought to,
8 as I'm sure the Petitioners have as well, and I know that
9 this Commission staff certainly has. But you know, if this
10 does go to a final investigation and you're looking at
11 reissuing questionnaire, then you know, I would suggest that
12 for each product description you specify a particular rubber
13 content. Now it may be that some people don't produce it or
14 don't sell it.

15 That's always -- that's always your problem
16 when you have to deal with pricing questionnaires. But at
17 least you'd be comparing apples to apples. You'd be
18 comparing the 62 percent to the 62 percent.

19 MS. MESSER: That's understood, and that I
20 understand for the pricing items. What I was particularly
21 interested in was the overall shipment data that we request,
22 when we request no one particular item to compare with
23 another particular item, import to U.S. produced. But when
24 we look at all shipments with a, within a certain band.

25 So it is separating that band, whether it's

1 separated out with two grades or three grades or 15 grades.
2 Where do we draw the lines?

3 MS. LEVINSON: And I obviously was addressing
4 pricing data with those specific products and not the
5 shipping data, but I think as long as you draw the lines at
6 the same places for everybody that you'll have a meaningful
7 comparison.

8 MS. MESSER: Fair enough. Thank you.

9 What is your position on the definition of the
10 domestic like-product?

11 MS. LEVINSON: Well for purposes of this
12 preliminary investigation, we are certainly ready to agree
13 with the Petitioners on their definition. Although I
14 actually have to thank you because I thought you were very
15 helpful in clarifying that. I had been very confused by
16 both the Petitioner and their presentation because they had
17 both said all rubber bands are the domestic like-product.
18 And then they had also said that the scope--the like-product
19 should be commensurate with the scope. And the scope is not
20 all rubber bands. So I wasn't clear as to their position.
21 I believe you clarified that for us, and their position is
22 that the scope should be commensurate with--I'm sorry, that
23 the like-product should be commensurate with equal to the
24 scope. And we're willing to go along with that for the
25 preliminary determination.

1 MS. MESSER: Do either of the importers here on
2 the panel today import sizes that are larger or smaller than
3 the scope description?

4 MR. AVERSANO: Michael Aversano, Frank Winne &
5 Son. Yes, we import rubber bands that are larger than the
6 in-scope rubber bands. And that information can be found in
7 our questionnaire.

8 MS. MESSER: Okay. Mr. Jordan, do you--

9 MR. JORDAN: Kevin Jordan, Schermerhorn Brothers.
10 We absolutely import bands that are out of the scope.

11 MS. MESSER: Okay. So those bands that are
12 outside the scope definition, are they for different uses,
13 for different markets? Or are they the same?

14 MR. JORDAN: Kevin Jordan, Schermerhorn. They
15 are for different uses in different markets than the bands
16 that are in the scope.

17 MS. MESSER: Okay.

18 MR. AVERSANO: Michael Aversano, Frank Winne &
19 Son. I agree with Kevin.

20 MS. MESSER: Okay. Price. Is there a
21 difference in price between the product that's in-scope and
22 the products that are larger or smaller?

23 MR. AVERSANO: I'd be happy to answer that in
24 our post-conference brief, if you don't mind.

25 MS. MESSER: Okay.

1 MR. AVERSANO: Thank you.

2 MR. JORDAN: Kevin Jordan, Schermerhorn
3 Brothers. I'm going to go out on a limb and say, no, not in
4 the price-per-pound. When you get into some real big bands,
5 it gets weird and they're almost like a completely different
6 product. But the bands that are sold by the pound, just
7 like the scope bands that for whatever reason are not in the
8 scope, the price would be the same per pound. But since you
9 get a different number per pound, the price per band would
10 be vastly different. Do you know what I mean?

11 MS. MESSER: Yes.

12 MR. JORDAN: So if you have a little skinny band
13 and you pay a dollar a pound for it, you might get 3,500
14 bands for your dollar. Whereas if you go up to a bigger
15 band, you may only get 250 bands for your dollar. So in
16 terms of my paperwork, it's a dollar a pound either way.
17 But that band where you only get the 250 is a whole lot more
18 expensive than the other one, if you're just looking at the
19 rubber band.

20 MS. MESSER: Okay. Thank you. Do either one of
21 your firms import a synthetic or non-latex band?

22 MR. AVERSANO: Mike Aversano, Frank Winne & Son.
23 We do not import the latex freeband.

24 MS. MESSER: Okay.

25 MR. JORDAN: Kevin Jordan, Schermerhorn

1 Brothers. Not us, either.

2 MS. MESSER: Okay. And I just have one more
3 question. And, Mr. Jordan, it was a statement that you had
4 made in your testimony. Playing devil's advocate here, so
5 you were discussing the staple business and the loss of that
6 business and the price. And you had indicated that they
7 should have looked forward to--and your quote is--"you're
8 going to lose it through a lower price in the future."

