THE UNITED STATES INTERNATIONAL TRADE COMMISSION

In the Matter of:                  
HAND TRUCKS FROM CHINA            
Investigation No.:                
731-TA-1059                      
(Final)

Thursday, 
October 7, 2004

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

The hearing commenced, pursuant to notice, at 9:28 a.m., before the Commissioners of the United States International Trade Commission, the Honorable STEPHEN KOPLAN, Chairman, presiding.

APPEARANCES:

On behalf of the International Trade Commission:

Commissioners:

STEPHEN KOPLAN, CHAIRMAN (presiding) 
DEANNA TANNER OKUN, VICE CHAIRMAN 
MARCIA E. MILLER, COMMISSIONER 
JENNIFER A. HILLMAN, COMMISSIONER 
CHARLOTTE R. LANE, COMMISSIONER 
DANIEL R. PEARSON, COMMISSIONER
APPEARANCES (continued):

Marilyn R. Abbott, Secretary to the Commission
William R. Bishop, Hearings and Meetings Coordinator

Staff:

Elizabeth Haines, Investigator
Peder Andersen, Commodity Analyst
Clark Workman, Economist
David Boyland, Accountant
Karen Driscoll, Attorney
Douglas Corkran, Supervisory Investigator
APPEARANCES (CONT'D)

In Support of the Imposition of Antidumping Duties:

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

HOWARD SIMON, Chief Operating Officer, Gleason Industrial Products, Inc., and Precision Products, Inc.
JAY KVASNICKA, Corporate Vice President, Sales and Marketing, Gleason Industrial Products, Inc.
BILL MALONE, Vice President, Manufacturing, Gleason Industrial Products, Inc.
DAVID A. RIFE, Vice President, Sales, Harper Trucks, Inc.
DAVID STRAW, President and Chief Operating Officer, Magline, Inc.
BRUCE MALASHEVICH, President, Economic Consulting Services

Of Counsel:

MATTHEW P. JAFFE, Esquire
ALEXANDER H. SCHAEFER, Esquire
SOBIA HAQUE, Esquire
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Washington, D.C.

In Opposition to the Imposition of Antidumping Duties:

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

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

Of Counsel:

MARK S. ZOLNO, Esquire
DAVID R. STEPP, Esquire
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Chicago, Illinois

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APPEARANCES (CONT'D)

In Opposition to the Imposition of Antidumping Duties:

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

FENG XUELOU, Chairman,
    Qingdao Taifa Group Co., Ltd.
GE ZHIQIANG, Vice General Manager,
    Qingdao Taifa Group Import and Export Corp.
LIU HUIJUAN, Project Director,
    China Chamber of Commerce for Import and Export of Machinery and Electronics
WEI-MO LIU, Assistant Director,
    Greenberg Traurig, LLP

Of Counsel:

PHILIPPE M. BRUNO, Esquire
ROSA JEONG, Esquire
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Washington, D.C.
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CHAIRMAN KOPLAN: Good morning. On behalf of the United States International Trade Commission, I welcome you to this hearing on Investigation No. 731-TA-1059 (Final) involving Hand Trucks from China. The purpose of this investigation is to determine whether an industry in the United States is materially injured or threatened with material injury by reason of less-than-fair-value imports of subject merchandise.

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

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

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

Madam Secretary, are there any preliminary matters?

MS. ABBOTT: No, Mr. Chairman.

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

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

CHAIRMAN KOPLAN: Good morning, Mr. Jaffe.

OPENING STATEMENT ON BEHALF OF THE PETITIONERS

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

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

Well, there's two interesting things about that statement. First, "too early." That acknowledges that there is clearly an existence of threat of material injury, and, indeed, the Commission found that at the preliminary determination. But that
statement also challenged the Commission during the final phase of this investigation to consider whether the record, as it was developed, demonstrated material injury and to consider what would have happened but for the filing of this petition in November 2003.

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

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

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

The prehearing staff report demonstrates that the subject imports targeted the highest-volume, U.S. purchasers, the big-box retailers. They focused on a small number of popular models, and that ensured themselves the most rapid expansion possible.
The prehearing staff report demonstrates that they undersold the domestic like product consistently. One hundred and nine out of the 122 time periods that were measured, they undersold. That's 90 percent of all of the periods where a comparison was possible.

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

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

What has been the effect of the petition? Well, on page II-6 of the prehearing report, it shows that when purchasers were asked if this antidumping investigation caused them to cancel orders or reduce purchases of imports, seven said, yes, it did. That's almost a third of the purchasers responding. In fact, we know on the record, and we'll discuss it further today, about the plans of certain customers -- Home Depot, Lowe's, and Grainger -- to actually stop purchasing from the domestic industry and start
purchasing imports. The financial results, as we've demonstrated in our pro forma will show that but for this petition, this industry would look very different today.

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

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

CHAIRMAN KOPLAN: Thank you.

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

CHAIRMAN KOPLAN: Good morning, Mr. Bruno.

OPENING STATEMENTS ON BEHALF OF RESPONDENTS

MR. BRUNO: Good morning, Mr. Chairman.

Good morning, members of the Commission. Good
morning, staff.

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

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

As you recall from the --

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

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

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

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

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

We're not disputing that certain U.S.

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

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

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

CHAIRMAN KOPLAN: Thank you, Mr. Bruno.

Madam Secretary, if you would call the first panel.

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

CHAIRMAN KOPLAN: Thank you for that, Madam
MR. ZOLNO: Thank you, Mr. Chairman, members of the Commission.

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

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

Therefore, there is no causal link between any injury suffered by the Petitioners and the few
domestic hand truck supporters due to any increases in hand truck imports. Rather, the domestic companies testifying at today's hearing have no one to blame but themselves for their fate. Thank you.

CHAIRMAN KOPLAN: Thank you. Madam Secretary.

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

(Pause.)

CHAIRMAN KOPLAN: You may proceed.

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

MR. SIMON: Good morning. My name is Howard Simon, and as Mr. Jaffe just told you, I am the chief operating officer for Gleason Industrial Products and Precision Products, both headquartered in Los Angeles, California. In my capacity as the chief operating officer, I oversee the responsibilities and activities of our plant managers and sales managers, and I interact with our union representatives, lenders,
auditors, and attorneys. I am ultimately accountable for all matters affecting the Gleason group of companies.

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

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

I am going to first provide you with a brief outline of our company. Jay Kvasnicka, our corporate vice president of sales, will then update the Commission on the impact of the Chinese hand truck on our industry. I will then discuss what our company
would have looked like absent the antidumping findings with respect to imports of hand trucks from China.

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

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

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

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

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

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

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

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

National home-improvement stores currently comprise between 35 to 50 percent of the industry sales of hand trucks. The rivalry among these stores is so intense that it not only drives price competition within the channel, but it drives price...
competition within two other channels of distribution -- hardware co-ops and catalog houses and industrial distributors -- because these channels often compete for the same customers. In other words, if one major home-improvement store alters its method of doing business, then it won't be long before the other stores and the hardware co-ops and the large catalog houses follow suit.

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

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

Therefore, in the hand truck industry, when one major box store begins to purchase Chinese hand
trucks at unfair prices, it sends a tidal wave through the national home-improvement, hardware co-op, and catalog channels of distribution which sweeps away a major share of the market for American-manufactured hand trucks.

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

It wasn't because our standards had slipped. It wasn't because our prices were higher than they had been in the past. In fact, to the contrary, as pressures from overseas have increased, we have been required to lower our prices or add additional features to retain the business that we fought so proudly to secure initially. Earning the business became simply a matter of price.
How low are the Chinese prices? We've received multiple purchase offers for Chinese hand trucks that are less than our raw material costs. In other words, our cost to purchase the steel and other components used in our production of hand truck is greater than the price at which the fully completed Chinese hand trucks are sold in the United States, including delivery.

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

The Commerce Department then issued its preliminary antidumping findings in May 2004. Soon thereafter, in August, the Home Depot informed Gleason that it had reversed its earlier decision and had planned to stop purchasing Chinese hand trucks. Furthermore, the Home Depot advised us that it would
begin purchasing a significant portion of its hand truck requirements again from Gleason, and this time, also from Harper Trucks.

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

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

Jay Kvasnicka, Gleason's corporate vice president of sales, will now testify in detail about the lost sales that we have directly suffered as a
result of unfairly priced hand trucks from China.

Jay?

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

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

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

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

MR. KVASNICKA: Yes. Is that better?

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

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

Today, I would like to share with you some
of the difficulties that I have encountered in the industry over the past several years. Gleason's largest-volume customers are well-known, big-box retailers, as Howard stated earlier: the Home Depot and Lowe's and major catalog distributors such as Grainger. Gleason was Home Depot's sole supplier of steel hand trucks from 1997 until 2003.

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

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

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

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

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

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

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

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

As you can see, imports are a continuing menace to our industry. I have been told by a number of customers, including Home Depot and Lowe's, that if our antidumping petition is rejected, they will again aggressively pursue imports from China rather than source domestically. Gleason may be the best when it
comes to hand trucks, but when the price is the
defining factor of whether you buy a product or not,
we just cannot compete against low-priced, unfairly
priced Chinese imports.

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

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

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Howard.

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

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

At the request of the Commission staff, we also devoted considerable time and effort to restating our fiscal year financial results to a calendar year basis and have placed on the record similar information for the years ending December 31, 2004,
and December 31, 2005.

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

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

CHAIRMAN KOPLAN: Thank you.

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

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

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

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

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

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

We did this knowing that the buying patterns of these other customers would closely follow the buying patterns of Home Depot, Lowe's, and Grainger, and we know that because, well, you've heard the saying in America, "when America sneezes, the world catches a cold." In the hand truck industry, when Home Depot, Lowe's, and, to a lesser extent, Grainger sneeze, the entire hand truck industry catches pneumonia.
But the other reason that we did not adjust any of the sales figures for our customers other than Home Depot, Lowe's, and Grainger is because we've had specific discussions with representatives from Home Depot, Lowe's, and Grainger indicating exactly what they would do in the event that this Commission issued a negative finding.

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

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

First of all, in June 2003, we received a letter from Home Depot confirming that they were
switching their supply of hand trucks from Gleason to China. The phaseout was to begin in the third quarter of 2003 and be completed in or around the first quarter of 2004. And I heard Mr. Bruno say in his testimony that we made these allegations during the preliminary, and yet they never materialized. But these numbers, and if you look, during the months of March, April, and May, you can see a precipitous drop in sales, a significant decline, as compared to the prior period in 2003.

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

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

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true threat.

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

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

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

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

I should also point out that when the ITC
accountant was in our offices in Los Angeles last week verifying our information, we walked him through the methods that we used in order to prepare this information. The pro forma financials take into account the business that we lost or would have lost but for this antidumping investigation according to the schedules previously provided by our three largest customers. They do not take into consideration the additional losses we would experience by the chain-reaction effect mentioned earlier.

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

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

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

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

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

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available to answer your questions.

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

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

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

MR. STRAW: Good morning. My name is David Straw. I am the president and chief operating officer of Magline, Inc. We're in Conti, Michigan.
Magline began operations in 1947. It manufactures aluminum hand trucks and is the pioneer of the original lightweight hand truck. Nearly every innovation that exists in the aluminum hand truck industry was created by Magline. We produce a high-quality product recognized and respected in the industry as the best aluminum hand truck available.

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

The Chinese hand trucks being imported into the United States are copies of our products reverse designed. They are being sold at 30 to 50 percent below Magline hand truck prices. When I asked about the prices for hand truck parts, I found it was more expensive to buy components individually than to buy a
fully assembled hand truck. When I asked about this, I was told by manufacturers that the Chinese provincial government gave them export credits and that those credits were larger for assembled hand trucks than they were for components.

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

Magline supports the antidumping petition by Gleason. Over the past several years, Magline has spent considerable amounts in legal fees protecting our trademarks against infringement with Chinese hand trucks. Chinese predatory pricing is starting to take its toll on our company. They are siphoning off a significant volume of our most popular configurations, leaving us only the lower-volume, highly differentiated models. The loss in volume will make it extremely difficult to invest sufficiently to support the needs and applications of our customers.

Thank you for your time. I'm available for questions.

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

You heard in the opening statement that the problems are really not the Chinese imports, that they
are really problems of our own. In fact, if you look at the briefs, the public versions of the briefs, that were submitted, they make a number of these statements about quality, about product innovation, about logistical requirements, and I would like to take aspects of their brief and ask you directly questions about these issues.

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

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

MR. KVASNICKA: We have never been contacted by Home Depot about any serious quality issues. In fact, I can tell you that our defective rate at Home Depot is less than one-quarter of a percent, which is
actually pretty phenomenal when you look at not necessarily the hand truck industry overall standards but the overall standards that Home Depot sets on their suppliers.

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

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

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

MR. KVASNICKA: Grainger has never contacted us regarding any concerns with two-wheel hand trucks. There was an incident two years ago, three years ago, where we lost some business on barrel-handling equipment, which is not actually two-wheel hand trucks, and they blamed that partially on some quality issues but primarily on a design from one of our competitors. In that particular instance, they switched the business which they had given us back to our domestic competitor, and in that case, that was really more of a design issue which we have since
addressed and continue to sell those products to other customers without any problems.

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

MR. KVASNICKA: Less than 4,000 units.

MR. JAFFE: Less than 4,000.

Another thing that they point out, the same part of the brief, is they talk a lot about the antiquated designs, that they failed to reengineer the domestic industry hand trucks to take advantage of new ergonomic hand styles and wheel designs. Again, basically, they have done nothing here, and, again, if I turn to page 9 and paraphrase, they say it's disingenuous for domestic producers to blame low-priced Chinese hand trucks for their loss of market share and profits because you've failed to keep pace with industry standards for innovation in product.

Could you talk about that first? At Gleason, are you just putting out antiques, selling antiques?

