

UNITED STATES  
INTERNATIONAL TRADE COMMISSION

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

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## THE UNITED STATES INTERNATIONAL TRADE COMMISSION

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

Thursday,  
 July 31, 2008

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

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

APPEARANCES:

On behalf of the International Trade Commission:

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 DANIEL R. PEARSON, VICE CHAIRMAN  
 CHARLOTTE R. LANE, COMMISSIONER  
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SELMA L. BOYD, Machine Operator,  
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THOMAS A. LITTLE, President,  
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On behalf of Best For Less Dry Cleaners Supply, LLC  
Englishtown, New Jersey:

ALFREDO VASTOLA, Co-owner

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

LAWRENCE LIM, Vice President

PAUL CHOE, Vice President

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

DALE CHO, Board Member

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P R O C E E D I N G S

(9:32 a.m.)

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

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

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

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

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

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

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

3 Madam Secretary, are there any preliminary  
4 matters?

5 MS. ABBOTT: No, Madam Chairman.

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

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

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

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

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

1 or otherwise.

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

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

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

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

1 warrants some special consideration.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

17                   MR. YOON: Thank you very much.

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

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



1 wire garment hangers in the United States.

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

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

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

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

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

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

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

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

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

25           The Commission staff has included a table in

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

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

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

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

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

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

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

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

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

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

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

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

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

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

25           The benefits test, we believe, applies in

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

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

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

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

1 those machines.

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

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

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

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

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

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1 expand on that very shortly.

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

5 Madam Chairman, all witnesses have been  
6 sworn.

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

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

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

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

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



1 U.S. hanger industry.

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

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

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

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

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

25           You will hear shortly from Darmesh Patel,

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

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

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

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

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

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

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

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

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

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

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

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

25 Why did all of these plants shut down and

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



1 all in increasing quantities year after year.

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

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

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

25 Since joining M&B, I have seen longstanding

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

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

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

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

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

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

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

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

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

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

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

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

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

25                   In 2005, Milton told us he was closing the

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

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

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

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

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

25 To look at the workers today compared to a

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

1 was left in storage in Metropolis.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

25           I have been here before to testify about

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

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

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

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

1 prices dropped, we saw our margins shrink.

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

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

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

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

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

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

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

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

1       been outstanding.

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

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

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

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

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

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

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

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

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

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

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

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

15 Thank you.

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

18 MR. BISHOP: You have 20 minutes remaining.

19 MR. MAGRATH: Thank you.

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

1 injury and threat of injury.

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

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



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

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

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

1 industry.

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

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

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

25 And with all these plant closures and asset

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

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

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

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

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

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

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

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

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

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

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

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

25           Meanwhile, Respondents are still trying to

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

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

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

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

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

25 On the issue of threat in the context of



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

23 CHAIRMAN ARANOFF: Thank you very much.

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

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

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

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

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

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

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

7 COMMISSIONER LANE: Okay, thank you.

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

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

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

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

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

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

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

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

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

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

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

10 COMMISSIONER LANE: Okay, thank you.

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

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

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

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



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

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

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

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

9 Pat, did you have anything to add?

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

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

22 CHAIRMAN ARANOFF: Commissioner Williamson.

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

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

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

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

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

1 and put another one on there.

2 We do that automated.

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

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

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

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

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

22 COMMISSIONER WILLIAMSON: Thank you.

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

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

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

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

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

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

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

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

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

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

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

24 MS. BOYD: It is a union.

25 COMMISSIONER WILLIAMSON: Thank you.

1 MS. BOYD: United Steelworkers Union.

2 COMMISSIONER WILLIAMSON: Okay, thank you.

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

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

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

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

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

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

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

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

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

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

24 MR. PATEL: Yes.

25 COMMISSIONER WILLIAMSON: Thank you.



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

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

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

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

25           Secondly, as I responded earlier to

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

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

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

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

9 COMMISSIONER WILLIAMSON: My light is way  
10 over.

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

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

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

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

19 MR. WAITE: Thank you, sir.

20 CHAIRMAN ARANOFF: Commissioner Pinkert?

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

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

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

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

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

25             Also, there is some uncertainty, in fact a

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

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

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

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

25 COMMISSIONER PINKERT: Just to clarify

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

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

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

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

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

17 COMMISSIONER PINKERT: Thank you.

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

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

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

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

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

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

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



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

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

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

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

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

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

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

1 higher margin.

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

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

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

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

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

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

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

22 MR. LITTLE: Yield to David Mindich.

23 MR. MINDICH: David Mindich, Minda Supply.

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

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

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

25 CHAIRMAN ARANOFF: So you're buying hangers

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

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

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

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

1 everything.

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

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

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

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

1 they were uniform rental hangers.

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

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

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

22 CHAIRMAN ARANOFF: Okay, thank you.

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



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

7 Maybe we should start with Mr. Dawson.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

25 I want to follow up on the Chairman's

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

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

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

1 some provisional duties came on.

2 VICE CHAIRMAN PEARSON: Right. But if --

3 MR. MAGRATH: That's my conjecture.

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

9 MR. MAGRATH: Right. Right.

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

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

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

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

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

3                   VICE CHAIRMAN PEARSON: Right.

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

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

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

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

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

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

1 access to lower priced steel wire rod?

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

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

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

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

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

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

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

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

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

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



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

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

1 because usually it's twice the price.

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

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

10 MR. DAWSON: No. No.

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

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

19 VICE CHAIRMAN PEARSON: Thank you for that.

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

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

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

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

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

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

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

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

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

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

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

18 MR. WAITE: We shall do that.

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

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

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

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

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

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

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

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

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

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

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

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

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

25           So we are concerned about circumvention,

1 Commissioner Lane.

2 COMMISSIONER LANE: Okay, thank you.

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

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

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

1 of our business.

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

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

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

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

25 COMMISSIONER LANE: Okay, thank you.



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

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

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

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

12                  COMMISSIONER LANE: Probably more than two.

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

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

1 for that caped hanger.

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

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

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

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

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

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

1 brief.

2 COMMISSIONER LANE: Okay, thank you.

3 Madame Chairman?

4 CHAIRMAN ARANOFF: Commissioner Williamson.

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

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

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

25 COMMISSIONER WILLIAMSON: Now, are they a

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

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

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

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

16 COMMISSIONER WILLIAMSON: Mr. Carmody?

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

25 COMMISSIONER WILLIAMSON: Okay, and are you

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

3 MR. CARMODY: Yes, they are.

4 COMMISSIONER WILLIAMSON: Mr. Patel?

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

25 So we designed a specific hanger with a long

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

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

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

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

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

25 MR. MAGNUS: This is Milton Magnus. The

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

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

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

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

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

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

1 do that in post-hearing.

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

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

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

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



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

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

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

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

1 from Shanti.

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

5 CHAIRMAN ARANOFF: Commissioner Pinkert.

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

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

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

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

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

17 COMMISSIONER PINKERT: Yes, that helped.

18 MR. DAWSON: Okay.

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

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

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

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

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

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

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

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

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

17 COMMISSIONER PINKERT: Yes?

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

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

3 COMMISSIONER PINKERT: Thank you.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



1 Madame Chairman, who issued the decision in Bratsk.

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

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

9 CHAIRMAN ARANOFF: Please.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

18 MR. WAITE: It's not.

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

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

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

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

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

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

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

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

24            CHAIRMAN ARANOFF: I hope so.

25            Vice Chairman Pearson.

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

7                   CHAIRMAN ARANOFF: Commissioner Lane?

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

13                  MR. DAWSON: That was definitely the case.

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

16                  MR. DAWSON: I saw one last week.

17                  COMMISSIONER LANE: Thank you.

18                  CHAIRMAN ARANOFF: Commissioner Williamson.

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



1 China.

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

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

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

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

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

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

1 shed light on that.

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

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

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

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

10 MR. PATEL: Correct.

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

14 MR. PATEL: Yes.

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

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

23 COMMISSIONER WILLIAMSON: Okay.

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

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

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

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

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

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

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

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

6 MR. PATEL: Correct.

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

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

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

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

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

7           CHAIRMAN ARANOFF: Commissioner Pinkert?

8           COMMISSIONER PINKERT: Nothing further.  
9 Thank you.

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

12          Does the staff have questions for this  
13 panel?

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

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

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

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

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

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

8 MR. NEELEY: No, we do not.

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

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

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

24 //

25 //





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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 in the United States.

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

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

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

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

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

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

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

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

25           Now it can be argued that this is a

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

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

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

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

1 or 24 percent less than the United States.

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

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

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

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

1 recreate permanent U.S. American manufacturing jobs.

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

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

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

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

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



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

6           Mexico is the bigger of those two plants.

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

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

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

25           In China, Andrew accounted for over 25

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

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

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

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

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

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

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

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

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

1 competitive; thank you.

2 MR. NEELEY: Mr. Goldman?

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 did the right thing.

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

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

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

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

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

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

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

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

15 MR. NEELEY: Mr. Slezak, please?

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

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



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

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

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

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

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

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

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

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

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

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

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

1 square feet.

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

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

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

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

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

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

1 same equipment; thank you very much.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

25 Willert came to the hanger business in 2006



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

25 The majority of dry cleaners in California



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

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

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

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

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

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

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

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

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

1 establishment.

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

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

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

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

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

23           Despite the government's intention and  
24 goals, the regulation, in fact, should they enforce in  
25 many small business in the dry cleaning industry, will

1 cause them to incur additional expenses in tougher  
2 economic times, while benefitting those who should not  
3 be benefitting.

4 By trying to protect these few, the  
5 government has now created a situation where many are  
6 being hurt and negatively impacted. Antidumping  
7 regulations against the Chinese made hangers needs to  
8 have a close look on what the real problems of the  
9 U.S. industry are.

10 There should be a realistic, economical  
11 decision that will benefit many, not just a few.  
12 Please review and reconsider your decision with the  
13 additional information that I provide today. Your  
14 decision will have a tremendous impact for thousands  
15 of dry cleaners and their livelihoods; thank you so  
16 much.

17 MR. CHO: Good afternoon, my name is Dale  
18 Cho. I'm the Executive Director of the Korean  
19 American Dry Cleaners Association of Greater  
20 Washington, which represents over 2,000 dry cleaners  
21 in the Greater Washington area, including Maryland and  
22 Virginia.

23 I'm also a member of the Mid-Atlantic  
24 Association of Dry Cleaners, and also the Dry Cleaning  
25 and Laundry Institute. I currently own and operate a

Heritage Reporting Corporation  
(202) 628-4888

1 dry cleaning store on U Street, Washington, D.C.

2 I thank you for the opportunity to testify  
3 in this important hearing regarding the tariff imposed  
4 on imported hangers from China. I and my fellow  
5 association members are strongly opposed to the tariff  
6 imposed on Chinese made hangers for the following  
7 reasons.

8 This tariff is putting a greater burden to  
9 dry cleaners, who are the biggest buyer and consumer  
10 of wire hangers. With the tremendous cost increase of  
11 running business, due to higher energy costs, now we  
12 have to deal with higher supply costs, which makes it  
13 harder for us to survive in this recession.

14 For example, our costs of energy almost  
15 doubled for the last two years. The hangers and other  
16 supplies that we use now cost 70 to 90 percent more  
17 than six months ago. If this trend continues, we are  
18 afraid that a greater number of dry cleaners will be  
19 out of business, unless we lower the costs of running  
20 the business.

21 In my own cleaner, I have personally  
22 experienced this burden. My utility bill is about  
23 \$2,000 a month, or \$24,000 a year. A few years ago, I  
24 used to pay about \$15,000.

25 Six months ago, the supply costs were about

1 \$900 a month. Now it's close to \$1,700 a month. In  
2 order to deal with this increase, I had to let go one  
3 employee. Now we are down to seven people.

4 I have to work extra hours, and had to  
5 increase price to cover the cost of increase. I had  
6 to do this twice this year. The customers weren't  
7 happy. But in order to survive and be competitive, I  
8 had no other choice.

9 This tariff not only impacts Chinese hanger  
10 manufacturers and importers; but also all American  
11 owned dry cleaners and American consumers, by making  
12 it more expensive to clean the clothes. We believe  
13 this tariff is not fair, because it only protects and  
14 benefits one or very few businesses, such as M&B  
15 hanger manufactures. It punishes the 40,000 plus  
16 American owned dry cleaners and the American consumers  
17 who have to bear this price increase; thank you.

18 CHAIRMAN ARANOFF: Thank you; I'm afraid to  
19 say that the time for this panel has expired. I  
20 understand that there are at least one, maybe two,  
21 witnesses who haven't yet had a chance to testify.  
22 About how much time is that?