9 So playing devil's advocate, isn't the low price
10 the entire reason why we're here?

11 MR. JORDAN: Okay, could you ask the question
12 again? Are you asking if it's only price why we're here?
13 It is only price why we're here because those guys brought
14 us here, and they're only price.

15 MS. MESSER: Okay, so your statement was that
16 they should of looked forward to losing their business
17 because the prices were going to be coming in lower. They
18 should have expected a lower price, because the next guy is
19 going to do another price, and my question is, playing
20 devil's advocate: Would one argue, then, well that's the
21 whole reason why the case was brought?

22 MR. JORDAN: In that kind of a business, the
23 Staples kind of business where they put out a bid once a
24 year, and we don't get it, we don't want it, and they demand
25 unreasonable things like guaranteed pricing for a year and

1 they don't give you much time to present, they're just
2 looking at numbers and they're going to pick the lowest one,
3 okay? If you are lucky enough to be the lowest one and you
4 don't think that next year somebody's going to be lower,
5 especially when you just got it, you don't think the guy you
6 took it away from is going to come back on you, that's just
7 silly. We would never do any of that stuff. You know? We
8 would never guarantee a price for a year without assurances
9 from suppliers. We would sure as heck never build a
10 warehouse under those conditions. I'm sorry, that is just
11 crazy.

12 MS. LEVINSON: Hi, this is Liz Levinson. I
13 think Mr. Jordan was describing a very particular customer,
14 the Staples account, and I don't think--he can speak for
15 himself--but I don't think you were trying to say that all
16 customers in the marketplace approach the business that way?

17 MR. JORDAN: Kevin Jordan, Schermerhorn
18 Brothers. Yes, I was not trying to say that. I was trying
19 to say that Alliance approaches the business that way, and
20 that's why we're here.

21 MS. MESSER: Thank you very much. I appreciate
22 that clarification.

23 I have no further questions.

24 MS. HAINES: Ms. Dempsey?

25 MS. DEMPSEY: I actually have no questions,

1 either. Thank you for appearing here today.

2 MS. HAINES: Ms. Gamache?

3 MS. GAMACHE: I am Lauren Gamache from the Office
4 of Economics. Thank you all for coming. We really
5 appreciate it.

6 I would like to start off by asking about your
7 purchasers and what sort of quality characteristics they
8 look for. So first off, are there particular
9 characteristics of rubber band products that might lead them
10 to vary drastically in price, aside from the rubber band
11 content that we've been discussing already?

12 MR. AVERSANO: Mike Aversano, Frank Winne & Son.
13 For us, for our purchases, the driving force behind what
14 changes our price is really just the rubber content. That's
15 the deciding factor. There are some other things that add
16 slightly to the cost--say if you print on the band; if you
17 want a certain color; the packaging, if you want a special
18 packaging. And then if you get into the produce bands, or
19 the bands that are going to be used outside, you might have
20 to add some UV to the product. That can all change the
21 cost.

22 But hands down the driving force behind it is the
23 rubber content.

24 MS. GAMACHE: Okay.

25 MR. JORDAN: I agree with Mike that the

1 difference between a premium grade rubber band and a good
2 grade rubber band is pretty much exclusively the rubber
3 content. But I do want to make the point that it is
4 absolutely possible--and we do it all the time--to make a
5 really, really good standard grade band. A lot of people
6 don't--they don't realize the benefit of the crepe. But at
7 the same time, they still want that thing to be cut to spec.
8 Okay? They still want the wall gauge to be right. They
9 still don't want every fourth one to snap.

10 And another thing that nobody's ever mentioned
11 here, these things are sold by the pound. Okay? If you
12 wind up with a half-ounce of rubber dust in the bottom of
13 your one-pound bag, people don't like that. Because that's
14 like a little hidden price increase, okay?

15 Little odds and ends that fall off, little mutant
16 off-size things in it, they all go on the scale. Okay? So,
17 yes, the best rubber bands in the world have high rubber
18 content, but some people, like people who are going to sell
19 them again, they don't--like the people at Staples, they
20 don't have the time to stand in the aisle and explain
21 count-per-pound to everybody that comes by. They just need
22 a low price.

23 So people who are going to buy rubber bands and
24 then sell them again to people they're never going to talk
25 to, they like the low price point of the compound band. But

1 they still want a good band, alright? So to answer your
2 question: Yes, there's a lot of other characteristics other
3 than rubber count. It's just consistently quality of
4 manufacturing, of packaging.

5 I mean we've run across people where their
6 one-pound bag weighs 15 ounces, and that's not an accident.
7 You know, that's why when people talk about rubber band
8 quality, it's sort of like the quality of the whole
9 experience. You know, the boxes are good. The bags are
10 good. They bags don't come in all broken, you know? The
11 bags really do weigh a pound. These are all things that are
12 very important, and that all works into rubber band quality
13 regardless of the grade.

14 MS. GAMACHE: Thank you. Of the different sort
15 of quality characteristics that are important to purchasers,
16 do those vary by end use, or by end user?

