

1 THE UNITED STATES INTERNATIONAL TRADE COMMISSION

2 In the Matter of:) Investigation Nos:
3) 701-TA-515-521 and
4 CERTAIN STEEL NAILS FROM) 701-TA-1251-1257
5 INDIA, KOREA, MALAYSIA,)
6 OMAN, TAIWAN, TURKEY &)
7 VIETNAM)

8 Thursday, June 19, 2014
9 Main Hearing Room (Room 101)
10 U.S. International
11 Trade Commission
12 500 E Street, S.W.
13 Washington, D.C.

14 The Preliminary Conference, commenced, pursuant
15 to notice, at 9:32 a.m., before the Investigative staff of
16 the United States International Trade Commission.

17 APPEARANCES:

18 On behalf of the International Trade Commission:
19 Staff:
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22 Fred Ruggles, Investigator
23 Gerald Houck, International Trade Analyst
24 Samantha Day, Economist
25 David Goldfine, Attorney

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5 EMBASSY WITNESS: Dr. Onur Bulbul, Commercial Counselor
6 Embassy of Turkey, Washington, DC

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8 PANEL 1 -- In Support of the Imposition of Antidumping and
9 Countervailing Duty Orders:

10 ORGANIZATION AND WITNESS:

11 Adam Gordon, Picard, Kentz & Rowe LLP

12 Nathan Rickard, Picard, Kentz & Rowe, LLP

13 Jordan Kahn, Picard, Kentz & Rowe, LLP

14 George Skarich, Vice President, Sales and

15 Marketing, Mid Continent Steel & Wire, Inc.

16 Chris Pratt, Controller, Mid Continent Steel &

17 Wire, Inc.

18 Peter Cronin, Corporate Vice President, Sales and

19 Marketing, Heico Wire Group

20 James Miller, Vice President, Corporate

21 Development, Tree Island Steel

22 Daniel Klett, Principal, Capital Trade Inc.

23 Valerie Owenby, Principal, Capital Trade Inc.

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

3 ORGANIZATION AND WITNESS:

4 Taiwan Respondents

5 Max F. Schutzman, Grunfeld, Desiderio, Lebowitz,
6 Silverman & Klestadt LLP

7 Kavita Mohan, Grunfeld Desiderio, Lebowitz,
8 Silverman & Klestadt LLP

9 Mona Zinman, Co-Chief Executive Officer,
10 Progressive Steel and Wire; President, Itochu Building
11 Products, and Co-Chief Executive Officer, Prime Source
12 Building Products

13 Kevin Baker, Economic Consultant, ITR LLC

14 F. Lynn Holec, Economic Consultant, ITR LLC

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16 India, Turkey, and Vietnam Respondents; and U.S. Importers

17 L. Elise Dietrich, Kutak Rock LLP, Washington, DC

18 Ronald M. Wisla, Kutak Rock LLP, Washington, DC

19 Lizbeth R. Levinson, Kutak Rock LLP, Washington,

20 DC

21 Rob Waterman, Vice President, Supply Chain

22 Management, Carlson Systems Corp

23 Jacob Davis, President, Fanaco Fasteners

24 Ken Ippoliti, General Manager, Master Fasteners

25 International, a Division of BMD

1 Peter Fischer, President and Chief Executive
2 Officer, Continental Materials

3 Tim Anderson, General Manager, Fastener Division,
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7 David J. Townsend, Perkins Coie LLP Washington,
8 DC

9 Amanda Andrade, Perkins Coie LLP Washington, DC

10 Aaron Joseph Leffler, Vice President, Sales and
11 Marketing, Hitachi Power Tools

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Lebowitz, Silverman & Klestadt LLP

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1 P R O C E E D I N G S

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

4 MS. DeFILIPPO: Good morning, and welcome to
5 the United States International Trade Commission's
6 conference in connection with the preliminary phase of
7 Antidumping and Countervailing Duty Investigation Nos.
8 701-TA-515 to 521, and 731-TA-1251 to 1257, concerning
9 Certain Steel Nails from India, Korea, Malaysia, Oman,
10 Taiwan, Turkey and Vietnam.

11 My name is Catherine DeFilippo. I am the
12 Director of the Office of Investigations, and I will preside
13 at this conference. Among those present from the Commission
14 staff are, to my right, Fred Ruggles, the Investigator; to
15 my left, David Goldfine, the Attorney-Advisor; Samantha Day,
16 the economist; and Gerry Houck, the industry analyst. I
17 understand that parties are aware of the time allocations,
18 and any questions regarding time allocations should be
19 addressed with the Secretary.

20 All witnesses must be sworn in, and should see
21 the Secretary if they have not yet been sworn in. I would
22 remind speakers not to refer in your remarks to business
23 proprietary information, and to speak directly into the
24 microphones. We also ask that you state your name and
25 affiliation for the record before beginning your

1 presentation, or answering questions for the benefit of the
2 court reporter. Are there any questions?

3 (No response.)

4 MS. DeFILIPPO: Hearing none, Mr. Secretary,
5 are there any preliminary matters today?

6 MR. BISHOP: Madam Chairman, I would note that
7 all witnesses for today's conference have been sworn in.
8 There are no other preliminary matters.

9 MS. DeFILIPPO: Thank you. Let us proceed
10 with our Embassy witness.

11 MR. BISHOP: Our Embassy witness is Dr. Onur
12 Bulbul, Commercial Counselor for the Embassy of Turkey.

13 DR. BULBUL: Good morning to you all and thank
14 you very much for having us to present the Government of
15 Turkey's views with regards to this investigation. My name
16 is Onur Bulbul. I'm a Commercial Counselor at the Turkish
17 Embassy based here in Washington, D.C., and representing the
18 Ministry of Economy of Turkey.

19 This morning I'll have short remarks with
20 regard to the pre-investigation phase of this case. So
21 regarding the preliminary phase of ongoing antidumping and
22 countervailing duty proceedings commenced by the U.S. ITC,
23 we particularly would like to touch upon the negligibility
24 analysis.

25 As you may well know, Article 5.8 of the WTO

1 Antidumping Agreement clearly spells out thresholds for
2 negligible imports and stipulates that, quote "There shall
3 be immediate termination in cases where the authority has
4 determined that the volume of dumped imports, actual or
5 potential, is negligible."

6 Accordingly, a prompt termination is required
7 where the volume of dumped imports from the country under
8 consideration accounts for less than three percent of the
9 imports of the like product in the importing country. The
10 related provisions, however, identifies an exception for the
11 cases in which the aggregated share of the subject countries
12 individually, corresponding to less than three percent of
13 the imports of the product consideration, exceeds seven
14 percent of imports of the like product in the importing
15 country.

16 Article 11.9 of the agreement on Subsidies and
17 Countervailing Measures also stipulates that. "There shall
18 be immediate termination in cases where the volume of
19 subsidized imports, actual or potential, is negligible."
20 Essentially, these thresholds entail an obligation for
21 investing authorities, investigating authorities to grant
22 exemptions for countries under consideration, having
23 negligible share in the imports of subject merchandise.

24 Section 77.124 of the Tariff Act of 1930
25 similarly cites thresholds for negligible imports mentioned

1 in the pertinent provisions of antidumping agreement and
2 subsidies and countervailing measures agreement. We would
3 like to state that the petition confirms minor levels of
4 Turkish steel nails in the U.S. subject merchandise imports,
5 by pointing out the percentages of 1.97 percent in 2013, and
6 2.02 percent in the first quarter of 2013 for Turkey.

7 In addition, the aggregate volume of imports
8 of certain steel nails from other subject countries with
9 percentages under three percent do not exceed the
10 negligibility thresholds prevailing in the related
11 provisions of the WTO agreements and the U.S. legal text.

12 In this sense, as evident from these figures,
13 we believe that the U.S. ITC should immediately terminate
14 the current proceedings against Turkey. On the other hand,
15 the Act also specifies an exception to negligibility in
16 threat analysis. Accordingly, in case of a potential that
17 imports from a country or countries will imminently account
18 for more than the threshold specified in the Act, the U.S.
19 ITC shall not treat imports as negligible.

20 However, in such a situation, the U.S. ITC
21 shall consider such imports only for purposes of determining
22 threat of material injury. In fact, according to U.S. ITC
23 data for the first four months of 2014, Turkey has a share
24 of 1.75 percent in terms of quantity in certain steel nails
25 imports of the U.S., which identifies the smallest share

1 among the countries currently under investigation.

2 Considering the export diversification with a
3 focus on the EU members and neighboring countries, it is
4 unlikely for Turkish steel nails to experience a significant
5 flow into the U.S. Hence, the government of Turkey believes
6 that negligible levels of subject merchandise imported from
7 Turkey could not be interpreted as a threat to the U.S.
8 domestic industry, and therefore the U.S. ITC should
9 immediately terminate the antidumping or countervailing duty
10 proceedings for Turkey.

11 Turkey would like to state that trade volume
12 in the two countries, between Turkey and the United States,
13 exceeded \$18 billion in 2013, and it runs a deficit of
14 nearly \$7 billion against Turkey.

15 So this makes Turkey one of those unique
16 countries with which the U.S. has trade surplus. However,
17 the Government of Turkey regretfully notifies that pursuant
18 to 2013 figures, approximately 12 percent of Turkey's total
19 merchandise exports to the U.S. are subject to an
20 antidumping or a countervailing measure or a proceeding.

21 Placing a premium importance on commercial
22 ties with the U.S., Turkey would like to draw U.S. ITC's
23 attention to the fact that any antidumping or countervailing
24 duty proceedings followed by a measure will have significant
25 trade-diverting effects on the flow of steel nails from

1 Turkey to the U.S., and will exacerbate trade deficits to
2 the detriment of Turkey.

3 Turkey strongly believes that the U.S. ITC
4 will take into account our pre-assessments, and terminate
5 these investigations. Thank you very much.

6 MS. DeFILIPPO: Thank you very much, Dr.
7 Bulbul. I very much appreciate you coming and providing us
8 with your statement today. We appreciate you taking the
9 time to be here. Thank you very much.

10 MR. BISHOP: Opening remarks on behalf of
11 Petitioner will be by Adam Gordon, Picard, Kentz & Rowe.

12 MS. DeFILIPPO: Good morning, Mr. Gordon.
13 Welcome, and please proceed when you're ready.

14 MR. GORDON: Thank you and good morning. I am
15 Adam Gordon with Picard, Kentz & Rowe, appearing today on
16 behalf of Petitioner Mid Continent Steel and Wire. I sit
17 here today with a bit of a sense of deja vu. It has only
18 been two years since the Commission last investigated
19 unfairly traded imports of steel nails, at that time from
20 the United Arab Emirates.

21 That investigation involved many, if not all
22 of the same importers, who had largely abandoned Chinese
23 suppliers after an antidumping duty order was imposed in
24 2008. The same dynamic has played out again, with these
25 same parties abandoning the UAE, after an antidumping duty

1 order was imposed in 2012.

2 In this case, these parties have moved to the
3 seven countries under investigation, with the same
4 consequences for the domestic industry. As you will hear
5 this morning, and as you can see from the data that have
6 been gathered by the Commission, imports from the seven
7 countries under investigation are a cause of material injury
8 to the domestic industry, and threaten additional injury if
9 left unchecked.

10 Substantial evidence regarding each of the
11 statutory factor strongly supports an affirmative injury
12 determination. First, the volume of imports from these
13 countries increased nearly 90 percent over the proposed
14 period of investigation. To the extent there is any issue
15 concerning negligibility, the evidence will show that
16 imports from Turkey and India are likely to imminently
17 exceed the relevant statutory threshold, and that these
18 countries should not be dismissed from this investigation.

19 Second, imports from the countries under
20 investigation have undersold the domestic industry and have
21 depressed and suppressed pricing in the market during a time
22 when conditions in the market as improving, as the housing
23 market and economy slowly return.

24 Third, the impact of the surge in volume and
25 underselling is exactly as we have seen in the past. This

1 industry experienced some relief with the imposition of
2 duties on imports from the UAE, but has again been injury by
3 unfairly traded imports. In short, all the indicia of
4 injury are amply demonstrated on the record of this
5 investigation, and support an affirmative preliminary
6 determination.

7 We will elaborate on each of these points in
8 our testimony in support of an affirmative determination in
9 this preliminary investigation. Thank you.

10 MS. DeFILIPPO: Thank you very much, Mr.
11 Gordon.

12 MR. BISHOP: Opening remarks on behalf of
13 Respondents will be by Max F. Schutzman, Grunfeld,
14 Desiderio, Lebowitz, Silverman & Klestadt.

15 MS. DeFILIPPO: Good morning, Mr. Schutzman.
16 Welcome.

17 MR. SCHUTZMAN: Good morning, Ms. DeFilippo.
18 Nice to see you again, members of the staff. For the
19 record, my name is Max Schutzman. I am a partner with
20 Grunfeld Desiderio, and together with my colleague Kavita
21 Mohan, we are here representing the interests of the
22 Respondents, in particular exporters from Taiwan and
23 importers from multiple countries.

24 As Mr. Gordon mentioned and as you know, this
25 is Mid Continent's third effort as a Petitioner within the

1 past seven years or so, to impose antidumping and now
2 countervailing duties on imported steel nails. First it was
3 China, then the UAE. Then it was the UAE and now it is
4 virtually every other country exporting steel nails in the
5 United States, to the United States except for Mexico, the
6 domicile of Mid Continent's parent company, DeAcero.

7 Mexican imports of steel nails have been
8 increasingly steadily over the POI, but they are not
9 included in this petition, targeting almost every other
10 country. Curious, but not surprising, in view of the
11 circumstances. I guess imports from Mexico must be fairly
12 traded, unlike imports from all subject countries, which
13 incidentally were fairly traded, non-subject imports,
14 according to the Petitioner, from the previous steel nail
15 investigations.

16 In any event, as the staff proceeds in its
17 quest to acquire relevant data for the preliminary, we ask
18 you please to be mindful of the following items, many of
19 which will be the subject of Respondent's testimony.
20 Branding is a very significant element in the marketing of
21 steel nails. It is apparently for sales success that major
22 players' brands have high visibility and acceptance in the
23 trades that consume steel nails.

24 This is true for the Hitachi brand, and it is
25 true for our client, Prime Sources' Grip Rite brand. But

1 Mid Continent, for whatever reason, has not developed an
2 equivalent level of brand recognition, and this hurts them
3 in the market. U.S. producers' sales and financial
4 performance over the POI is interesting. Overall, they have
5 experienced positive trends in trade and financial results.
6 Some U.S. producers appear to be doing quite well. Others,
7 less so.

8 This lack of uniformity and inconsistency of
9 sales performance and operating results from company to
10 company signifies that something else is going on in the
11 market, and it is not only about price. Mid Continent, by
12 its own admission in the public version of the petition,
13 represents over 50 percent of domestic industry production
14 of steel nails. Yet it apparently is unable to fulfill
15 customers' needs for product availability, especially in a
16 period of increasing demand, such as we are now
17 experiencing.

18 Mid Continent also has a limited range of nail
19 products, unlike importers and distributors of foreign-made
20 nails, who stock a significantly greater variety of nails.
21 For example, Mid Continent does not produce
22 electrogalvanized nails, sheet collated nails, finish nails,
23 stainless steel nails.

24 Additionally, since its acquisition by
25 DeAcero, Mid Continent is becoming the price leader in the

1 market. That is, the low price participant, and not in
2 response to competition for alleged low price imports. It
3 has also suffered from delivery and quality problems as
4 well.

5 Mid Continent generally does not sell private
6 label either, which likewise affects its market success.
7 Please also be mindful in your investigation of the role
8 transportation costs play in this business, as nails shipped
9 on pallets are a heavy commodity, and shipment costs are
10 high.

11 In some ports of entry, importers enjoy a
12 distinct advantage over domestic suppliers for this reason.
13 Our client, Prime Source Building products, which is
14 probably the largest distributor in the U.S. of steel nails,
15 maintains 36 warehouses throughout the United States, so as
16 to be able to respond as promptly as possible to its
17 customers' demands. Mid Continent, on the other hand,
18 maintains one warehouse. Let me repeat that. One warehouse
19 in Poplar Bluff, Missouri.

20 Since most U.S. nail producers and
21 distributors, as we understand it, sell FOB customers
22 warehouse and thus absorb the freight costs, please consider
23 the economic impact this has on Mid Continent, having to
24 arrange to haul steel nails to all parts of the country by
25 common carrier or its own trucks from that one warehouse in

1 Schutzman.

2 MR. BISHOP: Would the first panel, those in
3 support of the imposition of antidumping and countervailing
4 duty orders, please come forward and be seated?

5 (Pause.)

6 MS. DeFILIPPO: Welcome back, Mr. Gordon, and
7 welcome to the members on your panel.

8 MR. GORDON: Thank you very much.

9 MS. DeFILIPPO: Please feel free to start
10 when you guys are ready.

11 MR. GORDON: Thank you, Ms. DeFilippo. In the
12 course of my testimony this morning, I will be referring to
13 two exhibits which have been provided to Mr. Bishop and
14 distributed to the gallery. Mr. Klett will also be
15 referring in his testimony to a set of exhibits which
16 similarly have been distributed.

17 Good morning again. For the record, I am Adam
18 Gordon of Picard, Kentz & Rowe, LLP. I am joined on our
19 panel this morning by Mr. George Skarich, to my left, the
20 Executive Vice President, Sales of Mid Continent Steel and
21 Wire; Mr. Chris Pratt, the Controller of Mid Continent; Mr.
22 Peter Cronin, Corporate Vice President, Sales and Marketing
23 of the Heico Wire Group; and Mr. James Miller, Vice
24 President of Corporate Development for Tree Island Steel.

25 I am also joined by Mr. Daniel Klett and Ms.

1 Valerie Owenby, economists with Capital Trade Incorporated,
2 and my colleagues, Nathan Ricard and Jordan Khan. As an
3 initial matter, as you can tell from the composition of this
4 panel, this case is not about Mid Continent Nail versus the
5 world. This is a case brought on behalf of the U.S. nail
6 industry generally, and with considerable support from among
7 all the members of that industry, including but not limited
8 to those who are here testifying this morning.

9 In contrast to the comments that Mr. Schutzman
10 made, this case is about an industry that has been forced to
11 bring a third set of trade cases in seven years, to defend
12 itself against unfairly traded imports. In 2007, the
13 Commission launched an investigation of Chinese and UAE
14 imports, and ultimately found that the domestic industry was
15 materially injured by reason of Chinese imports.

16 This prompted importers, many of whom are here
17 today again, to shift from China to the UAE. It was only
18 two years ago that the Commission investigated imports from
19 the UAE, and unanimously found that the domestic nails
20 industry was again materially injured by reason of dumped
21 imports, this time from the UAE.

22 The import data make it clear that following
23 the imposition of the 8(e) order on imports from the UAE,
24 importers did exactly what they did after the China order
25 was imposed, and sought out new sources of unfairly traded

1 imports. They found willing suppliers in the seven
2 countries under investigation.

3 To illustrate this, Exhibit 1 of my handouts
4 depicts publicly available inbound ship manifest data,
5 showing imports by a major importer, Prime Source and Itochu
6 Building Products, from the seven countries under
7 investigation. As you may recall, Prime Source identified
8 itself in a UAE investigation as a cause of the flood of
9 unfairly traded imports.

10 As you can see from this chart, even while the
11 UAE case was underway, Prime Source began ramping up its
12 imports from the countries under investigation. In fact,
13 this chart shows that in just the first five months of this
14 year, Prime Source's imports from these countries were
15 significantly larger than its imports from these sources for
16 all of 2013.

17 I do not mean to give the impression that
18 Prime Source is the sole cause of the surge in imports from
19 the subject countries. While Prime Source made a point of
20 claiming responsibility for the flood of UAE imports two
21 years ago, other large importers have been equally adept at
22 finding new sources of unfairly traded imports from the
23 subject countries.

24 As we documented in the petition, many
25 importers have been sourcing product from several, and

1 sometimes from all of the countries under investigation.
2 The data that already have been gathered by the Commission
3 in this investigation establish a reasonable indication of
4 material injury and threat of injury. Indeed, these data
5 establish a strong case supporting a determination of
6 affirmative material injury, and a threat of further
7 material injury from the subject countries.

8 The volume of imports from the subject
9 countries over the proposed period of investigation
10 increased 90 percent, taking market share from both domestic
11 producers and non-subject imports. While domestic demand
12 also increased over the period, the surge in subject imports
13 captured most of the increase in demand.

14 The data also show that the surge in subject
15 imports was facilitated by significant underselling
16 throughout the period, and across all pricing products.
17 Contrary to Mr. Schutzman's statements, the data simply
18 don't support a claim that Mid Continent is the price
19 leader. The data, as we've compiled them so far, shows
20 significant underselling across all pricing products and all
21 periods.