23 MR. NEELEY: I think, if I may, Madam  
24 Chairman, Mr. Vastola, at least, who is not really  
25 part of the group that has been testifying of the

1 Korean Dry cleaner, has come from New Jersey. I think  
2 his testimony is quite brief. I think it would be  
3 helpful if he could at least have his say, since he  
4 came down for this. I think it would be very brief.

5 CHAIRMAN ARANOFF: Well, I'm happy to have  
6 those who haven't testified yet testify. It's going  
7 to come out of my first round of questioning, though.

8 MR. NEELEY: I'm sorry.

9 CHAIRMAN ARANOFF: And I am third in the  
10 questioning order. So unless one of my colleagues  
11 would like to give their questioning time, we will go  
12 to questions first; and then we can complete the  
13 testimony when we get to my questioning in about 20  
14 minutes.

15 MR. NEELEY: Thank you.

16 CHAIRMAN ARANOFF: Now I understand there  
17 are some people who have to leave on airplanes. Is  
18 that going to work out? Are the people who haven't  
19 testified yet the ones who have planes to catch?

20 MR. LEE: Madam Chairperson, my name is  
21 Alfred Lee. I was scheduled to testify on behalf of  
22 Mr. Kang and the National Dry Cleaners Institute. Our  
23 testimony should be fairly short. It should be  
24 roughly about five to ten minutes.

25 CHAIRMAN ARANOFF: All right, well,

1 Commissioner Williamson has graciously agreed, since  
2 he's first in the order, to allow you to use his time.  
3 So why don't you go ahead and proceed, please?

4 MR. LEE: My name is Alfred Lee. I'm with  
5 Johnson Westra Broecker. I'm an attorney. I  
6 represent the National Dry Cleaners Institute. And  
7 beside me here, I would like to introduce Mr. Kang.  
8 Mr. Kang is the founder and executive director of the  
9 National Dry Cleaners Institute.

10 NDI, as I'll refer in this presentation, is  
11 a non-profit organization with the primary goal of  
12 educating and consulting with dry cleaning businesses.  
13 It has over 738 members spread throughout a tri-state  
14 area: Illinois, Wisconsin, Indiana. Members  
15 represent a diverse cross section of America. It is  
16 not only Korean Americans, but it is Indian Americans,  
17 Asian Americans, Caucasians. It's a wide group, a  
18 diverse group.

19 And the reason why NDI started -- next  
20 slide, please -- is because Mr. Kang recognized about  
21 four or five years ago, especially in Illinois --  
22 Illinois is unique because every dry cleaning has to  
23 register with Illinois and it's very easy to keep  
24 track of the dry cleaning business, as a result. And  
25 325 businesses have closed in the past 10 years; 203



1 businesses downsized their operations; and 95  
2 businesses are currently considering downsizing their  
3 operations -- next slide, please. And the reason for  
4 this is because profit margins are thinning. I think  
5 as Mr. Dawson, in the Petitioner's testimony,  
6 testified to and confirmed that pretty much all the  
7 costs of running a dry cleaners have risen and that  
8 ranges from anything from an energy cost, employee  
9 salaries, environmental cleanup and compliance, and  
10 now wire hangers.

11 Now, unlike Mr. Dawson and Mr. Shanti, most  
12 of the dry cleaners that NDI represents are average  
13 dry cleaners and they are cleaners that cannot afford  
14 to absorb these costs. And if you go to the next  
15 slide, what we did to quantify this or better present  
16 this to the Commission was we propounded a survey and  
17 over 445 members responded, kind of highlighting the  
18 impact on their families and businesses, and we've  
19 marked that as NDI Exhibit No. 1a and 1b and we would  
20 like to make that part of the record. Also, 202  
21 members responded to a survey, which really shows some  
22 hard data as to the impact on their businesses. We  
23 actually modified the ITC's questionnaire for these  
24 end users. The reason why the regular questionnaire  
25 was just a little too complicated for an average dry

1 cleaner, so we tried to make it more accessible to  
2 them and 202 members responded to that. And other  
3 members are continuing to send in their responses.  
4 It's just that questionnaire is pretty detailed and,  
5 as a result of the -- actually, of the 202 members,  
6 156 members gave us specific data.

7           And on the next slide -- next slide, please  
8 -- the average dry cleaners have seen prices of wire  
9 hangers double. As you see, there is a shirt hanger,  
10 the strut hanger, the pants hanger, or the caped  
11 hanger for the coats. And if you go to the next  
12 slide, these prices result in loss of critical  
13 revenue. As you can see, for shirt hanger, the  
14 average expense of \$2,000 per year. It has gone up to  
15 almost \$5,000 per year; for a strut hanger, a little  
16 over 2,000 to something over 5,000; for a caped  
17 hanger, from 3,000 to almost 6,000. Now, the total  
18 difference in revenue from 2007 to 2008 for the  
19 average dry cleaners is \$8,000. Eight-thousand  
20 dollars for an average dry cleaners is a huge amount  
21 that cannot simply be absorbed like a big dry  
22 cleaners, like Mr. Dawson's or even Mr. Shanti's. And  
23 I think this also coincides with the gentleman from  
24 Laidlaw, Mr. Schultz's testimony as to the fact of the  
25 increased tariff allowing these suppliers to basically

1 take advantage of this opportunity and really put it  
2 to these dry cleaners. And, as a result, these dry  
3 cleaners are losing critical revenues at a time when,  
4 as even Mr. Dawson admits, all aspects of running a  
5 dry cleaning business, their expenses have increased.

6 As a result of the impact, we asked -- if  
7 you could go to the next slide, please -- the next  
8 slide, again, just confirms the difference in the  
9 difference in revenue. There is a widespread impact  
10 on these businesses. And if you look at the actual  
11 data from our survey, we asked these dry cleaning  
12 businesses, what are they going to do. Some responded  
13 they are going to recycle. Some responded they were  
14 going to increase prices. Some have responded they  
15 are going to lay off employees. And as you see, and I  
16 think as the prior testimony of the dry cleaner  
17 associations confirmed, and the reason why you have so  
18 many dry cleaner representatives here, this is going  
19 to impact business dramatically. These businesses are  
20 either going to have to close or maybe they're going  
21 to consolidate into these larger dry cleaners that Mr.  
22 Dawson and Mr. Shanti represent. And, as a result,  
23 it's going to result in further unemployment for  
24 working class Americans. And for those dry cleaners  
25 that can increase prices, and not every dry cleaner

1 can, depending upon the local conditions, it's going  
2 to result in increase prices for the basic living  
3 expense of laundry.

4 Next slide please -- in conclusion, we  
5 request that the Commission really consider the  
6 overall impact of the domestic industry of not only of  
7 the wire hangers. And, believe me, every dry cleaner  
8 here is sympathetic and wants American industry to  
9 thrive. However, the specific interest of the dry  
10 cleaners needs to be addressed and the long-term  
11 survival of these business is at stake. As previously  
12 seen, this is critical revenue that cannot simply be  
13 absorbed. And as a result of these increased burdens  
14 on these businesses, it will not only result in  
15 possibly decreased demand for steel wire hangers, but  
16 also result, as we kind of highlighted by this survey,  
17 that widespread economic losses result in closed  
18 businesses, increased unemployment, and rising cost of  
19 living.

20 We have nothing further at this time.

21 MR. NEELEY: I think Mr. Vastola is the last  
22 witness.

23 CHAIRMAN ARANOFF: Mr. Vastola, you need to  
24 be much closer to your microphone, please.

25 MR. VASTOLA: Sorry, thank you, very much.

1 Alfredo Vastola, Best For Less Dry, based out of  
2 Englishtown, New Jersey. I am co-owner, along with my  
3 father and brother. I will just be brief, because I  
4 know everyone's time is up.

5           Although this would seem to be a good time  
6 for American manufacturing renaissance, in the sense  
7 that economics of global trade appear to be tilting  
8 back in favor of the U.S., declining dollar against  
9 other currencies, increasing wages in China, higher  
10 shipment costs due to continued rise in oil prices,  
11 the realty is the capacity for U.S. manufacturers to  
12 meet the production requirements of our Nation's steel  
13 wire hanger demand over night is simply a pipedream.  
14 The most likely outcome, which is already being played  
15 out, is that many manufacturers will simply ship their  
16 operations to Vietnam, as we have already discussed,  
17 instead of investing more and more millions of dollars  
18 and years into building up their own capacity, which,  
19 in the long run, may be, again, easily shipped over to  
20 other countries, such as Vietnam.

21           Currently, many of my customers, especially  
22 the small mom and pop, as the dry cleaning association  
23 has mentioned, have struggled like they have never  
24 struggled before. Many have gone out of business and  
25 more are threatened to go out of business if costs

1 continue to rise.

2 Antidumping duties are intended to protect  
3 the American industries, their manufacturers, workers,  
4 and so on down the line from unfair trading practices.  
5 Given the current state of our economy, this tariff  
6 has only further added to the financial dangers many  
7 small dry cleaners face today. As a supplier, I am  
8 forced to pass these costs along to my customers, who,  
9 in turn, have to try, as they may, pass it along to  
10 the American consumer already under the assumption  
11 that they are receiving a service that is overpriced.

12 I am not here to judge the importance of  
13 imposing tariffs in general. What I can say, however,  
14 is that I believe timing must play an important role  
15 in any determination. The timing may have been right  
16 six years ago, but it certainly is not correct today.  
17 Thank you.

18 CHAIRMAN ARANOFF: Okay. Mr. Secretary, can  
19 you tell me about how much extra time that ended up  
20 being?

21 MR. BISHOP: Eleven minutes.

22 CHAIRMAN ARANOFF: Thank you. I think what  
23 we are going to do, since that was not just a couple  
24 of minutes to finish, but actually was quite a bit of  
25 time, is ask the Secretary to add 11 minutes to the

1 amount of time that the domestic industry panel has  
2 left for rebuttal, which they are not required to use,  
3 but may use if they wish. And in the meantime, we  
4 will start the questioning at the beginning with  
5 Commissioner Williamson.

6 COMMISSIONER WILLIAMSON: Thank you, Madam  
7 Chairman, and I thank the witnesses for their  
8 testimony. The first few questions I am going to  
9 address to the dry cleaners and I understand it's a  
10 small business, having been a small business myself  
11 once, how tough it is and how tough it is to compete  
12 in this economy. But, I guess the question I have --  
13 and this goes back to Mr. Dawson, I think, mentioned  
14 that he thought hangers, I think, were like nine  
15 percent, I believe, is the max that he thought of the  
16 cost of an article that was cleaned, the final cost.  
17 And I was wondering, I don't think none of you  
18 addressed that question, so I was wondering what  
19 percentage of your cost of your end product does  
20 hangers constitute?

21 MR. LEE: Commissioner, if I could answer  
22 that. This is Alfred Lee, with Johnson Westra  
23 Broecker, again. I think as seen in our presentation,  
24 though the cost of the overall expense might be small,  
25 the actual dollar amount is quite large. And on

1 average, for the average dry cleaner, it's \$8,000,  
2 based upon our survey of, you know, roughly 200  
3 members. And \$8,000 to an average dry cleaner is a  
4 lot of money. That's like, stated in our  
5 presentation, it's critical revenue that could result  
6 in a closing of a business.

7 COMMISSIONER WILLIAMSON: I understand that,  
8 but I've also heard from others, for example, cleaners  
9 in New York City, I guess, had to go through major  
10 changes because of environmental regulations that  
11 required, they were no longer able to -- a lot of them  
12 were not able to do the dry cleaning at their plant.  
13 So, I mean, there are a lot of other things going on  
14 that are driving prices up. And I guess the other  
15 factor, assuming the imports were fairly traded, given  
16 the cost of steel, transportation, another of other  
17 costs, wouldn't hanger prices probably been going up  
18 anyway? So, that's why I still say, it is a relevant  
19 question as to what percentage of your total cost of  
20 hangers actually do amount to.

21 MR. LEE: Yes. The other expenses have  
22 risen. I think everyone agrees to that. Mr. Dawson,  
23 also, agreed to that. But, it's kind of like the  
24 perfect storm, Commissioner, if I could basically use  
25 the analogy. All of these expenses, like you



1 mentioned, environmental compliance, energy costs have  
2 dramatically risen. And now, we have almost -- and I  
3 think, again, going back to the gentleman from  
4 Laidlaw's testimony, we have an artificial inflation  
5 of an expense that's resulting in \$8,000 of revenue  
6 being lost to this average dry cleaners and the result  
7 is really kind of -- as he mentioned before, it's  
8 really creating undue hardship amongst these dry  
9 cleaners. And I think, again, the reason why that you  
10 have such a tremendous response here from the dry  
11 cleaning community is that this is not something that  
12 is just going to past by the wayside. This is really  
13 something critical to their businesses and livelihood  
14 and they want to be heard.