MR. KVASNICKA: Well, first of all, a hand truck is not the most romantic or sophisticated category of product that you probably see. But as far as Gleason has developed over the years, we have been one of the leaders. In fact, we developed the D-
handle design, which you can see over there, as opposed to the P handle. The purpose for that is to be more ergonomical. We were also the first people to come out with an 800-pound-capacity hand truck.

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

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

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

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

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has become a major source in the industry.

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

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

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

MR. STRAW: If you consider the four major components that go into a hand truck, -- the nose, the wheels, the frame, and the handles -- Magline makes over 3 million combinations. We have several patents and several trademarks. We make and manufacture products for specific applications by our customers. So from the standpoint of design, we're continually working on different designs for the product.
MR. JAFFE: They have also made a reference, same page as pages 3 and 4, that you're not keeping up with the requirement of vendors with regard to electronic order processing, special packaging and pallet requirements, precise shipping and delivery schedules, and fill rates, and, again on page 9, they say it is disingenuous for you to blame low-priced Chinese hand trucks for the loss of your market share and profits because you've failed to keep pace with industry standards for logistic requirements.

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

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

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

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

MR. JAFFE: David Straw, what about Magline?

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

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

MR. KVASNICKA: Yes. First of all, the packaging is generally dictated in part, as far as
pallet quantities and shipping requirements, by the customer. We work very closely with all of our customers to design pallets in configurations that, you know, are best suited to their receiving departments, whether they receive at a store or possibly a distribution center. Gleason was very instrumental in designing a pallet for Home Depot which allow us to put 26 hand trucks on a pallet, thus significantly reducing their freight rates for each truck that is shipped.

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

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

MR. JAFFE: David Straw for Magline?

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

MR. JAFFE: Okay. And, last, precise shipping and delivery schedules, fill rates. First, Jay, could you explain what a "fill rate" is?
MR. KVASNICKA: A fill rate is the percentage of product that you ship on time and as a complete order in comparison to the percentage they order. So if you ship 100 percent of your product, your fill rate is 100 percent.

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

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

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

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

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

MR. STRAW: Yes, we do.

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

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

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

MR. SIMON: Well, I think in every situation that we've experienced, the Chinese prices have suppressed or depressed our prices. In order to
maintain business, we're often faced with having to
lower our price or lose it, and in many situations
we're not even considered as an alternative supplier
to some of these customers because our prices are so
much higher than what the Chinese are able to offer
their product for.

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

MR. JAFFE: Thank you. The Greenberg brief,
on page 9 and 10, admits that the volume of Chinese
imports increased both in absolute terms and relative
to U.S. shipments during the period of investigation.
It then says that this growth was not at the expense
of the U.S. industry. It makes two points. The
increase in Chinese imports did not significantly
hamper U.S. production and that the data supports the
conclusion that Chinese imports had contributed to 
supplying the growth of the overall U.S. account.

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

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

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

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

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

MR. KVASNICKA: I think it's been pretty 
much a consistent pattern. We grow the business, we
develop the customers, and then they come in and beat
our price so bad that we can no longer compete.

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

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

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

And also, the NAICS code is, I assume, the
closest that can be found to hand trucks, but when you
drill down into the companies comprising the code,
they are not at all comparable in size, technology, or
techniques of manufacture to the hand truck industry.
The NAICS code companies also considered very severe declines in shipments during the recession in the early 2000's, and this industry has demand going straight up, although they have not been able to participate in it. So the comparisons are simply not appropriate to this case.

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

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

MR. JAFFE: So 20, total?

MR. STRAW: I would say, yes.

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

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

(Pause.)

CHAIRMAN KOPLAN: The clock is running.

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

CHAIRMAN KOPLAN: Thank you, Mr. Jaffe. I want to thank the witnesses. That was a very effective presentation. Half of my questions are gone. (Laughter.) So if you want to use the rest of your time, perhaps you could answer some more of them. Let me begin with this one for Mr. Straw. This is regarding hand truck parts. Let's see. Chapter 6, page 10, of the Commission's staff report states, and I quote: "At the end of the period, and despite a relatively large decline in the average unit revenue of unassembled hand trucks, revenue in interim 2004 was higher compared to interim 2003 due to a sharp increase in the sales quantity of unassembled hand trucks."

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

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

Now, the prehearing staff report indicates, at Table III-3, that the domestic industry increased its capacity to produce finished hand trucks in 2003.
and interim 2004. Can you explain why this occurred when, as you say, total domestic consumption was less than domestic industry capacity during every time period over the POI?

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

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

MR. MALASHEVICH: Yes. Pardon me. I'm Bruce Malashevich with Economic Consulting Services. This is an issue discussed at considerable length during verification last week. Basically speaking, the general constraints, at least in the steel end, is on the welding machines and the welders, and the welders are sort of polymorphous, in that for two hours of the day they could be welding hand trucks, another six hours of the day they could be welding other kinds of products that are not part of the like product, and depending upon the number of stations deployed, they could be working one shift, two shifts, or three shifts, even though within any given shift the worker could be splitting his time.
between like product and other product.

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

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

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

MR. STRAW: At the moment, we would probably add more people.
CHAIRMAN KOPLAN: Mr. Rife?

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

CHAIRMAN KOPLAN: Thank you. On page 41 of your prehearing brief, you state that the decline in capital expenditures during the POI, and I quote, "affects the ability of the domestic industry to develop, add, and efficiently produce new products."

That doesn't appear to be consistent with a statement you have on page 16 that says: "A hand truck is not, relatively speaking, an elaborately designed product. It requires straightforward, industrial-machining equipment; knowledge of basic manufacturing techniques; and certain readily available input materials. The last major change in the production processes or factor inputs happened more than 15 years ago when manufacturers migrated from wet paint to powder coating."

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

MR. SIMON: Yes. I'll be glad to. I think that when you talk in terms of the basic design of a hand truck, those statements are, in fact, true, but
often customers will require hand trucks to be produced for specific applications. So in order for us to continue to respond to the needs of those customers, additional capital equipment in the form of dies, perhaps additional welders, but most likely dies, would be required.

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

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

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


MR. STRAW: I also agree, but I think there's a couple of other issues as well. I think
you're going to discover that material is a pretty significant cost in manufacturing, and in light of the competitive pressure we're feeling from around the globe, we've had to take a close look at every manufacturing process, and it has driven some tooling decisions. To the extent you see opportunities being closed off or you being limited access to certain customers, this certainly impacted capital expenditure decisions.

CHAIRMAN KOPLAN: Thank you. Mr. Kvasnicka?

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

CHAIRMAN KOPLAN: Thank you.

MR. SIMON: I would also just like to add that our ability to finance the purchase of additional capital equipment is controlled by what our lenders are willing to give us, and when they are looking at our forecasts based upon what is happening with the Chinese product, it's very difficult for us to convince our lenders, who, as I'm sure you can understand, are quite conservative people, to lend us additional funds to make that investment. So until we actually have the business, they are not going to permit us to make those capital investments to respond to the what-if scenario.
CHAIRMAN KOPLAN: Thank you very much. I see my yellow light is on. I appreciate your answers to my questions. I'll turn to Vice Chairman Okun.

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

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

When I look at the pricing data we have, it looks to me that you have really different pricing for what looks to be -- it's called the same product if you take our product descriptions, and you have what it's selling for in the retail channel, the big-box
channel, versus what it's doing in the catalog-distributor channel, huge spreads. Help me understand why that is. Mr. Kvasnicka, you're the right one. I'll go to you. Tell me a little bit about that and how, then, you see this impact because I'm having a hard time figuring out, with this big of a spread, how you get that driving in between the channels.

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

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

VICE CHAIRMAN OKUN: Mr. Jaffe, did you want
to add something?

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

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

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

MR. SIMON: No. That's not true at all. Actually, we have a different product mix that we might be presenting to the home-improvement channel as
opposed to what we would be presenting to the
industrial distributor or the co-op hardware stores.
Also, you have to consider what the material is of the
product that we're selling, whether it's aluminum or
whether it's steel or whether it's nylon, because
that, too, plays a major role in determining our
price.

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

MR. RIFE: David Rife, Harper Trucks. There
are some significant differences from the gauge of the
material that could be used, the quality of the wheel
that is put on that product, the size of the base
plate, the overall height of the hand truck. The
product sold to retail from any supplier looks pretty much like the two trucks that you see in front of you.

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

VICE CHAIRMAN OKUN: Mr. Simon?

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

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

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

VICE CHAIRMAN OKUN: Okay. That's something that I've found interesting, and we've had a number of
cases in recent years where we've talked a lot about the big-box stores and purchasing power and what they mean for the competitive condition in which you're selling your product.

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

MR. KVASNICKA: Yes, it is.

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

MR. KVASNICKA: Yes. Well, first of all, let me say that we focus so much on the period of investigation here because the imports from China have been such a significant factor in the last three years, but this really dates back well into the early-to-mid-nineties where the imports have driven prices down.
However, typically, at a line review, for instance, the initial line review where we are awarded the business, we will bring in manufacturers like Gleason or Harper and the other domestic manufacturers, over the period of either a couple of days or possibly even the same day, and you give them a price. And they may come back to you and say, "Well, we would buy this, but you have to lower your price to this," and they probably turn around and go back to Harper and say, "We would buy it from you if you would lower your price to this," and then they come back to us and say, "Well, Harper has lowered their price." So it gets to a point between the two where finally somebody says uncle, and that pretty much sets the pricing.

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

So, at that time, I believe that there was a significant price differential between the American
product and the Chinese product, but there were also
other factors that the American manufacturers were
able to demonstrate that did weigh heavily in their
decision to tilt the scales towards the American
product at that time.

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


the period of investigation, I'm trying to make sure
that I understand what's attributed to the imports.
In other words, if I look at our pricing data, the
prices are fairly stable, and so I want to make clear
that what I understand from you is the fact that you
couldn't raise your prices when your costs were going
up that you find most significant. Is that --

MR. SIMON: Well, also, you reach a point,
as Jay says, where you have to cry uncle, and so if
we're presented with an opportunity to quote on new business, and we can't go any lower, the only way to react is to drop out of the race. And so if you're going to drop out of the race, the sales that you've enjoyed in the past that haven't been affected will remain at the same level at the same price.

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

MR. SIMON: Absolutely.

VICE CHAIRMAN OKUN: My red light is on.

Thank you, Mr. Chairman.

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

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

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

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

I was interested and had the same question.
about the different channels of distribution. I have
a similar kind of question about the competition among
the producers. Mr. Kvasnicka, you talked about the
competition with Harper. As I look at this industry
as it's presented to us in the staff report, ten
producers of pretty widely varying size, a lot of real
small producers, a handful of larger ones, but a lot
of small producers.

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

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

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

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

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

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

COMMISSIONER MILLER: Okay.

MR. SIMON: I would just like to add -- this is Howard Simon from Gleason -- we did not start out as a big producer. We started out as a small producer, just like all of the other small producers. Through the fortunate alignment with Home Depot and Lowe's and the exorbitant growth that they experienced, we were able to grow with them, and so
that is what really has pushed us into a different category. We still service a lot of these smaller accounts that we first started selling when we were just a small producer as well, and we try to be just as service oriented and competitive on price and answer all of their needs as well.

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

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

COMMISSIONER MILLER: Okay. (Laughter.)

MR. STRAW: That's really our focus. The professional industry user has been our customer. So we do have competition, but I think it looks very different. It's someone who specifies with a fair
degree of description what they are looking for in
terms of the product.

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

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

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

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

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

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

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

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

COMMISSIONER MILLER: Okay. (Laughter.)

MR. RIFE: So it depends on your position
within our company on whether it's good or bad.
COMMISSIONER MILLER: All right. I got it.

All right. Mr. Straw? Do you make most of your products really very custom for the particular customer out there --

MR. SIMON: Yes.

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

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

COMMISSIONER MILLER: Mr. Simon?

MR. SIMON: Howard Simon again.

COMMISSIONER MILLER: Yes.

MR. SIMON: I would just like to add that at the preliminary hearing, I mentioned that 95 percent of the market was comprised of about five basic models, so it's important to keep in perspective that we all have the ability and probably have pictures in our catalog of all of these different combinations and
permutations, but as a practical matter, you know, you've heard of the 80/20 rule, that probably 80 percent of our business is being represented by about 20 percent of our products.

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

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

MR. KVASNICKA: May I add one other thing to that? Jay Kvasnicka of Gleason.
COMMISSIONER MILLER: Yes, Mr. Kvasnicka.

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

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

COMMISSIONER MILLER: Okay.

MR. SIMON: I would also just like to add that at Home Depot, as I believe Commissioner Miller pointed out, the shelf space is limited to about four to five different types of hand trucks, and Home Depot will purchase the hand trucks for a particular region.
from just one manufacturer. So, again, that is really a limiting factor in how many different types we can sell.

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

CHAIRMAN KOPLAN: Thank you, Commissioner.

Commissioner Hillman?

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

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

You mentioned that, in this issue of what's happened to the prices, that one of the things that's happened that maybe is not reflected in our data is that while you may not have lowered the price, you've
added features. Help me understand, first of all, how much of that has actually occurred, what kind of features you're adding.

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

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

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

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

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

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

COMMISSIONER HILLMAN: Okay. I do appreciate that the actual specifics are, no doubt,
confidential information, but if you can provide for us as much sort of clear evidence of -- again, I want to know sort of the quantity. How much of your product did you add these features to? What features did you add? What cost did that add to you, and, again, what price would you have normally expected to get for those add-on features?

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

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

MR. STRAW: Yes. We've added features to our products in the last two years, but that was to differentiate our products particularly from the competition and to offer customers more value. In some cases, the cost might have been approximately the
same; in other cases, a little bit more. But at the end of the day, in support of Mr. Howard's comments, you are required to continually make adjustments in the product to provide value to your customers or risk the consequences.