22 Now granted, the data aren't complete because
23 Prime Source itself has still declined to provide a
24 questionnaire response as of today. But we assume that as
25 soon as that comes in, that will only further support the

1 determination of significant underselling across all pricing
2 products in all periods.

3 Subject imports have caused price depression,
4 by forcing domestic prices lower as our producers attempt to
5 compete for sales. U.S. producers' prices remain suppressed
6 by reason of not allowing any increases that should have
7 been expected, given stronger demand conditions in the
8 existing orders, and therefore their operating profit levels
9 have remained anemic at best.

10 Third, the impact of this surge in low-priced
11 imports has been exactly as you would expect. Domestic
12 producers have exited the market or closed facilities. I'll
13 note that the record of this proceeding includes a public
14 email from Maze Nail, filed on behalf of their affiliate,
15 Independent, which closed back in 2012, or in the words of
16 Mr. Loveland, the president of Maze, died back in 2012.

17 I quote from the email, which is publicly on
18 the record: "The dumping of nails likely was a large
19 contributing factor in their steady decline, and the loss of
20 those jobs a direct result of that dumping." In short,
21 hundreds of employees have lost their jobs, as producers
22 have been forced to curtail their operations. Producers
23 have also postponed planned investments.

24 All of this has taken place during a time of
25 significant improvements in the economy and the housing

1 market, exactly when our producers should see improvements
2 in their performance. Messrs. Skarich, Cronin and Miller
3 will testify in detail concerning the impact this surge in
4 unfairly-traded imports has had on their companies and the
5 industry as a whole.

6 The evidence already compiled also clearly
7 supports an affirmative threat finding with respect to the
8 subject countries. First, many of the subsidies we have
9 identified for investigation are contingent upon export
10 performance. Second, producers in all of the countries
11 under investigation have significant unused production
12 capacity.

13 Third, exports from these seven countries have
14 shown a significant rate of increase, and evidence shows
15 that producers throughout the countries are intent upon
16 substantially increasing their exports to the United States.
17 Fourth, the pricing data we have analyzed indicates
18 under-selling and both price-suppressing and depressing
19 effects.

20 Fifth, while we are still compiling data from
21 the responses, preliminary indications are that foreign
22 producers have significant inventories that quickly could be
23 shipped to the United States. Sixth, to the extent that
24 producers in the subject countries ship to other markets,
25 those exports can easily be shifted to the United States,

1 given the commodity nature of these products and the
2 attractiveness of the U.S. market.

3 Seventh, as evidenced by trade and financial
4 data gathered to date, as well as by the many lost sales and
5 lost revenue examples, imports from the subject countries
6 are a cause of actual negative effects during the POI. The
7 foreign producers' focus on the U.S. market strongly
8 indicates a potential for additional negative effects on the
9 U.S. industry in the future.

10 Finally, the history of importers' rapid moves
11 between and among foreign sources of supply, when trade
12 orders are imposed, provides evidence of a very real adverse
13 trend, that further supports an affirmative threat
14 determination.

15 The Commission's detailed findings in the UAE
16 proceeding just two years ago are very useful in this
17 investigation. Most, if not all of the issues that
18 typically would be involved in a preliminary investigation
19 such as this should be quickly dispensed with, given the
20 Commission's detailed recent determinations on the same
21 product.

22 To the extent Respondents in this
23 investigation may attempt to revisit these arguments, there
24 is no basis to question the Commission's detailed
25 determinations in the UAE case. In that investigation, the

1 Commission considered and rejected several arguments made by
2 the Respondents, in an effort to distract from the adverse
3 effects of their unfairly traded imports.

4 For example, the Commission specifically found
5 that the domestic industry produces a full range of products
6 in all types of packaging. You can see that this is still
7 the case from the display table over to the left. The
8 Commission also found that the domestic industry competes
9 with imports in all channels of distribution and all parts
10 of the market, including the big box stores. This has not
11 changed.

12 The Commission also found that the domestic
13 industry produces significant volumes for private labels.
14 This too has not changed, as the examples in front of you
15 demonstrate. That table contains multiple examples of
16 products produced under private labels, as indicated on the
17 packaging by both Mid Continent and Davis Wire.

18 Perhaps the only thing that has changed is the
19 source of the unfairly-traded imports that are harming the
20 domestic industry today. The same importers are importing
21 the same products, and putting these products into the same
22 boxes, simply changing the fine print on their boxes to read
23 product of Taiwan or product of Turkey, rather than product
24 of UAE or product of China.

25 This underscores the commodity nature of the

1 product and the ease with which importers can and will
2 switch suppliers when trade orders are imposed. This leads
3 me to my next point, the issue of negligibility. As you
4 know, imports from Turkey and India do not currently exceed
5 the statutory negligibility threshold.

6 As a matter of law, the Commission has the
7 authority to treat imports from these countries as not
8 negligible, if it finds that there is a potential that
9 imports from these countries individually will exceed three
10 percent imminently, or in the aggregate will imminently
11 exceed seven percent of the volume of all such merchandise
12 imported into the United States.

13 In this context, the statute specifically
14 authorizes the Commission to make reasonable estimates on
15 the basis of available statistics concerning the import
16 levels. The record evidence, including available estimates
17 of import levels and statements from the companies
18 themselves, strongly supports a determination that imports
19 from these countries are in fact likely to imminently exceed
20 the statutory threshold.

21 First, the Respondent companies' own
22 statements support a determination that imports from these
23 countries are likely to imminently exceed the statutory
24 threshold. For example, as Mr. Klett will illustrate, the
25 large Indian producer Astrotech is open about its efforts to

1 target the U.S. market, and the importance of its U.S.
2 customers, such as Hitachi, Continental Materials and
3 Grabber.

4 And as Mr. Skarich will testify, one of the
5 largest Turkish producers has very aggressively sought to
6 increase its sales to the United States, soliciting large
7 volume sales at discounted prices.

8 Second, consistent with the companies'
9 statements, import data from these countries reflect a
10 strong upward trend. As shown in Exhibit 2 of my handout,
11 imports from these countries are in a pronounced upward
12 trajectory, that will result in import volumes exceeding the
13 seven percent threshold in the very near future, and well
14 within any period of time the Commission has found to be
15 imminent.

16 While we've shown the data on a cumulated
17 basis, it also is apparently that each country individually
18 exhibits the potential that imports will imminently exceed
19 three percent. As you can see, Exhibit 2 graphs imports of
20 the subject merchandise from India and Turkey starting in
21 2013, and projects their likely future growth based on past
22 import patterns.

23 As this chart shows, imports from these
24 countries could well exceed the statutory threshold within a
25 matter of months, and certainly during the course of this

1 investigation. Importantly, import volumes from both
2 countries are nowhere near the main producers' production
3 capacity.

4 Separately, when it considers the issue of
5 negligibility, the Commission should also consider the
6 evidence showing the willingness and speed with which
7 importers will shift to new sources of supply. As we have
8 seen in the past, large importers like Prime Source take
9 pride in their ability to quickly move from one source of
10 supply to another, and then to flood the U.S. market with
11 imports from their new sources.

12 Along these lines, we note that the
13 Respondent's panel today includes representatives from
14 Carlson Systems, which during the period of investigation
15 has imported from all seven of the subject countries, as
16 demonstrated in the chart in our petition.

17 In light of the evidence that has been
18 gathered to date, we respectfully submit that the Commission
19 must not find unfairly traded imports from India and Turkey
20 will continue to be negligible. A finding of negligibility
21 would open the door to immediate massive increases in
22 shipments from these countries.

23 As a final matter, I would like to highlight
24 the standard that must be met in order to reach an
25 affirmative preliminary determination. The evidence before

1 the Commission provides abundant evidence of injury or
2 threat by reason of imports from the subject countries, far
3 more than the statutorily required reasonable indication.

4 Viewed differently, the Respondents have a
5 very high burden to carry, in order to obtain a negative
6 preliminary determination here. They must show that one,
7 the record as a whole contains clear and convincing evidence
8 that there is no material injury or threat of such injury,
9 and two, that no likelihood exists that contrary evidence
10 will arise in a final investigation.

11 As you evaluate the evidence, testimony and
12 arguments presented by the Respondents today, it is
13 important to keep these standards in mind. We expect that
14 you will hear a variety of claims and allegations concerning
15 the domestic industry, many of which have little or nothing
16 to do with the standard that must be met in this preliminary
17 investigation.

18 This is understandable, as the facts presented
19 on the record of this proceeding provide the Respondents
20 with few options. Nevertheless, there can be no question
21 that the record here demonstrates a reasonable indication of
22 material injury and threat by reason of the dumped and
23 subsidized imports.

24 I would now like to turn the microphone over
25 to our industry witnesses. Mr. Skarich will be our first

1 witness, followed by Mr. Cronin and then Mr. Miller. Mr.
2 Klett will then address certain economic and data issues.
3 Thank you.

4 MR. SKARICH: Good morning. My name is George
5 Skarich, and I am the Executive Vice President of Sales at
6 Mid Continent Steel and Wire. I have been involved in the
7 nail industry my entire life, as both my grandfather and
8 father were in the nail business. As I testified when I was
9 here two years ago, nails are in my DNA. I've been with Mid
10 Continent Nails since 2007. Before joining Mid Continent, I
11 was with Tree Island Industries for 16 years.

12 It has only been two years since I testified
13 before the full Commission in the UAE investigation. Since
14 then, some things have changed, but others unfortunately
15 have not. Perhaps the biggest change has been recovery of
16 the U.S. housing market, although housing construction still
17 remains below historical averages.

18 Because of that, and given the unanimous
19 affirmative determination in the UAE case, and the resulting
20 antidumping duty order from Commerce, we should have
21 experienced some improvements in our business and in the
22 U.S. market for nails as a whole.

23 Unfortunately, just as we saw when the China
24 AD order went into effect, the largest U.S. importers, true
25 to their word, sought out new sources of unfairly traded

1 imports and moved their purchases from Dubai to the seven
2 countries now under investigation.

3 As I mentioned, what has not changed is how
4 the large importers compete in the U.S. market with this new
5 group of foreign producers they've teamed up with. This is
6 why we are back before the Commission, because large
7 importers seem addicted to unfairly traded imports. As they
8 themselves have testified in the past, once our government
9 imposes duties on certain countries, they simply take their
10 shopping lists to new countries. This is what they did
11 after the China order was imposed, and again what they did
12 after the UAE order was imposed.

13 To be clear, we are not disputing their right,
14 or any importers' right, for that matter, to purchase from
15 foreign producers. Instead, we are opposed to their ongoing
16 reliance on unfairly-traded imports that are devastating
17 U.S. producers and workers.

18 I'd like to spend just a few minutes
19 discussing the state of the market over the past two years,
20 and how it has affected our business and operations. As the
21 Commission and staff are aware, when the China AD order went
22 into effect, the industry and our company saw some
23 improvement in the market, before companies had completely
24 made a switch to UAE imports.

25 Along the same lines, as the UAE case was in

1 its final stages, we again saw some improvement in our
2 market, exactly as the law intends. I attribute the
3 improvements to both the impending trade relief and the slow
4 but important improvements in the U.S. economy and the
5 residential construction market.

6 The improvements we saw, however, were
7 short-lived, as imports from the seven countries under
8 investigation increased significantly, and imports were
9 coming in at lower and lower prices. We worked hard to grow
10 our production volume, to make more efficient use of our
11 capacity. For example, we added a third shift to our plant
12 in Missouri, and made plans to invest in new equipment.

13 Because of the surge in imports from the
14 countries now under investigation, the only way we were able
15 to grow our volumes was by chasing the import pricing as
16 prices went down and stayed down. This has severely
17 impacted our margins and rate of return.

18 When we realized that import volumes from
19 these countries were not going to slow down, and that
20 pricing was not going to improve, we eventually made the
21 difficult decision to cut back to two shifts again at our
22 Poplar Bluff facility, which remains our current operating
23 level.

24 We also have had to cancel and postpone our
25 plans to upgrade and add equipment in our facilities,

1 because we simply could not justify the expenditures, given
2 the uncertainty in the market. The increases in low-priced
3 imports from the subject countries have also made it
4 impossible for us to increase prices to cover cost increases
5 in raw material costs.

6 In the first quarter of 2013, we began to see
7 escalation in raw material costs that led us to the
8 difficult decision to raise prices five percent in March,
9 only to see lower and lower prices from imports from the
10 countries under investigation. As the subsequent months
11 went by, we watched as our order file shrank, until we were
12 forced to roll our prices back in July the full five
13 percent.

14 All that did was steady the order file for the
15 balance of the year at this lower level. In fact, our order
16 volume in the second half of 2013 was 16 percent lower than
17 it was in the first half, despite the fact that the market
18 as a whole was growing and demand was up.

19 The market today remains very challenging.
20 Imports continue to be priced very aggressively, making it
21 hard for the domestic industry to win sales. Never mind
22 increased prices to fair levels. Because of these imports,
23 we are losing sales, and the sales that we do make are at
24 prices that do not allow us to earn a reasonable return.

25 I would like to note that there were

1 significant rumors about these cases being filed back in
2 March and April, with many parties suggesting that we would
3 file at the end of April. Coincidentally at the very end of
4 April, one large U.S. importer announced an across-the-board
5 price increase, perhaps thinking that it would dissuade us
6 from pursuing trade cases to defend our company and workers.

7 Interestingly, when we did not file at the end
8 of April, this importer rolled back its price increase.
9 Furthermore, in the three weeks since we've filed these
10 cases, I've had calls and emails from both Vietnamese and
11 Turkish producers, asking if we can find a way to cooperate
12 with them, so they can keep shipping to the United States.

13 While I did not pursue either overture, it was
14 clear to me that they have a strong intent in maintaining
15 access to the U.S. market. I firmly believe that actions
16 speak louder than words, and I would suggest that you keep
17 this kind of behavior in mind when you listen to the
18 testimony of the Respondents' panel later today.

19 Before finishing, I would like to speak
20 briefly about the role of different import sources in the
21 market. Five of the seven countries we have filed against,
22 Oman, Malaysia, Korea, Taiwan and Vietnam, already export
23 large volumes of nails to the United States. The other two
24 countries, Turkey and India are currently small, but growing
25 very quickly.

1 More importantly, both the Indian and the
2 Turkish producers are focused intensely on the U.S. market,
3 and are making very aggressive moves to grow their sales
4 here in the United States. Just last fall, one Turkish
5 producer sent an email to thousands of customers across the
6 United States, promoting its purchases, and I quote, "of new
7 machines to increase our capacity, which have led to mass
8 production," and offering special discounts to customers in
9 the U.S. buying in full container load volumes.

10 If the shipments from this promotion have not
11 yet hit the United States, I believe they will soon. We see
12 India and Turkey exactly in the same light as we saw Oman
13 two years ago. If you look at the market and the import
14 levels two years ago, Oman was not even on the map, shipping
15 next to nothing to the United States. Today, however, Oman
16 is one of the largest sources of nail imports in the United
17 States.

18 It is clear to us that if Turkey and India are
19 not kept in these cases, they will become the next export
20 platforms to be exploited by the same importers that are
21 here today. These are the same importers who testified
22 before the staff and Commission in both the UAE and China
23 cases, and who have been candid about their intentions.

24 Producers in Turkey and India are actively and
25 energetically working to grow their U.S. sales and market

1 share, and I expect that exports from both countries will
2 continue to grow in the coming months. If these countries
3 are dismissed from these cases, we will continue to have the
4 same exposure and uncertainty that exists today.

5 As a final matter, let me say on behalf of Mid
6 Continent Steel and Wire, and our nearly 400 employees and
7 their families that we truly appreciate the time and hard
8 work the Commission staff puts into these cases.

9 We did not expect or want to be back here,
10 just two years after winning the UAE case, but here we are,
11 and we appreciate the Commission's efforts to help us
12 address the injury caused by this most recent round of
13 unfairly traded imports. I will be happy to answer any
14 questions. Thank you.

15 MR. CRONIN: Good morning. I am Peter Cronin,
16 the Corporate Vice President of Sales and Marketing for the
17 Heico Wire Group. As you know, Davis Wire is one of the
18 Heico Wire Group companies, and produces steel nails in
19 Pueblo, Colorado. Like George, I have been involved in the
20 wire products industry for many years.

21 Over the course of my career, I have witnessed
22 many changes in the U.S. nail industry. Most importantly,
23 I've witnessed dozens of significant producers become a
24 shadow of their former selves, largely due to imports. What
25 I have witnessed over the past eight years, starting with a

1 surge in imports from China, then the surge in imports from
2 the UAE, and now the surge in imports from these seven
3 countries, have been truly remarkable and very troubling.

4 I've been struck by the willingness of large
5 importers to rapidly shift their product sourcing from
6 country to country, each time the government imposes duties
7 on unfairly traded imports. I've been involved in several
8 trade cases on behalf of my company over the course of my
9 career. In my experience, this pattern of behavior is very
10 unusual.

11 The repeated import surges have had a highly
12 detrimental effect on the U.S. industry. Many
13 long-standing, venerable U.S. producers have exited the
14 industry or closed plants over the last eight years. Those
15 that are left are operating at a fraction of their capacity.
16 This certainly is true for Davis Wire's operation in Pueblo,
17 Colorado.

18 Our plant in Colorado has a long and rich
19 history. We produce our nails under the CF&I brand, which
20 stands for Colorado Fuel and Iron. CF&I traces its heritage
21 back to 1881. In fact, CF&I was the first, and until World
22 War II, the only integrated iron and steel mill west of the
23 Mississippi River.

24 We continue to produce steel and wire at the
25 original site today, and our nail mill has been in operation

1 consistently since 1895. Our facility in Pueblo has the
2 capacity to produce many times the tons it currently makes.
3 The repeated surge in imports from China, the UAE and now
4 from the seven countries under investigation, has badly
5 damaged our markets and our operations.

6 If we had profitable orders, we could double
7 the number of shifts we run, and more than double our
8 workforce. We could and would rapidly increase our
9 production, if the market allowed us to make sales at prices
10 that provided a reasonable return. We have the equipment
11 and tooling to produce a full range of nails, and would do
12 so if conditions improved.

13 Our sister company Sivaco, located in eastern
14 Canada, also supplied bulk nails to the North American
15 market. In 2013, we exited the bulk nail production and
16 sales at Sivaco, primarily due to the surge of imports in
17 North American.

18 The latest flood imports has entered the
19 market with prices that continue to undermine the health of
20 the industry. This has been the case, even though raw
21 material costs themselves have been on the rise, and even
22 though U.S. demand has been growing, along with the slow but
23 continued recovery in the housing market.

24 In closing, I would like to say a few words
25 about imports from India and Turkey. As George Skarich

1 stated, imports from these countries are increasing
2 significantly and rapidly. As it evaluates these countries,
3 I suggest that the Commission should be mindful of what it
4 has already seen from the UAE case.

5 The importers and foreign producers have no
6 hesitation in moving to new export platforms when duties are
7 imposed. Producers in India and Turkey are large, modern
8 and hungry for the U.S. market. They have significant
9 capacity and a full range of products to offer. If Turkey
10 and India are not kept in these cases, I have no doubt they
11 will follow the same pattern that the Commission has already
12 seen in the aftermath of the China and UAE cases, quickly
13 replacing the volumes from the other five countries, if they
14 are not kept in the case.

15 Thank you for your time and attention. I'd be
16 happy to answer any questions you might have.

17 MR. GORDON: Thank you, Mr. Cronin. Mr.
18 Miller.

19 MR. MILLER: Good morning and thank you very
20 much for the opportunity to appear before you today. My
21 name is James Miller. I'm the Vice President of Corporate
22 Development for Tree Island Steel. As you know, Tree Island
23 is a long-time member of the U.S. nail industry.
24 Historically, we were a very large producer, though our
25 operations have gradually reduced in size over time due to

1 the impact of unfairly traded imports.

2 At one point, we employed over 100 production
3 workers making nails in the United States. In 2007, as the
4 industry overall was being injured by Chinese imports, we
5 were forced to close our Ferndale, Washington facility.
6 Before closing, we were only running one shift five days per
7 week. We have also been forced to greatly reduce our
8 Halsteel operations in Los Angeles, where we have cut
9 employment by 80 percent at just our nail facility alone.

10 It's really important to understand that there
11 are implications upstream and downstream for jobs, jobs in
12 sales, in packaging, shipping and wire production. This
13 would hold true both for Mid Continent and for Davis, as
14 well as other U.S. nail producers.

15 Regardless of our present size, we do have
16 significant capacity and are ready, willing and able to
17 produce steel nails of all types, in any package that could
18 be sold under our Halsteel or Tree Island brands, as well as
19 for private labels. As you can see from our questionnaire
20 response, we have significant available capacity that we'd
21 be very happy to use, if the market allows us a fair return
22 on our investment.