15 COMMISSIONER WILLIAMSON: No, I understand  
16 that. I mean, I've been impressed with the response.  
17 I've been in other hearings where the small  
18 businessman gets affected, they can't respond. But, I  
19 guess this is the question for you and Mr. Schultz,  
20 because Mr. Schultz also made this argument that,  
21 basically, it's going to go -- we're going to be  
22 seeing low-cost imports from Vietnam, Pakistan, and  
23 elsewhere. So, I guess the question is, if that's the  
24 case, are the dry cleaners going to be harmed, if  
25 you're still going to have low-cost imports?

1           MR. LEE: Again, I believe what our concern  
2 is, that there is this artificial inflation of market  
3 conditions. If normal market conditions exist, again,  
4 the conditions are tough for dry cleaners, as we speak  
5 now. But, again, this \$8,000 in loss in revenue will  
6 be recouped back to the dry cleaners. There is no  
7 other way to recoup that with this tariff. And so,  
8 for that reason, we believe that if normal market  
9 conditions prevail, the dry cleaners at least will  
10 have a fighting chance.

11           COMMISSIONER WILLIAMSON: Okay. If you  
12 don't want to do it now, I would ask in the post  
13 hearing to at least address the question of what  
14 percentage the hanger cost of the end item, because I  
15 think that would be helpful.

16           MR. SCHULTZ: If I may, our statistics say  
17 that it was around one percent prior to the tariff and  
18 now it's a little over two, 2.4 percent, something  
19 like that.

20           COMMISSIONER WILLIAMSON: Okay. So, it's  
21 even lower than what Mr. Dawson was --

22           MR. SCHULTZ: Overall supplies includes many  
23 other things, bags and boxes and chemicals and the  
24 rest. The hangers, themselves, are a component of  
25 that overall supply budget.

1           COMMISSIONER WILLIAMSON: Okay, thank you.  
2           Could you, also, address this question about -- I  
3           think you had mentioned that this is all going to come  
4           from Vietnam or elsewhere and so if that's the case --

5           MR. SCHULTZ: Are you --

6           COMMISSIONER WILLIAMSON: -- I mean, is  
7           there going to be --

8           MR. SCHULTZ: So, if we assume the tariff  
9           doesn't accomplish its desired impact and doesn't  
10          work?

11          COMMISSIONER WILLIAMSON: Yes.

12          MR. SCHULTZ: Yes. Vietnam, Taiwan, perhaps  
13          Russia, certainly Mexico are going to take up the  
14          slack. It's just a matter of time and it's a short  
15          time.

16          MR. NEELEY: Yes. I mean, what we see is a  
17          short-term, really bad short-term effect on the dry  
18          cleaners, which is why they're here. But, not even  
19          long-term, I wouldn't describe it, but in a few months  
20          we think it will change. And I buy from all these  
21          guys. I know the timing.

22          COMMISSIONER WILLIAMSON: The Petitioners, I  
23          think, had said -- this is for you, Mr. Schultz --  
24          that you, a quote in one of the Exhibit, that  
25          'everyone will end up paying 20 percent or more,

1 because Vietnam is more expensive than China.' And,  
2 yet, you've also now --

3 MR. SCHULTZ: That was a misquote by the  
4 reporter.

5 COMMISSIONER WILLIAMSON: Okay.

6 MR. SCHULTZ: What I said was that the cost  
7 of production in Vietnam was likely to be 20 percent  
8 higher than the cost of production in China. That is  
9 still 30 percent below the cost of production in the  
10 United States. China happens to be the cheapest of  
11 the alternative countries, but there are four or five  
12 countries that are almost as cheap that will replace  
13 American production when it becomes available.

14 COMMISSIONER WILLIAMSON: Okay. Thanks for  
15 that clarification. Mr. Schultz, why haven't -- if  
16 you have all these low wage countries out there, why  
17 haven't we seen them in the market before?

18 MR. SCHULTZ: Because China was better.  
19 China was the best of the alternative countries. The  
20 minute you hobbled them with a punitive tariff, they  
21 got out of the market and the next strongest one takes  
22 over, which happens to be Vietnam based on the current  
23 plant construction; certainly not America.

24 COMMISSIONER WILLIAMSON: But, I guess the  
25 Chinese imports have been coming in, what, since the

1 early --

2 MR. SCHULTZ: About seven years -- seven or  
3 eight years in volume.

4 COMMISSIONER WILLIAMSON: Okay. And the  
5 cost of U.S. labor and all have been relatively high  
6 for quite a bit longer than that. So, I am just  
7 wondering why haven't we seen them in here before? Or  
8 why weren't there more imports before 2000?

9 MR. SCHULTZ: Because this is history given  
10 to me by our employees. Basically, China wasn't  
11 organized at that point to do so. Once they  
12 discovered this was an available market, they piled  
13 in.

14 COMMISSIONER WILLIAMSON: Okay. Does  
15 anybody else have a comment on that? Mr. Warner, I  
16 was wondering, do you produce any type two hangers in  
17 the United States.

18 MR. WARNER: We don't.

19 COMMISSIONER WILLIAMSON: Are you aware of  
20 any U.S. producer type two hangers?

21 MR. WARNER: I am not.

22 COMMISSIONER WILLIAMSON: Okay.

23 MR. WARNER: I don't believe anybody in the  
24 United States dips hanger.

25 COMMISSIONER WILLIAMSON: Is there any

1 reason why someone in the United States couldn't be  
2 doing this competitively?

3 MR. WARNER: We don't do it because we moved  
4 to China because it was less expensive.

5 COMMISSIONER WILLIAMSON: Excuse me?

6 MR. WARNER: We don't do it because we moved  
7 to China because it was less expensive. You could do  
8 it. It would cost more than it does in China prior to  
9 the duties.

10 COMMISSIONER WILLIAMSON: Okay. But, could  
11 it be done profitably? I mean, I assume there is  
12 quite a bit of markup over --

13 MR. WARNER: I'm hesitant to discuss that.

14 COMMISSIONER WILLIAMSON: Okay. That's  
15 okay. If there is --

16 MR. WARNER: I would be happy to clarify  
17 that question post-hearing.

18 COMMISSIONER WILLIAMSON: Okay, thank you.  
19 My time is about to expire, so I will stop. Thank  
20 you.

21 CHAIRMAN ARANOFF: Commissioner Pinkert?

22 COMMISSIONER PINKERT: Thank you, Madam  
23 Chairman, and I would like to thank the panel for  
24 being here today and helping us to understand these  
25 issues. I would like to start with Mr. Lee and try to

1 get your reaction to some of the testimony that we've  
2 heard here today. Do you agree that the pain to the  
3 dry cleaner industry would be short lived if an order  
4 were imposed?

5 MR. LEE: No, I don't think so, because the  
6 -- I think I find the gentleman from Laidlaw's  
7 testimony Power Point presentation instructive. The  
8 artificial elevation of the tariff, as opposed to  
9 those other producers from those other countries,  
10 basically what's going to happen is all those other  
11 producers have a higher margin that they can raise  
12 their prices to, to be competitive. So, they don't  
13 have to be the lowest. They just have to be fairly  
14 lower than the highest point. And as a result, that's  
15 going to result in the increase prices, loss of  
16 critical revenue. And, again, I think that's why all  
17 the dry cleaners here, they're kind of stuck between  
18 the two parties here. They want, you know, this  
19 American producer to succeed. They want the suppliers  
20 from the importers to succeed, as well. But, if  
21 they're going to gouge the dry cleaners, we're the  
22 ones that are going to be facing the loss of  
23 livelihood, loss of businesses.

24 COMMISSIONER PINKERT: So, in your view, the  
25 imposition of an antidumping order would have lasting

1 implications for the prices in the United States of  
2 this product?

3 MR. LEE: Yes. And I think, again, the  
4 testimony, as presented previously, and I think the  
5 gentleman from New Jersey also testified to the same  
6 fact, but, again, as long as that tariff is way above  
7 everyone else, everyone just has to get just a little  
8 bit below, and who is the end -- where does it impact  
9 most? It's the end user, the dry cleaned.

10 COMMISSIONER PINKERT: Okay. Now, there's  
11 another market issue that I would like Mr. Neeley to  
12 comment on. I am still puzzled over what has happened  
13 in the marketplace since the imposition of provisional  
14 measures. We heard earlier today that this has not a  
15 cash deposit requirement in practice. It's actually a  
16 bonding requirement. And I'm wondering, is it your  
17 testimony or you can direct me to somebody, who can  
18 testify, to whether the price is actually going up in  
19 the United States market for these imports by the full  
20 amount of the bonded rate?

21 MR. NEELEY: I think Mr. Goldman and Mr.  
22 Schultz, since they are importers, are probably in a  
23 better position to do that. So, I will let them speak  
24 to that.

25 COMMISSIONER PINKERT: Thank you.



1           MR. GOLDMAN: Joel Goldman, United Wire  
2 Hanger. Since the duty has been imposed -- the  
3 dumping duties have been imposed, we have paid the  
4 dumping duty on each container that we bring in and  
5 we, in turn, had to adjust our selling price to  
6 compensate for that. A bond was really not very  
7 practical, because the amount of bond that would be  
8 required would be so large that most bonding companies  
9 would be hesitant to offer a bond that size. And we  
10 prefer to pay as we go and that's what we did. We pay  
11 as we go and we charge as we go accordingly.

12           MR. SCHULTZ: It's straight cash and cash  
13 out. We pay between \$100,000 and \$200,000 a week cash  
14 to the government for deposits on tariffs on things  
15 coming in. A week later, we charge our customers that  
16 same amount.

17           MR. NEELEY: And I would just -- I mean,  
18 these are two of the biggest importers in the United  
19 States. I would just say, based on my experience in  
20 other cases, recently, at least, the idea of putting  
21 up bonds is just impractical. I mean, bonding  
22 companies don't want to bond Chinese cases anymore.  
23 It's very difficult. So, I think their experience is  
24 probably pretty typical.

25           MR. VASTOLA: I can add to that, too. I do

1 the same. I import directly. I am a supplier. Many  
2 suppliers go through brokers, but we go directly and  
3 we pay straight cash deposit versus bond. And the  
4 biggest impact was when the initial tariff came out at  
5 83.90 percent, we ended up paying all of those three  
6 at the same time, three containers in a row, and it  
7 was two weeks later lowered to 45.69 percent and I  
8 don' t know if I'll ever see that money again.

9 COMMISSIONER PINKERT: Thank you. Now,  
10 staying with Mr. Neeley, at page 20 of your brief, it  
11 states that 'by any measure, the volume of imports  
12 from China rose substantially during the period of  
13 investigation and that the increase resulted, in large  
14 part, from the shut down of U.S. production  
15 facilities.' What information do you have to indicate  
16 that the opposite is not true, that the rapid increase  
17 in subject imports caused the shutdown of U.S.  
18 production facilities?

19 MR. NEELEY: I think probably Mr. Goldman  
20 and Mr. Schultz, again, can talk to that, since they  
21 were two of the largest U.S. producer at one time and  
22 now are two of the largest importers of what the cause  
23 and effect was.

24 MR. SCHULTZ: For Laidlaw, it became  
25 apparent that given market costs, which were Chinese

1 driven, our domestic production facilities weren't  
2 competitive. We decided that we would extend our  
3 importing to 100 percent, where before it had been  
4 about 40 and 50 percent, and that using the same logic  
5 that had been used for Mexico and Joel Goldman used  
6 later for his own plant.

7 MR. GOLDMAN: Joel Goldman, United Wire  
8 Hanger. With United Wire Hanger, we had to increase  
9 the inventory that we kept substantially. When we  
10 were manufacturing, depending upon our own production,  
11 we didn't have to maintain a large inventory, because  
12 we replenished it daily. But when we changed to  
13 having our production made in China, we decided that  
14 we must keep a much larger inventory. Exact amounts I  
15 will disclose in post-hearing.

16 COMMISSIONER PINKERT: That would be  
17 helpful. Now, Mr. Neeley, your briefs are largely  
18 silent on price issues and you've heard the testimony  
19 today, particularly the testimony from Mr. Magrath and  
20 his associate about price suppression. Also, they  
21 talked a little bit about price depression or I should  
22 say that they talked about some price depression in a  
23 specific period. But, generally, price suppression is  
24 what they referred to. So, in any event, do you have  
25 a response to that?