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

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

COMMISSIONER HILLMAN: Okay. Mr. Rife?

MR. RIFE: Yes. We have added features. Of course, when you add features, you do try to get a price increase. You do try to show the value of the features and benefits that you're doing. Unfortunately, with the competitive situation that we're facing now, no one is buying those features at an additional price, so we end up holding prices.

Some of the things we've done, Gleason has done, is we've gone to a more expensive, heavy-weight tire. We've increased the size of our tubing from a one inch to now one and a quarter inch, which is now standard for us. Those are all things that had additional costs that we would hope would translate to...
retail value, but, unfortunately, with the price
competition that we're faced with, it was not able to
be done.

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

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

COMMISSIONER HILLMAN: Okay. And again, the
same question to both of you. If there is
documentation -- again, I'm trying to get a sense of
the quantity, the percentage of products in which
you've added features but not gotten a price increase
for those features over the POI. If there is anything
that you can help us understand this issue in terms of getting some sense of how significant a factor this, I think it would be very helpful.

Mr. Kvasnicka, did you want to add something?

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

And the buyer -- I have pretty good relationships with many of these guys -- just looked at me, and he said, You know what? Why do you even show that to me because you know all that's going to happen is I'm going to take this, put it in our store, and our import department is just going to copy it from China, and they will probably lower the price.
So, you know, all you're doing is giving away strategy, and it's really not going to do you any good because it will just be duplicated anyway.

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

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

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

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

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

COMMISSIONER HILLMAN: And the rest would be steel. And plastic is a fairly new phenomenon? It
MR. RIFE: We introduced the nylon-polymer truck in 1996. We received patent on it in late 1996.

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

CHAIRMAN KOPLAN: Thank you, Commissioner. Commissioner Lane?

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

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

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

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

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

MR. SIMON: No. We understand.

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

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

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

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

MR. KVASNICKA: Well, I think that's really demonstrated in our financial reports that we provided you on Home Depot. That was the reason that they did not just drop us all at once. They phased product out slowly and finally dropped all of the product in April of 2004, the idea being that we had built inventory from them, and they didn't want to leave us with that inventory. If we were to say, we don't have anything in stock, they would have cut off the shipments immediately. So it was really a case of them working with us.
MR. SIMON: Also, specifically, in terms of Home Depot, during the time when they made the decision to move the business to China, we basically had no notice. I think that Jay was already putting together marketing arrangements and working with our advertising people to produce in-store display items and other marketing material to sell our trucks, and then before the bill was even paid, we received a call from Home Depot that, unbeknownst to this buyer, the decision was made to move the product to China. So sometimes we have an advance warning as to what's going on, but that was a perfect example of how we had no warning.

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

MR. SIMON: Again, it's in our brief, but it was in June of 2003 when we received notice from Home Depot that they would be transitioning away from...
Gleason and to the Chinese. That phaseout was to begin in the fourth quarter of 2003 and continue through the first quarter of 2004, and I think that if you look at the Schedule 12 to our exhibit, you'll see specifically how that decline in sales occurred.

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

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

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

COMMISSIONER LANE: And is it painted?
MR. RIFE: No, injection molded much like this pitcher of water. Black is right into the injection-mold process, right into the polymer.

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

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

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

MR. STRAW: Most of the parts that come in that I'm familiar with our aluminum. Some of them are interchangeable. Most of them require relocation of holes, things of that nature. The basic envelope is the same, but there are some adjustments that need to be made for them to match up to our product.
COMMISSIONER LANE: For instance, if I had a hand truck that was made by Grainger, and I ruined the tire on it, would a Chinese tire fit on it?

MR. STRAW: Most likely.

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

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

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

CHAIRMAN KOPLAN: Thank you, Commissioner. Commissioner Pearson?

COMMISSIONER PEARSON: Welcome to the panel. It's good to have a chance to visit with you. First, I just want to mention to Commissioner Lane that I would be happy to bring in one of those nylon hand trucks for you to look at. I can assure you, there is no garter belt attached to it. It's a different deal. Actually, it works very
well -- sturdy, black, just like it's described.

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

MR. STRAW: 6061 and 6063.

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

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

COMMISSIONER PEARSON: Okay. So the same --

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

COMMISSIONER PEARSON: -- the same number of aluminum.

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

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

Mr. Straw, you had mentioned policies of Chinese provincial governments that were having an
effect on the pricing ability of Chinese 
manufacturers. Could you talk about that a little 
more, please? Do you have more information on what's 
going on there?

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

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

MR. STRAW: No.

COMMISSIONER PEARSON: Not claiming any 
particular expertise in this area of the GATT, it 
wouldn't surprise me at all that what's going on in
this case might be a violation of China's WTO commitments, and in that case, it would probably be a good thing for it to be brought to the attention of the appropriate parts of the U.S. government so that it could be added to the list of issues that the U.S. government discusses with the Chinese from time to time. So I would encourage you to do that.

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

MR. STRAW: Yes, sir.

COMMISSIONER PEARSON: The Chinese government, in particular.

MR. JAFFE: This is Matthew Jaffe. We actually did make a substantial filing at the Department of Commerce discussing a lot of subsidies that were available to the particular industry, including a subsidy to pay the legal fees for antidumping cases, and I know that issue is currently before the Department of Commerce. But this is a dumping case, and because it's a nonmarket economy, they have certain rules about subsidies, and they
don't bring subsidy case against nonmarket economies.

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

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

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

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

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

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

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

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

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

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

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

MR. SIMON: Well, having not been in the factories in China I can just speculate that the equipment that they use to produce the components that make up a hand truck are punch presses and benders and
welders, so basically any product that is produced out
of steel using equipment for the purpose of stamping
out steel or welding equipment to weld pieces of steel
together could be produced on that same type of
equipment.

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

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

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

MR. STRAW: Mr. Pearson?

COMMISSIONER PEARSON: Yes?
MR. STRAW: It was my observation that the same equipment -- not the exactly same, but the same types of equipment -- were being used to manufacture carts, garden carts, wheelbarrows, things of that nature.

COMMISSIONER PEARSON: Thank you.

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


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

Depending upon the business that happens to be going through the door, they schedule a certain number of hours to work on this product versus that
product, et cetera. My understanding is it works similarly in China.

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

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

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

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

CHAIRMAN KOPLAN: Thank you, Commissioner.

I'm struggling with the information now that Heritage Reporting Corporation (202) 628-4888
we have in Chapter 5, and I'm following up on the line
of questioning that Vice Chairman Okun started and
Commissioner Hillman got into, and that has to do with
these products that we've got where we're looking at
underselling and overselling during the period of
investigation.

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

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

I was wondering whether that meant that
subject product is being sold in a different segment
of the market than domestic product in those instances
that are way up at the top of that range, whether
there's a separate, low-cost consumer market not being
served by domestic producers.
What I heard today from Mr. Rife and others is that there can be different features as to these products and so we're not necessarily comparing apples to apples.

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

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

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

CHAIRMAN KOPLAN: So do I.

MR. JAFFE: -- actually confirm, but if I
remember correctly when you looked at those 122 areas of comparison Product 1 was broken down, Product 1 for home improvement, and you compared U.S. to China, Product 1 for catalog industrial U.S. to China, Product 1 for hardware co-ops U.S. to China, so there was no what I would call cross channel comparisons, if I remember it correctly.

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

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

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

MR. JAFFE: I'm sorry.

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

Go ahead and proceed. I'm sorry.

MR. JAFFE: That's okay. In the home
improvement you basically have the same type of model, the same type of D handle competing from China competing against the same type of D handle in the United States. They did mention that they would try to change some of the features, but it was basically the same.

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

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

It's the same thing. You go to the catalog. It's the same thing, the one-on-one type of comparison.
CHAIRMAN KOPLAN: If the margin is 80 percent in a quarterly comparison on one of these tables, am I looking at the same product for both China and the U.S. product at an 80 percent margin?

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

CHAIRMAN KOPLAN: I know that.

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

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

Now, you go to the industrial catalog area
where it's not as significant volume, so there the
price differential is probably going to have to be a
little more significant. It may be five percent.
Perhaps it's 10 percent because there they're getting
more for their money. They're getting that value.

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

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

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

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

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

MR. JAFFE: Certainly.

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

I've heard that sometimes you can't just
look at one of these products. The wheels could be
different I think was something you mentioned, Mr. Rife, or something else could be different. I want to make sure that when I'm looking at a disparity that's that great I'm still comparing apples to apples.

MR. JAFFE: Right.

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

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

CHAIRMAN KOPLAN: I appreciate that.

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

It's quite the opposite. Even on those two products, the Chinese product has wheel guards. We don't have wheel guards. The Chinese product has a tubular handle that goes from the top all the way down. We don't have that feature. The Chinese product has an extra cross bar, and we only have two cross bars.
Those are three significant improvements over our product which would clearly not explain the huge disparity and underselling. If anything, I would expect to see that price being sold for more.

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

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

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

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

CHAIRMAN KOPLAN: Thank you, Mr. Simon.

Vice Chairman?

VICE CHAIRMAN OKUN: Thank you.

I want to turn to some volume and demand
questions because just for purposes of going back to
the earlier question with regard to pricing and this
different channel.

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

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

The Lindquist catalog is just they know that
Home Depot is getting it for so low, so even if it's a
completely different product in the catalog they're
going to lower their prices, or is it just the Chinese
have the exact same extra features in a catalog, and
they're going to come in with a lower price? That's
what I'm just trying to figure out or need some
MR. KVASNICKA: Jay Kvasnicka with Gleason.

I think one of the important things to keep in mind here is it's a hand truck. You know, you can put all these different features on them, but they essentially do the same thing.

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

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

VICE CHAIRMAN OKUN: Yes. Okay. Anything
else you can put on that? It's mostly just such
disparity in the prices.

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

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

I want to go back and repeat the same
question, but I do want to make sure that I understand
in terms of when you're talking about what influences
demand in these different sectors. Is there a
distinction in the home improvement market versus the
catalog sector in terms of if I think of home
improvement I think housing has remained pretty strong
during even a recession, but maybe it affects
business.
Help me just understand within the different channels where you sell what you think drove demand during this period of investigation. I'm looking at the industry witnesses. I know some of this is on the record, but I just want to make sure I understand it in terms of the arguments here about whether the Chinese have created demand in the market or not or whether it's market conditions.

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

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

Again, I'm trying to figure out the difference between the home improvement segment and what's gone on during this period of investigation and the other segments in terms of demand, real demand.
MR. KVASNICKA: I think the home improvement segment has just grown so much more than the other segments. The Home Depots and the Lowe's have grown enormously in the last couple years and continue to add a couple hundred stores a year. That's what really has driven their value.

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

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

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

Do either of you have a feel for that?

MR. STRAW: I have an opinion, and it's anecdotal. The industrial catalogs market to industrial consumers, factories, offices, that kind of thing. I think at least from what I've observed, there's been quite a few reductions, if you will, in
manufacturing. I think their business has been stable or flat and in some cases declining.

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

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

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

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

MR. MALASHEVICH: I've just been told also, and I think you and I have heard this in other cases, that we shouldn't have the view that the home
improvement stores are only serving residential customers. They are increasingly serving smaller businesses from within their region.

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

VICE CHAIRMAN OKUN: Yes, Mr. Simon?

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

Costco, which is similar to Sam's Club, carries hand trucks. When I shop at Costco, I'm there primarily to buy paper goods and some groceries, but there's many people that are shopping there for that same reason. They see the hand truck on the shelf. It's a convenient place to buy the hand truck. They
might not necessarily need it.

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

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

VICE CHAIRMAN OKUN: Okay.

MR. KVASNICKA: Excuse me.

VICE CHAIRMAN OKUN: Yes?

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

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

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

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

I see my light is going to come on. I'll
probably have a chance or someone else will cover it, but obviously you've addressed should the industry have taken more of this growth in demand and what your view was of that, and I guess I'm also trying to get at the point of in a threat context what customers -- if you lose a Lowe's, does not necessarily translate into losing the other customers as you've described it.

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

Thank you very much.

CHAIRMAN KOPLAN: Thank you, Vice Chairman. Mr. Simon, I have no objection if you want to question Mr. Pearson in his next round about his hand truck, but I'll turn to Commissioner Hillman.

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

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

What happened to your relationship with Grainger as a result of this investigation and the Commerce Department's determination in May of 2004?

Has Grainger restated purchases from Gleason?

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

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

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

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

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

MR. KVASNICKA: Right.
COMMISSIONER HILLMAN: When was the last --
MR. KVASNICKA: They took segments of our business probably starting in 1997. Probably about 1997-1998. They slowly started taking segments of the business, first the two-wheel hand trucks, then our appliance trucks and so forth.

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

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

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

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

We see a big increase in parts. I'm just
trying to understand again who's bringing them in, who's assembling them and why choose to assemble here.

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

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

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

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

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

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

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

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

MR. SIMON: Yes. I just wanted to elaborate
on that because David was responding with respect to aluminum parts, and you've seen a run-up of steel parts as well.

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

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

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

COMMISSIONER HILLMAN: Okay.

MR. SIMON: They can be bolted on.

COMMISSIONER HILLMAN: All right. I appreciate that.

Mr. Jaffe, a question for you in terms of one of the issues raised in your brief. You're
arguing, as I understand part of your brief, that we should find significant price depression based on price decline that occurred prior to our period of investigation. Especially your chart seemed to refer to 1996 and 1997, the Exhibit 9 of your brief with the graph showing the decline.

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

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

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

MR. JAFFE: That's correct.

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

COMMISSIONER HILLMAN: Okay. I appreciate that.