23 Six years have passed since the dumping order
24 on nails from China was issued, and two years have passed
25 since the order on UAE nails went into effect. Over the

1 past two years, we have lost our industry and my company
2 continued to suffer as imports from the seven countries
3 under investigation took over the market, at prices as low
4 as or lower than the prices from Chinese and UAE prices
5 prior to the implementation of the orders.

6 Like Mid Continent and Davis Wire, we have
7 watched large importers engage in serial dumping, abandoning
8 suppliers in China and then the UAE when those countries
9 were placed under order. As soon as they faced the prospect
10 of not having access to unfairly-priced nails from China and
11 the UAE, they simply sought out new sources of
12 unfairly-traded supply.

13 Even when the importers have their own U.S.
14 production sources, as in the case with Prime Source, they
15 have chosen to find more foreign suppliers who could satisfy
16 their appetite for unfairly-traded product. You saw these
17 choices reflected in the chart Mr. Gordon showed a short
18 while ago.

19 If we can stop this latest surge in unfairly
20 traded imports, we expect that we'll be able to expand our
21 production and increase our volume and variety of nails
22 offered to the market. With the nail machines we own, we
23 can produce over 1,000 different types of nails. Any
24 suggestion that our industry is not capable of producing a
25 full range of nails is simply wrong, as the Commission

1 specifically found two years ago.

2 If profitable orders became available, we
3 could once again produce and sell a full range of products.
4 This is particularly true, given the slow but important
5 improvements in the U.S. housing market that we've seen in
6 the last recent years. Ultimately, my company, along with
7 Mid Continent and Davis Wire, and many other domestic
8 producers, is ready, willing and able to compete with any
9 manufacturer anywhere in the world, as long as the
10 competition is fair.

11 The actions of foreign producers have not been
12 fair, and those unfair trading practices have badly injured
13 my company, its workers and our industry over the past
14 several years. As my company testified two years ago, we
15 have been able to survive so far. But if the trade
16 situation continues, it will be more and more difficult to
17 justify our continued nail operations.

18 On behalf of Tree Island and our current
19 workers, and my current and former domestic competitors, I
20 urge the Commission to find nails from the seven countries
21 under investigation are injuring the domestic industry and
22 threaten the domestic industry with further injury. Thank
23 you for your time this morning. I'm happy to answer any
24 questions you might have.

25 MR. GORDON: Thank you, Mr. Miller. Mr.

1 Klett.

2 MR. KLETT: Good morning. My name is Dan
3 Klett. I'm an economist with Capital Trade, testifying on
4 behalf of the Petitioner. You should have a set of 12
5 slides, to which I will be referring during my presentation.
6 I will address three issues. First, injury and causation
7 must be viewed in the context of the two prior
8 investigations involving steel nails.

9 Second, pricing data you are collecting will
10 show under-selling and adverse price effects, and third,
11 steel nail imports from India and Turkey will likely exceed
12 the negligibility threshold in the near future. This is the
13 third investigation involving certain steel nails, since
14 petitions were filed on imports from China in 2007, and on
15 imports from the UAE in 2011.

16 In 2008 and 2012, anti-dumping duties were
17 imposed on steel nail imports from China and the UAE,
18 respectively. U.S. industry condition and import share
19 trends must be viewed in the context of these past
20 investigations, and the business cycle.

21 Initially, although there are different types
22 of nails, this is a commodity product. Significantly,
23 Respondents testified in the last investigation that there
24 were effectively no differences among the various foreign
25 sources of steel nail supply, with respect to either quality

1 or price.

2 Slide 1 shows that the transition to
3 alternative sources of import nail supply in response to the
4 imposition of anti-dumping duties, confirming this finding.
5 China's share of the U.S. market peaked at 62 percent in
6 2007, but has remained at just about 25 percent over the
7 last four years. In response to this decline from China,
8 import market share from the UAE increased by almost 17
9 percentage points from 2007 to its peak in 2010. But in
10 2013, has fallen back to 2007 levels after the imposition of
11 the antidumping duty orders.

12 As shown in Slide 2, from 2010 to 2013, the
13 UAE lost 17 percentage points of market share, and the seven
14 countries subject to this investigation gained over 21
15 points of market share.

16 Slide 3 shows the absolutely changes in import
17 volumes from subject countries and the UAE from the most
18 current available census data, showing the actual increases
19 in import volume from the subject countries, as the volume
20 of imports from the UAE fell. The market share numbers in
21 my prior slide may be revised slightly based on
22 questionnaire responses received in APO releases. However,
23 the story will not change.

24 What does this mean? First, as shown in Slide
25 4, the U.S. industry's pre-injury market share of 23 percent

1 in 2005 has never again been regained. There were brief
2 periods of partial relief as the orders were first imposed.
3 For example, the industry regained some market share in
4 2009, after the AD order was imposed on imports from China
5 in 2008, but lost market share to the UAE from 2009 to 2011.

6 The U.S. industry's market share bumped up
7 slightly in 2012 after the antidumping duty order was placed
8 on imports from the UAE in 2011. However, this relief was
9 even shorter-lived, as nail imports from the seven subject
10 countries had begun to increase even during the pendency of
11 the UAE investigation, and by 2013, the U.S. industry was
12 again losing market share.

13 These share declines translate to absolute
14 declines in U.S. producers' production, shipments,
15 employment and profitability. Slide 5 shows the U.S.
16 industry's production and shipment levels in 2005 prior to
17 the surge in imports from China, and in 2007, when imports
18 from China peaked, and in 2010, when import share from the
19 UAE peaked. There were continuous declines in production and
20 shipments over these three periods.

21 Slide 6 shows employment levels in these same
22 years, 2005, 2007, 2010, also declining.

23 Slide 7 shows operating profits and ratios,
24 all of which also fell. The absolute level of operating
25 profits fell from about 27 million in 2005 to just five

1 million in 2010. We are still in the process of compiling
2 U.S. industry data for the current POI. However, I can tell
3 you that these conditions have not improved, or have
4 improved only slightly, even with stronger U.S. demand and
5 the orders in place on imports from China and the UAE.

6 Of course, the U.S. economy went through a
7 major recession during this time period, affecting
8 residential construction and demand for steel nails. As
9 shown in Slide 8, U.S. residential construction began to
10 decline in 2007, so would have had some impact on U.S.
11 producers' sales. However, from 2005 to 2007, the U.S.
12 industry also lost seven percentage points of market share
13 to China.

14 In the UAE investigation, the Commission found
15 that the U.S. industry's condition weakened during the POI,
16 even as demand conditions improved through 2011, and found
17 adverse volume and price effects attributable to imports
18 from the UAE.

19 I'm describing these pre-POI conditions
20 because the Commission is obligated to evaluate industry
21 conditions and causation within the context of the business
22 cycle. Since the China investigation, there have been
23 severe ups and downs in the U.S. economy and residential
24 construction, affecting demand for steel nails.

25 You will hear from Respondents that there is

1 no causal linkage because the increase in its subject import
2 volume and market share during this POI is occurring when
3 you may see increases in some U.S. industry health indicia.
4 This is a myopic view of causation.

5 You can see from Slide 8 that from 2011 to
6 2013, the value of U.S. residential construction increased
7 by 34 percent, and Slide 9 shows that the U.S. housing
8 starts increased by 52 percent. However, imports from the
9 seven subject countries increased by 90 percent over the
10 same period, and our initial compilations of U.S. industry
11 data show only modest gains in the production and U.S.
12 shipments.

13 Moreover, while some improvements in the U.S.
14 industry condition are to be expected, given the resurgence
15 in U.S. demand, we believe your questionnaire data will show
16 that these gains are being eroded as subject import volume
17 and market share increase.

18 I want to make a very brief point on pricing.
19 My preliminary review of questionnaires is that
20 under-selling instances far outweigh over-selling instances,
21 as was the case in the prior investigation involving steel
22 nails from the UAE. This is not surprising, as Respondents
23 testified at that time that import prices from alternative
24 foreign sources of supply are the same, including imports
25 from many of the subject countries in this investigation.

1 Thus, substituting steel nail imports from
2 subject countries for steel nail imports from the UAE should
3 not be expected to result in any significant changes in this
4 pricing relationship. I am confident that when fully
5 compiled, your pricing data will show adverse price effects
6 to the U.S. industry, by reason of subject competition -- by
7 reason of competition from subject imports.

8 Finally, imports from India and Turkey are
9 negligible based on the most recent 12 months of import
10 data. However, both should continue to be included in this
11 investigation, as import volume from these countries will
12 quickly exceed the three percent threshold individually, or
13 seven percent threshold when combined, if they are excluded
14 from the investigation.

15 You have observed since the China
16 investigation the ease with which import volumes from
17 countries not included in an antidumping duty order have
18 surged to replace those countries subject to orders. This
19 is due to the commodity nature of nails and the ability of
20 importers to easily substitute steel nails among alternative
21 foreign suppliers.

22 As shown in Slide 10, prior to 2012, steel
23 nail imports from Turkey and India were a blip in relation
24 to total steel nail imports. In the most recent 12 months,
25 imports from Turkey were 2.1 percent of total imports, and

1 imports from India were 1.1 percent of total imports. In
2 the four months of 2014, for which census data are
3 available, imports from India have increased to 2.7 percent
4 of total imports, quickly approaching the three percent
5 negligibility threshold.

6 For India, the increase in imports can be tied
7 largely to new nail production at Indian producer Astrotech.
8 This company reports annual capacity of over 35,000 short
9 tons with the United States a target export destination.

10 Slide 11 includes language from its most
11 recent annual report. You can see from the first block they
12 report their capacity and their growth, and in the next
13 charts, when they began and U.S. customers. Imports from
14 the United States from India in the first four months of
15 2014 were 32,000 short tons, or about 10,000 short tons
16 annually.

17 You can see that with a capacity of 32,400
18 short tons, there is significant additional available
19 capacity in India for a large volume of exports to the
20 United States.

21 Steel nail imports from Turkey more than
22 tripled from 2012 to 2013, and increased by an additional 25
23 percent in the first four months of 2014, compared to 2013.
24 As shown in Slide 12, five of the companies that import
25 steel nails from Turkey also import from at least one of the

1 other countries subject to this investigation, including
2 from Vietnam, Taiwan, Korea, Malaysia and Oman.

3 If an antidumping duty order is placed on
4 imports from these five countries, from only five countries
5 but not Turkey, these importers have relationships with nail
6 suppliers in Turkey, to enable them to quickly switch their
7 sourcing to Turkish producers. Thank you.

8 MR. GORDON: That concludes our testimony.

9 MS. DeFILIPPO: Thank you, Mr. Gordon, and thank
10 you very much to the members of the panel that are here
11 today with us. It's always very helpful to have industry
12 witnesses come and provide us with information and allow us
13 to get more information from our questioning. I know it's
14 hard to get away from work, so we do very much appreciate
15 that.

16 I will first turn to Mr. Ruggles for questions of
17 this panel.

18 MR. RUGGLES: Fred Ruggles, Office of
19 Investigation. Thanks very much for your testimony. A
20 couple quick things. One, Davis Wire questionnaire, we
21 expect it when?

22 MR. GORDON: We should have that tomorrow.

23 MR. RUGGLES: Okay. And you got a scope change
24 that you're working on?

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

1 MR. RUGGLES: Oh.

2 MR. GORDON: We did file a final revised scope
3 with the Commerce Department last week. Last Friday.

4 MR. RUGGLES: Okay. And how different is that
5 from the -- what you filed in the petition?

6 MR. GORDON: Very little. It does provide a sort
7 of a baseline threshold for nails, otherwise subject that
8 are packed with non-subject articles. If they're packed
9 with non-subject articles and the total number of nails of
10 any type in the aggregate is less than 25, then they are not
11 going to be covered by the case.

12 MR. RUGGLES: Okay. So as a result of this, this
13 doesn't change that we should still use official stats, or
14 should we use questionnaire stats for imports?

15 MR. GORDON: We would say you would continue to
16 use the official stats.

17 MR. RUGGLES: Okay. Good. Then a couple other
18 questions. The data suggests there is notable variation
19 among U.S. producers with respect to the -- per short-ton
20 prices and financial performance. Is there anything you
21 could say publicly, and if not, can you file in your post
22 conference briefs, you know, the -- regarding these
23 differences and what the variations reflect higher value
24 added products, niche markets, et cetera?

25 MR. GORDON: Yeah, we'll discuss that in the

1 post-conference brief.

2 MR. RUGGLES: Okay. And then what structural
3 changes have occurred in this industry in the past five
4 years in terms of new entrants, existing firms, exiting
5 firms, consolidation, et cetera? Again, what you can do
6 here and what you can do in the post-conference.

7 MR. GORDON: I think our members -- our industry
8 representatives can address that.

9 MR. RUGGLES: Okay. Thank you.

10 MR. SKARICH: Over the period of investigation, I
11 believe there's only been one exit, Independent -- I'm
12 sorry, George Skarich, Mid Continent Nail. There's only
13 been one exiting firm which was Independent Nail. And two
14 new firms that have just joined, Progressive and Hahn
15 Systems. Progressive in Texas and Hahn Systems in Indiana.

16 MR. GORDON: This is Adam Gordon. I would add to
17 that that there is some additional data in the proprietary
18 questionnaires that we'll address on this point.

19 MR. RUGGLES: Thank you. No further questions.

20 MS. DeFILIPPO: Thank you, Mr. Ruggles.

21 I will now turn to our attorney, David Goldfine
22 for questions.

23 MR. GOLDFINE: Hello and good morning. Mr.
24 Gordon, it appears the main legal issue that we've
25 discussed, that you've discussed this morning is

1 negligibility. But before I get to that, I just want to run
2 through a couple of the others quickly.

3 For domestic-like product and domestic industry,
4 I assume you're going to be arguing one domestic-like
5 product and co-extensive with the scope?

6 MR. GORDON: Yes, that's correct.

7 MR. GOLDFINE: And a single domestic industry?

8 MR. GORDON: That's correct.

9 MR. GOLDFINE: And to the extent in the UAE and
10 China investigations there were related parties, and
11 obviously that's something you'll address in your
12 post-conference brief. To the extent you're going to be --
13 you know, that they're going to be arguing to exclude some
14 firms from the domestic industry as related parties?

15 MR. GORDON: Yeah, well, we'll address that in
16 our post-conference brief.

17 MR. GOLDFINE: As well as cumulation, run
18 through the factors there. I mean, to the extent they're
19 going to be arguing. I don't know if they will or not, but
20 if they do obviously you'll be addressing that in your
21 post-conference as well?

22 MR. GORDON: Absolutely.

23 MR. GOLDFINE: Okay. On negligibility the one
24 issue that occurs to me is Mr. Klett, I think, said for
25 the first four months of 2014, India has been 2.8 percent.

1 India is a developing country under the regulations we're
2 using, you know, so the threshold is actually 4 percent and
3 not 3 percent for them.

4 MR. GORDON: The threshold is 4 percent for the
5 countervailing duty case. But 3 percent for the antidumping
6 case.

7 MR. GOLDFINE: Okay. Well, if you can -- if you
8 can cite me, as far as I'm aware the Commission has treated
9 -- when it's a developing country has used a 4 percent --
10 I'm not aware of the distinction, sometimes we use 4 and
11 sometimes we use 3.

12 MR. GORDON: We'll confirm that. Regardless,
13 however, our position would be that whichever threshold you
14 pick, they -- there is a potential that they will exceed
15 that based on the evidence that we've already presented in
16 both the company statements on their own as well as the
17 import data.

18 MR. GOLDFINE: Okay. Well, with India, I mean,
19 you know, they're 1.1 for the year. We don't have May yet,
20 but they're -- in the first four months they have been above
21 barely they've been at 3 and 3.1 for two months. But
22 they've also dropped in the other two months of the year.
23 And they've never even got it into the mid threes. So I
24 think you might have a problem there with showing -- you
25 know, if it's a 4 percent threshold that's something you

1 obviously have to deal with in the post conference brief.

2 MR. GORDON: Certainly. But, again, as we said,
3 I mean, our position is that the evidence that's been
4 gathered to date and on the record, clearly shows that there
5 is a potential that they will imminently exceed, whether
6 it's 3 or 4 percent, the relevant statutory threshold. And
7 we'll get into that further in the post-conference brief for
8 you.

9 MR. GOLDFINE: Okay. And you agree that we
10 should be looking at official statistics in terms of what
11 we're looking at?

12 MR. GORDON: There is some question about that
13 based on the questionnaire data. The discussion would be of
14 a proprietary nature and we will address it. But there is
15 -- there is -- we're not -- we have a little bit of question
16 about that based on the data as reported compared to the
17 data in the official import data. I'm reluctant to
18 undermine the official import data.

19 MR. GOLDFINE: Without getting into any
20 proprietary, do you agree or should we be using official
21 statistics or not?

22 MR. GORDON: We're still compiling the data and
23 we will -- we will address that in the post-conference
24 brief.

25 MR. GOLDFINE: Okay. And the same for Turkey.

1 I mean, obviously that's another -- if you're going to be
2 arguing there, not negligible as well.

3 And that's all I have for now.

4 MS. DeFILIPPO: Thank you, Mr. Goldfine.

5 Ms. Day?

6 MS. DAY: Good morning. Samantha Day, Office of
7 Economics. Thank you all for coming this morning. I have a
8 few questions. I think, Mr. Cronin, you mentioned raw
9 material costs that are rising. What specific raw material
10 costs -- what specific raw materials are increasing?

11 MR. CRONIN: Good idea. Thank you. Yes, Peter
12 Cronin with Heico Wire Group.

13 Everybody that produces wire and wire products,
14 the raw material is hot rolled rod and we buy the hot rolled
15 rod from a number of mills in the U.S. which -- and I think
16 all of you are pretty familiar. I believe you have a China
17 case going right now. So you're probably familiar with the
18 rod market and all the different producers.

19 MS. DAY: And do you think these costs are going
20 to continue to rise over the next few years?

21 MR. CRONIN: Depends on the results of the China
22 case. If they put an antidumping duty and countervailing on
23 China, if you look at the import statistics from China and
24 you look at other suppliers offshore and you look at the
25 domestic supply, chances are prices will increase which will

1 help the domestic rod industry. And will in effect cause us
2 as nail producers to have to try to raise our price.

3 MS. DAY: Okay.

4 MR. CRONIN: Or we'll have margin compression.

5 MS. DAY: Thank you. Another topic. Private
6 labeling. Do your customers ever ask you to private label a
7 product with, you know, their packaging, their name on the
8 package?

9 MR. SKARICH: George Skarich, Mid Continent Nail.
10 Yes. We do do private label. We've done more and more
11 private label, actually since the UAE case and continued to
12 address that. Just with qualifications though, with
13 customers that can provide consistent monthly volumes so
14 that you can handle the packaging, and they're not in and
15 out of the market as well as where the customers can meet
16 the credit qualifications and any past history with, you
17 know, paying on time and things like that.

18 MR. MILLER: James Miller, Tree Island. I'll
19 second that and say that if we can sell nails profitably
20 with private label we do it now. We do it all over North
21 America and we'll continue to do so when we have an
22 opportunity to do it at a profit.

23 MR. CRONIN: And I'd just add that when I in one
24 of my prior careers with Golden State Nail, we private
25 labeled for prime source, Grip Right. So the domestic

1 industry definitely will private label.

2 MS. DAY: And does the private labeling products
3 -- I mean, does that account for a large portion of your
4 sales, or relatively small, and you can answer in your
5 briefs, if you prefer.

6 MR. SKARICH: At our company it is a -- it is a
7 small percentage, but it has been growing over the last six
8 years.

9 MS. DAY: Okay. Another question. We've talked
10 about the construction industry, housing market, and things
11 like that that influence demand, is there anything else that
12 influences demand for nails, other than the housing market?

13 MR. MILLER: Overall economic activity. The GDP
14 is a good indicator because particularly on the retail
15 market for the big box stores and for other
16 do-it-yourselfers.

17 MS. DAY: Okay. Thank you. And this morning in
18 opening remarks respondents mentioned there are certain
19 products that the U.S. industry doesn't make. And I think,
20 Mr. Miller, you addressed some of that in your testimony
21 earlier. Do the other U.S. producers have any response to
22 those statements?

23 MR. SKARICH: George Skarich, Mid Continent Nail.
24 Besides those at the table, there's also others domestically
25 that aren't at the table that handle a variety of those

1 products. As you can see on the table, some of those people
2 that aren't here today are present on the table. But as a
3 whole, the domestic industry is capable of making anything
4 and everything. There's no technological advances, there's
5 no financial constraints that allow, you know, the domestic
6 industry not to do that.