1                   MR. NEELEY: I mean, I think we can address  
2 that further in the post-hearing brief. I mean, in  
3 the pre-hearing brief, we concentrated on what we  
4 think is the fundamental issue. I think if you look  
5 at sort of the classic things that the Commission  
6 looks at, you know, are imports up, are prices down,  
7 are profits down for the U.S. industry, I think it  
8 doesn't get to the heart of what the problem is. And,  
9 you know, of course our testimony is about causation,  
10 the way that we look at causation, the cost issues,  
11 the ability to move elsewhere, the knowledge in the  
12 industry that people can easily move to other places,  
13 the low tech nature of these products, I mean, that's  
14 what we concentrated on. We can look at the classic  
15 price suppression, but I still think that the  
16 fundamental issue here is the causation issue looked  
17 at a little differently.

18                   COMMISSIONER PINKERT: Thank you. Now,  
19 turning to this issue of cost, there was a lot of  
20 testimony in this panel about cost advantages and cost  
21 disadvantages. I'm wondering if one just focuses on  
22 wage costs and on labor productivity, in other words,  
23 the cost of labor versus efficiency, is China's  
24 advantage on the cost of labor offset by the  
25 efficiency advantage of the U.S. producer?

1           MR. SCHULTZ: First of all, labor costs --  
2 this is primarily a steel business in a funny shape  
3 called wire. Labor costs are somewhere between 10 and  
4 15 percent of the cost of goods and that's for the  
5 United States. It's much lower for China. The  
6 Chinese have lower labor costs regardless of  
7 automation, because the places where they don't  
8 automate is places where their labor is so cheap, they  
9 can afford to do it more efficiently without the  
10 machinery. In China, the most expensive part of a  
11 factory is repairing equipment and powering it with  
12 electricity. In many cases, it's much cheaper to pay  
13 somebody a piece rate to do the same thing a machine  
14 would do in the United States.

15           COMMISSIONER PINKERT: Thank you. My time  
16 is up.

17           CHAIRMAN ARANOFF: Well, welcome to the  
18 afternoon panel. I recognize that there may be some  
19 confidential information here, but, Mr. Schultz, what  
20 can you tell us about your company's current  
21 relationship with Shanti?

22           MR. SCHULTZ: We love Shanti. Shanti, we  
23 have a total production relationship. Laidlaw  
24 purchases the raw material. Shanti is responsible for  
25 the equipment, the conversion of the material to

1 finished goods. Everything that they convert to  
2 finished goods, we buy, put into our inventory, and  
3 then resale. In effect, we're arm-and-arm partners in  
4 both plants.

5 CHAIRMAN ARANOFF: Are you maintaining title  
6 to the steel, as it's going through their process?

7 MR. SCHULTZ: We release title when it goes  
8 into the factory. We purchase all the output when it  
9 leaves the factory. They own the whip.

10 CHAIRMAN ARANOFF: Okay. And you're their  
11 only customer, as this point?

12 MR. SCHULTZ: We're their only customer.

13 CHAIRMAN ARANOFF: Now, that was not the  
14 case when they first entered production or has that  
15 been true throughout the time that they've been in  
16 production?

17 MR. SCHULTZ: It occurred one week after the  
18 preliminary tariff was announced. At that point, we  
19 realized that there was going to be an artificially  
20 high price, that we needed to have domestic capacity  
21 available to us, and Shanti was available and willing  
22 to work with us.

23 CHAIRMAN ARANOFF: Is that a long-term  
24 contract covering some period of time?

25 MR. SCHULTZ: It's a multi-year contract

1 with performance requirements on both sides. Either  
2 side can break it, if the performance requirements  
3 aren't met.

4 CHAIRMAN ARANOFF: Okay. If there is  
5 anything else, any other information you can provide  
6 us about that on a confidential basis, I would be  
7 happy to receive it.

8 MR. SCHULTZ: I would be glad to give you  
9 the contract.

10 CHAIRMAN ARANOFF: Okay. Do you fix the  
11 price at which you buy from them or is there a formula  
12 in the contract?

13 MR. SCHULTZ: We pay them a conversion price  
14 and we share a portion of the profits from the sales.

15 CHAIRMAN ARANOFF: Okay. This is an unusual  
16 case, in that, typically, we see a case where  
17 Petitioners want to exclude from the domestic industry  
18 producers, who are substantial importers, and  
19 Respondents want us to include them, and we have the  
20 opposite going on in this case. And I guess I want to  
21 probe you on that, Mr. Neeley, and ask why it is that  
22 it's important to you that we include Laidlaw and  
23 United Wire in the domestic industry and what  
24 difference it makes?

25 MR. NEELEY: We're the opposite. We're

1 saying they should be excluded.

2 CHAIRMAN ARANOFF: Sorry.

3 MR. NEELEY: But, in any event --

4 CHAIRMAN ARANOFF: You see how confused I've  
5 been --

6 MR. NEELEY: Yes, exactly. Sorry if I did  
7 that. But, in some sense, it makes no difference to  
8 our argument. I mean, I think our causation argument  
9 is the same either way. It just seems strange to us  
10 that the two companies that made a decision several  
11 years ago, that their interest lie primarily in  
12 importation, and you can see that from the  
13 profitability numbers, you can see that from their  
14 import numbers, you can see it in a number of ways,  
15 would be considered to be part of the U.S. industry,  
16 in terms of assessing injury. I mean, I haven't  
17 actually run the numbers both ways exactly. I mean, I  
18 suppose that the trends are more or less in the same  
19 direction either way. You've got fewer employees to  
20 start out with, they're fewer whatever to start out  
21 with, if you exclude them. I don't think it makes a  
22 huge difference to our analysis. But, we do think  
23 it's the right thing to do. Having these folks here  
24 on the other side of the table and had been on the  
25 other side of the table for a long time, to be



1 considered part of the U.S. industry just doesn't make  
2 any sense to us.

3 CHAIRMAN ARANOFF: Okay. The Petitioners  
4 are arguing, for example, with respect to Laidlaw,  
5 that because Laidlaw now is showing renewed interest  
6 in what they refer to as domestic production, I think  
7 based on what we've heard from Mr. Schultz, more like  
8 finding a domestic source of supply, that that should  
9 be a factor that influences how we look at the related  
10 parties issue. Do you agree?

11 MR. SCHULTZ: Laidlaw purchases hangers from  
12 factories. We have suppliers in China. We now have  
13 suppliers in the United States. We're about to get a  
14 supplier from Taiwan. We're ordering from Vietnam.  
15 This is a price-driven business. Whoever is the  
16 lowest price is our favorite supplier. There's a very  
17 good chance in some products that Shanti will be the  
18 lower cost supplier.

19 MR. NEELEY: And I think it makes --  
20 legally, I think it makes no difference. They're not  
21 a U.S. producer. They're a U.S. purchaser, a  
22 purchaser from U.S. companies.

23 CHAIRMAN ARANOFF: Okay. Let me turn to  
24 some of the folks towards the back of the panel and  
25 ask a question that I had started to ask the panel

1 this morning. Our staff tells us that, and this is in  
2 the staff report, the demand for dry cleaning hangers  
3 is relatively price inelastic, that cleaners need  
4 hangers, so they buy them, which sort of reenforces  
5 the idea that everything on the demand side depends on  
6 demand for the downstream product or, in this case,  
7 the downstream service, dry cleaning. How do you view  
8 the prospects for demand for dry cleaning services?  
9 Do any of the folks from the dry cleaners  
10 associations, who are still here?

11 MR. CHO: I guess I'm the only remaining  
12 person here. Well, I think the dry cleaning business  
13 is a service business where a greater number of people  
14 leaving the area, of course, there would be more  
15 demand. And I think because of the culture that we  
16 are -- like work culture that are changing, they  
17 require more business clothes, such as suits and  
18 things like that, that's an area I see increasing, in  
19 terms of demand on dry cleaning. So, that's what I'm  
20 seeing right now. But, we're not -- personally, I'm  
21 not enjoying that increase, because of cost of the  
22 running business also increase. So, you know, it  
23 doesn't really benefit to us right now.

24 CHAIRMAN ARANOFF: So, you agree with what  
25 we've heard from the panel this morning, that because

1 people are tending to turn back toward more formal  
2 work dress and because people are just used to  
3 outsourcing their cleaning and don't want to do it at  
4 home, that we're not likely to see a significant  
5 decline in demand for dry cleaning any time soon?

6 MR. CHO: Well, I hear people from several -  
7 - I have a business in D.C., so my clients are all  
8 from D.C. In fact, a lot of them work in this area.  
9 And they don't have time to do their own laundry, so  
10 they prefer pay whatever to do their -- to clean their  
11 clothes. But, I heard from my own members, saying  
12 that there were a lot -- there is a great decline in  
13 terms of demand in several areas and I think mainly  
14 because of the economic situation that we are in right  
15 now. People don't have money to spend.

16 CHAIRMAN ARANOFF: Okay. I appreciate those  
17 answers. Mr. Neeley, the big issue in this case is  
18 the Bratsk argument that you make in your brief. And  
19 while I definitely want to give the Vice Chairman a  
20 chance to got that with you, because I know he is very  
21 interested in your argument and because he's one of  
22 the Commissioners, who has looked at the forward-  
23 looking Bratsk-based argument before, well, I can't  
24 resist starting out while I still have time. Just to  
25 make sure that I, in fact, understand your argument,

1 the way I read it, you are arguing that because  
2 barriers to entry are low and, in your view, that  
3 means that production is going to move to non-subject  
4 countries, your argument is, therefore, there will be  
5 no benefit from an order.

6 Now, the way that I've always looked at  
7 Bratsk, it's been the retrospective consideration of  
8 what would happen during the period of investigation.  
9 And the Commission, as far as I can recall, has only  
10 ever looked at third-country producers, who were  
11 already present in the U.S. market during the period  
12 of investigation. We've never gone and looked in a  
13 retrospective sense at producers, who might have been  
14 in the U.S. market, but for the fact that they  
15 weren't. Are you suggesting that I ought to do that  
16 or are you making an argument, which necessitates me  
17 to do a forward-looking Bratsk analysis?

18 MR. NEELEY: You know, I have thought about  
19 forward looking, backing looking, I don't think it  
20 makes a whole lot of difference. I mean, in all  
21 honesty, I don't see the distinction that makes any  
22 significant difference. I mean, it all has to do with  
23 causation. It all has to do with the fundamental idea  
24 that if something wasn't there, you're trying to  
25 figure out is this the cause or not. You're doing a

1 thought experiment and whether you look forward or  
2 whether you look backward, you're doing this thought  
3 experiment and you're saying, if this thing is  
4 purportedly the cause and it wasn't there, what would  
5 have happened. Now, if you do it backwards or you do  
6 it forwards, you will probably get more or less the  
7 same answer, maybe not. I mean, maybe there's a  
8 distinction I'm missing. But, it seems to me that  
9 that's really what the court is driving at. And the  
10 court says, for example, the obligation under Gerald  
11 Metals is triggered whenever the antidumping  
12 investigation is centered on a commodity product and  
13 price competitive non-subject imports are a  
14 significant factor in the market. They don't really  
15 say forward looking, backward looking, I don't think.  
16 But, those -- it has to do with this notion of  
17 causation. That's our understanding of what the court  
18 is saying.

19 CHAIRMAN ARANOFF: Okay. I'm going to leave  
20 it there, because my light is red --

21 MR. NEELEY: Okay.

22 CHAIRMAN ARANOFF: -- and I'm going to pass  
23 it on to Vice Chairman Pearson, who I know has an  
24 interest in this subject.

25 VICE CHAIRMAN PEARSON: Madam Chairman,

1     thank you.  Let me address it this way, Mr. Neeley,  
2     since some of us actually have to vote on this one way  
3     or another, based on substantial evidence on the  
4     record.  If you're saying we could apply either  
5     retrospective or forward-looking Bratsk analysis, then  
6     what would be really helpful would be for you to  
7     provide retrospective information that would give us  
8     data about availability of non-subject product that  
9     potentially could have come into this market in the  
10    past years and maybe tell us some reasons why it did  
11    not as well, because we've got to look at what  
12    actually is out there for a retrospective analysis.  
13    And so far, based on my understanding of the record,  
14    we don't see a lot of non-subject production, other  
15    than Mexico, in the period of investigation, okay.

16             Now, going forward, you've provided some  
17    interesting information about things that are  
18    currently happening in the marketplace that may affect  
19    the availability of non-subjects going forward.  If  
20    you think this is a particularly good case for  
21    applying a forward-looking Bratsk analysis, then help  
22    give us some legal -- help give some legal analysis  
23    and argument to that, that might get four or more  
24    votes for that approach, because, so far, it's a  
25    minority of Commissioners, who have been willing even

1 to contemplate a forward-looking Bratsk analysis.