17 MR. JORDAN: Kevin Jordan, Schermerhorn
18 Brothers. The ones that I was just detailing in terms of
19 the cut and the consistent weights and the consistency of
20 the dimensions, that doesn't vary. Everybody wants that.

21 But as I tried to explain with the--as opposed to
22 the user who can really take advantage of the additional
23 count-per-pound that comes with a high rubber content, a
24 person who is re-selling them would probably not only not
25 reap that benefit, but they would suffer selling against

1 their competitors lower grade bands because they never have
2 a chance to explain anything. It's just like an online
3 thing.

4 So if you're selling rubber bands online, you
5 don't want premium-grade bands, because you're not going to
6 get the change to explain why they cost so much. And the
7 fact that even though they cost a lot per pound, they're
8 going to cost less to use because you get more in the bag.
9 So you just say, hey, just give me the cheap stuff. But
10 give me the good cheap stuff.

11 MR. AVERSANO: Mike Aversano, Frank Winne & Son.
12 I would say that the rubber content is a factor for end
13 users. And it could be in the same industry. You might
14 have one commercial fisherman who swears by a 55 percent
15 rubber band, and he'll tell you that it's the best rubber
16 band he's ever used.

17 His neighbor down the street, you know, might
18 tell you "I'll never touch that trash." For me, it's 80
19 percent or more. And, you know, the cut, the length, the
20 width is all the same. The only thing that changes is the
21 rubber content. So I think that that does vary from
22 end-user to end-user, but it's not industry specific.

23 MS. GAMACHE: Alright. Thank you. I'm not sure
24 if you'll be able to speak to this, but I'm wondering about
25 how important branding is. And if you know anything about

1 private labels, if your customers, or if your firm
2 specifically is involved in private-labeling. I'd just like
3 some more information on that.

4 MR. AVERSANO: Michael Aversano, Frank Winne &
5 Son. For us, I would have to go back and double-check, but
6 I think if we did any private labeling it's a very small
7 amount of our business. It's basically our own brand, and
8 we don't really go into that much detail with the packaging.
9 We try and keep our costs down where we can, and packaging
10 for us is one way where we can do that. We just have a
11 run-of-the-mill poly bag that we put the rubber bands in.
12 And we try and keep the logo and the things that we print on
13 the band to a minimum to again keep the costs down.

14 And with the lead times that we have and the high
15 minimums and things like that, for us it's sometimes
16 difficult to do a private label for a customer.

17 MS. GAMACHE: Do you have a sense of if that's
18 sort of the case for the market for imports? Or if that's
19 more firm specific for you?

20 MR. AVERSANO: My assumption would be it would
21 be more difficult for an importer to compete with a company
22 like Alliance for a private label, only because their
23 turnaround time is pretty quick. And they probably have
24 smaller minimums. They can do batch jobs, and do any kind
25 of special packaging.

1 If you came to me today and said, hey, I want to
2 do a private label. I'd say, great, 90 to 120 days we'll
3 have it here for 'ya. Alliance would tell you, you know,
4 probably a couple of weeks.

5 MR. JORDAN: Kevin Jordan, Schermerhorn Brothers
6 Company. We're a big believer in brands, and we're very
7 proud of the way we've built our own. We're the Beacon
8 Brand. That's on just about everything we sell.

9 We don't do--to my knowledge, I don't believe we
10 do any private labeling for anybody else. And that sort of
11 goes along with the fact that we don't--we do sell bands
12 that people sell again, but we don't--you will never see our
13 bands on a retail shelf. It just worked out that way.
14 We've never succeeded at that.

15 MS. GAMACHE: Okay. Have there been any
16 disruptions in the market during the POI? And also any idea
17 what might cause a weird blip in our data at the end of
18 2015?

19 MR. AVERSANO: Michael Aversano, Frank Winne &
20 Son. We saw--and I can speak more to this in our
21 postconference brief--but we had massive increases in our
22 costs of the in-scope product. I think it was the end of
23 2016 and into all of 2017, so I don't know. That doesn't
24 really correspond with the time frame that you're looking
25 at. But we did see a disruption during that time, and that

1 was due to weather issues in Thailand. They had a lack of
2 supply. It drove prices up through the roof, and it forced
3 us to--we had to pull back on what we were importing.

4 MS. GAMACHE: And was that lack of supply due to
5 the lack of supply of rubber?

6 MR. AVERSANO: Yes. So it was the lack of--the
7 raw rubber was becoming more difficult for them to procure.
8 It comes from rubber trees. So if they have like a monsoon
9 or a really dry season, the weather can really have an
10 effect on what they can produce. And then, you know, you
11 have demands from other countries. I know we have trouble
12 if China starts to use more rubber products. It goes to
13 China first, and then we'll see a supply issue. And also
14 for other products.