7 MR. KLETT: Ms. Day, this is Dan Klett. You
8 collected in your questionnaires, both in the producer, the
9 importer, and the foreign producer questionnaire some
10 detailed questions on sales by nail type. So you will be
11 able to see from that the degree of overlap, or if there is
12 any non-overlap as respondents are suggesting in terms of
13 what are supplied by subject imports and what are supplied
14 by the U.S. industry.

15 MS. DAY: Okay. Thank you. I'll be sure to
16 check that out.

17 Are there any "buy America" requirements for
18 nails? Do your purchasers have any "buy America"
19 requirements that they have to purchase a percentage of
20 their product from U.S. producers?

21 MR. SKARICH: George Skarich, Mid Continent Nail;
22 yes.

23 MS. DAY: Do you know about how much that is?

24 MR. SKARICH: As a percentage of the whole
25 market, I would be speculating.

1 MS. DAY: Okay.

2 MR. CRONIN: It's a fairly small percentage.

3 Obviously we like "buy American" business.

4 MS. DAY: And I think this is my last question.

5 What factors do your purchasers consider when they're
6 purchasing nails? What qualities or characteristics do they
7 look for?

8 MR. SKARICH: George Skarich, Mid Continent Nail.

9 In general the market is evolved to where with the amount of
10 dumped product that's been coming into the country since the
11 China case started, to just price being the main later. The
12 requirements of producing a nail are simple. The ability to
13 get into the business and buy common equipment around the
14 world is similar. And so price is the name. Other things
15 like service and brand are part of that, quickest to market
16 and things like that. But price is a number one.

17 MR. CRONIN: Peter Cronin with Heico Wire Group.

18 Quality and service are understood, and delivery. And you
19 better have the right price because everybody in the market
20 has consistent quality and service.

21 MS. DAY: Thank you very much. Those are all of
22 my questions.

23 MS. DeFILIPPO: Thank you, Ms. Day.

24 I will now turn to Mr. Houck to see if he has any
25 questions for this panel.

1 MR. HOUCK: Thank you, Madam Chairman and thank
2 you to the panel for your testimony.

3 I wonder if you would like to tell us a little
4 more about your display over here and what conclusions or
5 information you're looking for us to draw from that display?

6 MR. GORDON: This is Adam Gordon with Picard,
7 Kentz & Rowe. We presented this display of a variety of
8 domestically produced nails for several reasons.
9 Principally to illustrate the breadth and types of products,
10 packaging and private labeling that the domestic industry
11 actively produces. And also to give the staff, to the
12 extent they're not already familiar with this product, an
13 opportunity to examine and hold and really just look at the
14 products that are out on the market.

15 MR. HOUCK: Okay. Are we to surmise that that
16 represents the range of packaging that nails are shipped in?

17 MR. GORDON: No. This shows the range of easily
18 portable packaging. We could deliver a truckload of pallets
19 of coil nails if you'd like. And nails come in much larger
20 packaging than that ranging up to buckets, and also -- what
21 is it 200-pound kegs. So you have nails packaged in a whole
22 variety of larger sizes. These are more to illustrate,
23 among other things, that the domestic industry actively
24 produces one- and five-pound boxes of what might be called
25 retail packages of nails. As well as to show, for example,

1 that there is a cut nail production in the United States.
2 And then the production of a whole variety of different
3 types of private labeling.

4 MR. HOUCK: Okay. Are nails always packaged in
5 their final package for the ultimate customer by the nail
6 producer, or is there some interim -- possibly some
7 intermediate people who purchase nails perhaps in bulk and
8 collate nails or package small boxes or whatever?

9 MR. SKARICH: George Skarich, Mid Continent Nail.
10 Predominantly in the package that goes right to whatever
11 end-user market you're going to. But there is some
12 repackaging into much smaller packaging done, little blister
13 packs that you see on, you know, the Home Depot shelves and
14 things like that. But predominantly from a volume
15 standpoint whether it's one-pound, five-pound, 50-pound,
16 it's packaged where it needs to go to.

17 MR. HOUCK: And is that true for both the
18 domestic industry and the importers?

19 MR. SKARICH: Yes.

20 MR. HOUCK: Thank you. I have no further
21 questions for this panel.

22 MS. DeFILIPPO: Thank you.

23 Mr. McClure, any questions from you for this
24 panel?

25 MR. McCLURE: Thank you. Thank you, everyone for

1 coming. Just a couple of things. This -- as well as the
2 kegs of nails and other forms of packaging presents a broad
3 variety of products. Are there any -- you know, have you
4 had any customer come to you and ask you for a certain nail
5 and you are either unable to produce for technical reasons,
6 or you don't choose to produce you feel you can't compete?

7 MR. SKARICH: George Skarich, Mid Continent
8 Nail. I would say that happens all the time. We don't make
9 a full breadth internally, but we just pass those along to
10 the Mazes of the world, to the Tree Islands of the world,
11 the other domestic suppliers who do what we don't do. So
12 collectively as a group of domestic manufacturers, we make
13 virtually everything that's in the marketplace. But each
14 individual company that sits here today doesn't make exactly
15 the same thing.

16 MR. McCLURE: Okay. So you and you would be --
17 produce a few products that you don't is that --

18 MR. SKARICH: That's correct.

19 MR. McCLURE: -- the case, Mr. Cronin and Mr.
20 Miller?

21 MR. CRONIN: Yeah, I would agree with -- Peter
22 Cronin, I would agree George's comments and also say that in
23 all of our cases, the inquiries presented, we take a look at
24 it, we look at our costs. If it's a special set up or
25 whatever, but if -- the deterrent would be if it's not

1 economically feasible if the price they want to pay is lower
2 than our costs, then we'll choose not to make the nail.

3 MR. McCLURE: Are there any among you -- to some
4 degree you're saying, we can produce all or most of the
5 products our customers desire. Are there any products,
6 regardless of the reason, economics or you just don't have
7 the capability, that a customer would have to go abroad to
8 find that nail? Can you think of any examples?

9 MR. MILLER: Nails are not difficult to make.
10 But from a technical perspective the raw material derives
11 the characteristics of the product and then it's dipped or
12 coated with zinc. So there's no technical requirements that
13 we've ever come across that we can't manufacture a nail for
14 a customer or package it in his desired manner. It comes
15 down to whether it's a commercially viable proposition or
16 not.

17 MR. McCLURE: Mr. Cronin, Mr. Skarich, same
18 thing?

19 MR. CRONIN: I would agree with that. It's --
20 the panelists here, we don't make all the nails. But if you
21 look at the total domestic industry, someone can go to one
22 of us in the industry and find sourcing. They can come to
23 us and if it's a nail we're not currently making, we'll look
24 at making it.

25 MR. McCLURE: Okay. That's all I have. I would

1 say you said that nails are easy to make. But they're
2 difficult to hammer. I have several bruised thumbs to prove
3 that.

4 (Laughter.)

5 MR. McCLURE: Thank you.

6 MS. DeFILIPPO: Thank you, Mr. McClure.

7 Looking back at my notes from opening statements,
8 and I just wanted to make sure that we've kind of walked
9 through some of the comments or statements that Mr.
10 Schutzman made. I believe we did talk about branding and
11 product line offerings. The two notations that I have that
12 I don't know if we have discussed yet, in his opening
13 statement Mr. Schutzman referred to delivering quality
14 problems in the U.S. industry. Do you have any comments on
15 --

16 MR. SKARICH: George Skarich, Mid Continent Nail.
17 That's synonymous with being a manufacturer, whether you're
18 manufacturing nails or any finished wire goods. All
19 producers are going to have problems. There's recalls on
20 everything from tools to cars. It's just a factor in the
21 marketplace. So it's nothing unusual.

22 MS. DeFILIPPO: During the period of
23 investigation, has there been relative to time periods prior
24 to the period of investigation, any relative difference,
25 higher or lower, product recalls or delivery issues?

1 MR. SKARICH: The correct answer is no, the
2 perceived could be different, but the reality is no.

3 MS. DeFILIPPO: Okay. Anyone else have any
4 different --

5 I believe Mr. Schutzman last comment was about
6 warehouses and the number of warehouses that -- I believe he
7 talked about Mid Continent had one. And I guess the
8 question I'm going to ask is, sort of geographically looking
9 at the U.S., does the U.S. industry service in a timely
10 manner all parts of the U.S. or are there some parts of the
11 country that are not serviced due to locational issues and
12 delivery --

13 MR. SKARICH: George Skarich, again, Mid
14 Continent Nail. For the domestic industry, the domestic are
15 all over the country. Mid Continent Nail actually has two.
16 We have an Ontario, California warehouse, where we break
17 down pallets and do all the things that other distributors
18 do as well. And we continue to grow into more and more of
19 that. But they're spread all over the country.

20 MR. CRONIN: Peter Cronin. The nail industry,
21 domestic industry also sells through distribution that
22 provides the logistics to get to market. And the large
23 importer is a distributor, not a manufacturer, although they
24 now have manufacturing. But at one time they were just a
25 distributor.

1 MS. DeFILIPPO: Okay.

2 MR. CRONIN: Hence all the warehouses.

3 MS. DeFILIPPO: Okay. The last question that I
4 had is, I think this is Mr. Gordon's. I'm just double
5 checking to try and find the front page. Mr. Gordon's. And
6 you presented this chart that talked -- that displays the
7 imports from Turkey and India as a percent of imports and it
8 plots, I think, the actual percentage amount back to the
9 beginning of January 2013 and then there's a trend line that
10 is included in the graph that shows, I guess, where they
11 would be likely to go. And I was trying to get perhaps a
12 little bit more whether now or in your brief on how you
13 determined this plot line? Was it an equation?

14 MR. GORDON: It's a polynomial plot line which --
15 actually we looked at these data several ways and whether
16 you look at it with a linear projection, or in this case a
17 polynomial projection, the trend is essentially the same,
18 showing a dramatic increase upwards. However, this plot
19 line has the highest correlation coefficient of any that we
20 looked at based on the data.

21 Now, as I noted in my direct testimony, I
22 wouldn't say this is gospel and that we'll see imports do
23 this. I -- you know, they may well. But I think you can
24 draw from this a reasonable inference based on past patterns
25 of behavior and imports there's a -- certainly a potential

1 that these imports will imminently exceed whether it's a 3
2 or 4 percent per the volume of total imports.

3 MR. KLETT: Ms. DeFilippo, this is Dan Klett. I
4 want to make one other observation. The analysis on that
5 graph also just is based on past historical information and
6 trending it out. What it doesn't take into account is what
7 might happen if the order is imposed on just five countries
8 and not India and Turkey. And that's a dynamic that's not
9 captured in that graph at all. So I think it's very
10 relevant in terms of what the trend line might be.

11 MS. DeFILIPPO: Oh, so this is assuming no orders
12 go in place, or all orders go in place, I guess?

13 MR. KLETT: No, what I -- I guess what I'm saying
14 is that is just taking --

15 MS. DeFILIPPO: A basic trend line.

16 MR. KLETT: -- the actual trend for Turkey and
17 India in the past and trending -- or past imports and
18 trending it out.

19 MS. DeFILIPPO: Okay.

20 MR. KLETT: What it doesn't take into account is
21 the dynamic that if you put orders on just five countries
22 and not two, there's an additional incentive to import more
23 from India and Turkey. And that's not just speculation. I
24 mean, that's what you saw with what happened with Oman when
25 the order was put on the UAE.

1 MS. DeFILIPPO: Okay. And presumably this would
2 be simple in the nature that it doesn't take into account
3 changes in economic conditions such as recession or housing
4 starts or any of that; right?

5 MR. KLETT: That's correct. I mean, it's just
6 looking at the data and applying the statistics.

7 MS. DeFILIPPO: Okay. Fair enough. Thank you.

8 One last question. Are you aware of any other
9 ongoing investigations or orders in place for these
10 countries and other countries?

11 MR. GORDON: Well, we're not aware of any at this
12 time.

13 MS. DeFILIPPO: Okay. Thank you.

14 I'm going to look up and down my -- not my table,
15 the table and see if anyone else has additional questions.
16 And I am seeing -- seeing and hearing none. I will say,
17 again, thank you very much for coming today to provide
18 testimony to us and answer our questions.

19 I note that our auditor, financial analyst, Mary
20 Clear was not able to be here. She may contact you all with
21 questions direct on financial questions.

22 We'll take a ten minute break and come back at
23 11:10.

24 (Brief recess taken at 11:00 a.m.)

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

1 MS. DeFILIPPO: Welcome, Mr. Schutzman and to
2 this very nice, very large panel. It's always nice to see
3 this many respondents for a staff conference. So, welcome
4 and please begin.

5 MR. SCHUTZMAN: Good morning, again, Ms.
6 DeFilippo. We will begin respondents' presentation with Ms.
7 Mona Zinman, seated to my left.

8 MS. ZINMAN: Good morning. My name is Mona
9 Zinman. I am co-CEO of Progressive Steel and Wire, a U.S.
10 producer -- domestic producer of nails located in Dallas,
11 Texas. I am also president of Itochu Building Products, one
12 of the evil importers of nails, and I am co-CEO of Prime
13 Source Building Products, the largest distributor of nails
14 in the country.

15 So, manufacturer, importer, and distributor, the
16 entire food chain of the nail business, one complimenting
17 the other. And before I start my prepared remarks, I just
18 feel that I -- just give me two minutes to respond to some
19 of what was said by the petitioners. Just three points.

20 The first is about Dubai which has been
21 consistently held up as the poster child of successful
22 investigations and the basis -- a big basis upon which this
23 filing seems to be based. We did not abandon Dubai. The
24 major mill in Dubai, the owner of that mill, Mr. Rupaved who
25 came and testified before the Commission died. Okay. I

1 mean, we didn't abandon him, he abandoned us. He died. And
2 as a result of that, the exports from his mill and the
3 country declined. He has not found a way to produce from
4 where he is.

5 So, Prime Source has consistently bought imported
6 nails from Taiwan and Korea for 20 years. We are not this
7 fickle, horrible, fly-by-night importer just looking for the
8 unfairly traded imports.

9 And the result -- the preliminary result of the
10 Dubai investigation -- this just came out yesterday -- the
11 relief is 3.88 percent. At the preliminary we expect it to
12 be zero. This covers the period of time when this domestic
13 industry was supposedly so terribly injured by Dubai.

14 The second case -- the second point I wanted to
15 make is that regarding these unfairly traded imports, Mid
16 Continent failed to mention that they import nails from
17 Malaysia. So, if there's never any reason to go abroad, why
18 is petitioner filling out their line with nails from a
19 country that they claim is being unfairly traded?

20 And the third point that everything is available
21 in the United States, if you just got to -- everyone get --
22 you know, call everyone and together we can supply
23 everything. To that point, if you need to go and buy some
24 supplies, you don't go to one store for the pens, then go to
25 another store for the paperclips, then go to another store

1 for the staples. You go to Home Depot -- I mean, Office
2 Depot, or Staples and that's the reality of how the business
3 is done. It's very nice and theoretically everybody can
4 make everything, but that's not the business reality that
5 we're living in.

6 Okay. To my prepared remarks.

7 Prime Source sells nails from its 36 stocked
8 warehouses under our proprietary GripRite brand along with a
9 wide range of building, home improvement and related
10 products.

11 Our largest customers for nails and many of our
12 other products are Home Depot and Lowe's, two of the biggest
13 retailers in the United States.

14 Our nationwide distribution system allows us to
15 meet the requirements to provide just-in-time delivery of
16 literally thousands of different SKUs to their combined 3700
17 stores.

18 We even have 100 full-time merchandiser employees
19 whose sole responsibilities are vising every Home Depot
20 store to make sure our displays are fully stocked and
21 properly arranged at all times.

22 We source nails globally from Taiwan, Malaysia,
23 Korea, Mexico, Bulgaria, Vietnam, Oman, and most recently
24 and very significantly, from our own production in the
25 United States.

1 Progressive Steel and Wire, our nail factory, was
2 started at the end of 2011 as a joint venture with one of
3 our foreign vendors. PSW is here to stay and is now 100
4 percent American owned. We are committed to U.S.
5 production. Our success at PSW will show that nails can and
6 will be made in the United States in the future and that
7 imports are not a threat, but rather a valuable and
8 essentially part of the market that is needed to fully
9 supply American needs.

10 This is the third time since 2007 that petitioner
11 has asked this Commission for relief from imported nails.
12 Believe it or not, it institution incredibly the 13th time
13 since 1977 that the domestic nail industry has asked for
14 relief, targeting virtually every nation in the world. Even
15 New Zealand was accused of injury back in 1987. Must have
16 been those unfairly traded kiwi nails. I mean, at some
17 point don't you have to look at yourself in the mirror and
18 realize if you have a problem, it might just be your own
19 fault.

20 In 2007, Mid Continent targeted China and the UAE
21 and in 2011 it targeted the UAE again as the source of its
22 problems. I opposed both of those petitions, but I lost. I
23 also stated at the final Commission hearing in 2011 in the
24 UAE case that I would not testify at an ITC conference
25 hearing again. And I meant it.

1 However, as the 17th Century English writer,
2 Thomas Fuller wrote, better to break your word than do worse
3 in keeping it. By not trying one last time, I would indeed
4 do worse keeping that promise.

5 However, I do notice that David Lible the
6 president of Nitcon is not here. I understand he's on
7 vacation in Mexico.

8 While the Commission disagreed with my position
9 in each of their two former investigations, the fact that
10 Mid Continent has decided to file yet again, reconfirms my
11 consistent belief and my repeated testimony before the
12 Commission that the imposition of antidumping duties on
13 imported nails will not solve Mid Continent's problems
14 whether real or perceived. But more importantly, I believe
15 the facts before the Commission today are sufficiently
16 different from conditions of competition in 2008 and 2012
17 for the Commission to now deny this latest petition.

18 Why should the Commission reach a different
19 decision in 2014 than it did in 2008 and 2012. First, in
20 2012, the Commission could only speculate as to the impact
21 on the domestic industry of two significant events. Our
22 decision to produce nails in Texas, and DeAcero's purchase
23 of Mid Continent.

24 Two years have passed and the jury is back. We
25 have increased our domestic production and are here to stay.

1 Mid Continent is now a stronger company than it was before
2 the acquisition. And like us, Mid Continent now has the
3 ability to rationalize its sales and production from mills
4 located offshore together with the United States.

5 Nails made by Mid Continent and DeAcero
6 compliment each other and are packaged identically. The
7 only difference being made in Mexico country of origin mark.
8 I don't know the legal implications of Mid Continent's
9 decision to import nails from its Mexican parent, but from a
10 commercial standpoint, importing from Mexico and comingling
11 them with nails produced in the USA makes them much stronger
12 than they were back in 2012. It's hard to paint yourself as
13 the poor little guy when daddy is a \$3 billion Mexican
14 conglomerate.

15 Second, in 2008 and 2012, Mid Continent targeted
16 nails made in two countries who exports to the United States
17 had surged in a relatively short period of time. In 2014
18 Mid Continent is not seeking focused relief. It has filed
19 its petition against virtually all significant exporters of
20 nails every where in the world, except, of course, from
21 Mexico.

22 It is interesting that imported nails from
23 Mexico, meaning Deacero, have increased by greater
24 percentages than two of the countries Mid Continent is
25 trying to block in its new petition. Worldwide imports have

1 not surged, but Mexico is up. But most importantly for us,
2 imports from our major source of supply, Taiwan, were
3 actually lower in 2013 than in 2012. Taiwan has been a
4 stable source of supply for Prime Source for almost 20 years
5 and its producers have always been responsible participants
6 in the market.

7 Taiwan nails are priced competitive, but they're
8 not price leaders. They have not increased their capacity
9 to supply the U.S. market even after antidumping orders were
10 imposed on nails from China and the UAE. They haven't done
11 so, and couldn't, even if they had delusions of grandeur,
12 because they can't. Additional land and workers are not
13 available. In its 2008 and 2012 filings, Mid Continent
14 admitted that it was not injured by Taiwan exports. That
15 is, they were fairly traded. Nothing has happened in the
16 past two years to change this fact. And I cannot conceive
17 of any circumstances which would support a finding that
18 Taiwan exports threatened the domestic industry with
19 material injury.

20 Third, any injury currently suffered by Mid
21 Continent was self-inflicted. Mid Continent ran to the
22 government rather than understanding market trends and
23 adapting its business model to meet its customers' needs.
24 Yet, despite this lack of interest in customer service, Mid
25 Continent remains a dominant force in the pallet nail

1 market. And after being purchased by DeAcero is stronger in
2 2014 than it was in 2008 and 2012.