2 MR. NEELEY: Right.

3 VICE CHAIRMAN PEARSON: And I am one of  
4 those people, who actually believes that at some  
5 point, the Fed Circuit will tell us something more  
6 about Bratsk and we will not know as little as we do  
7 now. But given what we do know and the way we  
8 understand the constraints that that ruling places on  
9 us, we've got a split Commission, in terms of how we  
10 have dealt with this. So, I hear what you're saying.  
11 I just did not hear you clearly enough to find my way  
12 through this.

13 MR. NEELEY: Okay. We'll try to clarify  
14 that. But, let me try it this way. We focused I  
15 would say probably more on the forward-looking  
16 analysis so-called, in the sense that we've said, you  
17 know, what's happened since the order went into place,  
18 what has happened in Vietnam, what is happening in  
19 these other countries. In a way, that's forward  
20 looking. But, I think what we're also saying that if  
21 you can go back, roll back time, which is, I guess,  
22 sort of the retrospective analysis, and China had just  
23 not existed, had fallen into the ocean, you know, what  
24 would have happened. And I think what we are saying  
25 is pretty much the same thing as with our forward-

1 looking analysis. And that's why I say, I don't think  
2 it makes any difference. But, I will try to clarify  
3 that. But, if you see what I'm saying, I'm just  
4 saying that there's this huge disparity, in terms of  
5 costs, that exists, has existed, will exist --

6 VICE CHAIRMAN PEARSON: Right.

7 MR. NEELEY: -- and whether you look at a  
8 forward or backwards, you kind of end up in the same  
9 place.

10 VICE CHAIRMAN PEARSON: You've made that  
11 point. But, I just --

12 MR. NEELEY: Okay.

13 VICE CHAIRMAN PEARSON: -- a counterfactual  
14 retrospective view is not something that I'm  
15 accustomed to.

16 MR. NEELEY: Right.

17 VICE CHAIRMAN PEARSON: Do we have to do  
18 this counterfactual stuff looking forward, which is  
19 challenge enough. But, if I'm supposed to look back  
20 now and say, okay, this is what we have on the record  
21 of what happened --

22 MR. NEELEY: Right.

23 VICE CHAIRMAN PEARSON: -- in the  
24 marketplace, but if something different had happened -  
25 -



1 MR. NEELEY: Right.

2 VICE CHAIRMAN PEARSON: -- then it would  
3 have looked different, boy, I --

4 MR. NEELEY: It's tough, I understand.

5 VICE CHAIRMAN PEARSON: -- I'm concerned  
6 about both the CIT and the Fed Circuit on that one.

7 MR. NEELEY: Okay, I appreciate that. Okay.

8 VICE CHAIRMAN PEARSON: Okay, thank you.  
9 Ms. Schwesig, if I could, you have asked us to find  
10 that the type two vinyl-coated hangers are a separate  
11 like product. I'm wondering whether this isn't an  
12 issue that more relates to scope than to like product  
13 and I'm wondering whether you have had any discussions  
14 with the Department of Commerce about an adjustment in  
15 the scope that might remove your particular product  
16 from the scope.

17 MS. SCHWESIG: We have had discussions and  
18 we've submitted a scope request with the Department of  
19 Commerce. They indicated there, and Joel can probably  
20 clarify it, because he's had a little more discussion  
21 with them than I have, but they have not ruled on it  
22 yet or had an opportunity to rule on it. Clearly, we  
23 believe that that is the better position to be in, in  
24 terms of the scope. But, we're here now, because we  
25 don't have a ruling and at some point, we don't belong

1 here. We don't belong as a like product. We don't --  
2 and, yet, clearly, we want -- it's better for you, if  
3 the Department of Commerce does it, too, because it's  
4 got that ability. Joel, do you have something to add?

5 MR. KAUFMAN: However, Vice Chairman  
6 Pearson, I think that the issues that relate to  
7 whether or not these hangers are within the scope of  
8 this order are also issues that resonate at the  
9 Commission, in terms of like product. Even if it is  
10 determined in another week when the Department of  
11 Commerce issues their final determination that we're  
12 within the scope of the order, technically, we have a  
13 product that because of changes in the physical  
14 characteristics of the product render it a product  
15 that is not like or comparable to the products that  
16 are being sold by the domestic industry and,  
17 therefore, it would still be appropriate for the  
18 Commission to issue a like product determination, that  
19 this is a separate like product and, in fact, is not  
20 injuring, as you heard this morning from Petitioner's  
21 counsel. I mean, we do not compete in any way, shape,  
22 or form with the domestic industry. They do not know  
23 of any production of a product similar to ours in the  
24 United States. It's not something that is sold in  
25 their market. It's not an industrial product. It's

1 marketed in a completely different way and manner and  
2 it's imported in that respect, than the product that's  
3 being the subject of this investigation before the  
4 Commission.

5 VICE CHAIRMAN PEARSON: Do we have  
6 sufficient data to make and justify a separate like  
7 product finding on this record?

8 MR. KAUFMAN: I think you do. I mean, we've  
9 submitted questionnaire responses. We have testimony  
10 here, the sworn testimony by Mr. Warner. You have --  
11 the Commission staff has been able to distinguish our  
12 vinyl-coated hangers that are dipped from those that  
13 are not dipped and they have identified, through the  
14 questionnaire responses, that our product is only sold  
15 in the retail market. It's not a use issue here. I  
16 mean, it's only sold in the retail market, because of  
17 changes that have been made in the physical  
18 characteristics of a hanger and in the way that it is  
19 packaged, which you've been able to see this  
20 afternoon.

21 VICE CHAIRMAN PEARSON: Okay. Now, my  
22 understanding is that if we did find that the type two  
23 vinyl-coated hangers are a separate like product and  
24 then if we end up voting affirmatively on the rest of  
25 the product and an order goes into place, that order

1 would cover the entire scope, which, under current  
2 circumstances, would include the type two vinyl  
3 hangers, unless you could persuade Commerce to get  
4 them out of the scope. I think I'm correct with that.  
5 If that is correct, what benefit is there to Willard  
6 to get this separate like product determination?

7 MR. KAUFMAN: I believe, Vice Chairman  
8 Pearson, if you were to determine there was a separate  
9 like product and you were to determine that it was not  
10 injuring the U.S. industry, then I think that you  
11 would, regardless of the scope of the order, I think  
12 that you would be able to exclude these products from  
13 the coverage of the order.

14 VICE CHAIRMAN PEARSON: Well, I'm not aware  
15 of precedence.

16 MR. KAUFMAN: We can address that in our  
17 post-hearing brief.

18 VICE CHAIRMAN PEARSON: If you could point  
19 them out to me, I would be pleased to see them,  
20 because my understanding has been as long as it's in  
21 the scope, it's in the scope, and an order goes into -  
22 - an order goes into effect for all product within the  
23 scope. But, I am not trained in the law. This is a  
24 problem of being a humble economist on the Commission.  
25 So, I will take the counsel of those, who do know

1 something about this. But, you might want to just  
2 examine that question and see how confused I am and  
3 let me know in the post-hearing.

4 VICE CHAIRMAN PEARSON: And you may not be  
5 confused, Vice Chairman Pearson. But, rest assure,  
6 we've also made the same arguments to the Department  
7 of Commerce, that Petitioner has not raised an  
8 objection; in fact, has indicated to the Department  
9 the validity of our request and we're hopeful that the  
10 Department will come to the right decision next week.

11 VICE CHAIRMAN PEARSON: Okay. This might be  
12 my last question. On page five of Laidlaw's  
13 presentation, the CIF values of imported hangers from  
14 various countries are compared and the data show that  
15 the value of China's imports was lower than other  
16 foreign producers, except for Mexico. Given that M&B  
17 controls a substantial portion of the imports from  
18 Mexico, doesn't this suggest that domestic producers  
19 likely still would see a benefit, if an order was  
20 placed on products from China? The other non-subject  
21 countries appear to have slightly higher values than  
22 the Chinese product, which -- my question is, is that  
23 slightly higher enough to trigger the benefit that we  
24 would find under Bratsk?

25 MR. SCHULTZ: Is this for me? Are you

1 asking because M&B owns the Mexican factory, it's an  
2 American factory for your purposes?

3 VICE CHAIRMAN PEARSON: Right, because we  
4 would have an assumption that M&B would not import  
5 that product in a way that would disadvantage its  
6 domestic operation, which might not be a correct  
7 assumption and you might be able to provide us  
8 information as to why we shouldn't see it that way.  
9 But, that would kind of be a default position.

10 MR. SCHULTZ: I don't think that is a  
11 correct assumption. Any manufacturer will go to the  
12 lower cost source of supply. In the past, previous  
13 evidence, we presented M&B actually reduce the  
14 headcount in their Alabama at the same time they were  
15 increasing their headcount in Mexico. This is in the  
16 mid-2000 period. We would do the same thing. So, I  
17 think you have to treat Mexico like any other foreign  
18 entity.

19 Further, there is no evidence that M&B has a  
20 monopoly on Mexico. There are many other producers.  
21 There's plenty of Chinese manufacturers looking for a  
22 new home. Evidently, Mexico is an adequate place to  
23 expand capacity.

24 So, for both those reasons, Mexico should be  
25 treated separately. And at least so far this year,

1 it's a lower cost than China.

2 MR. NEELEY: We'd also point out that it was  
3 M&B after all in around 2000, 2001 that first went to  
4 Mexico to find lower cost operations, even before  
5 there was a big move to China. So, I think what Tom  
6 is saying, in regard to people moving to the lowest  
7 cost countries is borne out by M&B's own experience.

8 VICE CHAIRMAN PEARSON: Okay. Well, if you  
9 could provide any elaboration for purposes of the  
10 post-hearing, that would be great.

11 CHAIRMAN ARANOFF: Commissioner Lane?

12 COMMISSIONER LANE: Good afternoon. One of  
13 the disadvantages of going last is that most  
14 everything has been covered. So, Mr. Neeley, I will  
15 start with you and ask you the same question that I  
16 asked Mr. Waite this morning, which is -- relates to  
17 the argument that there is no causal link between  
18 subject imports and the condition of the U.S.  
19 industry, because the Respondents are saying that it's  
20 the U.S. cost structure, not Chinese imports, that are  
21 making the U.S. industry uncompetitive. Could you now  
22 or in your post-hearing brief provide us with any  
23 previous cases, where the Commission has found that  
24 the U.S. cost structure has made the U.S. industry  
25 uncompetitive and, therefore, made a negative

1 determination, and could you, please, explain how this  
2 case is similar or different from those previous  
3 investigations?

4 MR. NEELEY: Sure. We would be glad to look  
5 at that in detail, both any cases, either way, where  
6 the Commission has used cost one way or the other. I  
7 would just say, as a short answer, that our main  
8 reliance, as you know, in our pre-hearing brief was on  
9 the requirements that the Federal Circuit set out in  
10 Bratsk. And whether the Commission has done this  
11 precisely in the past or not, you know, the law is  
12 what the Federal Circuit has set out. So, we'll  
13 discuss that and we'll also discuss whether the  
14 Commission has done this in the past.

15 COMMISSIONER LANE: Okay. And either here  
16 or in your post-hearing briefs, can you elaborate on  
17 any information relating to the garment hanger  
18 production in Vietnam, Pakistan, or any other non-  
19 subject country, including information as to current  
20 production, plans to begin production, production  
21 capacity, markets, and prices, as well as your sources  
22 for the information?

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

24 COMMISSIONER LANE: Okay. And what is your  
25 legal precedent for arguing that the findings in the



1 Section 421 case are relevant in this case?

2 MR. NEELEY: Well, what we're saying is that  
3 President made certain factual determinations in the  
4 421 case with regard to the benefit to the U.S.  
5 industry. The Federal Circuit, in the Bratsk case,  
6 also talks about benefit to the U.S. industry, the  
7 benefits benefit. And so while we don't think it may  
8 be precisely binding in any way on the Commission,  
9 we're not suggesting that, what the President found,  
10 we think it's highly relevant and it's certainly --  
11 there is further scrutiny and analysis by the  
12 Commission. That's what we're saying.