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

I'm just trying to make sure I understand whether and to what degree you have operated your plant during this period of investigation you have in fact operated three shifts a day. I'm just trying to understand whether that's a realistic assumption for us to use as a basis for calculating capacity.
MR. SIMON: Okay. Let me begin by just telling you that last week when the ITC accountant was out in Los Angeles, we spent a tremendous amount of time demonstrating to him how we arrived at our capacity numbers.

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

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

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

MR. SIMON: Right. I understand.

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

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

COMMISSIONER HILLMAN: Today? Now?

MR. SIMON: I hope today.

COMMISSIONER HILLMAN: Okay. All right.

MR. SIMON: Since our VP of operations is...
behind me, I'm hoping that while he's out of the plant they are still operating.

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

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

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

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

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

CHAIRMAN KOPLAN: Thank you.

Commissioner Miller?

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COMMISSIONER MILLER: Thank you, Mr. Chairman.

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

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

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

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

MR. KVASNICKA: Yes.

COMMISSIONER MILLER: And if you're really more comfortable with respect to Lowe's doing it --
MR. SIMON: No. Actually, the only reason I didn't talk about Lowe's is because I was told by others on our team that maybe my testimony was going on too long, so thank you for giving me the opportunity.

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

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

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

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

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

MR. SIMON: But then in January 2004 they contacted us and told us that they had decided to postpone their decision to switch in light of the
developments that had been occurring in our case, so we were impressed with how closely they were watching this case and relieved that they had decided to postpone their decision in light of the progress that we have been making.

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

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

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

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

MR. SIMON: That's correct. I think that
Home Depot had already put the wheels in motion, and it was too late for them to turn back in light of the developments that were occurring throughout this process.

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

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

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

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

MR. RIFE: Ms. Miller?

COMMISSIONER MILLER: Yes, Mr. Rife?

MR. RIFE: If I can interject? Having not
been the supplier of choice at Lowe's, but having participated in those line review of July of 2003, it was stated at that review that one of our biggest competitors would be the import product.

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

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

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

His comment to me was if there's negative review we'll be importing hand trucks so fast your head will spin. That is a quote.
COMMISSIONER MILLER: All right. Let me ask you about -- that's all very helpful; I appreciate it -- I don't know if it's another channel. It's part of this, but another area that we haven't touched on too much. As I understand it, we will hear from the Respondents' side a little bit about the office supply stores, the Staples and Office Depot, Office Max kind of stores.

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

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

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

MR. KVASNICKA: Well, if they carry like product they're going to want to be comparably priced.
COMMISSIONER MILLER: Okay.

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

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

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

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

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

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

CHAIRMAN KOPLAN: Thank you.

Commissioner Lane?

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

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

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

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

MR. KVASNICKA: Yes, it did because again, as we've spoken earlier, these items all become very freight sensitive. One of the advantages that we have as a manufacturer is that we can supply them multiple products, so we just are in the process of hopefully gaining, but I suspect it's going to be very much of a challenge.
We had gave them a program on fertilizer spreaders, and after some things happened with the freight they just have never turned it on because without the hand trucks to drive the freight they felt that it would be too expensive to ship the fertilizer spreaders, so it has a residual effect all the way with our other products as well.

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

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

COMMISSIONER LANE: Okay. Thank you.

What is the expected life of the low end
hand truck?

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

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

COMMISSIONER LANE: Okay. Thank you.

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

COMMISSIONER LANE: Thank you.

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

To what extent have domestic hand truck manufacturers attempted to reach customers through non-traditional channels of distribution such as direct sales via the internet or television infomercials?
MR. KVASNICKA: We do not do direct sales over the internet because in that case we would be competing with our customers directly, allowing consumers to buy from us.

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

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

COMMISSIONER LANE: Yes.

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

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

COMMISSIONER LANE: Okay. Thank you.

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

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of Home Depot and people doing home improvements, et

cetera, and the ease with which people can get to Home
Depot, Lowe's, go in there and buying things and
perhaps buying a hand truck because it's there and it
looks like a good buy.

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

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

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

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

MR. STRAW: I'd like to add something as it
relates to that subject.

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

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

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

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

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

COMMISSIONER LANE: Okay. Thank you.

That's all the questions I have.

CHAIRMAN KOPLAN: Thank you.
Commissioner Pearson?

COMMISSIONER PEARSON: Thank you, Mr. Chairman.

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

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

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

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

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

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

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

I looked at the sturdier, more expensive models and found one that I think had something to do with Milwaukee. At any rate, it looked to me like
good value for the money, and I went ahead and bought it and stuck it in the van and took it home.

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

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

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

MR. SIMON: Well, your story actually invites two comments. One is it does lend support to the fact that the publicity of this case caused you to go out and buy that hand truck.
Secondly, I guess I'm reminded by our attorneys that I should caution you to not use a hand truck for moving product down the stairs unless it's specifically designed for that purpose.

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

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

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

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

If you have any specific thoughts about how
you think we should go about collecting and analyzing that information in a general sense, I'd be interested in it. Frankly, the simpler the better.

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

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

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

Also, in my experience, although the systems are different at all companies, there are routinely kept in the normal course of business standard costs,
standard measures of performance that link the costs of depreciation, of fixed overhead, to production activity in the normal course of business.

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

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

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

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

Also, there are differences in technology.
here versus the robotic approach employed at Harper
and the welding station approach employed at Gleason.

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

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

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

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

You know, that suggests that whatever
returns are perceived are below the cost of acquiring
that capital in the circumstances.
COMMISSIONER PEARSON: I know that you had already written in the brief about concerns about the North American industry classification system as it was used in this analysis. Anything you want to say quickly on the record now, or should we just let the written record --

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

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

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

CHAIRMAN KOPLAN: Thank you, Commissioner.

Let me see if anyone else has additional questions. I do not.

VICE CHAIRMAN OKUN: Yes, Mr. Chairman.

Just two questions that can be done for posthearing. I want to direct them to both Petitioners' counsel and Respondents' counsel.
First, in terms of whether appropriate circumstances exist to exclude anyone from the domestic industry, I know, Mr. Jaffe, in your brief you had said that the domestic industry, all the producers should be included, but I would like you to look at that in some detail in light of the information we have on the record and would ask Respondents' counsel to do so as well.

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

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

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

I would note that unfortunately I'm not
going to be here for the afternoon because of something that's come up with one of my children, but I will have the opportunity to review the transcript. I know we have a lot of witnesses here on the Respondents' side. I will leave some questions that I hope that my colleagues will be able to address throughout the afternoon. I will pay careful attention to the transcript, but I did want to mention that as well, Mr. Chairman.

Thank you.

CHAIRMAN KOPLAN: Thank you.

Commissioner Miller?

(No response.)

CHAIRMAN KOPLAN: Commissioner Lane?

COMMISSIONER LANE: No questions.

CHAIRMAN KOPLAN: Thank you.

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

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

CHAIRMAN KOPLAN: Thank you.

Mr. Bruno, before I release this panel, do you have any questions of the panel?
MR. BRUNO: No questions, Mr. Chairman.

CHAIRMAN KOPLAN: Thank you.

(Panel excused.)

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

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

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

(1:45 p.m.)

CHAIRMAN KOPLAN: Good afternoon. Madam Secretary, I see the second panel is seated.

MS. ABBOTT: The second panel is seated, Mr. Chairman, and all witnesses have been sworn.

(Witnesses sworn.)

CHAIRMAN KOPLAN: Thank you.

Counsel, you may proceed.

MR. ZOLNO: Good afternoon, Mr. Chairman and members of the Commission. My name is Mark Zolno. I am with the law firm of Katten, Muchin, Zavis, Rosenman. With me here today is one of my partners, David Stepp, and our witnesses from our client, LDI, Pam LaFontaine and Dan Zdon.

Before Pam begins her testimony, we'd like just to briefly comment on some of the points raised in rebuttal to the brief that we filed with the Commission, that is our prehearing brief. I guess first of all we're glad that our brief made such an impression on counsel for the Petitioners. We're not sure it was such a favorable impression, but at least it made an impression.

Rather than as counsel for Petitioners did by leading his witnesses to self-serving, scripted
answers, the Commission is going to hear from our
witnesses today actual experiences with respect to
some of the items in our prehearing brief, including
the lack of quality and service by the domestic
industry, especially Gleason.

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

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

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

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

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

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

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

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

Pam?

MS. LAFONTAINE: Good afternoon, Mr.
Chairman and members of the Commission. My name is Pam LaFontaine, and I am the Director of Marketing for Safco Products Company, a division of Liberty Diversified, Inc.

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

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

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

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

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

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

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

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

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

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

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

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

The raw materials needed to fabricate hand trucks...
trucks are increasingly more expensive, which results in higher costs to producers and importers. Therefore, the current economic environment requires that producers, importers, wholesalers and retailers become very innovative to stay competitive.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

I guess I would ask if that's a reflection
of going to China for the price or more a level of
frustration that they've experienced in dealing with
The other part that I'd like to discuss is that in our market segments we are most often compared with the buyers to Gleason and/or Harper, and more often than not they come in with a better price than we come in with. It's a combination of all of those things, and price is third on the list.

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

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

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

Also with me are Philippe Bruno from whom you've already heard, Mr. Feng Xue Lou and Mr. Ge Zhiqiang of the Taifa Group, who have traveled a long way to attend this hearing.
Mr. Feng will be providing you with details concerning Taifa's hand truck business. Because Mr. Feng's English is limited, his testimony will be read by Ms. Wei-Mo Liu of our firm. Mr. Feng, along with Mr. Ge, will be available to answer any questions that you may have.

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

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

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

This case is about one thing. It is about
Gleason's relationship with two of its largest customers, Home Depot and Lowe's. This case was filed essentially over Gleason's alleged fears that it was about to lose these two customers to Chinese imports. When Gleason prepared and filed its petition, the U.S. hand truck industry was not suffering any material injury, which Gleason admitted as much during the preliminary conference. As a result, the case came down to determining whether the future loss of sales to these two customers threatened the U.S. industry with material injury.

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

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

First, recent reports that Home Depot, Gleason's largest customer, has resumed purchasing
from Gleason after the preliminary dumping duties were imposed on Chinese goods. However, Gleason also reports that instead of returning the entire purchase volume to Gleason, Home Depot split its purchases with one of Gleason's U.S. competitors.

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

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

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

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

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

Production was stable throughout the period of investigation, and U.S. prices, in spite of some
data that shows underselling by Chinese imports, have been stable as well. Market share percentage declined. However, the absolute volume of shipments remained stable, indicating that the U.S. industry did not lose any of its existing market to Chinese imports.

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

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

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

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

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

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

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

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

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

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

The presence of Chinese imports has had no discernable impact on the U.S. industry, and there is no reason to believe that this will change in the future. Under these circumstances, we believe that the Commission should conclude that the U.S. industry is not threatened with material injury by reason of Chinese imports. Thank you.
I will now turn to Mr. Feng.

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

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

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

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

I think that Taifa's questionnaire response submitted to the Commission may have indicated an incorrect percentage in this regard. In terms of all exports of hand trucks to all export markets, I believe that Taifa accounts for over 40 percent.
Hand trucks are sold to customers in about 30 different countries. In addition to the United States, our major customers of hand trucks are located in Europe, Australia, Japan and New Zealand. The United States is about 50 percent of our hand truck business, but we also consider Europe a very important market.

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

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

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

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the fastest growing market in Asia.

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

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

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

Some of our products do share the same production resources with hand trucks. However, the shared facilities are limited. Wheelbarrows' production line is different from a hand truck production line because wheelbarrows require different
types of materials and equipment.

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

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

Even if there is no more dumping duty, it
would be difficult to get those customers back once a relationship has been established between the customers and those suppliers. Obviously, the customers who are now setting up production in other countries will not buy from Taifa ever again, regardless of antidumping duties.

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

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

MS. HUIJUAN: Good afternoon. My name is Liu Huijuan. I am a project director for China Chamber of Commerce for Import and Export Machinery and Electronic Products. The chamber of commerce is a
nonprofit, nongovernmental organization which represents and promotes the interests of machinery and electronic product exporters and producers in China. The chamber also acts as a resource for export and market-related information. The chamber does not control or coordinate any activities of individual companies.

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

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

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

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

MR. BRUNO: This completes our presentation.

Thank you.

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

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

I think perhaps I would like to begin with Ms. LaFontaine and Mr. Zolno. In your testimony, Ms.
LaFontaine, you've emphasized the quality issues on
the supply side that you say are responsible for
customers perhaps turning away from the domestic
producers, and, Mr. Zolno, in your initial statement
you emphasized that -- you made a comment at one point
that you felt that the Petitioners hadn't read the
staff report and what it said on this point.

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

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

COMMISSIONER MILLER: You're referencing the
discussion in the lost sales and revenue section. Is
that the part that you're referring to?

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

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

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

COMMISSIONER MILLER: Right.

MR. ZOLNO: -- and that obviously dealt not
just with Petitioners' hand trucks but dealt with the
domestic industry as a whole. However, the statement
that we made was that there were specific instances of
customers of the Petitioners commenting on the poor
quality of Gleason's products as one reason why they
either decided to switch to Chinese products or, at
least, contemplated switching to Chinese products.

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

MS. LaFONTAINE: Sure.

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

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

COMMISSIONER MILLER: Just in general, yes.

MS. LaFONTAINE: Just in general? How is it
different?

COMMISSIONER MILLER: First, go ahead and
sort of add whatever comments you would like to on the
contradiction I see in our report on the quality
issue.

MR. ZDON: Yes. Let me address the
channels, in particular.

COMMISSIONER MILLER: Mr. --

MR. ZDON: -- Zdon.

COMMISSIONER MILLER: -- Zdon.
MR. ZDON: Yes. Dan Zdon from LDI. The channels, from our perspective, and I think they correspond to the Petitioners, is there is a home-improvement channel, which we all agree is Lowe's and Home Depot. Then there is an industrial market, which Grainger and some smaller distributors and some larger regional distributors fall into, but they sell primarily to industrial customers. Then there is an office products channel that is different than those other two that sell primarily to an office setting, and while it's a competitive hand truck, it's used for different things. It's used for taking around a ream of paper or a case of paper and things like that, used much differently.