3 Finally, we have witnessed a distinct change in
4 Mid Continent's pricing activity since being acquired by
5 DeAcero, which we believe has been orchestrated from Mexico.
6 During at least the past year, Mid Continent has
7 consistently been the lowest cost supplier. I'm not talking
8 about published, official price lists, I'm talking about the
9 real prices being offered with the unwritten discounts.
10 Their low prices are not because of price depression or
11 price suppression caused by imports. It is because DeAcero
12 and Mid Continent have a plan. Make a concerted effort to
13 eliminate competition at all costs in the short term by
14 being the lowest cost guy on the block.

15 Mid Continent forced the market down themselves
16 and then filed antidumping and countervailing petitions in
17 an attempt to unfairly eliminate competition and open the
18 door for a deluge of Mexican imports at newly increased
19 prices to satisfy demand.

20 Our lawyers tell us, this is classic antitrust
21 behavior. Only the Commission now stands between DeAcero
22 and Mid Continent and this anticompetitive conduct. Please
23 see through their charade and for the sake of the U.S.
24 construction industry, and the millions of consumers who
25 support and depend on that industry, don't let this happen.

1 To summarize, the American industry has survived
2 the great recession. It has been strengthened by Deacero's
3 purchase of Mid Continent and by our decision to produce
4 nails in the United States. Mid Continent is stronger now
5 than it has been for many years. The industry has not been
6 materially injured by imports.

7 I thank you for listening to my testimony and I'm
8 available for questions.

9 MS. HOLEC: Good morning. I'm Lynn Holec. I'm
10 an economist with ITR. I'm here with Grunfield Deacero
11 representing the respondents and in particular exporters
12 from Taiwan and importers from multiple countries.

13 Mid Continent's assertion that it is materially
14 injured from imports of subject merchandise is based on its
15 claim that it has not realized sufficient benefit from the
16 recovery of the U.S. economy, and, in particular, the
17 construction industry following the 2009 recession.

18 Facts in this case demonstrate a different
19 conclusion. The U.S. industry is not materially injured nor
20 is it threatened with material injury from subject imports.

21

22 Steel nails demand -- steel nails demand as found
23 by the Commission in its prior cases is directly linked to
24 the U.S. construction industry. Private housing starts were
25 up 52 percent over 2000, in 2003 over 2011. The recovery is

1 reflected in the domestic industry's performance which
2 improved throughout the 2011-2013 period and into 2014.

3 In its June 2004 newsletter Mid Continent, the
4 petitioner, who alone represents more than 50 percent of the
5 domestic industry -- reported to its employees that the
6 month of May -- that in the month of May, its bulk nail and
7 collating facilities operated at 84.2 percent and 84.8
8 percent utilization respectively.

9 The newsletter also states that one product line
10 reached the most productive month in recent memory, running
11 at 86.7 percent utilization.

12 Mid Continent further reported that the first
13 five months of 2014 exceeded production levels of the first
14 five months of 2013. Suggesting neither material injury nor
15 threat of material injury. These capacity utilization
16 figures may differ from what you may see in the domestic
17 producers' questionnaire responses. Since domestic
18 producers tend to report machine rated capacity in their
19 questionnaire responses rather than practical capacity, a
20 production rate that they could meet or have met in the
21 past.

22 When the Commission analyzes its questionnaire
23 responses, it will find that the domestic industry sales
24 volumes and profitability are consistent with the
25 improvement indicated by Mid Continent's healthy production

1 levels.

2 Yes, subject imports increased during 2013 -- the
3 2011-2013 period, but not at the expense of U.S. producers.
4 Subject imports increased with U.S. demand. To the extent
5 they also replaced non-subject imports from the UAE,
6 supplying customer needs -- customer needs that the domestic
7 industry is unwilling to supply such as private label brands
8 and pallet-sized shipments.

9 Private label brands are a growing segment of the
10 market for steel nails. Yet, Mid Continent seems
11 uninterested in pursuing this business. Mid Continent is
12 not interested in pursuing business as not fit into its
13 rigid business model of serving the truckload segment of the
14 market.

15 Our industry witnesses today estimate that the
16 truckload segment accounts for 15 to 20 percent of the total
17 U.S. market for steel nails, while the pallet and subpallet
18 segment accounts for 80 to 85 percent of the total market.

19 It is common knowledge in the industry that Mid
20 Continent stubbornly refuses to entertain business that is
21 not full truckload business. Thus, voluntarily precluding
22 itself from the overwhelming majority of the market.

23 Mid Continent is also unwilling to provide
24 value-added distribution services that are required to serve
25 large, retail customers such as the Home Depot and Lowe's,

1 further limiting their potential market.

2 In 2013 imports from Taiwan were still below
3 their pre-recession 2008 levels. Imports are necessary to
4 supply the U.S. market. Domestic producers supplement their
5 own product line with imports. For example, it is common
6 knowledge in the industry that Mid Continent which is owned
7 by DeAcero a Mexican company, imports a substantial volume
8 of nails from its affiliate in Mexico.

9 Similarly, it is common knowledge that Tree
10 Island, another U.S. producer is owned by a Canadian company
11 and imports nails from Canada.

12 Both Mexico and Canada were omitted from the
13 current petition despite each representing over 3 percent of
14 U.S. imports, a much more substantial portion than either
15 India or Turkey, countries that were named in the complaint.

16 Our industry sources report that Mid Continent is
17 the price leader in the U.S. market becoming even more
18 aggressive since being acquired DeAcero in 2012. We are
19 confident that once the Commission has received and analyzed
20 the pricing data that it is gathering from the domestic
21 industry, and importers, that it will find that the domestic
22 industry, and particularly Mid Continent, is underselling
23 the imported product.

24 The Commission will find that the imported
25 product is overselling the domestic industry prices. In

1 fact, to the extent the domestic industry is, as it claims,
2 less profitable than it believes it should be, the cause is
3 the domestic industry's aggressive pricing. Subject imports
4 have neither undersold nor caused U.S. producers to depress
5 their prices.

6 In the post-hearing brief we will support the
7 above analysis with data that the Commission is receiving
8 from the U.S. producers, foreign producers, exporters, and
9 U.S. importers questionnaire responses. We are confident
10 that the confidential data in those responses will
11 demonstrate that the U.S. industry is not materially injured
12 by reason of subject imports, nor is there a reasonable
13 threat of material injury.

14 Specifically, we will provide detailed analysis
15 of the domestic industry shipments, capacity utilization,
16 U.S. market share, its profitability, employment, wages and
17 number of employees, and investment in capital improvements.

18 We anticipate being able to demonstrate that
19 there is no cost price squeeze, decreases in sales, revenue
20 or operating performance due subject imports. We expect to
21 find subject imports generally over selling rather than
22 underselling U.S. domestic industry as the Commission itself
23 found when it examined these imports in its investigation of
24 steel nails from the UAE.

25 Thank you.

1 MR. TOWNSEND: Thank you. And good morning to
2 the Commission staff. I'm David Townsend, counsel to Oman
3 Fasteners. Oman Fasteners is a foreign producer and U.S.
4 importer of nails. It sells nails to U.S. customers
5 including Hitachi Power Tools.

6 I'm joined today by Joe Leffler. He is vice
7 president for sales and marketing at Hitachi Power Tools.

8 Before turning the testimony over to Mr. Leffler,
9 I'd like to mention a couple things on behalf of Oman
10 Fasteners. First, this is not the UAE case. As we've just
11 heard, during the POI, the U.S. industry has been doing
12 quite well. The petitioner was bought out by a
13 multi-national company and the U.S. industry has been able
14 to offer very competitive pricing.

15 Second, unlike the U.S. industry, Oman Fasteners
16 sells non-branded nails. This means that Oman Fasteners'
17 customers can use whatever box they would like to sell the
18 nails. Oman Fasteners' customers appreciate this
19 flexibility and assurance that Oman Fasteners is not
20 attempting to compete with them.

21 Likewise, Oman Fasteners is able to offer Hitachi
22 and other customers the full product line of nails they
23 need. This is a topic Mr. Leffler will discuss further.

24 Mr. Leffler has been involved in the nails
25 industry for over 23 years. He's a great industry resource

1 for the Commission. With that, I will turn it over to Mr.
2 Leffler.

3 MR. LEFFLER: Good afternoon. I would like to
4 thank the staff of the International Trade Commission for
5 listening to my testimony today.

6 My name is Joe Leffler and I'm the vice president
7 of sales and marketing at Hitachi Power Tools. I've been in
8 the industry for over 23 years, starting in service and
9 sales, technician of DuoFast Corporation, now ITW in 1991.
10 And serving at virtually all levels from 1994 to present
11 with Hitachi.

12 I've had the unique experience of dealing with
13 all aspects of the business from repairing tools in job
14 sites to dealing with executives at major retailers.

15 I will discuss three main points today. First,
16 the petitioner, Mid Continent, is obviously the price
17 leader.

18 Second, Mid Continent and other U.S. producers do
19 not support the range of product, packaging, and
20 specifications Hitachi must have.

21 And finally, Mid Continent does not behave in the
22 marketplace like a brand injured by imports.

23 First, regarding the price in areas where Hitachi
24 products compete with Mid Continent's, our customers
25 frequently ask us to lower our prices to match those offered

1 by Mid Continent. In our experience, Mid Continent is the
2 price leader.

3 It frequently offers prices below those of
4 others. We consistently must compete with them across the
5 U.S. Hitachi does not sell on price, but on brand. And the
6 value of all we do is a market leading brand. Hitachi
7 succeeds by offering a broad range of tools and supplying
8 those fasteners that are exactly matched to the tools we
9 offer. Mid Continent's main selling point in contrast is
10 price.

11 From my point of view, based on all of the
12 information I constantly get provided from my customer, it
13 is Mid Continent that is the main driver of nail prices down
14 in the U.S. market.

15 Second, Mid Continent and the U.S. producers do
16 not support the full range of product, packaging and
17 specifications the market must have. Because Hitachi is the
18 major producer of pneumatic tools, one would think that the
19 U.S. producers would jump to reach out to us to produce
20 nails for Hitachi. That, however, has not been the case.
21 Over the last six years, only one domestic supplier has
22 reached out to work with Hitachi. One.

23 This supplier consistently receives business from
24 Hitachi. We work with this supplier and not based solely on
25 price. It's specialty fastener.

1 No other U.S. supplier has even attempted to sell
2 us. Our brand is the preferred tool branch for the
3 professional contractor. Why would they not want to work
4 with us? We require a large assortment, various packaging
5 to meet demand -- to meet end-users' demand, we must have
6 the fasteners in our brand and they must be at our spec. We
7 cannot accept anything less. Any of the other U.S.
8 producers could reach out to Hitachi, but they have not.

9 We would be interested in working with any of
10 them. In fact, Hitachi must import numerous types of nails
11 that it sells to the United States because it has no
12 opportunities for a U.S. supplier on those nails.

13 Hitachi can only obtain a fraction of its
14 requirements in the United States. They must be imported.

15 Mid Continent has made sales of its branded nails
16 central to its business model. You heard that this morning.
17 Private label is a small percentage of their business. It's
18 growing, but it's a small percentage of their business. Its
19 strategy is to align with customers by market and supply
20 those companies, but it's simply not interested in doing
21 anything that would build a brand like Hitachi.

22 I understand this and I can respect it, but what
23 am I supposed to do with our brand or a leading branch in
24 the U.S. market when it comes to pneumatic tools? What are
25 we supposed to do?

1 I have first-hand accounts of Mid Continent
2 declining sales on the grounds that it will not supply nails
3 for potential customers in their branded boxes. Brands are
4 very important in the nail industry. Hitachi products have
5 a loyal customer base because people know and trust the
6 Hitachi brand. We have built our brand through careful
7 control of Hitachi products and also significant investment
8 over the years.

9 We have over 2,000 authorized service centers in
10 the U.S. They support our sales people. We have over -- we
11 have more than 25,000 unique products stocked in every one
12 of our warehouses across the country. We have thousands of
13 customer events in the United States each year educating the
14 contractor.

15 Through these services we demonstrate to our
16 customer the value of the brand of Hitachi. Mid Continent
17 has chosen to compete in the brand -- market, it has not
18 chosen to compete for our business or the business of other
19 companies that supply branded nails. Rather than selling
20 us, they choose to compete with us, attempting to sell its
21 branded products to many of our customers. And as I noted
22 before, it attempts to do it at prices lower than ours.

23 If it weren't for our brand, our quality, our
24 investment in the U.S. market, our market share on the
25 nailers, and the efforts of our U.S. employees, Mid

1 Continent's aggressive position would have resulted in
2 significant lost business.

3 We purchase many of our nails from Oman
4 Fasteners. Oman Fasteners has provided us, their customers,
5 with a broad range of nails and packaging we need for our
6 product. Furthermore, Oman Fasteners are made exactly to
7 our spec and to our packaging requirements. We can buy
8 nails cheaper than we can buy nails out of Oman. We can buy
9 nails cheaper. We choose not to because of the assortment
10 and what they're willing to do to work with Hitachi and our
11 brand.

12 Finally, Mid Continent does not behave like an
13 injured company. It acts as the price leader since being
14 purchased by a large multi-national company. Mid Continent
15 has aggressively targeted our customers including --
16 including our largest of customers. It is my view that Mid
17 Continent is stronger today than they were at the peak of
18 our business for this industry.

19 In 2005 housing peaked at 2.2 million. In 2014,
20 depending upon who you listened to, the numbers are
21 somewhere around one million housing starts. Still roughly
22 60 percent away from the peak. Mid Continent has added
23 capacity and is growing their business at a time when the
24 market is still way off of its peak. How can they be
25 injured? They have survived and they have thrived. They

1 manufacture here and Mexico, a country not listed in its
2 claims which others have brought up. It is my opinion they
3 want to control the market without needing to compete as a
4 normal competitor would. This is not the behavior of an
5 injured industry.

6 I hope for the sake of our customers who get
7 caught in the middle of these cases for the injuries who
8 ultimately pay for these cases, for the contractors on the
9 job site who suffer because of these cases, and the consumer
10 who wants to buy nails in a variety of packaging that the
11 ITC will see the truth in this case.

12 To conclude Mid Continent does not and will not
13 sell Hitachi. Instead, Mid Continent offers low-prices to
14 win customers. We have a brand. We are not price.

15 When it is not enough, they bring trade remedy
16 cases to eliminate competition from fairly priced imports.
17 I ask the Commission today to please understand this point
18 and all of the very real reasons outside of price that are
19 important to the market. And please stop this cycle.

20 I look forward to answering any questions you may
21 have.

22 MS. LEVINSON: Good morning. I'm Liz Levinson
23 with Kutak Rock. I'm here with my colleague Ron Wisla to my
24 left and to his left is Elise Dietrich.

25 I'm very proud today because I have five

1 importers who have cared enough about this case to travel,
2 some of them from Washington State, some of them from
3 California, to travel and take quite a bit of chunk out of
4 their day and their time to be here today.

5 Each of them has a prepared statement, but I
6 would point out that the gentleman at the end whose name is
7 Peter Fischer, he is available to answer questions about
8 India. He is an agent for Astra Tech. He doesn't have a
9 prepared statement, but he's here to answer questions.

10 And with that, I'm going to, you know, turn the
11 mike over to Ken Ippoliti who is from Master Fasteners
12 International, a division of Building Material Distributors.

13 MR. IPPOLITI: Again, I'm Ken Ippoliti from
14 Master Fasteners International, a division of Building
15 Material Distributors, a California-owned company out of
16 California and it has locations in Memphis, Colorado,
17 California, and New Mexico.

18 First of all, I want to thank you for the time to
19 be able to speak to you today about this important matter.
20 In representing my company, I'm representing approximately
21 200 employees. Also, I feel I'm representing my customers
22 and distributors and wholesalers across the country who are
23 going to be significantly affected by the results of this
24 case.

25 I've been in this industry for 14 years and my

1 experience and my job responsibilities range from
2 negotiating and qualifying mills overseas, importing the
3 product to the United States and I'm also responsibility for
4 selling that product throughout the United States.

5 In those 14 years Master Fasteners has imported
6 from many of the countries that are today's subject. And we
7 have imported from many of those companies prior to the
8 antidumping case against China as well as the UAE, so I
9 agree with others on the panel here today, there has been no
10 abandonment.

11 Before I get to three intentions that I have
12 today, I think it's important to talk about some of the
13 market changes that have happened within the market since
14 the two previous anti-dumping cases. The biggest one is
15 prior -- actually, let me go back prior to those antidumping
16 cases. The way the market looked for me as an importer, and
17 as someone who sells imported product, the market had room
18 for both import and domestic product. A typical distributor
19 had room on their shelves for an imported product as well as
20 a domestic product. They coexisted. The customer or the
21 job specification may have called out for "made in American"
22 and they would pay a little bit more for that now. However,
23 the distributor also had the import product which typically
24 would be the price point.

25 However, after the case against China and the

1 United Arab Emirates, that has turned upside down. Prior
2 my biggest competitors were the importers, many of which are
3 sitting here today. Nowadays, or ever since the case
4 against China, my biggest competitors are the domestic
5 manufacturers. I'm chasing their price and they're the low
6 price leader. And I have several affidavits that will be
7 submitted by the 24th showing that that is the case across
8 the United States time and time again.

9 My intention today is threefold. First of all,
10 I'd like to speak about the value propositions that are
11 involved in selling this product other than price. I also
12 want to speak to you about the advantages Mid Continent has
13 as a domestic manufacturer within the market. And finally I
14 would state my case that this is an example of frivolous
15 litigation by Mid Continent and DeAcero their home company
16 in Mexico.

17 The value-added propositions that go that are
18 involved in selling nails other than price involve a broad
19 mix of products. I strongly encourage you not to be fooled
20 by the boxes that are over there and what's been stated so
21 far. Mid Continent nor any of the other domestic
22 manufacturers offer a full range of the products that the
23 market demands.

24 Many of the importers, like myself, are required
25 not only to import, we do import containers direct to our

1 customers, but we are also required to import it and stock
2 it in our distribution centers. And that -- that carries a
3 heavy cost, handling, shipping, so forth, because our
4 customers demand that we have that product available for
5 them just in time delivery.

6 Another variable that's already been touched on a
7 lot today is the branded product. Mid Continent stated
8 today that they're willing to private label if you have
9 consistent volume and good credit. Well, my company has
10 both of those things and we were denied access to their
11 production and with not much reason given. We have the
12 ability to distribute all across the United States, and yet
13 they wouldn't entertain the idea of doing business with BMD.

14 For my customer the private label is extremely
15 important because they've spent an enormous amount of time
16 and money developing brand as has Master Fasteners. And so
17 that is a key variable. Mid Continent's little bit of
18 private label that they do, they do do a little bit of
19 private label for a small number of customers and they limit
20 what products that customer can put their label on.

21 One of the big variables also in selling this
22 product is the service piece. And I'm going to speak
23 twofold. There's service to the distributor and then also
24 service to another channel that hasn't been mentioned much
25 and that's the end user. For the distributors, my

1 customers, they require direct container pricing that gives
2 them advantage price wise, but also less than container
3 quantities, which again puts me in a position of having to
4 inventory millions of dollars worth of product to be able to
5 meet those less than container demands from our customers.

6 The end users which is a channel I don't sell
7 into. I don't sell to the end user. That's my customers'
8 business. That service piece requires a lot more investment
9 by those distributors because the end user in many cases
10 requires the distributor to provide loaner tools, the parts,
11 the service, and repair that is involved with those tools as
12 well as the product in which they sell.

13 I have a signed affidavit that will show an
14 example of an end user that my distributor sells to, Mid
15 Continent went in and cut the price by 20 percent. When you
16 include parts, service, and tools it doesn't make sense how
17 they could possibly do that. However, the value-added
18 propositions that I'm presenting you today, they still have
19 value because that customer did stay with the distributor.
20 Although there's evidence of both the quote and what the
21 price is presently at.

22 And finally, one of the last value adds is
23 relationship and trust. Luckily for me and my job, there's
24 still value within this industry when it comes to
25 relationship. In the 14 years I've spent a lot of time and

1 energy developing long-term relationships with my customers.
2 They believe in me because I've always had their best
3 interest in hand and I do what's necessary to get them what
4 they need.

5 Mid Continent speaks about loss of market share
6 and so forth. Well, when you sell to distributor -- to the
7 end users, the distributors' customer, that's not a really
8 good way of building trust.

9 Moving on to the advantages that Mid Continent
10 has since the two previous antidumping cases. One of the
11 advantages that they have is their mother company in Mexico
12 produces the wire rod which represents 70 percent of the
13 total cost of finished goods putting them in a very good
14 position when it comes to material costs.

15 They also have an advantage in short lead times.
16 Their lead times could range from one to three weeks. As an
17 importer, my lead time is 90 days. And in order for me to
18 fulfill those immediate demands for my customers, again, I
19 have to invest millions of dollars to stock product on hand.