13 COMMISSIONER LANE: Okay, thank you. Now, I  
14 want to go to, I think it's Mr. Lee or Mr. Kang. I  
15 want to talk about the effects that you testified to,  
16 as to the tariffs on the dry cleaning business. As I  
17 understand the exhibit, that the U.S. cost of  
18 production was approximately 4.6 cents per -- or 4.6  
19 cents per hanger and the Chinese hangers with the  
20 tariffs would be 5.1 cent. And then if we go back to  
21 the testimony this morning from Mr. Dawson, I think,  
22 he said that basically, eight percent of gross  
23 receipts related to the cost of supplies of the dry  
24 cleaning industry and two percent of that would be  
25 related to the cost of hangers. So, it looks to me

1       like the tariffs on the Chinese hangers are going to  
2       put the hangers about a little over a penny above the  
3       cost of the U.S. hangers. And I am having a hard time  
4       believing that dry cleaners cannot raise the cost of  
5       dry cleaning to meet the cost of -- the increased cost  
6       of the hangers. So, would you explain that to me a  
7       little bit further, please?

8               MR. LEE: Sure. You know, I do believe that  
9       certain dry cleaners can pass on the cost, maybe large  
10      dry cleaners like Mr. Dawson. But, I think as the  
11      survey shows, I'm not quite sure about the cost  
12      differences, the actual cost of making the hangers,  
13      but the resulting price to the end user of the dry  
14      cleaners is indisputable. Basically, the prices have  
15      doubled and, as a result -- and, again, I hate to  
16      sound like a broken record, but \$8,000.

17              COMMISSIONER LANE: Okay. But, break that  
18      down on a typical customer. Let's say that I come in  
19      with two suits, a pair pants, and a couple of blouses,  
20      and I don't know how much that might cost, but what do  
21      you think the increased tariffs on the increased of  
22      the Chinese hangers, how much do you think that would  
23      cost the typical dry cleaner?

24              MR. LEE: Again, it's tough to kind of just  
25      say the tariff will result in a six cents, seven,

1 eight cent increase on per item, because, again,  
2 you're looking at an overall increase and the overall  
3 expenses of a dry cleaner. And then when you add  
4 \$8,000, that's just a huge expense on a yearly basis.  
5 Because of the competitive nature for the average dry  
6 cleaner and maybe like Mr. Dawson's large dry  
7 cleaners, maybe they are able to absorb those costs or  
8 pass it on to their customers, but for the average dry  
9 cleaner, and as you can see by the response here, it's  
10 not something that's easily done.

11 COMMISSIONER LANE: Okay. I don't want to  
12 argue with you, but --

13 MR. LEE: I don't mean to argue with you,  
14 either, Madam.

15 COMMISSIONER LANE: -- but I guess I'm going  
16 to just say that I'm finding the testimony a little  
17 hard to understand, because the typical dry cleaning  
18 customer goes -- it takes several items at a time and  
19 even though you're saying that the dry cleaning  
20 business might have an increased cost of 8,000 per  
21 year, that's not really how you determine your  
22 profitability. You have to break it down by customer.  
23 And so, if you take that 8,000 and figure -- spread  
24 that over your gross receipts, it seems to me that  
25 we're not talking about enough money to put the dry

1 cleaners out of business.

2 MR. LEE: I guess the best way to respond to  
3 that, Commissioner, is that the individual -- you're  
4 right, if we were to just spread out the \$8,000 over  
5 the gross revenues by itself may not be a large  
6 amount. But, if you take, again, the fact that out of  
7 all the different factors that are increasing the cost  
8 for running a dry cleaners and then you take \$8,000  
9 away from that dry cleaner, which may be taking  
10 \$75,000, \$16,000, that's 10 percent of their take home  
11 pay and that's what is impacting these folk here and  
12 that's why they're up in arms about that.

13 COMMISSIONER LANE: Okay. And so, really  
14 what you're saying is that the dry cleaning business  
15 is seeing an increase in cost for a variety of  
16 reasons, one of which is this particular case.

17 MR. LEE: And I think that's the exact case,  
18 Commissioner. It's just the fact that all of these  
19 other expenses are piling up and then, I guess, makes  
20 it most tragic for these dry cleaners, this is an  
21 artificial elevation. And, again, I harp back to the  
22 chief executive officer of Laidlaw's testimony, of  
23 this artificial elevation and you have all of these  
24 opportunistic suppliers taking advantage of this and  
25 essentially gouging the dry cleaner, that's what

1 really is most tragic about this increased tariff.

2 COMMISSIONER LANE: Okay, thank you. Thank  
3 you, Madam Chairman.

4 CHAIRMAN ARANOFF: Commissioner Williamson?

5 COMMISSIONER WILLIAMSON: Mr. Kang, just one  
6 last question on this.

7 For the size cleaner that may have this  
8 \$8,000 a year expense, do you have any idea how many  
9 articles of clothing they might be cleaning in a year?  
10 I'm sorry, Mr. Lee, excuse me.

11 If not, you can do it post-hearing. That's  
12 okay.

13 MR. LEE: We'll try our best, Commissioner.  
14 We just have to quantify that. Again, I think the dry  
15 cleaners pretty much just go based upon gross revenue.

16 COMMISSIONER WILLIAMSON: Thank you.

17 Let's turn to a question about this  
18 production equipment. Probably Mr. Schultz.

19 Can you give us an idea of the startup costs  
20 for a hanger production facility comparable to the  
21 size of the average plant in China? You may have to  
22 do this post-hearing, but --

23 MR. SCHULTZ: We're dealing with a Russian  
24 group that has purchased enough equipment to do 60  
25 containers a month, which is about 20 percent of the

1 world capacity. They've spent a quarter of a million  
2 dollars for second-hand equipment; probably another  
3 \$100,000 to transport it to Russia and install it. So  
4 less than half a million dollars gave them that  
5 equipment.

6 If you're buying new equipment from Taiwan  
7 it would probably be several times that amount, maybe  
8 a million and a half. But in the scheme of things,  
9 not a big dollar amount.

10 COMMISSIONER WILLIAMSON: You say it will be  
11 about 20 percent of the world capacity?

12 MR. SCHULTZ: Yes. The world capacity,  
13 consumption today is about 360 containers a month.  
14 The ability to make 60 containers a month is roughly  
15 18 percent of that number.

16 COMMISSIONER WILLIAMSON: That raises a  
17 question about what do you forecast on global demand  
18 for hangers?

19 MR. SCHULTZ: Contrary to what you heard  
20 this morning, consumption of hangers has been going  
21 down at a very steady seven percent a year in physical  
22 terms for the last ten years.

23 COMMISSIONER WILLIAMSON: U.S. or globally?

24 MR. SCHULTZ: The U.S. is the only market  
25 that counts.

1                   In 2000 it was like four million hangers.  
2                   At the end of the 421 case it was 3.4 million hangers.  
3                   This year it's 2.8 million hangers. Since we've  
4                   doubled the price of hangers my guess is it will be  
5                   2.6 next year.

6                   COMMISSIONER WILLIAMSON: This morning there  
7                   was testimony about the difference between hangers  
8                   used by the "rent 'em", the uniform industry as  
9                   opposed to the retail dry cleaners. I was wondering,  
10                  did you agree with that? What are the trends that  
11                  you're seeing and what bearing does that have on  
12                  demand in the United States?

13                  MR. SCHULTZ: There's a dramatic difference  
14                  between the two segments.

15                  Five years ago industrial hangers,  
16                  industrial customers accounted for a third of the  
17                  industry, and distributors accounted for two-thirds.  
18                  Today it's 50/50, primarily because hanger consumption  
19                  by dry cleaners has gone down by 50 percent.

20                  If you look at the future growth, industrial  
21                  hanger consumption will be flat to positive by half a  
22                  percent a year; and dry cleaning hangers will go down  
23                  about seven percent a year.

24                  COMMISSIONER WILLIAMSON: Okay.

25                  Let's go back to the question of global

1 demand. Why is it that the U.S. is the only market?  
2 A lot of other people get their clothes cleaned, I  
3 assume.

4 MR. SCHULTZ: It's a funny thing. By far  
5 the United States is 90 percent of demand for this  
6 type of hanger. Galvanized hangers are used in  
7 Europe. Many countries don't use hangers because  
8 they're too expensive and fold clothing instead. For  
9 example, the demand in China is almost non-existent,  
10 even though it's much bigger.

11 I think it's a matter of history and social  
12 tastes.

13 COMMISSIONER WILLIAMSON: So galvanized  
14 hangers, that's a different category.

15 MR. SCHULTZ: It looks like our hangers,  
16 except instead of being painted, they're galvanized  
17 with zinc.

18 COMMISSIONER WILLIAMSON: Okay.

19 Would you use the same type of equipment to  
20 make the galvanized hangers?

21 MR. SCHULTZ: Everything is identical except  
22 for the coating process. In fact factories in China,  
23 when they got kicked out of the U.S., started making  
24 more galvanized hangers and selling them to France.

25 COMMISSIONER WILLIAMSON: What's about the



1 demand for galvanized hangers then?

2 MR. SCHULTZ: I don't know.

3 COMMISSIONER WILLIAMSON: Not exact, but in  
4 terms of --

5 MR. SCHULTZ: My guess is that it's at best  
6 20 percent of the demand for U.S.. It's much smaller.  
7 Much smaller.

8 COMMISSIONER WILLIAMSON: Have you been  
9 involved in the movement of equipment from one country  
10 to another?

11 MR. SCHULTZ: Only to the extent that I sold  
12 the equipment that eventually got moved. So for  
13 example, I sold the equipment to Shanti. Shanti moved  
14 it to another factory . Then they sold a portion to  
15 Russia. That's pretty typical. These things are very  
16 easy to move.

17 I think that the entire equipment used by  
18 Andrew to set up their new plant in Vietnam used seven  
19 containers, seven truckloads. That's all it took. So  
20 it's easy to move. They're small equipment.

21 COMMISSIONER WILLIAMSON: Okay, thank you.

22 I have no further questions at this time.

23 I'd like to thank the panel.

24 CHAIRMAN ARANOFF: Commissioner Pinkert?

25 COMMISSIONER PINKERT: Thank you, Madame

1 Chairman.

2 I'd like to start with you, Mr. Kaufman, and  
3 ask you not to rehearse all the discussion of the  
4 Commerce Department about scope exclusion, but just to  
5 focus on one aspect of that.

6 Is your concern about the scope exclusion  
7 request at the Commerce Department that Commerce may  
8 find that it's not administrable by Customs?

9 MR. KAUFMAN: No. Actually, we think if you  
10 limit it to, even if you don't, but we would suggest  
11 limiting it to the Type 2 vinyl coated hanger, we  
12 think that's easily visible to Customs.

13 We've also requested it at Commerce, that we  
14 define the scope of the product that was excluded as  
15 not only being vinyl coated, vinyl dipped hanger, but  
16 also that is wrapped in chip board wrappings that  
17 totally encircle the product for retail sale, which  
18 would include UPC codes and other indications that  
19 it's for retail sale.

20 So I don't think that, as we've defined it  
21 at Commerce, I don't think that would be difficult for  
22 Customs to administer at all. I think it's very  
23 visible. You saw the hangers here. That's the way we  
24 import them, in those small packages, totally  
25 encircled by the chip board container. That's typical

1 of retail packaging for any type of hanger.

2 I was in Giant the other day and I saw  
3 plastic hangers, not plastic coated but plastic  
4 hangers that were also wrapped in the same way. For a  
5 retail product it's standard packaging. So I don't  
6 think this would be difficult for Customs.

7 The concern we have at Commerce is that we  
8 also, again, because of the reasons Mr. Warner  
9 indicated to you earlier, the request was made late.  
10 And we're not sure that Commerce will have the time  
11 really to consider it. Not only do they have to make  
12 a decision but it's got to go through approvals and  
13 everything else and it was made late.

14 So we're hopeful they'll have time to get it  
15 through all the approval processes. We're just not  
16 sure that they will.

17 COMMISSIONER PINKERT: Turning to the issue  
18 that we have to confront with regard to this  
19 particular type of hanger, is administrability by  
20 Customs a relevant consideration for us?

21 MR. KAUFMAN: I think the concern always at  
22 Customs is if what you're relying on is exclusively a  
23 use exception. The same product but that comes in for  
24 one use or another.

25 I don't know that it's necessarily a

1 criteria for you. I think it's probably always a  
2 concern for the Commission that if all you're relying  
3 on is the use exception then you have to certify the  
4 use and you have other problems, enabling Customs to  
5 administer it appropriately.

6 I don't think any of those problems are  
7 here. We're not relying exclusively on use. What  
8 we're saying is it's a different product that is in  
9 fact used in a different market than the market and  
10 the product that is being the subject of this  
11 investigation.

12 MS. SCHWESIG: Also I'd like to add on, in  
13 terms of physical characteristics, not just focusing  
14 on, it's very hard for Customs to trace whether it has  
15 a retail or commercial use, but even just going into  
16 the simple, the all six factors. The chains of  
17 distribution are only a single factor within that.