All of those customers, including Home Depot and Lowe's, Grainger, and the office products people, have catalogs. So to clarify catalogs as a channel really doesn't correspond because they all have catalogs that they use as one of their marketing tools, along with Internet and everything else.

So we see it a little differently, or perhaps classified a little differently, in consumer, industrial, and then office, and we participate primarily in the office products side of that. Does that help?
COMMISSIONER MILLER: Yes. Well, it does in terms of, you know, how you see them, but then tell me how they differ. I mean, you heard a number of questions this morning about us having remarked on differences in prices between the different channels that we have. I'm just interested in your view of the competition at the different channels, --

MR. ZDON: Sure.

COMMISSIONER MILLER: -- how it's different.

MR. ZDON: Sure. Again, different than the Petitioner, actually the prices in the office products market is much higher than in the industrial or consumer markets. Because it's not a primary purchase, -- it's not a destination purchase -- it's an add-on purchase -- the retail prices, or the prices that the customers pay, are actually much higher than they would be either in a consumer big box or even in a Grainger catalog or industrial-type sale.

So in the office products channel, a hand truck is an add-on purchase. It's used sporadically. It's not used as a way to make a living, I think, is the way they classify it. It's not a consumer, as the big-box, home-improvement stores are, but it's certainly not industrial either.

COMMISSIONER MILLER: I don't know. It
seems to me these days all of these different channels are getting kind of hard, you know, to separate, aren't they? I get all of them. Perhaps Grainger is selling through a catalog to a pure industrial; otherwise, all of these channels seem to me that they are getting kind of blended together. They are your customers. You know better than I do.

MR. ZDON: Actually, they don't blend together that well, and that's why they each kind of hold their own boundaries, and that's why there is different pricing from channel to channel because, again, they may be going after the same customer, but they are going after them in a different environment, either as a primary-destination purchase or as an add-on purchase.

COMMISSIONER MILLER: Okay. Ms. LaFontaine, do you want to help me anymore on my sort of contradiction that I see in our report or in the information we've gathered on quality, please?

MS. LaFONTAINE: All I can comment to is specific instances that we've had in competitive situations with the Petitioner. Typically, when we've gone in and reviewed that category, the hand truck category, as a whole and sat down with a buyer, we ask them specifically why they would or wouldn't want to
move their purchases from the existing supplier, and
there have been several instances where the specific
element was service and quality. And as I mentioned
in my closing comments, many times our price is higher
than what the Petitioner's price has been in the same
situation.

COMMISSIONER MILLER: Okay.

MS. LaFONTAINE: So there was more value put
on the quality and the service.

COMMISSIONER MILLER: Okay. All right.

Well, it's not the first time we've seen
contradictions that we have to find our way through,
so we'll just keep working on it. I see the yellow
light is on. I'm trying to see if there is anything I
can do briefly. I don't think so. I'll hold any
further questions. Did you want to make a further
comment?

MS. LaFONTAINE: Would you like a specific
example of -- with Gleason, in particular?

COMMISSIONER MILLER: Sure, if you would
like to. I always hesitate to ask for customer names
unless the companies are volunteering them.

MS. LaFONTAINE: We actually didn't go
through with this transaction, so it's okay to talk
about it.
COMMISSIONER MILLER: Okay.

MS. LaFONTAINE: A couple of years ago, we closed an acquisition, and part of the company that we acquired, their business was in the warehouse channel, so the Sam's Club, and the Coscos, and so on. As part of the transition of that relationship, we went in and met with those buyers and looked through all of the product lines that Safco had to offer in addition to what we had just acquired. In that meeting, they talked about Sam's Club, in particular, was currently purchasing the Milwaukee brand hand truck through the Petitioners, and the reason that they were looking at making a shift was primarily service, lack of delivery, and quality.

We chose not to go down that path with them because of other initiatives we had, and I think, ultimately, it ended up going to another U.S. producer.

COMMISSIONER MILLER: Okay. I appreciate your answers. Thank you very much.

CHAIRMAN KOPLAN: Thank you, Commissioner.

Commissioner Hillman?

COMMISSIONER HILLMAN: Thank you very much, and I, too, would join my colleagues in welcoming all of you this afternoon, and, again, our thanks,

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particularly to our witnesses that have traveled all
of the way from China to be with us. We thank you
very much, and your information has been very helpful.

If I could, I would like to start with Mr.
Feng Zuelou on a question. You stated in your
testimony that when you make sales to Europe, that you
are selling them not only hand trucks but also
wheelbarrows and garden carts and other products.
When you make sales in the U.S., are any of them also
a combination of hand trucks plus any of these other
products?

MR. FENG: Yes. For the U.S. clients, they
also sell wheelbarrows and garden carts, together with
the hand truck.

COMMISSIONER HILLMAN: And when the prices
are set for that set of goods, is it priced as a
package, or is the price of each of the items, the
hand trucks is one price, and it's all added together,
or are there discounts between the various products
that are included within that package of goods?

MR. FENG: It's separated. The price for
each product is separated.

COMMISSIONER HILLMAN: And how significant
is it, in terms of the customer wanting to purchase
from you, the fact that they can buy from you a

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variety of products instead of buying hand trucks from one company and wheelbarrows from another company and carts or something from somewhere else? Is the fact that you are supplying them all of those goods from one place a significant factor in their selecting you to do their business with?

MR. FENG: As the sales manager said, because these clients would like to have Taifa to provide all of its product at one time, it's easy for them to do work, so instead of going all around to find other producers to provide them with all other products.

COMMISSIONER HILLMAN: Okay.

MS. WEI-MO: Does that answer your question?

COMMISSIONER HILLMAN: Yes, yes. Thank you.

Then you also mentioned that in Europe that you have a number of long-term contracts with several of your customers. I was trying to make sure I understood. Was that to distinguish it from the United States? In other words, do you have a similar amount of long-term contracts with customers in the U.S.?

MR. FENG: For the Europe market, they have almost half of the -- sales depend on the long-term contract, but they have not yet had any in the U.S. market.
COMMISSIONER HILLMAN: And when you say "long term," how long is the term?

MR. FENG: We have three-year terms, long-term contracts, which we renew every three years. We have renewed the contracts for three times already, and we also have renewed each year. We have three years' long and renewed three times already, and we have lots of one-year renewable kinds.

COMMISSIONER HILLMAN: And do the contracts specify both the quantity and the price within the contract?

MR. FENG: The long-term agreement gives us the general idea. We probably during this period of time will buy how many quantities with roughly ideas of price, but each purchase order they will give a specific price and quantity.

COMMISSIONER HILLMAN: Okay. And the purchase orders are typically issued how often?

MR. FENG: It varies. Sometimes one purchase order covers one month, sometimes two months.

COMMISSIONER HILLMAN: Thank you very much. Ms. Liu, thank you also for taking the time to be with us. We very much appreciate it.

You mentioned in your testimony that all major producers of hand trucks are located in the

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Qingdao area. Why is that? Why are they all in Qingdao?

MS. WEI-MO: She is not sure, but hand trucks may be easy to develop there. She is not sure.

COMMISSIONER HILLMAN: Okay. But you are certain that all of the producers are in Qingdao. There are none anywhere else in China.

MS. LIU: Other provinces, there are some but very little, very small.

COMMISSIONER HILLMAN: Okay, okay. Thank you. I appreciate that.

Ms. LaFontaine, just to make sure that I understand it, in looking at your testimony, you described your company as a family of companies that designs, manufactures, and markets products. I'm trying to understand whether you do manufacturing of hand trucks in the United States.

MS. LaFONTAINE: Valleycraft, one of our divisions, manufactures specialty hand trucks that are designed specifically for oil drums and things like that, not hand trucks of this nature.

COMMISSIONER HILLMAN: Okay. And when you say they manufacture, starting right from the beginning --

MS. LaFONTAINE: Right. Uh-huh.
COMMISSIONER HILLMAN: -- or are they largely assembly?

MS. LaFONTAINE: No, from the tubing on, to bending, welding, all of the processes.

COMMISSIONER HILLMAN: But everything that Safco sells would be an imported product.

MS. LaFONTAINE: Yes, of hand trucks, yes.

COMMISSIONER HILLMAN: Okay, okay. And for Valleycraft, they are also selling imported product and then just manufacturing this one limited line.

MS. LaFONTAINE: They are importing a few of the basic line. The primary sales for hand trucks, as they classify them, are in the specialty drum-type hand trucks. Does that make sense?

COMMISSIONER HILLMAN: Yes. And then you heard testimony this morning from the Petitioners and all of us trying to understand the degree to which any price changes in the Home Depot, Lowe's home-improvement market, whether and to what degree they might affect prices in the hardware store market and then, quite separately, I think, in the catalog-industrial market. You've described yourselves as in, arguably, yet a different market of the office supply stores.

I guess, the same question to you. You
mentioned that the products sell typically at a higher price point than the products sold at Home Depot or Lowe's. Is there a price relationship? Is there a sort of differential amount above or below which the prices start to move together, or they really are just completely separate markets?

MS. LaFONTAINE: They are completely separate markets.

COMMISSIONER HILLMAN: Is the product being sold into that market significantly different from the product being sold into either the Home Depot market or, on the other hand, into the industrial market?

MS. LaFONTAINE: No. Actually, we have models that are comparable to any of the models that they have.

COMMISSIONER HILLMAN: They would look exactly the same.

MS. LaFONTAINE: Yes.

COMMISSIONER HILLMAN: Okay. Now, we heard testimony this morning that, at least at Home Depot, they tend to actually stock only a very limited range of models, one, two, maybe three, not a wide range. How about the office supply stores?

MS. LaFONTAINE: To confuse you further, in the retail side of their business, they will stock a

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limited amount, and that's probably most closely related to the Home Depots. On the business side, they will inventory a vast amount of them. They will provide a number of solutions for their customers, and they will stock them at strategic distribution points throughout the U.S.

COMMISSIONER HILLMAN: Okay. I appreciate those answers. Thank you.

CHAIRMAN KOPLAN: Thank you, Commissioner. Commissioner Lane?

COMMISSIONER LANE: Good afternoon. We have heard that there has been an increase in consumption of hand trucks, especially since 2001. What factors have accounted for this rapid increase in consumption?

MS. LaFONTAINE: The consumer research that we've participated in actually finds that it's the increase in small office and home office that's stimulating some of those purchases. So it's a new demand that's being created based on working from home and having the need to commute, so to speak.

COMMISSIONER LANE: Okay. Thank you. Now, Respondents have also argued that subject imports have created a separate, lower-priced market for hand trucks that did not exist in the past. However, no purchasers have cited any such lower-priced market for
Chinese hand trucks. Do you still contend that such a market has been created, and, if so, do you have any proof to substantiate your claim?

MS. JEONG: Rosa Jeong with Greenberg Traurig. I think the data that supports the claim is the fact that the growth in U.S. demand was most pronounced in the home-improvement segment of the market. You have your Home Depots and Lowe's which primarily serve your every day consumers, and to the extent that the growth in the most significant way in that market, we believe that data indicates that the growth was in the consumer segment, and that growth also corresponds to what Chinese imports have captured during that same period. So I think that leads to the conclusion that Chinese imports have contributed to growing that market.

COMMISSIONER LANE: Okay. Thank you. I'm not sure who to address this question to, but the data collected in this investigation suggests that on a value basis imports of finished hand trucks from nonsubject countries are relatively modest and that imports of parts from nonsubject countries, while relatively larger, are still less than imports of parts from China. Is this consistent with your experience in the market? Mr. Zolno, I see you
shaking your head.

MR. ZOLNO: Unfortunately, we have no comment on that point, Commissioner Lane.

COMMISSIONER LANE: Okay. Thank you. I'll go on to my next question, then.

At page 13 of your prehearing brief, you describe the level of competition between U.S. producers as active and contend that intra-industry competition confirms that the Chinese do not pose a threat of material injury. What is your reasoning for this line of argument?

MR. ZOLNO: That argument is based on the fact that the Petitioners have presented the home-improvement market where they are dominant as consisting basically of Home Depot and Lowe's. Significantly absent from that grouping, yet part of the home-improvement market, are what we call the "wholesale clubs," Sam's and Costco, for example. Therefore, we have to look at the home-improvement market as an entirety, not just a segment of the home-improvement market, as Petitioners would lead the Commission to believe.

Looking at that additional segment of the home-improvement market, in other words, the wholesale clubs, the wholesale clubs, as Ms. LaFontaine

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indicated, in her experience, are buying not from the
domestic Petitioner, but yet they are buying from
another domestic company. So the sales are not being
lost to Chinese imports; they are being substituted,
one domestic company for another.

MS. JEONG: If I may add, I think you're
actually referring to the section of our brief. I
think there are at least two examples on the record
that show that there is active intra-U.S. industry
competition. The first is the fact that when you look
at the company-specific records, company-specific
financial data, you have some companies who are doing
better than others and actually have increased sales.
And given the fact that the total volume of U.S.
shipments remained constant, it has to mean at least a
portion, if not all, of those sales were taken away
from other U.S. producers.

And second, and perhaps more telling, is the
example that I mentioned in my testimony this morning.
Gleason came in and said, We were the sole supplier to
Home Depot for many, many years. They were happy with
us. The Chinese came in, and they were deciding to go
to Chinese imports because of these cheap prices.

Now, according to Gleason, Home Depot
decided not to do that because of those pending

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dumping duties. And if they were so happy with
Gleason before, and the only reason they were turning
away was a price issue from Chinese imports, why
didn't they turn 100 percent of their purchases back
to Gleason? Why did they bring in another U.S.
producer, a competitor of Gleason? I mean, that's a
very solid example of why there is U.S. competition
that are taking sales away from each other.