20 Also, there's lower costs that Mid Continent
21 takes advantage of because of shipping. As an importer, I
22 have to pay for the shipping from overseas and in many cases
23 it's going into one of our warehouses and then I've got to
24 pay for the shipping again throughout the country.

25 Another thing that is interesting is the

1 multi-tiered sales approach and I made mention to this
2 earlier. As an importer we distribute, we sell
3 distributors, we sell the wholesalers, we sell to some of
4 the labels, UFC over there that go into big boxes. We do
5 not sell to the end user. However, Mid Continent does sell
6 to the end user. Personally, I think that that's a poor
7 choice and there's going to be consequences down the road
8 for that. But it's a choice that's made, and it gives them
9 the option if they can't capture the business through the
10 distributor, they can go directly to the end user and have
11 done so.

12 There's also evidence in which Mid Continent is
13 offering customers two price lists, a price list for
14 domestic product and a price list for product imported from
15 Mexico.

16 Moving on to the frivolous litigation argument.
17 Since the antidumping cases against China and the United
18 Arab Emirates, it was expected that Mid Continent would
19 raise their prices, but as many people have already stated
20 today to you, they lowered prices.

21 They aggressively went out and bought market
22 share and they're driving down the prices and are keeping
23 them down there. And, again, I have -- I have affidavits
24 stating they are the low price leader. They claim damages
25 due to the loss of market share. Mid Continent has been the

1 one company that's captured a lot of my market share and
2 taken away. I have lost market share since the antidumping
3 cases. Any losses that they may have experienced in recent
4 months might be a result of quality control problems or not
5 on time delivery. I have reports of their delivery times
6 lengthening. And it might be because, as stated earlier,
7 their own problem.

8 I've also lost business and market share
9 indirectly because of the two -- two of the domestic
10 manufacturers who spoke today. It's nice to see that they
11 have a united front, Tree Island and Mid Continent have a
12 united front for you today. However, on the west coast with
13 pricing wars between the two domestic manufacturers, my
14 company stands on the sidelines walking away from business
15 because I cannot follow the prices down as low as they're
16 going.

17 They also claimed damages due to the massive
18 quantities being shipped to the United States. Those
19 numbers that they report are directly correlated -- the
20 increase in the amount of product coming in are directly
21 correlated with market demand. And the demand or the
22 quantity coming from overseas is needed to be able to
23 support this market. All the domestic manufacturers
24 combined cannot offer all the product or the capacity
25 necessary to support the market.

1 In summary, the plaintiffs, Mid Continent are
2 owned by DeAcero in Mexico. Their actions I judge as an
3 attempt -- another attempt to control the nail industry in
4 the United States. If they are successful, it's my
5 judgment, what they will do is they will take that as an
6 opportunity to be able to finally raise prices for the
7 customers and market share in which they have bought and the
8 capacity which they're running close to full capacity, raise
9 prices. And I feel it's important I say these things to you
10 today because I think it's important that they are not
11 successful on this one. So far they have been successful
12 though. They have disrupted the market, they have disrupted
13 business because, with all due respect, I'm here speaking to
14 you today, instead of selling nails.

15 Thank you very much for your time.

16 MS. LEVINSON: Next is Rob Waterman.

17 MR. WATERMAN: Good morning. Thank you for
18 listening to my statement today. My name is Rob Waterman.
19 I am the vice president of Supply Chain Management for
20 Carlson Systems Corporation.

21 Carlson Systems, Mid-Atlantic Fasteners is a
22 nationwide construction supplies distributor that represents
23 many popular brands, including our own brand, Interchange.

24 Interchange is a fully-integrated line of
25 fasteners and tools that directly competes against the most

1 recognized brands worldwide. In order for us to take care
2 of our U.S. customers, we must source our products from all
3 over the world. Interchange has the strictest controls on
4 quality and an image to represent that. This is first and
5 foremost along with supply base integrity and price being at
6 the bottom of that decision tree.

7 Interchange brands has supporting specifications,
8 organized testing, and marketing materials established for
9 over 30 years. As we grew the business and the economy
10 changed, there was much less capacity in the U.S. to produce
11 our products and an unwillingness to private label for us.
12 Possibly driven from a threat of our growing brand which is
13 in direct competition with domestic manufactured brands. We
14 have private labeled in the past or present with many U.S.
15 companies including Mid Continent now. Out of the Poplar
16 Bluff, Missouri plant have, and currently, private label
17 interchange for us, but only on a very few items. We have
18 asked them to expand their product offering to us private
19 labeling, but they have refused to do so. We have more than
20 560 construction nail SKUs, so obviously we have to go many
21 places to fill our line.

22 We also compete against Mid Continent directly in
23 many of our markets. They able to sell business direct and
24 we have a very difficult time competing against that and
25 definitely when it comes down to just price. Our company

1 sells many other brands as well. Many we've aligned with
2 for decades, although our focus is our own line.

3 Last year we purchased 56 percent of our
4 construction nails from U.S. companies, including over \$2
5 million with Mid Continent Nail. We continue to purchase
6 many interchange products from the countries that now have
7 antidumping duties, China and UAE, because our purchasing
8 decisions are not all about the price.

9 We purchase from Beck in Austria because it
10 arguably has the best quality of fastener, but it also comes
11 with a premium price.

12 Some other detail as to why we have to go
13 offshore. Foreign manufacturers are much more willing to
14 accommodate quality packaging for our entire line by either
15 making an investment in shorter runs, or more boxes on the
16 floor for our lower-volume items.

17 Being able to source all types of nails in a
18 single container helps our supply chain with much greater
19 efficiency. Not having access to this mix would add
20 significant additional cost from -- handling inventory and
21 freight to move product from within the company. Being able
22 to source all type of nail finishes is a must for our
23 industry. Electrogalvanization is a critical finish to
24 support our customers' needs and very few plants in the U.S.
25 even do this. Mid Continent Nail does not.

1 Currently I do not know of a manufacturer in the
2 U.S. who has the capability of true hot-dipped nails which
3 has been the preferred coating of hot-dipped galvanization
4 for all applications and one that we carry.

5 We also fully coat some of our nails and color
6 coat as well, which we cannot get anybody to do for us
7 domestically. Mid Continent also does not make plastic
8 sheet coil nails, stainless steel finish nails, brads, pins,
9 L-cleats, and 34-degree clipped head nails which is a big
10 category for us. And one that Mid Continent Nail currently
11 purchases containers of from Malaysia via a broker based out
12 of Korea.

13 To allege product is coming from offshore with
14 the price advantages listed in the petition is totally
15 ludicrous and we challenge the data that makes those
16 allegation. The logistics which is completely factored into
17 our cost of goods varies the landed costs sometimes by as
18 much as 10 percent depending on which of the 25 locations we
19 currently ship into.

20 Mid Continent Nail owns their own trucking
21 company and gives us a single delivered price whether it be
22 in the same state or halfway across the country. By our
23 figures their overall costs should vary by as much as 8
24 percent depending on where they ship.

25 The costs associated with offshore purchasing are

1 great and many have to be factored in the overall cost of
2 product in this context. We have a higher inventory
3 investment overall because of having to deal with lead
4 times, people employed to manage our overseas logistics and
5 quality control, and take on additional risks of delays and
6 damage associated with importing.

7 I believe I have explained in enough detail why
8 we feel this petition is without merit and based on little
9 or no facts. To try and attack an industry on the sole
10 argument of price when there is a much bigger story to tell
11 would not benefit the U.S. manufacturers and additionally
12 drive up costs to the U.S. customers. And I cannot see that
13 being a positive impact to a still recovering industry.

14 Thank you.

15 MR. DAVIS: Hi, my name is Jacob Davis, the
16 President and owner of Fanaco Fasteners, a distributor of
17 nails for vendor retail customers located in Seattle,
18 Washington. Almost 30 years ago my father, the founder of
19 our company, went out to get the mail, a neighbor and owner
20 of a retail store that supplied nails to contractors was
21 also outside. They began speaking. Soon our neighbor was
22 expressing his frustration with domestic nail suppliers.
23 Our neighbor's primary frustration was his inability to find
24 a supplier or manufacturer who offered a full line of nails,
25 what we refer to as one-stop shopping.

1 Instead of having to contact and negotiate with a
2 dozen suppliers, he longed for a single source that would
3 free up his time to expand his business and listen to his
4 customers' needs. He needed one supplier whose products
5 were always in stock. My father recognized an opportunity
6 in our neighbor's frustration and Fanaco was formed.

7 I started working for Fanaco from its inception
8 in the basement of my mother's clothing store when I was 17.
9 Today Fanaco is still a family business. Our business plan
10 has always been to target the needs expressed by our
11 neighbor with a full product line. Three decades later
12 domestic manufacturers still do not fill this need for a
13 full product line.

14 I've heard from our customers -- I have heard our
15 customers call us their heroes because we meet their needs.
16 I'd like to share with you one of the many stories of Fanaco
17 meeting customer needs only because we received the
18 necessary cooperation and support from a foreign
19 manufacturer.

20 One of our customers had a problem with a
21 standard-sized mail manufacturer for nail guns. The guns
22 routinely misfired because the nail diameter was too small,
23 a problem our customer had complained about for years. Our
24 company now offers a nail that is slightly larger than the
25 industry standard nail that was causing the misfiring in the

1 nail guns.

2 U.S. producers had shrugged their shoulders
3 including Mid Continent, the predecessor to the DeAcero
4 entity that has filed the subject petition.

5 At Fanaco's request foreign factories were still
6 willing to produce the nails we had designed. Our customers
7 problems were solved.

8 Our unique Fanaco packaging is a key component of
9 our marketing. Fifteen years ago our customers started to
10 specifically request special packaging that would protect
11 the nails from the rain and other moisture so prevalent in
12 the damp climate of the Pacific Northwest where wet nail
13 boxes would collapse or tear open leaving all the nails to
14 fall on the ground.

15 Because we listened to our customers, our company
16 was a pioneer in the use of extra protection for nail
17 packaging. Ironically, some years ago Fanaco Fasteners had
18 approached a domestic manufacturer and asked that company to
19 sell us their nails in approved packaging with our labeling.
20 This domestic manufacturer refused. Once again, we were
21 forced to rely on foreign manufacturers who are more than
22 willing and happy to sell us nail packages in our Fanaco
23 brand boxes.

24 I'd also like to point out that none of the boxes
25 in that exhibit remotely resemble the packaging that we

1 offer. My customers frequently share with me stories of how
2 their end users directly benefit from Fanaco packaging.

3 On the other hand the domestic producers continue
4 packaging their nails in thin corrugated boxes that easily
5 tear upon the first northwest rain shower. They use no
6 plastic bags and position the nails in different directions
7 and use smaller complicated labeling that is difficult to
8 read.

9 In general, it is as if the domestic
10 manufacturers operate a restaurant where the menu board said
11 no substitutions allowed. At Fanaco our board says, if you
12 don't see what you like, ask; we cook to order. That is
13 because we do not view nails as a commodity. We have
14 listened to our customers' needs and fulfilled them. But
15 the reality is, that we have been able to fill those needs
16 because of our association with our partner factories which
17 provide the flexibility that is continuously and
18 increasingly demanded by our customers.

19 Despite our small size, we've been able to
20 establish Fanaco as a brand that is recognized and
21 appreciated throughout our markets. Our brand is essential
22 to our success.

23 Over the years we have approached numerous
24 domestic manufacturers asking for quotes to supply Fanaco
25 branded nails. They all declined or never responded,

1 including Mid Continent.

2 Today in this hearing Fanaco faces one of its
3 greatest challenges. As a small-time operator, I view this
4 action as an overt step by a multi-billion dollar,
5 foreign-owned conglomerate DeAcero to expand their
6 vertically integrated fastener business. I believe that
7 DeAcero wants to control this market from production of
8 steel rod in Mexico to selling fasteners directly to your
9 local hardware or building supply store, or even directly to
10 the contractor. Such expansion threatens the very existence
11 of my company.

12 I sincerely hope that this agency of my
13 government will not impose duties that will primarily
14 benefit DeAcero at the cost of my family's business.

15 Thank you.

16 MR. ANDERSON: Good morning. Thank you for
17 allowing me to give my remarks today. My name is Tim
18 Anderson. I am general manager of the Fastener Division at
19 Viking Engineering & Development. Viking is a 50-employee,
20 100 percent employee-owned company located in Minneapolis,
21 Minnesota.

22 Viking Engineering and Development designs
23 automated nailing equipment for the pallet and other
24 industries and manufactures this equipment in our Minnesota
25 factory.

1 Viking has been the leader in high-speed
2 automated pallet nailing equipment since 1975. Using Viking
3 equipment our customers can producer upwards of 2,400
4 pallets in a single shift with a single machine.

5 Our customers include most of the leading pallet
6 manufacturers in the U.S., Canada, and Australia. Our
7 products are also in use in Europe, the Mideast and Asia.
8 We also import and sell nails for our customers to use with
9 our machines and we guarantee that Viking nails will run
10 trouble free in Viking machines. The ability for our
11 customers to be able to obtain both nails with the proper
12 specifications and quality to work properly in a Viking
13 machine is of critical importance to our customers and the
14 pallet industry.

15 Our customers include most of the largest
16 producers of pallets in the U.S. with about 3,000 Viking
17 machines currently in use by the industry. Pallets are a
18 critical component of the U.S. supply chain and are required
19 to move goods produced by U.S. manufacturers and firms.

20 Mid Continent is our largest direct competitor
21 for selling bulk nails to our customers. Bulk nails for use
22 in Viking automated machines require extremely tight
23 manufacturing tolerances to allow optimum performance of the
24 machinery.

25 In 1993, after exhausting all domestic options,

1 Viking developed a relationship with JinHung Steel in Korea
2 to produce high-quality nails for use in Viking machines.
3 Since that time we have continued to work extensively with
4 JinHang to produce nails to our specifications and required
5 quality levels.

6 Viking customers account for the large majority
7 of exports of nails from JinHung to the U.S. JinHang has
8 been producing Viking product for 21 years and selling them
9 to Viking at a fair value.

10 Because of the high speed and throughput of our
11 machines, even minor quality variances in nails can cause
12 major disruptions in our customers' ability to meet their
13 delivery commitment and costs. In addition, Viking
14 recommends that our customers use nails with extra stiff
15 stock to maximize machine performance and final product
16 quality and strength.

17 Nail strength is measured based on the Vibandt
18 test as defined in the Uniform Standard for wood pallets as
19 published by the National Wood and Pallet and Container
20 Association or NWPCA.

21 The Vibandt test is a measure of a faster
22 toughness and bending angle. Viking specification for
23 Vibandt is 31 to 32 degrees and nails produced by JinHung
24 meet this specification. To our knowledge nails produced by
25 U.S. and Mexico producers measure in the 34 to 36 degree

1 range for Vibandt angle and this higher angle is
2 unacceptable for our customers. Nails produced of stronger
3 material help eliminate or reduce machine downtime, rework,
4 and/or rejected pallets caused by nails bending during the
5 installation by the machine, especially when using hardwood
6 or dense materials and/or in cold conditions where the wood
7 may be frozen.

8 In addition to nail bending due to softer steel,
9 minor defects in the nail manufacturing process such as
10 small or oversized heads, spurious material under the head,
11 off-centered heads, shank straightness, poorly formed
12 threads or points, et cetera, can cause nail jams in the
13 machine leading to loss of throughput, increased labor costs
14 and damage to the machines.

15 In the past Viking has attempted to source nails
16 from U.S. producers including Mid Continent but was
17 unsuccessful in qualifying a supplier with the correct steel
18 and acceptable quality control. We continue to purchase a
19 small percentage of our nails from DeAcero, the Mexico-based
20 parent of Mid Continent in cases where our customers will
21 accept nails with a Vibant angle of 34 to 36 degrees and are
22 tolerant of more downtime caused by higher rate of nails
23 that have defects.

24 We continue to see overall quality for DeAcero
25 product as below that of what we get from JinHung. It is

1 important to note that nail costs from DeAcero are lower
2 than our cost from JinHung, but our customers opt to pay a
3 higher price for the nails -- for their nails to build
4 stronger pallets and get higher throughput and therefore
5 lower total cost when using Viking machines.

6 Many of our customers have tried nails produced
7 by Mid Continent over the years and have been dissatisfied
8 with the defect rate and returned to Viking nails even
9 though our pricing was usually higher.

10 To our customers, time is money. And the quality
11 and the higher quality JinHang nails save them time.

12 In closing, we believe that there is a
13 significant difference in nails produced by our factory,
14 JinHang, and those produced by other factories whether in
15 the U.S., Mexico, or other countries. The ability for users
16 of automated pallet assembly equipment to obtain nails made
17 to tight tolerances and with stronger steel is crucial to
18 their ability to produce their final product that their
19 customers demand. While the price of nails is an important
20 factor for our customers, the overall total cost and quality
21 of finished product is the overriding factor in determining
22 where they buy their bulk pallet nails.

23 Clearly, for the past 20 plus years, Viking has
24 purchased nails based on our specifications and a proven
25 history of superior quality.

1 Thank you.

2 MS. DIETRICH: Good afternoon. Thank you, staff,
3 for taking time with us today. My name is Elise Dietrich.
4 I'm with Perkins Coie, LLP, here representing the Indian and
5 the Turkish exporters.

6 I'll be commenting briefly on the negligibility
7 analysis that the Commission is required to make with
8 respect to Indian and Turkey, the two smallest exporters of
9 certain steel nails named in the petition.

10 Others have done an excellent job of summarizing
11 the applicable law, so I will focus on the facts as they
12 relate to these exporters. I also will be emphasizing that
13 Petitioner's trend lines for India and Turkey are purely
14 speculative, and they ignore important facts. I will
15 address those briefly here, and will elaborate on those in
16 our post-conference brief.

17 What is undisputed, however, that exports from
18 both Turkey and India fall well below the 3 percent where
19 the 4 percent negligibility for the 12-month period prior to
20 the petition. And we will address whether it's the 3- or
21 4-percent threshold that applies in our post-conferencing
22 briefing.

23 The representative of the Government of Turkey
24 has addressed Turkish imports, generally. I will focus on
25 the two largest producers of nails exporting from Turkey.

1 Petitioner's own exhibits, however, established that for the
2 most recent 12-month period imports of certain steel nails
3 from Turkey amounted to 10,289 short tons, in total, or just
4 2.1 percent of total imports to the United States.

5 More significantly, in the first three months of
6 2014, imports from Turkey dropped to just 2.0 percent of
7 total imports, indicating a downward rather than an upward
8 trend. And in any event, the numbers are significantly
9 short of the 3-percent threshold.

10 The petition alleges that the two largest
11 exporters of nails from Turkey, Akdeniz and Beksan have
12 additional capacity and that IME and other Turkish producers
13 that do not have a significant presence in the U.S. market
14 currently also have capacity that could be shifted to the
15 United States. These allegations in the petition, however,
16 are unsupported by substantial or credible evidence.

17 The information in the petition regarding
18 capacity for Beksan is taken from the Internet, and we
19 understand that Petitioners had limited sources of
20 information. Obviously, the record will be enhanced to
21 provide additional information to the Commission and
22 Commission staff. But the information that they pulled from
23 the Internet and have used in their analysis of potential
24 trends binds and possible capacity is a theoretical capacity
25 based on what there would be if there 24/7, 365-day a year

1 continuous operation of Beksan's entire capacity. Labor,
2 electricity, and other constraints on capacity preclude that
3 from occurring. And again, we'll elaborate on that in our
4 post-conference brief.

5 In addition, the price incentive does not appear
6 to be there for that additional capacity to be exploited,
7 imminently or at any point in the foreseeable future.

8 The petition is also unsupported by any
9 information to suggest that Akdeniz or Beksan are imminently
10 like to redirect any additional capacity that they may have
11 to the United States market. Indeed, Beksan is projecting
12 only an extremely small increase in its exports to the
13 United States in each of 2014 and 2015, amounting to less
14 than 100 short tons in additional capacity exported to this
15 market. This is very much consistent with Beksan's first
16 quarter 2014 export figures. Similarly, Akdeniz projects
17 extremely modest growth in its exports to the United States.

18 At the rates of growth projected by the two
19 largest Turkish exporters, and even assuming zero growth in
20 total U.S. imports of certain steel nails, Turkey would
21 continue to account for less than 2.4 percent of United
22 States imports, going all the way into 2015. Thus, the 3
23 percent threshold has been met, nor is there any indication
24 that imports from Turkey will imminently exceed 3 percent.

25 Significant capacity constraints, as I mentioned

1 exists in the Turkish market and will be addressed in our
2 post-conference brief. And also relevant is the fact that
3 Turkish exporters have ready access to the European market.