18 The physical appearance is yet another  
19 factor that you guys would consider along with  
20 interchangeability of the product and everything else.  
21 If we look at what would most overlap with the Customs  
22 analysis it would be a physical appearance. The  
23 physical appearance is different. You're not going to  
24 see any exposed metal ends. You're going to see a  
25 double coating where it was double dipped. You could

1 pick this up, in my opinion, in less than a minute and  
2 tell the difference. Customs looks at a lot more  
3 complex items. They send things to labs. This isn't  
4 even something that would have to go to a lab.

5 So in terms of overlapping analysis between  
6 you and Customs, just on physical appearance alone,  
7 even not going to the other six factors which I think  
8 are pretty clearly not at all overlapping with the dry  
9 cleaning industry hanger.

10 COMMISSIONER PINKERT: One other question  
11 for Mr. Kaufman. Would Commerce also consider the  
12 potential for circumvention in the context of dealing  
13 with the scope request?

14 MR. KAUFMAN: Well, I don't know whether  
15 they would. I don't think in this case there is a  
16 potential for circumvention. So even if they did  
17 consider it, I think the bottom line is they should  
18 conclude that there isn't.

19 I mean we've been very careful in terms of  
20 how we've defined the product that we're seeking  
21 exclusions for at Commerce and also how we've defined  
22 the product to the Commission for purposes of their  
23 like product.

24 It is a very narrow definition. It is not  
25 broad. If someone else were to come in and to make a

1 product that was double dipped and packaged in small  
2 quantities with chip board packaging and going through  
3 this whole thing, then quite frankly, that is a  
4 different product. It is not a question of  
5 circumvention, it is a different product. They would  
6 have to be selling that into a different market.

7           Because quite frankly, it's not useable by  
8 dry cleaners. Once you go through all of that and you  
9 add the extra expense of doing that, we sell these at  
10 a much higher price. There's no underselling between  
11 Willert's products and those of the domestic industry.  
12 So this is a higher priced product, there are higher  
13 costs associated with it, these are higher labor  
14 costs.

15           In response to Commissioner Williamson's  
16 question before me, one of the reasons that, this is a  
17 very labor intensive process we're talking about.  
18 Domestically, that would be very difficult to do  
19 because of the much higher cost of labor. But these  
20 are higher priced products and it's just not a product  
21 that you hear, we were talking about price being the  
22 ultimate consideration. No one's going to pay a lot  
23 more for a hanger that has characteristics that they  
24 can't use and in fact may make it difficult for them  
25 to use the hanger. It's just not going to happen.

1                   So I don't think there's a circumvention  
2                   issue here.

3                   COMMISSIONER PINKERT: Thank you.

4                   Turning back to Mr. Neeley for a moment. I  
5                   listened very carefully to Mr. Goldman's testimony  
6                   about cost of production, about cost differences. I'm  
7                   wondering, isn't that argument essentially asking us  
8                   to revisit the cost calculations that the Commerce  
9                   Department does in the context of their own dumping  
10                  inquiry?

11                  MR. NEELEY: No.

12                  (Laughter.)

13                  MR. NEELEY: Do you want more?

14                  COMMISSIONER PINKERT: Why not?

15                  MR. NEELEY: The Commerce Department doesn't  
16                  really do a cost calculation. What the Commerce  
17                  Department does is a normal value calculation. A  
18                  normal value calculation is, as you well know I think,  
19                  is composed of surrogate values, of the actual inputs  
20                  of materials, of surrogate financial ratios and  
21                  things, profits, things like that. That's not the  
22                  actual cost.

23                  What Joel is talking about is actual real  
24                  costs in the real world in terms of producing  
25                  something in RMB or in Vietnamese dong or whatever.

1 That's what he's talking about, real world costs, not  
2 the sort of theoretical cost construct that we go  
3 through at the Commerce Department.

4 So what he's talking about is in the real  
5 world when you're talking about those costs and  
6 comparing them to U.S. costs, that's what business  
7 people really live and die on. Not those surrogate  
8 values that the Commerce Department uses.

9 COMMISSIONER PINKERT: I'm not suggesting  
10 that we should rely on the specific approach of any  
11 party here, but my question is whether Commerce has  
12 already more or less dealt with the question of what  
13 is a reasonable measure for the cost in China, versus  
14 another market economy country.

15 MR. NEELEY: I don't think Commerce has  
16 dealt with that at all. I think Commerce has followed  
17 the law which requires them to calculate a normal  
18 value in a certain way based upon certain surrogate  
19 values which frankly, in most cases, have nothing to  
20 do with the actual costs in that country.

21 It's the construct that's in the law. We  
22 have to live with it. We all know that. But to say  
23 that is the real cost in China to produce a product I  
24 think is fantasy. It just doesn't necessarily bear  
25 any relationship. It might, but in most cases it's



1 very different, and he's talking about actual costs.

2 COMMISSIONER PINKERT: Thank you.

3 Thank you, Madame Chairman.

4 CHAIRMAN ARANOFF: Thank you.

5 I have no further questions for this panel.

6 Vice Chairman Pearson, do you have further  
7 questions? Commissioner Lane?

8 (No audible response.)

9 CHAIRMAN ARANOFF: I think we've come to a  
10 conclusion.

11 I want to thank this afternoon's panel for  
12 all your answers, and let me ask whether staff have  
13 any questions for this panel.

14 MR. CORKRAN: Douglas Corkran, Office of  
15 Investigations.

16 Thank you, Chairman Aranoff. Staff has no  
17 further questions.

18 CHAIRMAN ARANOFF: Mr. Waite, does your  
19 group have any questions for this panel?

20 MR. WAITE: We have no questions, Madame  
21 Chairman.

22 CHAIRMAN ARANOFF: Then I want to thank the  
23 afternoon panel for being with us today and sharing  
24 your time with us. You are all excused and can move  
25 back to your not-so-comfortable seats further back in

1 the room.

2           Petitioners have four minutes left from  
3 their direct presentation plus I have given them an  
4 additional 11 minutes in order to equalize the extra  
5 time that was used in direct testimony by the  
6 afternoon panel, plus five minutes for closing.

7           Respondents have no time left from direct  
8 presentation, but five minutes left for closing.

9           We will call forward Mr. Waite and anyone  
10 else who's coming with you.

11           Do you want anything separately timed, or  
12 shall we simply set the timer for 20 minutes?

13           MR. WAITE: Thank you, Madame Chairman. You  
14 can set the timer for 20 minutes, and hopefully we  
15 will not use all of that time.

16           CHAIRMAN ARANOFF: Thank you.

17           MR. WAITE: But we are grateful to you for  
18 allocating to us the additional time.

19           CHAIRMAN ARANOFF: I was trying to figure  
20 out what the right thing to do in the circumstances.  
21 I guess if we had planned ahead and known we would  
22 have given both panels additional time for their  
23 direct presentations, but sometimes you can't plan  
24 things in advance.

25           MR. WAITE: Understood, and it would all

1       come out in the wash anyway, because we would not have  
2       extended our affirmative testimony.

3               MR. MAGRATH:  You're your own worst enemy  
4       anyway, Madame Chairman, because ever since you made  
5       that announcement Mr. Waite and I have been feverishly  
6       writing back there to cover this inordinant amount of  
7       time you've given us.  So thank you very much.

8               MR. WAITE:  Although I have admonished Dr.  
9       Magrath that we will not read the Declaration of  
10       Independence and the Gettysburg Address.

11               (Laughter.)

12               CHAIRMAN ARANOFF:  But if he wants to read  
13       recipes, that would be okay.

14               (Laughter.)

15               CHAIRMAN ARANOFF:  Please proceed.

16               MR. WAITE:  Thank you, Madame Chairman.

17               The Commission's record in this case leaves  
18       no doubt that dumped Chinese imports of steel wire  
19       garment hangers have caused material injury to the  
20       U.S. industry.  All of the statutory factors and  
21       economic indicators point to the huge and growing  
22       volume of imports from China and the very low pricing  
23       of Chinese hangers as the cause of the U.S. industry's  
24       current condition.

25               Many of the Commission's conclusions in the

1 Section 421 investigation about the state of the  
2 domestic hanger industry continue to be the case, only  
3 much much worse.

4 Due to the never-ending flow of low priced  
5 Chinese hangers into the U.S. market, the U.S.  
6 industry has contracted to just a shadow of its former  
7 self. Domestic production, shipments, sales, capacity  
8 utilization and market share have all dropped  
9 dramatically. Not by five or ten percent; by as much  
10 as 80 percent over the POI.

11 The Commission's record shows the terrible  
12 effect of these dumped imports on the U.S. industry.

13 As for the subject imports, the data are  
14 equally dramatic. Imports from China increased by 158  
15 percent between 2005 and 2007, from one billion  
16 hangers, as I mentioned in my opening remarks, to  
17 nearly 2.7 billion hangers last year.

18 In terms of market share, Chinese imports  
19 started the period with just over one-third of the  
20 U.S. market, but they ended with over 80 percent.

21 The Commission's record shows that this  
22 growth in market share was directly at the expense of  
23 the U.S. industry.

24 As both Dr. Magrath and I have pointed out  
25 to the Commission during this hearing, there was

1 almost a one-for-one exchange between market share  
2 growth by the Chinese imports and market share loss by  
3 the U.S. producers.

4 That also indicates that non-subject imports  
5 were not even a factor.

6 In terms of prices, again the record of this  
7 investigation shows that imports from China undersold  
8 the domestic product in 99 out of 102 quarters, and  
9 that's for all of the eight pricing products. The  
10 average margin of underselling was 28 percent.

11 As you heard from the industry witnesses  
12 this morning, the Chinese suppliers had no qualms  
13 about dropping their prices continuously in order to  
14 take away business from the U.S. suppliers.

15 Madame Chairman, the Respondents have made a  
16 variety of arguments about why the huge volume and low  
17 prices from China are not the cause of injury to this  
18 industry. However, the record facts in this case  
19 demonstrate that none of their claims are supportable.

20 First, Respondents try to argue that the  
21 injury to the U.S. hanger industry was the result of  
22 other factors, like increased steel costs, higher  
23 transportation costs in the United States, and the  
24 claim that the domestic hanger producers are not able  
25 to sell as cheaply as China because the Chinese

1        somehow have a cost advantage. But the Commission's  
2        record contradicts each of these claims.

3                The pre-hearing staff report discusses the  
4        rise in steel costs over the POI, but the most  
5        dramatic increases in cost, that is in the cost of  
6        carbon steel wire rod, the primary input for making  
7        hangers, began after this case was filed in July 2007.

8                One of the clear impacts of this case has  
9        been the ability of the U.S. hanger industry to raise  
10       their prices to cover these increased costs.

11               You heard this morning that the industry  
12       does not believe that their price increases would have  
13       been possible without this case.

14               The pre-hearing staff report also addresses  
15       transportation costs within the United States, noting  
16       that transportation costs for Chinese hangers,  
17       excluding U.S. inland transportation, is about 18  
18       percent of the Customs value.

19               On average, importers reported that the U.S.  
20       inland transportation was an additional 9.5 percent.  
21       So whereas these transportation costs account for  
22       almost one-third of the hanger price from China, U.S.  
23       producers reported U.S. inland transportation costs of  
24       only eight to ten percent.

25               Finally, as I mentioned during the panel

1 this morning, the Chinese are not the low cost  
2 producers in the market, despite what you heard from  
3 witnesses this afternoon including Mr. Schultz from  
4 Laidlaw. They are the low price suppliers in the  
5 market.

6 Mr. Schultz alluded to a huge disparity of  
7 costs and showed you a graphic, purportedly  
8 demonstrating that. There was no evidence of the  
9 support for any of the information in that graphic  
10 other than Laidlaw.

11 I would point out that this is the same  
12 witness who told the Commission during the staff  
13 conference in this case that M&B Hangers does not  
14 manufacture hangers in the United States. Of course  
15 your staff very quickly dispelled that illusion.

16 He also told you this afternoon that Mexico  
17 is a larger component in M&B's operations than the  
18 United States. Please look at the confidential record  
19 and you will see which is the larger component by a  
20 significant margin, and which is the growing component  
21 of M&B.

22 Further, in looking at the purported cost  
23 advantages of imports from other countries, it  
24 appeared that Mexico, as Mr. Schultz indicated, had a  
25 distinct advantage. Well if Mexico has the capacity,

1 as he also stated, and the low prices, why is he not  
2 buying from Mexico? Why did he go to Shanti in  
3 California with all of the enormous \$13 an hour labor  
4 rates, all the environmental requirements, et cetera,  
5 in order to establish a relationship that allows him  
6 to service his U.S. customers?