15 I know for instance if, like if the auto industry
16 starts to see a boom, they make more tires then and I think
17 they get more money for selling it to the tires. So the
18 people making automobile tires get the rubber first, and our
19 suppliers are put to the back of the line and our costs go
20 up. So we see issues with that.

21 That might have been what happened in the time
22 frame you're speaking about, because I know--and you guys
23 might know this better than I would--I think there was
24 something going on in China where they were trying to
25 increase their automobile sales. So I know that caused an

1 issue for us, and that might have been around that time, but
2 it might have been earlier; I'm not sure. Thank you.

3 MR. JORDAN: Kevin Jordan, Schermerhorn
4 Brothers. Based on the fact that I've already forgotten two
5 questions before I got to answer them, I'm probably not the
6 greatest authority on what happened at the end of 2015, but
7 I do remember as I sit here--and I'm not sure about the time
8 frame--but there was an incident where one of the big--and
9 you'll remember this I bet--one of the big ocean freight
10 companies like Mersck, or one--they went out of business.
11 And none of the ports would accept their boats.

12 So all these boats were, you know, just doing
13 circles out in the middle of oceans and stuff. And it
14 wasn't that long ago. So maybe it was that. Can I ask you,
15 was there a blip in my data at the end of 2015?

16 MS. GAMACHE: My memory is not so good--

17 (Laughter.)

18 MR. JORDAN: Stop trying to make me feel better.
19 But, you know, when these blips happen, and there was a blip
20 at the beginning of 2017, at the risk of repeating myself,
21 this is an agricultural product. It's like maple syrup.
22 They take it out of trees. And if the trees aren't healthy,
23 if the rain doesn't fall, or if the rain falls too much,
24 then the crop is no good and the supply goes down so the
25 price goes up.

1 All over Asia labor is a huge problem, for the
2 reasons I said before. It's not like it used to be. You
3 know, these people are not going to be exploited like that
4 anymore. And they have a hard time. People don't want
5 those jobs. They're not great jobs, you know. So, you
6 know, they lose the guys that used to cut rubber bands who
7 are now working at Friday's, you know? It's like that.

8 There are also dock strikes. The Port of Long
9 Beach goes on strike every six weeks or so. So that could
10 have had something to do with it. But I bet if we looked it
11 up, I wouldn't be surprised if it was a container line ship
12 that went out of business, and that probably put a spike in
13 a lot of imported products.

14 MS. GAMACHE: Okay. Thank you. Could you give
15 me a sense of the range of price differences between
16 different grades of rubber content? So for example the
17 price difference between 55 percent rubber content to 65 to
18 75 to 95? I know you've said that it's not linear, but if
19 you could just let me have an idea of what that range might
20 be?

21 MR. AVERSANO: Michael Aversano, Frank Winne &
22 Son. I would be happy to provide you that detailed
23 information in our postconference brief.

24 MS. GAMACHE: Okay.

25 MR. JORDAN: Kevin Jordan, Schermerhorn

1 Brothers. I would say it's not linear, but it's way closer
2 to linear than it is to random, if that helps. In other
3 words, you know, I would say if you go from 55 percent to 65
4 percent, your price isn't going to go up exactly 10 percent,
5 but it's not going to go up 80 percent, either. It's going
6 to--you can probably make assumptions. I don't know what
7 they are. Honestly, I don't have a price list in front of
8 me. But it makes sense when you look at, and it's not
9 drastic. You know--you know, I would tell you that in the
10 confidential part.

11 MS. GAMACHE: If you could look into that
12 and--

13 MR. JORDAN: I can give you my price list in the
14 confidential part. I don't have to tell you. I want you to
15 see my price list, the ones that are the same before as they
16 are now.

17 MS. GAMACHE: Thank you. In terms of our
18 pricing products, aside from the rubber content issue, how
19 well do you think our fixed pricing products capture the
20 variety in the market? And secondly, in your judgment is
21 collecting prices based on weight the most reasonable way
22 for us to look at prices? Should this go into the final?
23 Or would collecting prices on the basis of rubber band
24 count be more appropriate for the industry?

25 MR. JORDAN: Kevin Jordan, Schermerhorn

1 Brothers. I think you did a heck of a job on the ones you
2 picked. They're all pretty lively sizes. There is one in
3 there that was a little gamey. I don't remember which one
4 it was. But for the most part, those are active items.

5 I think if you're going to look at rubber band
6 prices, you absolutely, positively have to live in a
7 per-pound world. If you try to get into a per-band world,
8 or a per-thousand-band world, we are going to be here for a
9 long time.

10 MS. GAMACHE: Okay.

11 MR. JORDAN: I mean it's hard to collect this
12 data as it is, but I understand I think what you're trying
13 to get at, but that would be a monster.

14 MR. AVERSANO: Mike Aversano, Frank Winne & Son.
15 I think the products, the six products you selected, do
16 encompass a large portion of what's sold here in the United
17 States across a couple of different industries. And I also
18 agree that the only way really to discuss the pricing data
19 is on a per-pound basis. But again I do think you should
20 make mention of the rubber content. Thank you.