4 Beksan reports to us that it recently had to turn
5 down a contract manufacturer request from a European
6 affiliate of one of the Petitioner's due to capacity
7 constraints. And Akdeniz recently attended a trade fair in
8 Cologne, Germany, at which it consulted with many
9 perspective customers.

10 With regard to India, Petitioners' own exhibits
11 establish that Indian imports are also far below the
12 3-percent threshold. For the most recent 12 months, imports
13 of certain steel nails for India amounted to a mere 0.8
14 percent of total imports to the United States.

15 With regard to India, Petitioner alleges that
16 because imports during the most recent 3-month period,
17 January to March of 2014, represented 2.66 percent of total
18 imports. The Commission should extrapolate a trend line
19 that imminently push imports from India over the 3 percent.

20 MS. DEFILIPPO: You understand you've been on the
21 red light for a while.

22 MS. DIETRICH: Okay. Let me just note that the
23 32,000 short ton capacity, which was utilized by
24 Petitioner's economist to extrapolate the trend line
25 currently does not exist. That's anticipated capacity that

1 could come to fruition in future years and represents
2 capacity that Astrotech intends to bring online for products
3 unrelated to certain steel nails. Again, we'll address that
4 in our post-conference briefing. Thank you very much.

5 MS. DEFILIPPO: Thank you very much. And thank
6 you very much to the panel. We do very much appreciate that
7 you're here and not selling nails. I know that it's
8 difficult to get away, but it really does help us provide a
9 very full and robust report to the Commission that they can
10 use to make their decision, so it is very much appreciated.

11 So, I will turn to Mr. Ruggles for questions.

12 MR. RUGGLES: Again, thank you for your
13 testimony. Real quick, your questionnaire responses will be
14 in when?

15 MR. SCHUTZMAN: This afternoon.

16 MR. RUGGLES: All right. Thank you.

17 Also, official questionnaire, official statistics
18 for imports or a questionnaire, you have a preference?

19 MR. SCHUTZMAN: Max Schutzman. My assumption is
20 that you do not have sufficient coverage via the importer
21 questionnaire response to utilize them, and so you will be
22 using official data in any event.

23 MR. RUGGLES: We will. But would you prefer, if
24 we had the imports?

25 MR. SCHUTZMAN: I'm not in a position to say, but

1 we certainly can address that in the post-conference brief.

2 MR. RUGGLES: Thank you.

3 MS. LEVINSON: Mr. Ruggles, could I just add to
4 that? In the instance of India, there is only one exporter
5 to the United States, and that is Astrotech, despite
6 allegations of additional exporters in the petition. But
7 the exporters questionnaire, the foreign producers
8 questionnaire that AstroTech filled out shows that its
9 exports to the United States are very similar to the numbers
10 that come in through the Census Bureau. So, for purposes of
11 India, it really doesn't matter.

12 MR. RUGGLES: All right. Thank you very much.

13 And again, I would ask any changes in the entire
14 operation of nails from production to use from the last case
15 for the period of investigation if there's anything that you
16 think is relevant that needs to be addressed, please do so,
17 either here or in your post-conference brief.

18 No further questions.

19 MS. DEFILIPPO: Thank you Mr. Ruggles. I will
20 now turn to Mr. Goldfine for questions of this panel.
21 Anything?

22 MR. GOLDFINE: Just for Ms. Dietrich and any of
23 the other attorneys. Just following up on what Mr. Ruggles
24 was just asking about. I wasn't clear on what the answer
25 that I perceived this morning, but it sounded like

1 potentially the Petitioners were saying they weren't totally
2 comfortable with relying official statistics for the
3 negligibility data. And I just want you, to the extent
4 they're going to be arguing about that or you have an
5 argument on that, that we should only be relying on the
6 official statistics I'd ask you to address that in the
7 post-conference brief, if there's a reason you should be
8 departing using questionnaires. That would be something to
9 address in the post-conference brief.

10 MS. DIETRICH: I believe the questionnaires for
11 India and Turkey will be fairly consistent with the official
12 statistics.

13 MR. GOLDFINE: I'm just saying if you want to
14 make the full menu of negligibility arguments in your briefs
15 that's something you should be aware of.

16 MS. DIETRICH: Thank you.

17 MR. GOLDFINE: On the question about whether we
18 can be aggregating the data here because we have one
19 developing country and one country that's not considered
20 developed, so it's usually a three and seven are the
21 thresholds, but for developing countries it's going to be
22 four and nine, but that's where you'd have two developing
23 countries.

24 Here we have one developing country, one
25 undeveloped, so one could reach the conclusion that it's not

1 possible here to do an aggregated analysis, and you can only
2 do an individual analysis. And that's something, again, if
3 you could address that in your post-conference.

4 MS. DIETRICH: We're very confident, as Ms.
5 Levinson said, that because Astrotech is the only
6 significant exporter from India there's no scenario in which
7 we even get to 3 percent.

8 MR. GOLDFINE: And this would go to the
9 Petitioners as well, any prior Commission investigations
10 where the Commission has found countries either not
11 negligible for purpose of present, but negligible or not
12 negligible for purposes of threat we'd appreciate you
13 bringing those to our attention in your submissions.

14 Real quickly, for domestic-like product and
15 domestic industry, do you agree with the proposed
16 definitions by the Petitioners, there's a single
17 domestic-like product and a single domestic industry, for
18 purposes of the prelim?

19 MS. LEVINSON: Yes.

20 MR. GOLDFINE: Okay. And related parties, I
21 don't know if you --

22 MS. LEVINSON: We don't have any related party
23 issues.

24 MR. GOLDFINE: Okay. And what about cumulation?

25 MS. LEVINSON: What about cumulation? For

1 purposes of the preliminary determine, we would concede
2 cumulation.

3 MR. GOLDFINE: Okay. That's it.

4 MR. SCHUTZMAN: Mr. Goldfine, good to see you.

5 In terms of the single-like product issue, I mean
6 I recognize that the Commission in the prior two
7 investigations has found one like product coordinate with
8 the scope of the case. It's something we continue to look
9 at or we are looking at. I don't think there's sufficient
10 time in this preliminary to make a change, but it is
11 something that we will continue to look at should the case
12 proceed to a final.

13 MR. GOLDFINE: Okay, very good.

14 MS. DEFILIPPO: Thank you Mr. Goldfine. Ms. Day,
15 questions for this panel?

16 MS. DAY: Good morning. Samantha Day, Office of
17 Economics. Thank you all for coming today. I have just a
18 couple of questions.

19 I want to talk more about the private labeling
20 and the branding. And I know Mr. Waterman you talked a
21 little about your experience with Mid Continent, and my
22 first question is for you and any others that have any
23 information to provide please join, but you mentioned that
24 Mid Continent only private labels a few products, and you've
25 asked them about private labeling more and they've declined.

1 Did they say why? Can you tell me a little more about that?

2 MR. WATERMAN: If I've gotten any speculation as
3 to why that would be, it is probably because they're lower
4 volume items. They're just interested in the high volume
5 items, again, that they can sell truckloads of or produce
6 more efficiently because they, of course, would have the
7 investment and the packaging and such. They just don't want
8 to get into anything that's smaller than just our top, high
9 volume items.

10 MS. DAY: But they haven't specifically stated
11 why they're not willing to expand their offering of private
12 labeling?

13 MR. WATERMAN: No. And we've asked them, and
14 they've declined to expand any other products that we're
15 currently doing with them.

16 MS. LEVINSON: Ms. Day, for our post-conference
17 brief, we'll look to find emails or other correspondence
18 that might reflect conversations about this.

19 MS. DAY: That would be very helpful.

20 MS. LEVINSON: -- but we'll make an effort.

21 MS. DAY: Okay. Anyone else have anything to
22 share.

23 MR. LEFFLER: Joe Leffler, Hitachi Power Tools.
24 I would like to say we're a very large user of the product
25 in the U.S., and I don't understand. I'm in sales. I have

1 to go out and sell. I have to go to the customer. I got to
2 call them. I've got to set an appointment up, got to work
3 with them. So, why don't they come to us to offer us
4 product? I would really like to understand the answer to
5 that because no one has approached up. So, what are we to
6 do as a brand? We're just to get out of the category?

7 You know when you buy razor blades; you buy the
8 razor that goes with razor blades. And there's a certain
9 comfort in the end user to that this nail and this nail go
10 together. And I respect the fact that they want to build
11 their brand, but they can't penalize us for wanting to build
12 our brand, and not even come to talk to us. We've had one
13 meeting with them in the last five or six years. No follow
14 up, nothing.

15 So, any other U.S. producer that would like to
16 sell Hitachi, I go on record to day please come talk to us.
17 We would be interested in talking to you immediately.

18 MS. DAY: Have you approached any U.S. producers?

19 MR. LEFFLER: We approached them back I guess
20 it's maybe three or four years ago, and nothing came out of
21 it, but why do I have to approach the U.S. producer? If
22 they want capacity in the U.S. and they want -- we're a
23 leading brand. We're the number one brand when it comes to
24 the pro for tools. So, why if we're the leading brand and
25 you see the volume we're doing -- when I look at the market

1 and I need to grow my business, I set a plan, a target, and
2 I go out there.

3 And I respect them from the perspective that I
4 want them to be successful in the U.S. I think it's
5 healthy. But at the same time, they have their brand. They
6 have their strategy. And I think it's clearly demonstrated
7 today that's the strategy, in my opinion. So, I just really
8 think it's important to say. And I respect them from that
9 perspective, but don't penalize us because we can't find
10 supply. This is what we have to do, and we're a major brand
11 in the U.S. We employ a lot of people in the U.S., and we
12 make the job site a lot easier and the durability of our
13 tools and all the things that goes into those fasteners
14 matching our tools.

15 We don't have a nail made to a spec that fits in
16 a lot of different tools. It's made to our spec. It's made
17 in our brand. It's made for the sizes that we need for our
18 variety of customers. And I would assume if the U.S.
19 producers wanted to expand their business that they would
20 come contact us. So, why aren't they? That's a question
21 that I would ask you guys. Please answer. And they're
22 welcome to come talk to us at any point in time, and we'll
23 entertain that opportunity. There's definitely an
24 opportunity for us to do more business in the U.S. if
25 somebody's interested in selling.

1 MS. DAY: Thank you.

2 MS. ZINMAN: In answer to your specific question
3 about why they would not want to do a private label, every
4 box, a different box requires inventory of boxes. So, if
5 you're let's a Mid Con brand, you're stocking one box, an
6 empty box for each of the items that you're producing.

7 Now, a customer comes to you and say I want to
8 buy the same item, but I want it in my box. So, for every
9 item that they're buying they have to buy empty boxes and
10 stock them. So, if you have 25 customers, 50 customers, now
11 instead of stocking one empty box inventory you're stocking
12 50 boxes. And when you're running the product from a
13 production point of view, when he said they only want big
14 volumes it's because a typical order let's say will have 15
15 or 20 items, but some of the items that you need to complete
16 it will be smaller, 48 cartons, 12 cartons, 15 cartons.
17 It's a fact that they don't want to do that.

18 They don't want to run and stop. They don't want
19 to run 15 boxes then have to change, from the packing point
20 of view. It's all about trying to do the big volume, quick
21 runs. So, the more private label you do the more it slows
22 down your production on the changes and the more inventory
23 that you have to carry to support those customers.

24 So, they say I'm going to it in certain cases.
25 How much are you buying? What are the top volumes because

1 those boxes I will invest in putting into inventory? So,
2 from a manufacturing point of view, they don't want to do
3 it. That's the reason.

4 MS. DAY: Does your U.S. production facility and
5 any exporters do they offer the private labeling?

6 MS. ZINMAN: Us?

7 MS. DAY: Yes.

8 MS. ZINMAN: Absolutely. But we are a typical
9 domestic manufacturer. We have a limited range. We don't
10 supply 900 SKU's. We have maybe 50 SKU's, and we are
11 certainly fully custom-oriented. As a matter of fact, Joe
12 and I are actually speaking about supplying as domestic
13 manufacturer to Hitachi.

14 MS. DAY: Thank you.

15 MR. FISCHER: I could address the private label
16 for Astrotech. Peter Fischer from Continental. I handle
17 Astro's U.S. sales.

18 I was at the factory two weeks ago. We have a
19 whole warehouse of empty boxes because every customer of our
20 typically gets their own branding.

21 We have large customers that buy large volumes
22 from Mid Continent, but the come to us for their branding
23 because Mid Continent won't put their branding on it.

24 We also have smaller staff to customers that come
25 to us because they can't buy full truckloads of commodity

1 items. They want to buy maybe 10 or 12 items on the same
2 truck. We will make as little as one pallet in their brand.
3 We will actually mix the pallet with two sizes on there, and
4 we stock all the boxes for the ongoing customers. Private
5 label we have a full-time person in our office that does
6 customer artwork, and we give files to the factory to give
7 to the box manufacturer, and it's our key selling feature.

8 The other main feature is the fact that on the
9 collated side, we produce off facets, whether it's plastic,
10 wire, paper, so the customer can mix all those items in one
11 truck, which I don't think they can get from Mid Continent
12 or the other people.

13 MS. DAY: Thank you.

14 I'd like to change over to something a little
15 different now. Several have talked today about product
16 availability, and certain products that your customers
17 aren't able to buy from U.S. producers. Do you have any
18 specific examples -- and you can provide these in your
19 post-conference brief ^^^^ any specific examples of a
20 customer saying I've tried to buy this domestically, a
21 particular product maybe and it's not available, so we're
22 coming to you to buy it. Anything to add; any specific
23 examples?

24 MS. ZINMAN: We'll supply you an entire list.

25 MS. DAY: Thank you.

1 MR. IPPOLITI: Some of my customers are looking
2 for clipped head, 33-degree, paper collated fasteners, and
3 that's something which Mid Continent well, I'm almost
4 positive none of the other domestic manufacturers offer as
5 well. However, there's the product that's within the scope
6 that the customers are looking for, and then there's also
7 other fasteners that customers are looking for at which
8 Mid Continent and other domestic manufacturers don't offer.

9 Talked about the mix. Within the container
10 there'll be eight items, and there's going to be other items
11 with lower quantities, small quantities. They want to be
12 able to buy nails, staples, brads, fine wire, a whole mix of
13 products because they can't afford to take on a full
14 container of nails, a full container of staples, full
15 container of fine wire. They need to be able to mix those,
16 and that's something that an importer that Mass Fasteners
17 offers, and others.

18 And that the domestic manufacturers they say then
19 can do it, that they're capable of it. They might be
20 capable of it, but they choose not to, and they don't do it.

21 MS. DAY: Thank you.

22 Several have mentioned today that Mid Continent
23 is a price leader in the U.S. market. Where do the other
24 U.S. producers fall? I mean do you see them a price leaders
25 or no?

1 MR. IPPOLITI: Tree Island and Mid Continent
2 spoke to you earlier today. What I've witnessed on the West
3 Coast with Three Island being on the West Coast there's been
4 in the past few years periods of time in which the two of
5 them get into price battles. Tree Island west of the
6 Rockies isn't seeing that much because of the cost of
7 shipping and so forth. And as far as Heico and Davis Wire,
8 I don't even see them in the market, to be honest with you.

9 Personally, I'm a bit surprised that they're
10 here, but it's Mid Continent that is the low price leader
11 has shown to be the low price leader throughout the country.
12 And Tree Island can also take that role and has taken that
13 role on the West Coast.

14 MS. DAY: And one last question. You talked
15 about product availability, but other factors do your
16 purchasers consider when they're looking at buying nails?
17 What is important to them in a nail?

18 MR. LEFFLER: This is Joe Leffler with Hitachi.
19 I'll just reiterate. Once again, Hitachi is a very dominant
20 brand in the U.S. when it comes to the pneumatic nailer.
21 When a customer sees our nailer on the shelf, traditionally,
22 they're going to want the fastener that is made in the
23 Hitachi brand for that specific nailer.

24 There's a wide variety of ranges throughout the
25 U.S. of different specs. And Senco has their brand, Paslo

1 has their brands, Stanley Bostitch has their brand, and
2 Hitachi has their brand. So, my personal opinion is when
3 the consumer comes up to by the product, which is ultimately
4 who you're making the products for, they make a decision
5 based on brand. They make the decision based on the
6 packaging that they can buy, and what's conducive to the job
7 that they're doing.

8 And for us, Hitachi, it's very, very important
9 that the nails are made to our specifications, and that they
10 pass our QA requirements, and that we have them in stock and
11 that it's convenient for the customer to get it from a
12 distribution perspective. I think, in a nutshell, that's
13 probably the simplest way to say it.

14 MS. DAY: Thank you. Yes?

15 MR. ANDERSON: This is Tim Anderson with Viking.
16 Our customers come to us because they expect our machines to
17 be running 24 hours a day, 7 days a week with no down time.
18 And if they have nail problems ever, it's a huge problem for
19 them. And so, it's the long-term history that they have of
20 the quality of the nails, and their history of how much up
21 time they have with our machines.

22 MS. DAY: Thank you. I have no further
23 questions.

24 MR. DAVIS: Same thing for us too. We are a very
25 small company in Seattle, and we stock a full line of

1 fasteners. So, back to the availability and the mix, for
2 us, if you saw a laundry list of our orders, a typical
3 stapler might have maybe 40 SKUs on it, and our factories
4 probably hate us for those orders, but we have to carry
5 them. So, we might be buying 5, 10 boxes, and our customers
6 rely on that brand. So, there's no way that we could buy
7 domestically 20 cases of one size. And for us to stock
8 white boxes or different brands and sourcing would be cost
9 prohibitive.

10 MS. DAY: Thank you all very much.

11 MS. DEFILIPPO: Thank you Ms. Day. Mr. Houck,
12 questions for this panel?

13 MR. HOUCK: Jerry Houck, Office of Industries. I
14 want to thank the panel for being here. I have no
15 questions. Thank you.

16 MS. DEFILIPPO: Mr. McClure?

17 MR. MCCLURE: Jim McClure, Office of
18 Investigations. First, thank you for traveling from Seattle
19 and Minneapolis and wherever.

20 I had to laugh when you were talking about
21 nailing stuff into hard wood you in Minneapolis -- or into
22 frozen wood -- you would know that. I somewhat feel like
23 I've been in an NPR version of car talk, but it's just
24 called nail talk.

25 At times, talking about what the U.S. industry

1 will produce, and what you folks are importing or your
2 needs, it almost sounds like you aren't competing with each
3 other. Is that an incorrect sense? I mean East is east and
4 West is west, and you're almost not meeting. So then the
5 question would be, if that's the case, why allegedly sell
6 things at less than fair value?

7 MR. IPPOLITI: May I clarify? Are you asking the
8 people present, the importers presently on the panel do we
9 compete?

10 MR. MCCLURE: Right.

11 MR. IPPOLITI: Absolutely. Yes, we do.

12 MR. MCCLURE: And where, though?

13 MR. IPPOLITI: Where within the country?

14 MR. MCCLURE: With each other, yes; but with the
15 U.S. industry. I mean it almost sounds as if they're not
16 producing much of what you want.

17 MR. IPPOLITI: With Mid Continent I compete with
18 them throughout the United States. With Tree Island, I
19 compete with them predominately in the West. With Heico, I
20 compete with in the Northwest.

21 MR. MCCLURE: But say of all the products you
22 sell.

23 MR. IPPOLITI: With all products, okay.

24 MR. MCCLURE: What share, and this may be
25 confidential, or just a rough idea what percentage of the

1 times are you actually competing with them?

2 MR. LEFFLER: Jose Leffler with Hitachi. I think
3 that's a very valid question, and thank you for asking it.

4 Mid Continent, Hitachi, a lot of the suppliers
5 here there are some common fasteners. Like there's some --

6 MR. MCCLURE: That's my question.

7 MR. LEFFLER: You have a plastic collated nail.
8 You have wire collated nails. You have paper collated
9 nails. And in different regions of the country, there's
10 different manufacturers who are stronger than others. For
11 instance, Paslo and Senco have traditionally sold a
12 paper-collated fastener, so their brand is very strong when
13 it comes to paper.

14 Hitachi is one of the leading companies to bring
15 a plastic collated nail, which is probably the biggest
16 volume in strip nails. And then you get into coil wire
17 nails, which is also good in residential and multi-family
18 construction. But for Mid Continent's business, it's really
19 strong in the pallet industry, which they do a great job of
20 supporting that industry on pallet nails and bulk pallet
21 nails.

22 So, where do we compete? The majority of the
23 volume in the U.S., I would say probably somewhere in the
24 neighborhood of 60 percent, is going to come in the common
25 sizes that are very common across the U.S., which when

1 you're doing decking on a house, when they're putting the
2 floor of your house down that's 2 and 3/8-inch nails, or
3 when you're framing the house, the walls of the house that's
4 typically anywhere from three, three and a quarter.