COMMISSIONER LANE: Okay. Thank you. The
staff report shows that low-priced imports of hand
trucks from China have been increasing rapidly as a
share of the U.S. market since early 2001, and that's
in the staff report, page IV-11, and that overall
profitability of U.S. producers has been declining
despite a growing market. How should the Commission
evaluate these trends as it considers the significance
of the volume of subject imports?

MR. BRUNO: Philippe Bruno with Greenberg
Traurig. I think that you are asking about volumes,
and we are looking at profitability, and I would like
to express some of the concerns I have with respect to
this case.

First of all, no one denies that the volume
of imports from China has been large in 2004 and has
increased rapidly, but the point is that the
profitability of the industry has remained in the
black throughout that period with some variations.
And what I'm afraid of here is that Petitioners are
asking the Commission to quantify how much profit they
should be making. If you look at the period, it
fluctuates, and I'm not saying it's higher at one
point or the other.

What I'm saying is that the Commission is
not here to determine how much profit an industry has
to make. It has to determine whether an industry is
materially injured, and usually when a petition is
filed, we have operating losses, or we have a trend
towards operating losses. Here, we have a profit in
this industry which, by other measures, is pretty
strong. You saw some of the indicators in the staff
report. The Commission has found other industries not
injured with profits much lower than those experienced
by this industry.

So I want to make sure that when we go in
the direction in which we're going at this point, we
understand that the statute does not ask us to
quantify how much an industry has to be making but
really whether they are losing money, and they are
materially injured.

Our view is that the volume of imports has
not affected the bottom line of this industry. One of
the reasons is that this industry may not have
captured a larger share of the market, which was a
growing market, but they have been able to maintain
their shipments at the same level, and that's telling.
Second, the capacity utilization here --
there is a good reason why the capacity-utilization
figures provided by Petitioners were the way they
were. With 40-percent capacity utilization, they
could come here and make a claim saying basically, we
could have captured a larger share of the market. The
problem is that these capacity figures are suspicious,
to say the least, and have been revised already, and
all of a sudden we have a capacity utilization which
is much higher. They could not have supplied the
market, which is the reason why a lot of these
customers are going to other sources of supply. If
they are not going to get Chinese, they are going to
get something else.

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

MR. BRUNO: Thank you.

COMMISSIONER LANE: Thank you, Mr. Chairman.

CHAIRMAN KOPLAN: Thank you. Commissioner
Pearson?
COMMISSIONER PEARSON: Good afternoon. I would like to join my colleagues in welcoming our visitors who have come from Qingdao. It's a long trip.

I had the pleasure of spending some days in Qingdao a few years ago and found it a most interesting and fascinating city. I hope that you enjoy your time in Washington as much as I enjoyed my time in Qingdao.

Permit me also to greet the Minnesotans at the table. Both of you are from Minnesota and work at New Hope? Okay. I have to confess, I've spent even more time in Minnesota than in Qingdao. I've spent most of my life there, and I regret not being there this particular fall. My observation is that the university football team is 5-0, ranked 18 in the nation. I don't recall that that ever happened when I lived there. And the Twins are going home after a long night last night in which they finally gave the game to the Yankees, but they seemed to have some reasonable probability of coming out on top in the playoff series, and that also is a wonderful thing, and it doesn't involve the Red Sox at this moment.

CHAIRMAN KOPLAN: Not yet.

COMMISSIONER PEARSON: (Laughter.) So, at
any rate, cheer them on to victory, if you could, in my absence. Let me try to get down to business here.

I was just wanting you to clarify, if you could, Ms. LaFontaine, does LDI see itself primarily as an importer of hand trucks or as a domestic manufacturer?

MS. LaFONTAINE: An importer.

COMMISSIONER PEARSON: Okay. Do you import from countries other than China?

MS. LaFONTAINE: Yes. Absolutely. We're very global. We do quite a bit in Europe. Hand trucks specifically?

COMMISSIONER PEARSON: Yes, hand trucks specifically.

MS. LaFONTAINE: Hand trucks specifically, we just recently moved them to China. Prior to that, we had been importing them from Malaysia and Thailand.

COMMISSIONER PEARSON: Okay. And if it's not too speculative and doesn't get into a confidential area, is it possible that in the future you might source from other countries once again, depending on developments in the marketplace?

MS. LaFONTAINE: Absolutely. We've already got some projects working in India.

COMMISSIONER PEARSON: Okay. Permit me to
direct a question to Mr. Feng and Ms. Liu. I asked
the Petitioners this morning what they could tell me
about any incentives that the Chinese provincial or
local governments might provide for the export of hand
trucks. Can you comment on that, please? Are there
any policies of governments in China that encourage
the export of hand trucks?

MS. WEI-MO: This is from Mr. Feng. He said
he --

CHAIRMAN KOPLAN: Could you move your
microphone closer?

MS. WEI-MO: Okay. Mr. Feng said he never
received any subsidies or anything from local
government.

COMMISSIONER PEARSON: Or from the
provincial government also?

MS. WEI-MO: Never.

COMMISSIONER PEARSON: Okay, because I have
some experience with dealing with nuances with an
export policy in this country, let me ask the follow-
up. He's never received anything. Has there been a
time when he hasn't been required to pay some tax as a
condition for export? In other words, even though he
didn't receive something from the government, did he
not have to give them something?
MS. WEI-MO: There's no tax deduction experience for him.

COMMISSIONER PEARSON: Okay. This morning, the Petitioners advised that at times, they have seen hand trucks offered for sale in the United States at a cost that would not pay for the purchase of the materials that went into the hand truck, if it had been manufactured in the United States. So my question is, are there differences in the cost of materials in China and the United States for the building of hand trucks?

(Pause.)

MS. WEI-MO: If the same models, the cost should be the same. The production cost should be the same; unless it's different models, then it might be quite different cost.

COMMISSIONER PEARSON: Okay. So, Mr. Feng would say that the cost of the materials is basically the same in each country?

MS. WEI-MO: May I ask you this question again? From my understanding is you said domestic sales of Chinese hand trucks and cost to the United States the same thing? What's the question? I'm sorry.

COMMISSIONER PEARSON: Ms. Jeong, you may
ask the question, if you wish.

(Pause.)

CHAIRMAN KOPLAN: Ms. Jeong, did you want to restate the question for the record, so that we would have that?

MS. WEI-MO: Ms. Feng said he never compared U.S. cost of production with the Chinese cost of production. He does not know what is the cost of production of hand truck in the U.S. So, he does not know right now.

COMMISSIONER PEARSON: Okay. Ms. LaFontaine, do you have any knowledge of the answer to that question, the material cost for manufacturing trucks in the United States versus China?

MS. LAFONTAINE: Our experience has been that the cost of the material is pretty much the same. The difference really comes in the labor and the production cost.

COMMISSIONER PEARSON: Okay. And, of course, you've, also, imported some hand trucks from other countries and so you've been --

MS. LAFONTAINE: Yes.

COMMISSIONER PEARSON: -- had some knowledge of material cost there. So, it's --

MS. LAFONTAINE: It's all --
COMMISSIONER PEARSON: -- worldwide. It's the same kind of stuff. Okay.

MS. LAFONTAINE: You may get some variation based on the company's specific volume and/or how they bring it in and process it. But, basically, it's the same.

COMMISSIONER PEARSON: Okay. I'm advised that for Taifa, the final dumping duty that Commerce has found is 27 percent. The question that I have is, if that duty goes into effect, will it have an influence on the exports of hand trucks from Taifa to the United States? For Mr. Feng, please.

MS. WEI-MO: Would definitely affect 100 percent -- would affect Taifa's exports to the United States.

COMMISSIONER PEARSON: When you say that it would affect it 100 percent, do you mean that it would stop the imports from coming in or it would tend to reduce the number coming into the United States?

MS. WEI-MO: Both possibilities could happen, would stop or decrease dramatically.

COMMISSIONER PEARSON: Okay. Ms. LaFontaine, for most of the manufacturers at Qingdao, the final dumping duties are running between 25 and 30 percent, basically. Looking at -- I don't know who
you buy from, I haven't asked -- but looking at import duties in that level, would you expect to still see some volume of Chinese hand trucks come into the United States or is that level going to be prohibitive?

MS. LAFONTAINE: No, it would be prohibitive. I doubt if anyone has that much of a cushion built into their pricing structure, where they could absorb that long haul. It would require people to move outside of China. I don't think it would drive it back to the U.S., however.

COMMISSIONER PEARSON: The pricing data that we have, of course, does show some instances, in which there has been a margin far in excess of 30 percent for hand trucks brought into the United States. And so, it would seem that, at least in theory, it would be possible at times to import them with that level of duty.

MS. LAFONTAINE: All I can speak to is our specific margins and program requirements and I can tell you from our perspective, we could not absorb a 30 percent duty rate or increase in price.

COMMISSIONER PEARSON: Okay, thank you, very much. My time has expired.

CHAIRMAN KOPLAN: Thank you, Commissioner.
Thank you all for your answers to questions thus far.

Let me begin, Mr. Zolno, if I could, with you. I note that at page two of your pre-hearing brief, you cite Carbon Steel Pipe Nipples from Mexico, investigation number 731-TA-719, which is a negative preliminary about 10 years ago, for the proposition that the hand truck market in the United States is very analogous to the carbon steel pipe nipple market. However, in my reviewing that investigation, it appears to me that the Commission discounted record evidence of underselling, because importers sold largely to mass retail merchandisers, while the domestic industry sales in contrast were being sold in the industrial plumbing supply portion of the market. So, I'm not able to make the connection and see an analogous factual situation present in the hand truck industry to that preliminary determination that you have cited that dates back to 1994.

If you disagree with my read of it, please feel free to expand on your reading of that investigation in your post-hearing submission.

MR. ZOLNO: Well, I think the point we were trying to make, Commissioner Koplan, is that there are two markets -- at least two markets in that case, as are in here. In other words, the Commission found
market segmentation. We believe that to a certain extent, there is market segmentation in the hand truck industry here. That market segmentation was not recognized during the preliminary phase of the investigation. And, in fact, as Ms. LaFontaine indicated today, they're selling -- LDI is selling primarily to the office market, whereas that category of sales was not recognized by the Commission, in its questionnaires at least.

CHAIRMAN KOPLAN: Thank you. I appreciate that and if you want to add, as I say, in your post-hearing, that will be fine.

MR. ZOLNO: Thank you.

CHAIRMAN KOPLAN: I appreciate that, though, for now.

Page six of LDI's pre-hearing brief states that 'U.S. producers exaggerate the extent of the downward trend in prices for both their products, as well as Chinese imports. In fact, the prices of U.S.-produced hand trucks did not exhibit a clear trend during the POI and prices of Chinese imports were relatively stable, while prices for other products varied widely.' The Commission staff report in Chapter 6, pages 7 and 9, states, 'higher raw material cost were the largest contributor to the overall
negative cost/expense variance shown in Table 6.3. Average unit direct labor and other factory costs, also, increased during most of the period, but generally to a lesser degree.' Assuming that you were correct when you state that U.S. and subject import prices were relatively stable during the POI, doesn't that suggest that the domestic industry was experiencing some degree of prices suppression or price depression from the underselling?

MR. ZOLNO: We would like to hand that, as well, in our post-hearing brief.

CHAIRMAN KOPLAN: Okay. That will be fine. On page 23 of Petitioner's pre-hearing brief, they state that 'the inability of domestic producers to match price competition in the home improvement channel, indeed to avoid price reductions for some pricing products, despite a steady increase in aggregate U.S. demand for hand trucks, is compelling evidence of current price depression in this industry.' Could you, please, respond? Ms. Jeong, did you want to respond to that?

MS. JEONG: I think we'll address that issue in detail in our post-hearing brief. But, first of all, I think --

CHAIRMAN KOPLAN: Can you move your mic a
little closer? Thanks.

MS. JEONG: But very briefly, it all ties to the capacity issue. The domestic producers do not have the capacity to capture additional market. And in light of that -- and there is actually -- and I refer the Commission to the staff report, in this regard. When you look at, in particular, the graphs that portray the prices for the domestic hand trucks versus imports --

CHAIRMAN KOPLAN: You're talking about the trend?

MS. JEONG: The trends, right. The domestic prices have remained flat. There is not -- you know, where there are slight declines, it's pretty consistent with fluctuations that are current in almost every single graph that you see. There is no actual price depression. There is no loss sales. I think these all show that there is no actual price depression in this market.

CHAIRMAN KOPLAN: You said you, also, were going to respond to that post-hearing. Could you, when you do that, deal with the issue of possible threat of price suppression or depression in the post-hearing, unless you want to address that now? Would you rather do it post-hearing?
MS. JEONG: We'll address it in the post-hearing brief.

CHAIRMAN KOPLAN: Good; thank you.

Petitioner has claimed that the staff report's coverage of the Chinese industry is missing a large number of Chinese producers. On page 36, at note 133 of their pre-hearing brief, they state, 'the Commission received only five responses to the foreign producer's questionnaire. The capacity data, then, for Chinese manufacturers of subject imports is understated. Further, at the preliminary conference, Respondents conceded that the foreign producers reporting to the Commission accounted for just 60 percent of total Chinese production and just 70 percent of exports of hand trucks to the U.S. market.' What is your best estimate of the number of producers of hand trucks there are in China? What is your estimate of the percentage of Chinese production represented by the responding foreign producers?

(Pause.)

CHAIRMAN KOPLAN: Mr. Bruno?

MR. BRUNO: In order to speed up the answer, I think we're going to address that in our post-conference brief. I just want to point out that --

CHAIRMAN KOPLAN: Excuse me. The thing is,
I would like to have included in that, in the responses of these witnesses, and I know they've traveled a great distance.