21 MS. GAMACHE: Okay. Great. Thank you. That
22 concludes my questions.

23 MS. HAINES: Ms. Freas, do you have any
24 questions?

25 MS. FREAS: No questions at this time. This is

1 Janet Freas. Thank you for your testimony.

2 MS. HAINES: Mr. Cantrell?

3 MR. CANTRELL: Thank you, everyone, for your
4 testimony today. Just one question I had, is everyone who
5 has testified here strictly dealing with Thailand imports?

6 MR. AVERSANO: Mike Aversano, Frank Winne & Son.
7 Regarding the in-scope product, the only product we bring in
8 is from Thailand. However, we do bring in out-of-scope
9 rubber bands from Sri Lanka. And we don't bring in any
10 rubber band products from China, or any other countries.

11 MR. CANTRELL: By the out-of-scope from Sri
12 Lanka, are those the larger bands?

13 MR. AVERSANO: Yes, sir, they're the larger
14 bands. It usually starts around 20 inches and more.

15 MR. CANTRELL: I know I've looked around for
16 rubber bands around this area and have not found anything
17 from Sri Lanka. So, you know, I--anyway, I haven't found
18 any here. Of course we wouldn't find in Home Depot or--I
19 mean Office Depot or Walmart bands of that nature, I'm sure.

20 MR. AVERSANO: No, sir. I think your assessment
21 is correct. It's also been our experience that we don't
22 ever see what we would consider a stationary band, which is
23 the in-scope product, from any country other than either
24 Made In The USA or Made in Thailand.

25 Those larger bands that you're speaking of were

1 more for industrial applications. So you wouldn't see them
2 in retail locations, usually.

3 MR. CANTRELL: Something that's come up I think by
4 both panels today is, you know, what's the outlook for the
5 rubber band market overall? I mean, is it going to be
6 steady-as-she-goes overall? There may be fluctuations from
7 year to year, but I mean are we going to see real, absolute
8 increases in demand? Or do you expect it to be about flat
9 to the same as it has been for the last few years?

10 MR. AVERSANO: Michael Aversano, Frank Winne &
11 Son. I think that the newspaper industry, which still uses
12 a large amount of rubber bands, it is a shrinking industry.
13 So that business is going to go away and it's not going to
14 be replaced with anything. So I think there probably will
15 be a decline with that.

16 For us, a large portion of our business is
17 commercial fishing. And that can vary widely year to year
18 depending on the catch from the fishermen and what's going
19 on there.

20 So if I excluded that portion of our business--
21 because that's very hard for us to predict until we start to
22 get into the season--our industrial business, I think for us
23 year-to-year pretty much stays flat. We don't see huge
24 increases or decreases one way or the other.

25 MR. CANTRELL: Mr. Jordan, would you have any

1 comments?

2 MR. JORDAN: Yes, sir. Kevin Jordan. I do.
3 Going back to your first question, I think I can safely say
4 100 percent of the bands that we import we import from
5 Thailand. We don't do Sri Lanka. We don't do China.

6 The only other bands we buy, ironically enough,
7 we buy from Alliance. We actually bought \$30,000 worth of
8 rubber bands from them last year. If it occurs to you that
9 this is a strange way for them to say "thanks," we agree.

10 But that's mainly like real specified stuff that
11 they make that people want. I think you've got newspapers
12 are undeniably going to shrink. Agriculture is going to be
13 very volatile, if you look at it over a short period of
14 time. Just like rubber bands are. I mean if you look at
15 rubber band prices and rubber band volumes change a lot more
16 over six months than they do over six years. It tends to
17 even itself out where the bad agriculture years are followed
18 by the rebound agriculture years.

19 And industrial? I think industrial is growing
20 about as fast as the economy is. I mean I don't think that
21 rubber bands are the big wave of the future, but I don't
22 think they're going away in a big hurry anywhere but
23 newspapers.

24 MR. AVERSANO: If I could add something that I
25 just thought of?

1 MR. CANTRELL: Sure.

2 MR. AVERSANO: With the tax reform bill, if we
3 do see an increase in business, then I think maybe then we
4 would see an increase in the rubber end uses across our
5 industrial business. And that would be from just more
6 economic activity going on here in the United States.

7 MR. CANTRELL: More business, perhaps.

8 MR. AVERSANO: Yes, sir.

9 MR. CANTRELL: Being displaced from Third World
10 countries back to the United States, do you think?

11 MR. AVERSANO: Not necessarily. It could be
12 just more--like for instance I know in the South and the
13 Southwest, we saw a decrease in our business not just in the
14 rubber bands but across our industrial products as well with
15 regard to the oil drilling and things like that when that
16 industry was--so now that some of that regulations and
17 things have loosened up, we've started to see more of the
18 business come back. Thank you.