7 Further, the Respondents have also tried to  
8 distract the Commission with arguments about supply  
9 and demand conditions. They claim that the U.S.  
10 industry cannot meet the demand for hangers because  
11 there are so few companies remaining in the business.  
12 This is an interesting tactic by the Chinese  
13 respondents: buy market share by offering ever-lower  
14 prices, force most U.S. companies out of the business,  
15 and then claim the U.S. industry should still be able  
16 to sell 100 percent of demand immediately.

17 I'm not a linguist. I don't know the  
18 Chinese word for hutzpah, but I think this is it.

19 However, by contrast as you heard this  
20 morning, this industry was down but it certainly is  
21 not out. The filing of the case and the preliminary  
22 determinations by this body and by the Commerce  
23 Department have permitted the industry to start  
24 recovering.

25 Not only has M&B been able to restart



1 machinery and hire more people and increase its  
2 output, but Shanti Industries, as you heard, has  
3 opened two new plants, showing that it is optimistic  
4 about the future of this industry. Both companies  
5 have been increasing production to meet demand, but  
6 they have also been expanding employment as I've just  
7 mentioned.

8 Respondents spent most of their arguments in  
9 their briefs on a very novel misinterpretation of the  
10 Bratsk decision. I will not tire you with further  
11 elaboration of that ruling, but we will address it in  
12 our post-hearing brief.

13 I would only mention that mere speculation  
14 about possible or potential startup production in a  
15 country that has never before shipped the product to  
16 the U.S. market does not meet any standard that the  
17 Court was establishing in either Gerald Metals or in  
18 Bratsk.

19 The Chinese took eight years to build up to  
20 a 2.8 billion hanger level, and Respondents would have  
21 you believe that a couple of plants in Vietnam or in  
22 the border area of Pakistan or somewhere in Russia  
23 will get to this level virtually overnight.

24 Dr. Magrath?

25 MR. MAGRATH: Thank you.

1           First, since we have some time I'd like to  
2           congratulate the investigator and team leader on this,  
3           for this very fine staff report in this investigation.  
4           Gabriella Ellenberger, this is her last day at the  
5           Commission, I understand. Once upon a time I had a  
6           last day at the International Trade Commission, and  
7           Gabriella, I know you'll have a lot of fond memories  
8           of the place just as I do.

9           I have two points, the first of which is on  
10          China and basically what the Respondents' issue breaks  
11          down to which is how soon they're going to replace  
12          China. We don't think it's going to be very soon. As  
13          a matter of fact, we don't think they are going to  
14          replace China because China is truly, and  
15          unfortunately for someone who has had a career  
16          representing domestic industries, China is a unique  
17          threat and will remain so. Not just because of its  
18          size, although we should say first, as Mr. Waite just  
19          stated, size does matter.

20          You're talking here about replacing 2.7  
21          billion hangers -- that's what the imports are -- with  
22          a couple of photos of a plant that may make hangers,  
23          it may make fortune cookies in Vietnam, if indeed it  
24          is in Vietnam. The ones we were given a few days ago  
25          were, it turns out, from China.

1           To be a China, if you want to be a China, a  
2 government like Vietnam and its hanger manufacturers  
3 would number one, have to agree to price unfairly and  
4 unprofitably for as long as it took. Second, they'd  
5 have to agree to envelope that industry with numerous  
6 subsidies and other state aids including providing  
7 money-losing funds through special policy banks to  
8 companies, whether those companies were credit worthy  
9 or not. And loans. Whether they would create  
10 development zones in which the government gives  
11 companies land -- gives companies land, utilities,  
12 energy -- either free or below market rates. It would  
13 have to consider paying off company debt in exchange  
14 for worthless stock. That's the debt/equity swaps  
15 that are so popular in China and so popular in our  
16 petitions. It would have to consider rebating taxes  
17 such as the VAT tax to the exporters. And very  
18 importantly, and this is an issue that my firm has  
19 been fighting for four years in Congress, it would  
20 have to agree to the detriment of the nation's  
21 consumers, to maintain an undervalued currency of what  
22 most economists think is 30 to 40 percent in order to  
23 promote exports.

24           In short, there is a reason that the  
25 Commission, that all the new Chinese petitions that

1 you have got include CVD sections in them, including  
2 the five volume petition that you received today from  
3 my firm and another law firm on another industrial  
4 mill fabricated product.

5 I apologize in advance, but three of those  
6 five volumes, I think it's three out of the five,  
7 involve subsidy allegations. That is why the China  
8 hanger industry will not be easily duplicated anywhere  
9 else, if at all. Of course we hope it is not.

10 My second point, and last point, is on this  
11 argument of the cost structure. Respondents have  
12 argued that it was the cost structure for hanger  
13 production that makes the U.S. industry uncompetitive  
14 and unprofitable. But there is not anything unique or  
15 particularly challenging about this cost structure  
16 producing hangers. Yes, the costs have increased both  
17 for domestic producers and for foreign producers. But  
18 producers, as we said in our testimony and we'll  
19 reiterate now, should easily have been able to  
20 increase prices to cover these rising costs given the  
21 conditions of competition in the industry.

22 It is telling that since the case was filed  
23 and Chinese import prices have been increased to fair  
24 levels through the imposition of provisional duties  
25 that U.S. producers M&B and Shanti were successful

1 with numerous announced price increases that they  
2 testified to today.

3 Customers may not like this, but they  
4 accepted the price increases. What has happened to  
5 the U.S. industry's operating income because of these  
6 price increases? It has improved considerably in the  
7 first quarter of 2008.

8 As long as Chinese imports are priced  
9 fairly, U.S. producers of hangers can increase prices  
10 to cover costs, and they can be competitive in the  
11 U.S. market. That is what your staff report shows on  
12 the confidential data you have in it.

13 Thank you very much for your time, Madame  
14 Chairman. Thank you again for the additional time.

15 MR. WAITE: Thank you, Madame Chairman and  
16 members of the Commission for your attention and your  
17 very interesting questions to our panel.

18 Thank you.

19 CHAIRMAN ARANOFF: Thank you very much.  
20 We'll now hear from Mr. Neeley.

21 MR. NEELEY: Thank you. I will be brief.  
22 We did take a lot of time in our direct, I realize.

23 Two basic points. The law and the facts.  
24 That's what we were talking about today.

25 The law, you've heard Mr. Waite and you've

1 heard us. Our interpretation of Bratsk is not the  
2 narrow interpretation that Mr. Waite has given you.  
3 Mr. Waite we think has taken a very narrow view of  
4 Bratsk. Ironically, sort of narrowing Bratsk to its  
5 facts which is exactly the opposite of what he argued  
6 in Bratsk and what the Federal Circuit talked about in  
7 Bratsk, about how the Commission should not limit  
8 Gerald Metals to its facts. It's a great irony, it  
9 seems to me.

10 We think that the way the Commission ought  
11 to look at Bratsk is on the principles. We think that  
12 the Federal Circuit spells out quite clearly what it  
13 means by causation and that there's a lot of guidance  
14 there in terms of how you analyze causation. Perhaps  
15 not in terms of forward looking, backward looking.  
16 We'll address that. But there still is a lot of  
17 guidance and I think no matter how you take that  
18 guidance, this particular case falls squarely within  
19 what Bratsk is talking about.

20 In terms of the facts, we know a number of  
21 facts from Mr. Waite also. He was the counsel for  
22 AWPA in the recent wire rod case. He talked a lot  
23 about the problems that are being caused to the U.S.  
24 industry that consumes wire rod. Talked a lot about  
25 the shortages of wire rod. All of which we agree with

1 completely.

2           What we saw today from our side was a  
3 description of the industry that makes wire hangers.  
4 It's a low tech industry. It's an industry that is  
5 easily moved to other countries. It's an industry  
6 that has been moved rapidly to other countries within  
7 90 days. It's an industry that has a low level of  
8 experience needed to run the machines.

9           This is not an industry that is probably  
10 typical of what comes before the Commission. I don't  
11 think there are very many cases where you could that  
12 rapidly move an industry to another country. But it  
13 is true here, and when we apply the Bratsk analysis to  
14 the particular facts here, we think that it's very  
15 clear that the benefit analysis that is required of  
16 the Commission leads to the conclusion that we should  
17 succeed in having the Commission render a negative  
18 determination.

19           Finally, just in terms of some of the  
20 comments that Mr. Magrath brought out. We had  
21 witnesses, and we had witnesses who have been in this  
22 industry for a long time. Mr. Goldman, Mr. Schultz,  
23 Mr. Slezak who's been to these factors, who talked  
24 about in great detail the manufacturing process. Then  
25 we hear from Mr. Magrath that maybe it's a fortune

1 cookie operation.

2           You know, these folks went there. We  
3 brought them in here. We had them testify. We had  
4 them explain exactly what they saw and exactly -- We  
5 talk about speculation. That's what we're hearing  
6 today from the domestic industry. Speculation of what  
7 really is going on over there. And quite honestly, we  
8 had people here who were there, who saw this and who  
9 testified and were here to answer questions. They  
10 weren't speculating.

11           Finally, there was also speculation that we  
12 just heard about CVDs, about subsidies. Why didn't  
13 they file a subsidy case? There's no subsidy case  
14 here. They could have filed one. If there are all  
15 these subsidies that they're suddenly talking about, I  
16 mean they certainly know how to file a case. They  
17 didn't.

18           So in brief, and in summary, what I would  
19 say is we think that both the law and the facts are on  
20 our side. We believe the Commission will need to do  
21 some serious analysis and look at all these facts.  
22 It's a little different in terms of the case and the  
23 way that we're approaching it. I'll admit that. But  
24 we think that when you do that, you will come to the  
25 conclusion that there is no injury or threat of injury



1 by reason of the Chinese imports.

2 Thank you.

3 CHAIRMAN ARANOFF: Thank you, Mr. Neeley.

4 It's been a long and productive day. Before  
5 we wrap up, just one comment. As Dr. Magrath  
6 mentioned, this is the last, I'm not sure if it's the  
7 last day or the last week, in any event at the  
8 Commission for the investigator in this case, Ms.  
9 Ellenberger. And while we always thank our staff for  
10 their excellent work in these cases, Ms. Ellenberger  
11 won't be here for the vote when we usually thank the  
12 staff for their work, so I want to thank her early for  
13 work on this case and in the other work she's done at  
14 the Commission.

15 She told me in the elevator that there are  
16 still things she'd like to learn about this case, and  
17 she's sorry she won't be here to see it to its  
18 conclusion, but she's heading off to law school. And  
19 unlike Dr. Magrath, I don't want to say that this is  
20 her last day at the Commission. Speaking on behalf of  
21 myself and may other Commission employees who have  
22 left and then found themselves back here, there's  
23 always the opportunity to come back.

24 But in any event, thank you very much and we  
25 wish you much good luck.

1                   With that, I need to tell you that post-  
2 hearing briefs, statements responsive to questions and  
3 requests of the Commission and corrections to the  
4 transcript must be filed by August 14, 2008.

5                   Closing of the record and final release of  
6 data to parties will be September 4, 2008.

7                   And final comments are due on September 8,  
8 2008.

9                   With that, I believe we have completed our  
10 business for the afternoon, and this hearing is now  
11 adjourned.

12                   (Whereupon, at 4:15 p.m. the hearing was  
13 adjourned.)

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**CERTIFICATION OF TRANSCRIPTION**

**TITLE:** Steel Wire Garment Hangers from China  
**INVESTIGATION NOS.:** 731-TA-1123 (Final)  
**HEARING DATE:** July 31, 2008  
**LOCATION:** Washington, D.C.  
**NATURE OF HEARING:** Hearing

I hereby certify that the foregoing/attached transcript is a true, correct and complete record of the above-referenced proceeding(s) of the U.S. International Trade Commission.

**DATE:** July 31,, 2008

**SIGNED:** LaShonne Robinson  
Signature of the Contractor or the  
Authorized Contractor's Representative  
1220 L Street, N.W. - Suite 600  
Washington, D.C. 20005

I hereby certify that I am not the Court Reporter and that I have proofread the above-referenced transcript of the proceeding(s) of the U.S. International Trade Commission, against the aforementioned Court Reporter's notes and recordings, for accuracy in transcription in the spelling, hyphenation, punctuation and speaker-identification, and did not make any changes of a substantive nature. The foregoing/attached transcript is a true, correct and complete transcription of the proceeding(s).

**SIGNED:** Carlos E. Gamez  
Signature of Proofreader

I hereby certify that I reported the above-referenced proceeding(s) of the U.S. International Trade Commission and caused to be prepared from my tapes and notes of the proceedings a true, correct and complete verbatim recording of the proceeding(s).

**SIGNED:** Christina Chesley  
Signature of Court Reporter