5 Codes are changing because of the tornadoes and
6 hurricanes and all of the things that are happening, but
7 that's where the bulk of the competition comes. But I think
8 it's real important because you hit on a really good note.
9 We compete because we're all competing for that customer.
10 They have a tool brand. Mid Continent has a tool brand that
11 they try to go out and sell the whole package, just like
12 Senco, just Hitachi, just like Stanley Bostitch, just like
13 Paslo. We all compete.

14 So, the end user makes the choice and the
15 preference that he has, and we're all relative in terms of
16 what we're going after from a region to region. We have
17 distribution all throughout the United States with key
18 customers all over. And having the ability to bring the
19 product in to specific containers and ports that are nearby
20 is very, very important because the cost of shipping
21 throughout the U.S.

22 So, hopefully, I answered your question, and I
23 think it was a very good question.

24 MS. ZINMAN: As far as your question about
25 competing. There are certain markets where we don't compete

1 for the very reason because they don't make the product, or
2 they don't serve that level of customer because they don't
3 have the same service model. But they filed a petition for
4 relief that is the broad, huge brush. Every country, every
5 single type of nail, including nails that they don't make,
6 including to damage businesses or attempt to damage
7 businesses they don't even participate in. And I think
8 that's part of the frustration and the anger of the entire
9 industry is that what are you doing? What is your point?
10 Are you looking for protection for what you produce, or are
11 you punitively trying to damage another part of the market
12 that you don't even participate in for products that you
13 don't make for customer segments that you don't serve? And
14 that is the part that is unfair, even in their request.

15 MR. MCCLURE: Angry people with nail guns.
16 There's an interesting thought.

17 So, you say they won't produce certain types.
18 You, Mr. Leffler, work with Oman. What happens if a duty
19 goes on? Will you continue to buy their --

20 MR. LEFFLER: We not only work with Oman. We
21 work with a variety of other suppliers. We buy fasteners
22 from specialty here in the U.S. We buy from Beck in
23 Germany, which was mentioned earlier.

24 What would we do? Hopefully, there will be U.S.
25 producers that will seek out Hitachi after today, as I would

1 have to seek out customers that I'd want to sell. If not, I
2 mean I don't know what we'll do. I don't think that the
3 U.S. producers are going to want to sell Hitachi, so I think
4 that they have their own interest and their own brands. I
5 respect that. I mean I get it. But what are going to do?
6 We'll have to see where the market takes us and what
7 happens, and we'll do everything we can to source our
8 products for our customers. And if there's an opportunity
9 to do it domestically, we'll do it domestically.

10 MR. MCCLURE: But, in general, the orders would
11 have a chilling affect for where you -- any of you can
12 comment on this.

13 MS. ZINMAN: I think the market would be severely
14 damaged. I think you would see shortages. I think you
15 would see a period of where the housing recovery to the
16 point could possibly even be threaten, depending on what the
17 numbers came down as. So, I think this is a very serious
18 potential market catastrophe, depending on how this
19 investigation is determined.

20 MR. MCCLURE: Mr. Leffler, you mentioned not
21 working just Oman, but with Germany. For a while, I had the
22 sense that there was a tendency to work exclusively with one
23 country. Am I correct or incorrect there, or do most of you
24 -- I mean --

25 MR. LEFFLER: We source throughout Asia, from

1 Taiwan, Malaysia, Vietnam, Korean. But one thing that
2 bothers me, it's troublesome with Mid Continent's claim is
3 that they're suffering this hardship, and I see them in
4 every market I go to, especially in the West Coast, which
5 I've never seen them before. So, they're also coming into
6 our markets with very low pricing, and we're competing with
7 that on a daily basis.

8 MR. FISCHER: Peter Fisher, Continental. I think
9 I'm a perfect example. Even though I'm sale agent for
10 Astro, I buy from all those other countries, and I have for
11 years. I buy from Malaysia. I buy from Vietnam. I buy
12 from Turkey. I buy from Taiwan. So, I mean we represent
13 them, but we have to look for the best value for our
14 customers.

15 MR. MCCLURE: Mr. Anderson?

16 MR. ANDERSON: This is Tim Anderson with Viking.
17 It's taken us almost 21 years to have a supplier that we can
18 rely on with the quality that we need with our type of
19 customers. So, it would take us a long time to find a
20 source that could do it at quality levels, and we've used
21 Deacro and in the past we've used Mid Continent too. We've
22 had serious quality issues, returning truckloads of nails
23 from our customers because they didn't meet the quality
24 requirements. So, we don't know of anybody that can produce
25 in the volumes that we need or that our customers need that

1 we could go to if we couldn't buy from our factory in Korea.

2 MR. MCCLURE: Thank you.

3 This will be my last question. I believe, Mr.
4 Anderson, maybe you mentioned qualification and the
5 difficulty thereof, or one of you did. Do you have the
6 qualification process? I mean is there anybody who
7 wouldn't? I can't imagine you would. And have you had
8 particular difficulties in qualifying any of the countries
9 or the U.S. manufacturers?

10 MR. IPPOLITI: Master Fasteners has provided
11 private label for small distributors to large, original
12 equipment manufacturers, the biggest brands within the name.
13 And we also have specification requirements in which we give
14 to the mills, and the mills that are unable to meet those
15 requirements we do not do business with.

16 MR. MCCLURE: Anybody else?

17 MS. ZINMAN: We have the same.

18 MR. LEFFLER: Joe Leffler, Hitachi Power Tools.
19 We have a really strict requirement that our suppliers would
20 have the following, and they're all tested through QA, and
21 we regularly have the mills and the fasteners tested.

22 MR. MCCLURE: Okay, thanks to everybody. We
23 really appreciate you being here.

24 MS. DEFILIPPO: Thank you Mr. McClure. Actually,
25 that discussion and answers to your question I think covered

1 most of mine.

2 I'm going to follow up just really quickly on a
3 couple of things. Mr. Fischer in response to Mr. McClure
4 talking about buying from a variety of sources, is that to
5 fill out a product line or is that to just balance different
6 prices, or I guess why if you're associated with one
7 particular supplier.

8 MR. FISCHER: We've been an importer for 56
9 years. And some of these relationships are very, very old,
10 and we try to maintain them to a certain level. We buy
11 enough products that we can keep a little bit of business
12 going. And then there's also from where certain factories
13 are located, depending on where in the country we're
14 shipping there might be a big freight advantage, and certain
15 factories might be a lower cost producer in a certain
16 product group.

17 MS. DEFILIPPO: Thank you.

18 Mr. Ippoliti, you were just talking about some
19 sales or small sales of private label, and I should know
20 this since we've done a number of nail cases, but the
21 imported nails that are coming and if they're going to a
22 private label, are they being packaged and labeled over in
23 the foreign country or are you guys doing that service here?

24 MR. IPPOLITI: It's done with the facility that
25 manufactures the product for us.

1 MS. DEFILIPPO: That's helpful. Thank you.

2 MR. FISCHER: Peter Fischer. It's actually goes
3 one step further. We could have customers who are selling
4 their private brand and part of their orders could also be
5 for their customers' private brand. One container could
6 have mixed labels of more than one brand in the same
7 container.

8 MS. DEFILIPPO: So, it would be the same nail
9 product, but just a variety or more --

10 MR. FISCHER: Cornflakes, from a different
11 box.

12 MS. DEFILIPPO: Interesting. I will circle back
13 to Ms. Holec. You provided some information and referenced
14 common knowledge or industry sources, and this might be
15 something to address in a post-conference brief, but I was
16 interested in terms of what types of companies are you
17 talking about for industry sources? Are these importers
18 that you're talked to, or have you actually had
19 conversations and gotten input from other types such a Big
20 Box or what? So, I'm just trying to get context for some of
21 the comments that were made in your statement.

22 MS. HOLEC: Lynn Holec. No, it's with Mona and
23 her colleagues is the importers.

24 MS. DEFILIPPO: Last one. Mr. Ippoliti, you
25 mentioned direct container pricing, that was it, I think?

1 MR. IPPOLITI: Yes.

2 MS. DEFILIPPO: That's a term I actually haven't
3 heard, so what is that?

4 MR. IPPOLITI: That's pricing that's given to
5 customers that are going to order a full container, a
6 20-foot ocean container of product. That pricing, because
7 it goes directly from the mill to their door, they get a
8 price break on that compared to if they were to buy a
9 truckload out of my warehouse in California or Memphis, or
10 compared to the pricing in which I'm able to get a little
11 more margin on that would be a mixed pallet or a few pallets
12 of product.

13 MS. DEFILIPPO: Thank you. Anyone else?

14 With that, I will again thank you all very much
15 fro being here and providing us with a lot of very helpful
16 information.

17 With that, that concludes your panel. We'll take
18 a five-minute break. And I'll look around to the attorneys
19 and see does that seem reasonable to prepare your closings
20 statements? Yes. All right, we will come back in five
21 minutes.

22 (Whereupon, short recess was taken.)

23 MS. DEFILIPPO: Thank you everyone. We will now
24 move into closing statements.

25 Welcome back. And please proceed when you are

1 ready.

2 MR. GORDON: Thank you. And again, Adam Gordon
3 from Picard, Kentz & Rowe.

4 To start my closing, I'd like to make the brief
5 point the ultimate domicile of ownership of a domestic
6 producer or an importer is irrelevant to the Commission's
7 legal analysis.

8 In case you missed this morning, Mid Continent is
9 owned by Deacro a Mexican company. Tree Island is owned by
10 Tree Island Steel, a Canadian company, and by the way
11 PrimeSource is owned by Itochu, a very, very
12 large Japanese company. None of that is relevant to the
13 Commission's analysis in this preliminary determination.
14 And I submit that the many comments concerning, or allusions
15 to Mid Continent's current owners are intended merely to
16 distract as opposed to focus the issues that are before the
17 Department.

18 In my initial testimony, toward the end, I had
19 foreshadowed the fact that you were going to hear quite a
20 few statements concerning a variety of topics, most, if not
21 all of which, or many or most of which were irrelevant to
22 the legal analysis the Commission is charged with doing in
23 this preliminary determination.

24 The legal standard for a preliminary
25 determination request a reasonable indication of material

1 injury or threat of material injury. As we discussed in our
2 panel there is ample, abundant evidence on the record, far
3 more than a reasonable indication, showing that an
4 affirmative finding of material injury and threat were
5 appropriate is supported by the record, and I would say are
6 required on this record.

7 The Respondents' panel's presentation did nothing
8 to undermine the most relevant facts, nor in fact, did
9 nothing to undermine any of the facts that are presented on
10 the record. Looking at it differently, they have a very
11 high burden to try to obtain a negative preliminary
12 determination, and they have failed to satisfy that.

13 Many of the issues you heard mentioned this
14 morning are things that have already been argued to the
15 Commission, considered, and roundly rejected in the UAE
16 investigation. Whether with respect to production for
17 private labels, producing a full range of products in the
18 domestic industry, competition across all channels and all
19 parts of the market, these are things that the Respondents'
20 panel, in fact, confirmed, and the facts just haven't
21 changed.

22 Perhaps the two things that we heard new this
23 time around were one claim that any injury being suffered,
24 which I take as an admission that there's injury being
25 suffered, is self-inflicted. Unfortunately, the data just

1 don't show that. And I think that that, along with the
2 claim of Mid Continent being a price leader is the market
3 reflect the fact that the Respondents' panel, perhaps,
4 hasn't had a chance to analyze the questionnaire responses
5 that have come in, which show very clearly that all the in
6 dicta of injury are demonstrated on the record throughout
7 the domestic industry as a whole and with respect to
8 Mid Continent, whether it's respect to financial
9 performance, reductions in employment levels, delayed or
10 cancelled capacity, investments, things like that.

11 And with respect to the pricing, the preliminary
12 analysis, which is granted not on a complete record at this
13 time, but we hope to be soon, shows widespread underselling
14 across all product types, all pricing products, and all
15 periods. So, on this record, when you analyze the date, it
16 only supports one outcome, an affirmative determination of
17 present, material injury or with respect to the smaller
18 countries, Turkey and India, a threat-based determination to
19 continue to include them in the case.

20 Now, touching briefly on India and Turkey, it's
21 unfortunate that neither company actually sent an executive
22 from the company to be able to respond to questions
23 concerning their intentions in the market. However, the
24 evidence on the record concerning capacity in the countries,
25 concerning the producers' intentions to increase their

1 shipments to the United States and their focus on this
2 market very abundantly support a determination that there is
3 the potential that their export volumes will imminently
4 exceed 3 percent or 4 percent, depending on the threshold
5 one uses to apply of the total import volume into the United
6 States.

7 I heard some comments from the Respondents' panel
8 trying to back pedal away from the published capacity data
9 that the Indian companies themselves hold out as being what
10 they're able to do. I also heard a fair amount of
11 discussion concerning a Turkish company, Beksan, whose
12 information I haven't seen on the record yet. So, I'm very
13 curious to be able to better analyze those data. But based
14 on what we've seen from their import patterns so far, and
15 from the published statements, and also emailed
16 advertisements, these are producers that are very
17 aggressively targeting the United States market with an
18 intention to grow.

19 And if they're not included in the case, or
20 continued to remain in the case for purposes of a full
21 evaluation through a final investigation, we have no doubt
22 that will become the next export platforms to be relied upon
23 by many of the large importers who are here today.

24 So, having said that, we thank you very much for
25 your time and your investments in this. Thank you very

1 much.

2 MS. DEFILIPPO: Thank you Mr. Gordon.

3 We will now move to closing remarks for
4 Respondents. I have a post-it that says Mr. Schutzman and
5 Mr. Townsend, or just Mr. Townsend?

6 MR. TOWNSEND: Hello again. Dave Townsend again
7 on behalf of Oman Fasteners and Respondents.

8 I'd like to start by saying thanks to the staff
9 of the Commission for your time and attention today.

10 What I'm going to talk about before turning it
11 over to Mr. Schutzman is mainly non-price factors. We feel
12 like we have good arguments to make on price as well, and I
13 want to give an overview of some of the non-price factors
14 which were discussed extensively on the Respondent panel and
15 also on the U.S. industry panel.

16 I think this is important to get at the questions
17 Mr. McClure was asking at the end of the panel, which is
18 where is competition occurring and where is it not
19 occurring? And I want to emphasize that based on the
20 testimony today, there's whole swaths of the U.S. nails
21 market that is not served by the U.S. nail-producing
22 industry.

23 We heard about certain kinds of nails that simply
24 are not produced by the U.S. industry, and those are the
25 kinds of nails, for example, that Hitachi needs for its

1 nailers. They're very specifically designed nails that are
2 speced for Hitachi, and the U.S. industry simply is not able
3 to supply those.

4 Similarly, we heard the importance of specing
5 from Tim Anderson. He needs a specific kind of nail for his
6 product. And if the nail doesn't meet the specs, and
7 there's quality problems, as there has been from the U.S.
8 industry, that's a problem for him. That hurts his
9 business, so he can't choose it.

10 Relatedly, we've heard that the broad range that
11 are needed for certain consumers simply aren't available
12 from the U.S. industry. This means that a company like
13 Hitachi or Master Fasteners needs a broad range of products,
14 and it wants the full range of products. It doesn't want a
15 select number of products. And again, the U.S. industry
16 hasn't been able to supply that; and we heard that from the
17 U.S. industry this morning.

18 When they were asked about that, they candidly
19 admitted, yes, there are certain kinds of nails we can't
20 supply, and what we'll do is we'll refer that business
21 elsewhere. That's business they aren't even trying to get.
22 That's business they're not even attempting to compete to
23 gain.

24 And then another non-price factor is the
25 packaging. Some customers need very specific kinds of

1 packaging. We heard that from Jacob Davis at Carlton
2 Systems. He has a very specific packaging need in Seattle
3 and in the northeast region. The U.S. industry either
4 refuses or is unable to provide it.

5 Where there is competition is, as Mid Continent
6 candidly admitted this, this morning, is in the label box
7 segment. That's where there is competition. And as we
8 heard from Hitachi on the Respondent's panel, that's
9 business that Mid Continent isn't interested in. Again,
10 they're not even trying. They're not even trying to supply
11 Hitachi.

12 And so, I want to close by emphasizing to the
13 staff that there is only a limited area where competition is
14 occurring for the nail sales. That is all. Thank you.

15 MS. DEFILIPPO: Thank you Mr. Townsend. Mr.
16 Schutzman, would you like to join us and wrap this all up
17 for us?

18 MR. SCHUTZMAN: Thank you again. Max Schutzman.
19 I'll be relatively brief, not brief, but relatively brief.

20 Mr. Gordon has mentioned that given the orders in
21 China and in the UAE the parties have now moved to these
22 seven subject countries. Well, the parties have not moved
23 to these seven subject countries because there are countries
24 within the subject country group that have been there since
25 time in memoriam.

1 Taiwan is the largest. Taiwan has been around
2 for 20 years with relatively stable imports, Korea as well,
3 Malaysia as well, so it's not as if they moved to other
4 countries. They've been doing business with them for years
5 and years. These are not new sources of unfairly traded
6 imports, as they characterized them.

7 They were actually fairly traded, as I mentioned
8 in my opening statement, during the last two cases. It's
9 really interesting that they've become unfairly traded in
10 the last two years.

11 Mr. Gordon mentioned significant underselling
12 across all pricing products, and I asked who selected the
13 pricing products? The Petitioners selected the pricing
14 products for a very good reason. Should this case continue,
15 I tell you we intend to be very active in selection of
16 products in the questionnaires for the final.

17 They also talked about significant increases in
18 imports. In the case of Taiwan, the level of imports in
19 2013 are essentially the same as they were in 2008, and the
20 imports from Taiwan actually decreased from 2012 to 2013.

21 A comment about Mr. Klett's discussion of the
22 residential housing market and the increase by some 34
23 percent and why it was that Petitioners, and especially
24 Mid Con did not reap the benefit of that increase of 34
25 percent additional housing business. There's a very good

1 reason so far as Mid Con is concerned.

2 Mid Con is in the pallet nails business. Pallet
3 nails are not used in residential housing construction.
4 They're used in industrial business. So, there's a
5 disconnect between the residential and the pallet nail
6 business, which Mid Con is predominate in.

7 One of the witnesses on the Petitioners' panel, I
8 think it was Mr. Cronin mentioned that there is consistent
9 quality and service, which is understood among Petitioners'
10 products. Price is all that matters. Well, we've heard
11 from witnesses that consistent quality and service are not
12 understood and that there are problems with consistent
13 quality and service.

14 Another point to be made regarding Deacro,
15 which, as we know is a larger producer of steel wire rod,
16 which is a product nails are made from. There is a dumping
17 order on steel wire rod and Deacro's current deposit rate I
18 think is 12 percent. To the extent that Mid Con is
19 importing steel wire rod from Mexico, and we believe it is,
20 this is an additional cost that it is incurring. So, this
21 should be considered by you in your analysis.

22 In addition, the fact that Mid Con, essentially,
23 has only one warehouse. I realize there was testimony about
24 a satellite in California, but our understanding is that's
25 just a public warehouse. The fact that they only have one

1 warehouse to layman like me is mind-boggling. Hauling
2 everywhere across the country from the Midwest has to add
3 significant costs to their operation. And I think this is
4 another thing that you need to look at carefully.

5 And finally, Mr. Gordon just mentioned that the
6 fact that Mid-Con's parent company is a Mexican domiciliary
7 is irrelevant. Well, it was not intended as a distraction.
8 It was raised for a very good reason. The conditions of
9 competition regarding sources of non-subject imports, such
10 as Mexico, and sources of steel wire rod, which are being
11 sourced from Mexico, and the purchase pricing of those
12 commodities are relevant considerations. They were not
13 raised as distractions. Thank you.

14 MS. DEFILIPPO: Thank you. On behalf of the
15 Commission and the staff, I would like to thank the
16 witnesses who came here today, as well counsel, for helping
17 us gain a better understanding of the product and the
18 conditions of competition in the steel nails industry.

19 Before concluding, please let mention a few dates
20 to keep in mind. The deadline for submission of corrections
21 to the transcript and for submission of post-conference
22 briefs is Tuesday, June 24. If briefs contain proprietary
23 information, a public version is due on Wednesday, June 25.

24 The Commission has tentatively scheduled its vote
25 on these investigations for Friday, July 11. And it will

1 report its determinations to the Secretary of the Department
2 of Commerce on Monday, July 14. Commissioners' opinions
3 will be issued on Monday, July 21.

4 Again, thank you all for coming. This conference
5 is adjourned.

6 (Whereupon, the conference was concluded at 1:14
7 p.m.)

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