19 MR. CANTRELL: Thank you for that. Mr. Jordan,
20 you mentioned crepe a couple of times. As we all know,
21 there are different forms of natural rubber that you can
22 get--you know, the ribbed, smoked, sheet, the technically
23 specified rubbers, and the crepe, per se. Do you all know
24 what type of rubber that the rubber bands are composed of
25 that you're importing?

1 MR. JORDAN: I know latex. If you're going to
2 break it down further than that, I would have to say, no, I
3 don't know. I'm a little weak on the manufacturing side.
4 But I know it's latex rubber.

5 MR. AVERSANO: Same as Kevin. I don't have all
6 of the technical details with that. I know the latex.

7 MR. CANTRELL: So everything that's coming in
8 that you all deal with is from the natural rubber latex, and
9 no synthetic rubber?

10 MR. AVERSANO: Yes, sir.

11 MR. JORDAN: Yes, sir. Kevin says yes, sir.

12 MR. CANTRELL: Okay. I don't get into prices a
13 whole lot, or anything, but of course I think the trend is,
14 you know, you can look almost anywhere, the FDA, or anybody,
15 and look at price trends in natural rubber and synthetic
16 rubber and so forth, and of course the price of natural
17 rubber has been on the decline for the last few years
18 anyway, for the most part--and there's been some cycling
19 back and forth.

20 But now, you know, according to the news, the
21 major producers of natural rubber say that they're going to
22 cut back on the supply to raise the prices. So do any of
23 you have comments on that, about how that's going to affect
24 future prices?

25 MR. AVERSANO: Mike Aversano, Mike Winne & Son.

1 If there is a disruption in the supply with Thailand, our
2 prices will go up. The way--we're not contracted in with
3 our supplier. We've been doing business with them for over
4 30 years. We have a pretty good relationship.

5 When they have a price increase, you know, we get
6 an email that morning. And as of, you know, 8:00 a.m. when
7 we open up that email, our costs have gone up. And that
8 usually happens when a situation like you're describing
9 occurs. We don't usually get a lot of advance notice, which
10 is part of the reason why we don't like to enter into
11 long-term contracts.

12 And I will say, we've seen--I can get more into
13 detail in our postconference brief, but our experience with
14 our costs from Thailand, we have seen a decrease over the
15 last few months but it's not anywhere near what they went
16 up. It's probably only come back down about half of what it
17 went up in 2017 for us. And again that's just my
18 experience.

19 MR. CANTRELL: I guess, you know, something
20 we've had some questioning about is about the production
21 processes. And I believe that your panel here has indicated
22 that you aren't too aware of the production processes. Is
23 that correct?

24 MR. AVERSANO: Mike Aversano, Mike Winne & Son.
25 That's completely correct. I don't really have a lot of

1 functional knowledge with regard to the production of rubber
2 bands. Thank you.

3 MR. JORDAN: Kevin Jordan, Ditto. I know very
4 little about making rubber bands.

5 MR. CANTRELL: I know that, you know, there are
6 a couple of, or at least two different processes. One of
7 them they use mandrels to take the unvulcanized sleeves.
8 Mandrels are like aluminum pipes of different sizes,
9 depending on--you know, and they spread--they place the
10 sleeves that are extruded over the mandrels, and then place
11 those in racks in an autoclave that's, you know, like high
12 pressure and temperature, and cure the sleeves in there.
13 And then take it from there.

14 And another way is, is to do a continuous
15 process. Instead of doing through the mandrels, to send it
16 through some type of a brining process that I believe may be
17 used by, by certain entities. I'm not certain. All I know
18 is I've heard that the Asian countries primarily are using
19 the mandrel process.

20 MR. JORDAN: Kevin Jordan, Schermerhorn
21 Brothers. I was going to say that I'm just about 100
22 percent positive that our people do it the first way.
23 That's--the pictures that I've seen, the stories that I've
24 heard, that's I believe our process.

25 MR. AVERSANO: Mike Aversano, Frank Winne & Son.

1 I agree. I believe our supplier, as well as using the
2 mandrel process, but I can't say that with 100 percent
3 certainty, but I'm happy to answer it for you in our
4 postconference brief.

5 MR. CANTRELL: Okay. I guess the last item I
6 could think of here is, you know there's been a lot of
7 discussion about the rubber content in the products, in the
8 various products, and pricing versus rubber content and so
9 forth. But I mean aren't there--I mean there are some
10 reasons for say loading up a rubber band. You know, I think
11 it's been mentioned you can go anywhere from 55 percent
12 rubber to 95 percent, or something like that. But if
13 someone say walks into a Walmart store, you know, a
14 homeowner or something, and they see something maybe they
15 can get it for \$3 a pound, or \$3 or \$4 a pound, or whatever,
16 or they only need a quarter pound. Maybe that's the right
17 product for them. And so, you know, I mean isn't the rubber
18 content the only reason for purchase--selection of a certain
19 purchase?