MR. BRUNO: Yes.

CHAIRMAN KOPLAN: Will you be able to --

MR. BRUNO: We can try to have -- there was some testimony presented earlier today on that issue. And my sense is that's going to take a little while for them to come up with an answer. But, if you have other questions, we will address them and we'll come back to this question later on, if you wish.

CHAIRMAN KOPLAN: Sure. And if you do feel that you can do a more detailed response in the post-hearing, I just want to make sure --

MR. BRUNO: Sure. No, I understand.

CHAIRMAN KOPLAN: -- you don't lose access to --

MR. BRUNO: I understand.

CHAIRMAN KOPLAN: -- your basis for an answer. I do have another question I can ask while they're working on it, unless -- did you want to respond now?

MS. WEI-MO: Okay. What she said is right now because she represents importers and exporters, Chamber; is not producers, Chamber. And right now,
she has the figure that almost 80 percent of exporters
has been represented in this ITC, covering the
producers.

CHAIRMAN KOPLAN: Can that be documented for
us? Can you all provide documentation for that
estimate?

MS. WEI-MO: She's going to prepare that and
put it in the post-hearing brief.

CHAIRMAN KOPLAN: Thank you, very much.

Just for the record, if you could identify who you
were speaking to, when you were --

MS. WEI-MO: Okay. I'm Wei-Mo Liu from
Greenberg Traurig.

CHAIRMAN KOPLAN: No, the person that you
were --

MS. WEI-MO: And she is Liu Huijuan from
China Chamber of Commerce.

CHAIRMAN KOPLAN: Thank you, very much. I
was doing that for the reporter. I see my light is
about to come on and so I'll save what -- I have one
more question, but I'll save that for the next round.

Commissioner Miller?

COMMISSIONER MILLER: Well, I guess perhaps
the only thing I want to do is just clarify and make
sure I understand. Ms. Jeong, you've said that the
case was filed over the fears regarding the lost Home Depot and Loew's sales. And I think, you know, from the testimony this morning, we clearly know these other loss sales are sort of the heart of the case; no question about that. But, I'm just trying to understand your interpretation of the record evidence, because, you know, you've said that they didn't lose it after all and the evidence doesn't support -- does it not support the fact that they were going to lose them or that they've gotten them back in the wake of the antidumping duty? I guess I just need -- want to have you restate again what your position is on those loss sales and how the Commission should consider them and consider threat of material injury.

MS. JEONG: We'll we're talking about two customers. And as to one --

COMMISSIONER MILLER: Right.

MS. JEONG: -- I'm not sure how much I can say without getting into confidential information. But, if you look at the purchaser questionnaire, it supports that or at least the claims are not supported with respect to that one customer.

COMMISSIONER MILLER: Okay.

MS. JEONG: And with respect to Home Depot, yes, Home Depot perhaps was going to head towards
Chinese imports. And, you know, at least according to
Gleason, the only reason they came back was because of
the Chinese -- the dumping -- the potential dumping
duties on Chinese imports. But what we point out is
that it looks like because of the fact that they went
from being a sole supplier to Home Depot and then they
suddenly -- a big chunk of their sales are split up
and that went to one of their U.S. competitors, that
shows, at least to us, that a phase out has already
begun by Home Depot with respect to Gleason, and
that's not going to stop.

And we mentioned that, yes, if there's no
dumping duties imposed, it is likely, it's possible,
it's likely that Home Depot will go back to Chinese
imports. But the reason Gleason lost Home Depot or
will be losing Home Depot in the first place cannot be
just by reason of imports alone, if Gleason -- I'm
sorry, Home Depot is already looking to other U.S.
suppliers, at the same time.

COMMISSIONER MILLER: I'm not quite sure how
to consider that point. I mean, I've heard you make
it several times and others on the panel make the
point. But, you know, the issue for us is not Gleason
versus the Chinese; it's the U.S. industry versus the
Chinese. So, it's not clear to me that that changes -
MS. JEONG: Well, the issue is, also, causation. Is there a causation? Is there a link between the Chinese imports and whatever injury that Gleason alleges that they will suffer in the future? Our point is that there is no causation, because Chinese imports were not the reason in the first place that could have, may have caused future injury to Gleason.

COMMISSIONER MILLER: Okay; all right. I just wanted you to clarify what the point was there. So, I appreciate it and I have no further questions. Thank you.

CHAIRMAN KOPLAN: Thank you for that, Commissioner Miller. Commissioner Hillman?

COMMISSIONER HILLMAN: Thank you.

CHAIRMAN KOPLAN: Thank you, Madam Secretary.

COMMISSIONER HILLMAN: I just have a couple of follow-ups. Ms. LaFontaine, you mentioned in response, I believe to Commissioner Pearson's questions, that you had been sourcing in hand trucks in Malaysia and Thailand, but moved to China. Why?

MS. LAFONTAINE: Actually, we began working through a company in Taiwan that has a manufacturing
facility in China, with some of our folding and
 collapsible trucks. They were -- their service and
 quality level was so superb, that we decided to
 consolidate those purchase -- like or similar
 purchases with that Taiwan-based company, who
 manufactures in China.

 COMMISSIONER HILLMAN:  And when was this
taking place?

 MS. LAFONTAINE:  The last bit of it just
 moved about six months ago.

 COMMISSIONER HILLMAN:  Okay. So prior to
 that, you had still been in Malaysia and Thailand?

 MS. LAFONTAINE:  Yes, some of the products
 had been.

 COMMISSIONER HILLMAN:  Okay, then, maybe,
when did you first start sourcing from China?

 MS. LAFONTAINE:  It gets difficult for me,
because some of the items that you consider inside the
 scope, Gleason and Harper don't have competitive
 products or like or similar products. So, we started
 manufacturing those products about three years ago.
 So over the course of the last three years, we've
 consolidated all the hand truck purchases through that
 one supplier.

 COMMISSIONER HILLMAN:  Okay. So, currently,
all of your --

MS. LAFONTAINE: Yes.

COMMISSIONER HILLMAN: -- imports are coming from China?

MS. LAFONTAINE: Yes.

COMMISSIONER HILLMAN: Okay, all right. I appreciate that. I mean, all of your imports of hand trucks.

Mr. Feng, I wondered if I could ask, we heard discussion this morning of the production of steel and aluminum and nylon or plastic hand trucks. Do you make all three kinds of hand trucks?

MS. WEI-MO: This is from Mr. Feng. The only -- Taifa only produces aluminum and steel, not vinyl.

COMMISSIONER HILLMAN: Okay. And can you give me a sense of the portion of your sales in the U.S. market that are aluminum versus steel?

MS. WEI-MO: This is from Mr. Feng. Aluminum is about 10 percent; remaining, steel.

COMMISSIONER HILLMAN: Okay, thank you. Do you sell into -- as you've heard it described in our report, we are breaking down the U.S. market into the industrial or catalog as one segment, the home improvements stores is a second segment of the market,
the hardware stores is the third segment, and then we have an all other category. Are you selling into all four market segments in the U.S. market?

MS. WEI-MO: During the period of investigation, mostly they sell to the hardware and catalog.

COMMISSIONER HILLMAN: And catalog?

MS. WEI-MO: Yes.

COMMISSIONER HILLMAN: Okay. We had discussions this morning with the Petitioners about the fact that at least our record would indicate significant differences in the prices, in the hardware or the Home Depot -- I mean, the home improvement versus the catalog and industrial market. There was a big difference in the price between those two markets. And some of the discussion was about the fact that the hand trucks in the industrial market were of a different -- were different. They had more features, stronger features, heavier features. Do you sell the same hand trucks into each of those two markets or are the hand trucks that you sell to the catalog and industrial market stronger or heavier or bigger wheels or a different product than what is sold into the hardware market?

(Pause.)
MS. WEI-MO: He agrees with that. You know, different for the different market segment, he will sell different price and product would be a little bit different: heavier, stronger, or lighter.

COMMISSIONER HILLMAN: Okay. Do the prices in one market affect the prices in one of the other markets? Do the prices in the hardware market, if they're going down, does it make the prices in the industrial, catalog market also go down?

MS. WEI-MO: He say, no, no effect.

COMMISSIONER HILLMAN: No effect between the two markets?

MS. WEI-MO: No.

COMMISSIONER HILLMAN: Okay. I appreciate that. I wonder if for counsel, if you could comment on whether you think -- you know, again, based on Ms. LaFontaine's testimony, I'm, to some degree, hearing that you think there is either yet a different or perhaps somehow something else that we should have done, in terms of the channels of distribution, as we report them in our staff report. So, I wanted to give you an opportunity -- I would ask the same, actually, of Petitioner's counsel, in their post-hearing briefs, to just comment on whether the channels of distribution for hand trucks that's listed in our

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Table 1.1, this distinction of catalog, industrial, versus home improvement, versus hardware, versus all other. Is that the appropriate way to describe the market or should we have -- should we modify that, in some way, in the final report? I guess -- I mean, if you want to comment now, that's fine; if you want to do it in the post-hearing briefs, that's fine, as well.

MR. ZOLNO: We've already commented on that to a certain extent and felt that the Commission, in characterizing one market as the catalog market, that was erroneous, in that in every segment of the market, there could be catalog sales. Our particular market, that is LDI's particular market is in the office market and that was not a category. And even though some of the respondents to the questionnaires were LDI's customers, for some reason, it wasn't recognized as a separate segment of the market. And we'd like to elaborate on that in our post-hearing brief.

COMMISSIONER HILLMAN: Okay. And I would --

MS. JEONG: We'll include it in our post-hearing brief.

COMMISSIONER HILLMAN: Okay. I appreciate that. I think with that, I have no further questions, Mr. Chairman. Thank you.
CHAIRMAN KOPLAN: Thank you, Commissioner.

Commissioner Lane?

COMMISSIONER LANE: Ms. LaFontaine, I would like to ask you a couple of clarifying questions. In your direct testimony, you indicated that your company employs 1,700 people. And is that all at one location?

MS. LAFONTAINE: That's LDI, as a whole. Part of our family of companies is in the paper and packaging side of things, corrugated boxes and so on. So, that's across the United States.

COMMISSIONER LANE: Okay. My specific question is, of those 1,700 people, how many would you attribute to the hand truck segment?

MS. LAFONTAINE: About 150.

COMMISSIONER LANE: One-hundred-fifty. And would all of those 150 people be located in Minnesota?

MS. LAFONTAINE: We have primarily -- we've got about 50 in Atlanta, Georgia and the balance in Minnesota.

COMMISSIONER LANE: Okay. And in looking at your testimony, you talked about LDI has redesigned its hand trucks to include new features and one of them is a new wheel design. What kind of a wheel design have you come up with?
MS. LAFONTAINE: Well, what we have found with some of our consumer and end-user research is that we got a lot of pressure from our customers to come up with a beefy, excuse me, manly type pneumatic wheel; but the fact is that they would go flat. And in an office environment, there are very few compressors sitting around. So, we have worked with the factories to come up with a tire that has the pneumatic features and the treads and the durability, but it's actually foam filled, so it can't go flat.

COMMISSIONER LANE: Okay. The next question I have is the color choices that enhance safety standards.

MS. LAFONTAINE: Yes.

COMMISSIONER LANE: Does that mean that we can have hand trucks in all sorts of different colors?

MS. LAFONTAINE: Not quite, but pretty close. We actually hired an ergonomist to come in and do some research regarding hand trucks, to look at whether or not we could design in some new features to make it safer. A lot of our clients use this as their workstation all day long. And so, one of the items that we got as feedback were to have like bright yellow accents, so that it's easier to see it in an aisle, in a warehouse, where it may be dark or dimly
lit. And so, some of our hand trucks have reflective material in the handles, so you can see them, and/or have bright yellow OSHA colors on them.

COMMISSIONER LANE: And to take that one step further, then, are you the only one that have these features with the color coded or the reflectors, et cetera --

MS. LAFONTAINE: That I'm aware of, yes.

COMMISSIONER LANE: -- does Gleason and the domestic industry, do they have any of those features?

MS. LAFONTAINE: Not that I'm aware of, no.

COMMISSIONER LANE: Okay. And I'm not sure who to address this question to, but in the staff report, and as far as I can see, this is not BPI information, but on the C-1 Table, the Chinese imports for 2004 have a significantly higher unit value than the three years previous. And I just wondered if somebody could explain to me why that unit value was so much higher in 2004. And since it's not BPI, I can tell you that in 2003, the unit value was $15.87 and 2004, it's $19.99.

MS. WEI-MO: They said the raw material price increased, so the unit price increased, also.

COMMISSIONER LANE: Okay, thank you. The data in this investigation, also, shows that the
Chinese hand truck producers maintained large inventories of finished units between 2001 and 2003. However, these inventories were reported to be zero in June of 2004, with projected inventory levels being only a few thousand units for year end 2004 and 2005. Do you believe these projects are accurate and, if so, why did this drastic change take place?

MS. JEONG: If I could interject here. This is Rosa Jeong. Based on my experience as counsel to Taifa Huatian and, also, another exporter, and having gone through the entire time in a Commerce verification, I've been pretty fairly close to how they do their business and inventory practices. And it's generally, at least in our experience, it's not the practice of these companies to keep a large inventory. And I believe, for the most part, the staff report reflects that. A lot of these producers produce to order and, you know, this capacity figures, also, show that the companies are producing pretty close to their maximum capacity. They're selling stuff as much as they can. They have sold stuff as much as they can. They don't keep a lot of inventory. It's not -- they don't do that as a business practice. And there's no reason to keep any inventory, when they're selling and their sales have been increasing
and large in the past years.

COMMISSIONER LANE: Okay, thank you. Now, the data, also, show that Chinese hand truck producers export a significant amount of hand trucks to third-country markets. Are these Chinese hand trucks being sold in other countries identical to the hand trucks that are being sold in the United States? And if so, how difficult would it be for the Chinese industry to divert these shipments to the United States?