20 MR. JORDAN: That's a very good point and made
21 better than I was trying to make it before. Not everybody
22 can take advantage of the advantages of high rubber content.
23 You know if you don't have the chance to tell the story like
24 in the retail application that you described those people
25 would be unsmart to pay the extra money for crate bands and

1 then try to sell them to people that are never going to
2 understand much less appreciate the difference.

3 MR. CANTRELL: One last thing, if we could get
4 any -- if you have any technical data sheets that you could
5 share with us, we would appreciate that, any also, MSDS
6 sheets. I think that would help our staff to understand
7 more about the rubber content and the compositions of the
8 various products.

9 MR. AVERSANO: We'd more than happy to provide
10 you with our MSDS sheets and any kind of product
11 specification sheets that we have in our post-conference
12 brief. That's not a problem.

13 MR. JORDAN: Me too.

14 MR. CANTRELL: Okay, thank you very much for
15 that. If you have any information -- diagrams or anything
16 of production process that your suppliers could provide to
17 you that would be helpful to us. We like to include
18 diagrams -- production diagrams and so forth in our reports,
19 if possible. It helps to -- you know a picture is worth a
20 thousand words sometimes, so if you could provide that type
21 of information, if it's available, it would be kindly
22 appreciated.

23 MR. AVERSANO: We can reach out to our supplier
24 and see what kind of diagrams and pictures -- things we can
25 get you from the factory and provide that in the

1 post-conference brief.

2 MR. CANTRELL: Thank you very much. That ends
3 my questions and thank you all for appearing today and your
4 testimony has been most helpful.

5 MS. HAINES: I guess that concludes staff
6 questions. Thank you very much. It's been very helpful to
7 hear both sides on this.

8 MS. BELLAMY: Can this panel be dismissed,
9 please?

10 CLOSING STATEMENT OF ROY GOLDBERG

11 MR. GOLDBERG: I want to thank everybody for
12 your time and attention and getting up to speed on a new
13 industry so quickly and your flexibility in allowing us to
14 have both sides here -- or at least two sides. I think
15 there's more than two sides referenced in the questionnaire
16 responses.

17 I think that the issue which I am used to
18 hearing in prelims representing Petitioners is always, well,
19 you know the foreign product is superior in quality and so I
20 think we heard that again today, but I don't think there's
21 any evidence of that and I know that the Commission and
22 their staff will look for evidence beyond just these
23 statements.

24 I would say also with regard to what has been
25 made as a very serious issue by the opposition that somehow

1 not including the rubber content excuse all the data. I
2 haven't seen that. I think that, certainly, we had some
3 good answers and testimony about how it really is the pound
4 that's important that the product sizes that were in the
5 questionnaires were the correct ones.

6 Obviously, you know you can always fine point
7 the information even more so and more so, but I think you
8 lose sometimes track of what the Commission is trying to do.
9 I mean what we -- I've also been in these prelims before and
10 staff conferences where you have allegations of lost sales
11 and you actually have a customer at issue come in and say
12 something and we didn't have that. Now we may get something
13 in our post-conference, which we'll look forward to seeing,
14 but certainly, I don't think that the opposition that we did
15 have here today can speak to Staples, other than to confirm
16 what we've said, which is that price is very important.

17 I think it's important to point out and I think
18 this is already in the record that Staples is not the only
19 outfit. They're huge. They're there. They're a
20 significant percentage, but by far, not the only customer at
21 all. There's Office Max, there's lots of competitors of
22 Staples that do the same thing that Staples does. Staples
23 also buys not only for its own stores but also to resell to
24 other sellers, so it's a big part of what's happened to the
25 domestic industry here. And I think a lot of what we've

1 heard today is to say, well, don't pay attention to what
2 happened with Staples, but I don't think that's a fair
3 statement.

4 On the Winne termination -- and we can put this
5 in the post-conference from Alliance -- but what happened
6 there was that they were concerned that Winne was buying
7 their products, but also buying a lot of foreign products
8 and using their website to suggest that the foreign products
9 that they were buying, rubber bands, were actually U.S.
10 sourced. So they didn't appreciate what they thought was a
11 misrepresentation by Winne and therefore terminated on that
12 basis. So the extent there's an allegation that somehow
13 the Petitioner terminated because they didn't have enough
14 supply or couldn't supply the contract that's not correct.

15 And for the record, I would say that there were
16 some ad hominem attacks on the petition and Petitioners by
17 one of the witnesses. We know that the staff and the
18 Commission will go based on what's on the record and not
19 some of the things that are said I guess out of anger or
20 frustration. But for the record, we do object and
21 completely refuse those attacks and the allegations that
22 were made. Thank you.

23 CLOSING STATEMENT OF LIZ LEVINSON

24 MS. LEVINSON: I want to thank the ITC staff for
25 what I thought truly excellent questions today. I think it

1 was a lively discussion. Thank you for considering our
2 answers as closely as know you will.

3 I don't want to belabor the point, but I do want
4 to recognize how odd is that Petitioners did not designate
5 rubber content. I went through the petition and I think I
6 saw one indication -- there was one reference to rubber
7 content, then yet, they came into day and did agree with us
8 that rubber content is very important in determining price
9 and determining costs and in determining what a customer
10 needs, that often customers do specify rubber content or
11 rubber content certainly is on the table as part of the
12 discussions and yet, the petition almost makes no
13 recognition. Like I said, there was only one reference to
14 rubber content.

15 The Petitioners this morning said that, if I
16 heard correctly, that the price differential between their
17 lower product -- the product with the lower rubber content
18 in their -- I think it was the Advantage versus the Gold I
19 think they said there was a 25 to 50 percent difference in
20 price. Well, that's a substantial difference, that's huge,
21 and that's coming from the Petitioners. And for them to
22 have worked on the questionnaire, as I assume they did, and
23 helped assist the ITC in selecting the products under
24 investigation for them to not have mentioned rubber content
25 is just kind of strange and something that our panel wanted

1 you to pay special attention to.

2 You heard from our witnesses that we strongly
3 object to the Petitioners' characterization that price is
4 king in this industry and that everything is about price.
5 You know perhaps in the retail industry that have been
6 discussed for Staples or Wal-Mart or some of those stores
7 you and I going to buy rubber bands perhaps it's not as
8 important, but this industry is made up of a lot more
9 segments than just the office sectors and that we've heard
10 from our witnesses that their customers who are in perhaps
11 fishing industries or produce industries for them, as Mr.
12 Jordan explained, when they're using so many rubber bands it
13 makes a huge difference that it's not just about price.
14 It's about reliability. It's about quality. It's about
15 service. It's about attentiveness, delivery times,
16 maintenance, strength, durability, consistencies -- all of
17 those adjectives were used today. That's a lot more than
18 price.

19 And then with regard to cumulation -- and this
20 is something I'll deal with in much more detail in the
21 post-hearing brief, but the fact is these people -- our
22 importers are not encountering any competition from China or
23 Sri Lanka. I realize that's antidotal, but they are
24 representative of a very large portion of the imports coming
25 into the United States. I know myself I tried very hard to

1 find out who's bringing in products from Sri Lanka and you
2 know Mike Aversano was the only one who had any experience
3 with Sri Lanka and said that what he was buying was
4 actually the larger product, so it really is an issue as to
5 whether there's even a presence of Sri Lanka and Chinese
6 imports in the smaller categories.

7 Of course, they will show up on the HTS
8 statistics because the HTS statistics include all rubber
9 bands and not just the carved out scope that the Petitioners
10 seek here, but that doesn't mean that they're actually in
11 the marketplace.

12 Frank Winne went into some detail about the
13 differences in raw material prices that impacted their
14 selling in the end of 2016 and 2017 and that's something
15 we'll elaborate very specific examples in the
16 post-conference brief.

17 Other than that, I thank you again for your time
18 and I thought it was very efficiently done. We're done by
19 1:30. Thank you very much.

20 MS. HAINES: Thank you. On behalf of the
21 Commission and the staff, I'd like to thank the witnesses
22 who came here today, as well as counsel, for helping us gain
23 a better understanding of the product and the conditions of
24 competition in the rubber bands industry.

25 Before concluding, let me please mention a few

1 dates to keep in mind. The deadline for submission of
2 corrections to the transcript and for submission of
3 post-conference briefs is Friday, February 23. If briefs
4 contain business proprietary information a public version is
5 due on Monday, February 26. The Commission has tentatively
6 scheduled its vote on these investigations for Thursday,
7 March 15 and it will report its determinations to the
8 Secretary of the Department of Commerce on Friday, March 16.
9 Commissioner's opinions will be issued on Friday, March 23.

10 Thank you all for coming. The conference is
11 adjourned.

12 (Whereupon the meeting was adjourned at 1:37
13 p.m.)

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CERTIFICATE OF REPORTER

TITLE: In The Matter Of: Rubber Bands from China, Sri Lanka, and Thailand

INVESTIGATION NOS.: 701-TA-598-600 and 731-TA-1408-1410

HEARING DATE: 2-20-18

LOCATION: Washington, D.C.

NATURE OF HEARING: Preliminary

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: 2-20-18

SIGNED: Mark A. Jagan

Signature of the Contractor or the
Authorized Contractor's Representative

I hereby certify that I am not the Court Reporter and that I have proofread the above-referenced transcript of the proceedings of the U.S. International Trade Commission, against the aforementioned Court Reporter's notes and recordings, for accuracy in transcription in the spelling, hyphenation, punctuation and speaker identification and did not make any changes of a substantive nature. The foregoing/attached transcript is a true, correct and complete transcription of the proceedings.

SIGNED: Duane Rice
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I hereby certify that I reported the above-referenced proceedings of the U.S. International Trade Commission and caused to be prepared from my tapes and notes of the proceedings a true, correct and complete verbatim recording of the proceedings.

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