MS. WEI-MO: Sales to the third countries and sales to the United States model sometimes the same, sometimes different. Does that answer your question?

COMMISSIONER LANE: I'm sorry, did you say they were the same?

MS. WEI-MO: Some are same, some are different models.

COMMISSIONER LANE: Okay, thank you. That's all the questions I have, Mr. Chairman.

CHAIRMAN KOPLAN: Thank you, Commissioner.

Commissioner Pearson?

COMMISSIONER PEARSON: Thank you, Mr. Chairman. We've talked some about this before, but let me go back just briefly on the question of price. The Petitioner's have argued that the price data in
this case are somewhat misleading, because the period examined fails to fully capture the degree to which prices fell when Chinese imports began to come into the U.S. market. The Petitioners maintain that the steepest price decline occurred in 1997, which was when China started to get into the home improvement distribution -- part of the distribution chain. So, the question is, do you agree with that assessment by Petitioners of when the price impact started? Did you see that in your business?

MS. LAFONTAINE: We have not experienced that. There has been a development of another price point within the market, but there still are -- there still is demand for two very separate price points, features, and benefits, at least as we experience it in our market.

COMMISSIONER PEARSON: So, the new price point, was it more of an opening price point?

MS. LAFONTAINE: Yes, more of an entry level.

COMMISSIONER PEARSON: Okay. And that's somewhat related to the appearance of the Chinese product in the U.S. market? Were they coming in and -

MS. LAFONTAINE: Well, it was not for us.
We went to Malaysia, actually, to supply that demand.
So, for us, it was not the Chinese.

COMMISSIONER PEARSON: Okay. But to some
degree, the availability of imported hand trucks
helped to create a market that wasn't there before.
Is that --

MS. LAFONTAINE: Yes; yes, along with the
market shift of home -- the need for home and small
office, and they tend to be much more price sensitive
than some of the other markets that we serve.

COMMISSIONER PEARSON: Okay. Petitioners
state that publicly available information demonstrates
that there's a high amount of hand truck production
capacity in China, and they detail this on pages 35
and 36 of their pre-hearing brief. Either now or in
the post-hearing, could you, please, comment on that?
I mean, this gets to the issue of threat and we've
heard more than one opinion on that issue today. I'd
be pleased, either now or in the post-hearing, if you
could comment on that, in more detail.

MS. LAFONTAINE: We'll comment in our post-
hearing brief.

COMMISSIONER PEARSON: Okay, thank you.

Another threat consideration, Petitioners have argued
that the assertion by Chinese producers, that their
production capacity will decrease in 2005 to below the 2001 level, is implausible and should be disregarded. The Petitioners argue that Chinese producers forecasted a decline in production, capacity is inconsistent with the expanding market and with economic trends. Could you, please, address that argument?

MS. JEONG: Because answering that question will probably involve getting into confidential data of individual countries, it's probably best to answer that in our post-hearing brief.

COMMISSIONER PEARSON: Okay. That would be fine. I just -- if there's anyway to clarify what seems to a difference of views, that would be helpful.

My last question. Petitioners argue that return on net sales, which is basically an income divided by revenue figure, that that's a better measure of the domestic industry's financial condition than return on investment. Do you agree with that?

MS. JEONG: I think any way you look at it, whether you look at it as return on investment, just pure profits, or return on sales, the important fact is that the industry is profitable. There are, of course, many different ways of how you look at a company and how you determine how much money the
company is making. I'm sure accountants come up with 10 different ways that I don't know about. But, it remains that on the bottom line, all of these companies -- or the industry is making money. I'm not sure how important it is to look at -- try to determine what would be the best ratio percentages to determine whether these companies are profitable, because it remains that companies are profitable.

COMMISSIONER PEARSON: Okay. Any other comments?
(No comments.)

COMMISSIONER PEARSON: Thank you, very much, Mr. Chairman. I have no further questions.

CHAIRMAN KOPLAN: Thank you, Commissioner. I have one last question and it's for you, Ms. Jeong. You stated, I believe, earlier that Gleason lost sales to Home Depot, to another domestic competitive, not to Chinese imports. But the staff report shows an overall loss of market share by the U.S. industry and the corresponding gain in market share by the Chinese subject imports. I'm referring to Table C-3 of the staff report. I can't get into the numbers, because that particular table is BPI. Now, this occurred at the same time that the subject imports consistently undersold the U.S. product. Why does this not
constitute some degree of injury to the U.S. industry, as I look at the numbers?

MS. JEONG: I think looking at market share alone in this case is not the correct -- or perhaps the most appropriate way to look at the industry. When you look at --

CHAIRMAN KOPLAN: If I could just clarify. I'm not looking at market share alone. I look at a whole bevy of factors. But, this is one factor that I do look at. And so, that's why I'm framing the question.

MS. JEONG: I understand. As an absolute number, absolute volume of U.S. shipments did not change, I think we're all in agreement, or have been pretty much stable throughout the POI. And I think we all agree that what Chinese imports were able to capture was the additional growth in the market. The U.S. industry cannot have captured that market. The capacity number show that even if they were producing at maximum capacity, maximum practical capacity, they cannot have begun to capture a significant portion of that market.

CHAIRMAN KOPLAN: Mr. Bruno, did you want to add something or would you rather do it post-hearing?

MR. BRUNO: Mr. Chairman, yes, I think we
would like to do it in a post-hearing brief.

    CHAIRMAN KOPLAN: Thank you; sure. Thank you and I thank you all for your responses to our questions. Let me see if we have another round of questions?

    (No response.)

    CHAIRMAN KOPLAN: Seeing that there are no additional questions from the dais, Mr. Corkran, does the staff have some additional questions for this panel?

    MR. CORKRAN: Douglas Corkran, Office of Investigations. Thank you, Mr. Chairman. Staff has no further questions.

    CHAIRMAN KOPLAN: Okay, thank you. My colleagues are helping me out up here. The Petitioners have six minutes remaining from their direct presentation. Do you have any questions of this panel before I release the panel?

    MR. JAFFE: Thank you, Mr. Chairman. On behalf of the Petitioners, this is Matthew Jaffe, we have no questions.

    CHAIRMAN KOPLAN: Thank you, Mr. Jaffe. With that, again, I want to thank you all for your testimony. And before we go to rebuttal and closing, I would release the witnesses from the panel. Thank
you, again, so much for coming, those of you who came particularly from China. Thank you.

While that's happening, let me move along by reviewing what both sides have remaining. Petitioners have a total of 11 minutes, six minutes for their direct presentation and five minutes for their closing. So, you've got six minutes for rebuttal and five for closing. Respondents, on the other hand, have a total of 26 minutes remaining from their direction presentation and five minutes for closing.

Let me start by asking -- and we will time both segments of that. So, let me ask Petitioners how you want to proceed. Do you have any rebuttal or do you want to go directly to closing?

MR. JAFFE: Matthew Jaffe. We'll go directly to closing.

CHAIRMAN KOPLAN: Okay. Whenever you're ready to proceed. So, you get, as I say, five minutes to close.

MR. JAFFE: Matthew Jaffe with the law firm of Crowell & Moring. I believe Respondent's counsel framed this case as, they're not crying uncle; they're crying wolf. Well, that reminds me of a story. There is a mystical town somewhere in Eastern Europe called Helm, and I understand that the Polish 'Helm' means
mountain. And the story goes that the angels were
distributing souls around the world and the angel, who
had been distributing the souls of the fools actually
tripped on this particular mountain and dropped more
fools into this particular village, this village of
Helm. And it only had fools. But, of course, since
they were fools, they actually didn't think of
themselves as foolish. They thought of themselves as
wise. So, these people were actually called the wise
people or the wise men of Helm. Well, they were very
wise. They did a lot of different things; like, for
example, in order to avoid their shoes from getting
wet during the winter, they took them off and left
them at home and went around barefoot.

Well, there's another story about the wise
men of Helm. One of the wise men of Helm was walking
in the woods one day and he came upon an enormous
wolf. Well, he had to think of a way to get rid of
this wolf, to escape, so he did what he thought the
wisest thing possible. He closed his eyes. And guess
what? The wolf disappeared. Well, he had just about
enough time to congratulate himself about how clever
he was before the wolf swallowed him whole.

I believe that really summarizes the
opposition's brief. They said, just close your eyes
and we will disappear. Well, the domestic industry is smarter than that. We've watched during the period of investigation as they swallowed our market share: 67 percent in 2001; 57 percent, 10 points down in 2002; down to 51 percent in 2003; down to 48 percent in 2004 -- a 20 percent drop in a little over three years.

We watched as they have captured 100 percent growth in that market. We've watched as they chewed away at our operating profit -- excuse me, operating income. If you look at Table VI-1 of the public version, you'll see that the operating income was six million; 2002, five million; down to 3.5 million in 2003.

And this wolf is big and it's getting bigger. In 2001, it was 1.7 million units. By 2003, it was 2.13 million units. And if you look at the information that we placed on page 36 of our brief and you just look at two of the companies that talk about their capacity for hand trucks, that's Future Tools, it says two million; Huatian, three to five million. Now, that's five to seven million just among two of the producers of hand trucks in China. And Taifa says it's the biggest. Who knows how much more capacity there is.

And the fact of the matter is they've been
nibbling at our customers for years. And in 2003, they were posed -- this wolf was posed right above our largest customers, the home improvement sector. They were licking their chops over Home Depot and Lowe's, just ready to swallow them whole.

I must disagree. I think there's evidence, clear evidence on the record here of material injury. I think there's clear evidence here of threat of material injury. I don't think that it's necessary for a petitioner to wait, as they have suggested, until they are basically munching on our bones before we file an antidumping petition. I think there is evidence here clearly of injury and I request that you vote affirmative in the final for material injury and for threat of material injury. Thank you.

CHAIRMAN KOPLAN: Thank you, Mr. Jaffe. Ms. Jeong, I understand you're doing the closing. You, also, have 26 minutes left from your direct presentation for rebuttal. How do you wish to proceed?

MS. JEONG: We'll proceed directly to closing.

CHAIRMAN KOPLAN: All right. No objection to that. Thank you.

MS. JEONG: Petitioner's counsel mentioned a
nice little story about a wolf and they're calling the Chinese wolf and other kinds of -- implying them to be nibbling at their bones and so forth. It really seems to us that the wolf, who is doing the nibbling, is really the Petitioners. What they're saying coming before you today is, yes, we made millions and millions of dollars in profits over the years; but, I think the Commission should help us to make millions more, because we want to make more and those customers may not help us make more money.

We don't believe that it's the role of the Commission to dictate -- to quantify what level of profit is enough for an industry, especially in this case, where the industry has remained profitable, more profitable than other industries in comparison, during the period of investigation.

The Commissioners spent all morning listening to testimony and arguments from both sides. But when it really comes down to it, this is a fairly simple case. There are no difficult legal issues to wrestle over for the most part and the most important facts in this case are not in dispute.

First, let me summarize those facts. First, the Chinese imports have increased throughout the period of investigation. We do not dispute that. No
one disputes that.

Second, the U.S. demand for hand trucks grew at almost the same rate during the period of investigation, leaving the volume of U.S. shipments virtually unaffected. The Chinese imports, basically, were able to capture the growing demand.

Third, the U.S. industry remained profitable even in the face of a growing Chinese imports. No jobs were lost; no production was curtailed.

Fourth, U.S. prices were stable, even when they were apparently being undersold by Chinese imports.

Fifth, the U.S. industry did not lose any major customers to Chinese imports.

What probably remains in dispute boils down to a couple of points. The first is whether the U.S. producer really have the excess capacity to take advantage of this growing demand. We have explained that a close analysis of the data shows that they did not have the capacity and do not have that today.

Second, Petitioners claim that if a dumping order is not issued, the major customers will immediately turn to Chinese imports. To the extent that may happen, the evidence indicates that there are reasons other than price competition by the Chinese

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imports.

Where does that leave us? That leaves us a U.S. market that needs imports to meet its growing demand, a U.S. market that must -- is forced to turn to third country sources, if Chinese imports are shut out of the market. And that leaves us a U.S. industry, whose entire case is based on what could have been, what could have been injury, if certain events had transpired, and, namely, the loss of its two largest customers.

The per forma financial results presented by the Petitioners are entirely based on those what could have been events. Those events did not happen and we're not sure whether they're going to happen. And if they do happen, we don't think that it's due to the Chinese imports.

I read the statute, but didn't see where it says the Commission has to look at what could have been injury. The trade law requires the Commission to analyze a condition of a U.S. industry and determine whether it is materially injured or is threatened with material injury. The trade laws are not meant to be used as a course of measure to prevent a customer from shifting to other suppliers where there are no threat of material injury. Furthermore, if such customers

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did not switch to subject imports by the time of this final investigation, on what basis can the Commission make its determination? On the data before it today, during the final determination, or on the possible intentions of a customer at some remote time after the Commission's determination?

Obviously, the answer is on the basis of the data before the Commission corrected during the final determination. We believe that data shows that the U.S. industry is not materially injured and is not threatened with material injury by reason of Chinese imports. We ask the Commission to consider these facts carefully and reach a negative decision in this case. Thank you.

CHAIRMAN KOPLAN: Thank you. Post-hearing briefs, statements responsive to questions, and requests of the Commission and correction to the transcript must be filed by October 15, 2004. Closing of the record and final release of data to parties by November 3, 2004. And final comments are due November 5, 2004. Thank you, again, to everyone who participated in this investigation. Thank you to staff. With that, this hearing is concluded.

(Whereupon, at 3:57 p.m., the hearing was concluded.)

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INVESTIGATION NO.: 731-TA-1059

HEARING DATE: October 7, 2004

LOCATION: Washington, D.C

NATURE OF HEARING: Hearing

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