

UNITED STATES INTERNATIONAL TRADE COMMISSION

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

Pages: 1 - 122
Place: Washington, D.C.
Date: Tuesday, February 2, 2016

ORIGINAL



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FEB 03 2016

1 THE UNITED STATES INTERNATIONAL TRADE COMMISSION

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5 PRESSURE SENSITIVE) (FOURTH REVIEW)

6 PLASTIC TAPE FROM)

7 ITALY)

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9

10 Tuesday, February 2, 2016

11 Main Hearing Room

12 U.S. International

13 Trade Commission

14 500 E Street, S.W.

15 Washington, D.C.

16 The meeting commenced, pursuant to notice, at
17 9:30 a.m., before the Commissioners of the United States
18 International Trade Commission, the Honorable Meredith M.
19 Broadbent, presiding.

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1 APPEARANCES:

2 On behalf of the International Trade Commission:

3 CHAIRMAN MEREDITH M. BROADBENT (presiding)

4 VICE CHAIRMAN DEAN A. PINKERT

5 COMMISSIONER IRVING A. WILLIAMSON

6 COMMISSIONER DAVID S. JOHANSON

7

8 COMMISSIONER F. SCOTT KIEFF

9 COMMISSIONER RHONDA K. SCHMIDTLEIN

10

11 STAFF:

12 MARY MESSER, SUPERVISORY INVESTIGATOR

13 CAROLYN CARLSON, INVESTIGATOR

14 JENNIFER CATALANO, INTERNATIONAL TRADE

15 ANALYST

16 ANDREW KNIPE, ECONOMIST

17 JENNIFER BRINCKHAUS, ACCOUNTANT/AUDITOR

18 PATRICK GALLAGHER, ATTORNEY

19

20 SHARON BELLAMY, PROGRAM SUPPORT

21

22

23

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1 In Support of Continuation of the Order:

2 Husch Blackwell, LLP

3 Washington, DC

4 On behalf of:

5

6

7 APPEARANCES (Continued):

8

9 3M Company

10 Intertape Polymer Group, Inc.

11 Shurtape Technologies, LLC

12 Pressure Sensitive Tape Council

13 Rick Anderson, Global Business Manager, Packaging 3M

14 Company

15 Stephen Shuford, Chief Executive Officer, Shurtape

16 Technologies, LLC

17 Gregory A. C. Yull, President; Chief Executive Officer; and

18 Director, Intertape Polymer Group, Inc.

19 Dean Blockowitz, Vice President of Sales, Industrial

20 Channel, Intertape Polymer Group, Inc.

21 David Bennett, Vice President, Carton Sealing Tape and Film

22 Operations, Intertape Polymer Group, Inc.

23 Steven J. Vander Louw, Ph.D., Masking, Packaging, and

24 Personal Care Business Director, 3M Company

25

1 APPEARANCES (Continued):

2

3 Bruce Malashevich, President and Chief Executive Officer,
4 Economic Consulting Services, LLC

5 Kathryn Kobe, Director of Price, Wage & Productivity
6 Analysis, Economic Consulting Services, LLC

7 Steven Byers, Director of Financial Analysis Services,
8 Economic Consulting Services LLC

9

10 In Support of Continuation of the Order (continued):

11 Husch Blackwell LLP, Washington, D.C. Of Counsel: Jeffrey S.

12 Neeley, Michael S. Holton, Cortney O. Morgan

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9	Stephen Shuford, Chief Executive Officer, Shurtape	
10	Technologies, LLC	16
11	Gregory A. C. Yull, President; Chief Executive Officer; and	
12	Director, Intertape Polymer Group, Inc.	21
13	Dean Blockowitz, Vice President of Sales, Industrial	
14	Channel, Intertape Polymer Group, Inc.	23
15	David Bennett, Vice President, Carton Sealing Tape and Film	
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P R O C E E D I N G S

9:34 a.m.

CHAIRMAN BROADBENT: Good morning. On behalf of the U.S. International Trade Commission I welcome you to this hearing on Investigation No. 921-167 involving pressure sensitive plastic tape from Italy. The purpose of this five-year review is to determine whether revocation of an antidumping duty finding on pressure-sensitive plastic tape from Italy would be likely to lead to continuation or recurrence of material injury within a reasonably perceivable time. Documents concerning this hearing are available at the public distribution table. Please give all prepared testimony to the Secretary and don't place it on the public distribution table.

All witnesses must be sworn in by the secretary before presenting testimony. I understand that parties are aware of time allocations but if you have any questions about time, please ask the secretary. Speakers are reminded not to refer to business proprietary information in the remarks or in answers to questions. If you will be submitting documents that contain any information you wish classified as business confidential, your request should comply with Commission rule 201.6. I would like to request that all witnesses and council state your name for the record before delivering testimony and responding to

1 Commissioner questions. This helps the court reporter know
2 who is speaking at any given point.

3 Preliminary matters. Madam Secretary is there
4 any preliminary matters we ought to consider.

5 MS. BELLAMY: No. I would note that all
6 witnesses have been sworn.

7 CHAIRMAN BROADBENT: Thank you very much. Let's
8 proceed with opening remarks.

9 MS. BELLAMY: Opening remarks are those in
10 support of continuation, Jeffrey S. Neeley, Husch Blackwell,
11 LLP.

12 OPENING REMARKS OF JEFFREY S. NEELEY

13 MR. NEELEY: Good morning. I'm Jeff Neeley for
14 the record from Husch Blackwell. I'm joined this morning
15 from Husch Blackwell by my colleagues Courtney Morgan and
16 Michael Holton who've worked together with me on this case.
17 We've got a number of witnesses for you this morning to
18 present testimony.

19 We fully understand the reasons for this hearing
20 and are pleased to be here to provide information to the
21 Commission. I think that at the moment the Commission
22 actually has a great deal of information to make a decision
23 in this case. It's not one hundred percent ideal, which I
24 will get to in a second but I think there is a huge amount
25 of information on the record now and that information all

1 points in the same direction. For example, we have a very
2 good, I think, prehearing report by the Staff. It includes
3 some questionnaire responses from Italy, not very much,
4 which is a bit of a gap in the record, but there is some
5 meaningful information there and information that I think
6 you can gather some important insights into what is going on
7 in Italy.

8 Secondly, we have the Freedonia Report which we
9 submitted the well an excerpt from it, it's actually quite
10 a huge report, this is a report that is prepared by a
11 company that is really renowned throughout the world for
12 reporting on the tape industry and we submitted that for the
13 purpose of indicating what the excess capacity is in Italy
14 today.

15 Thirdly, we commissioned our own report on excess
16 capacity and that's the Alexander Watson report which we
17 added or submitted as an exhibit to our prehearing brief. I
18 think it's basically very consistent with what was in the
19 Freedonia Report and I could provide you a little bit more
20 detail on the capacity situation and is a bit more updated
21 than I think some of the things that are in Freedonia but it
22 reports in the same direction, that there's a substantial
23 amount of excess capacity.

24 Next, we have the report by Economic Consulting
25 Services, which we also put in the prehearing report, I

1 should see the prehearing brief and we will hear about that
2 in some detail today. A lot of that is confidential so
3 there is some limits to how we can address that but we will
4 address it in the testimony today.

5 Finally, you will hear some testimony from our
6 witnesses today on various aspects, both of the market of
7 the like-product, which I know many of you are interested in
8 and of the likelihood, the ultimate issue here which is the
9 likelihood of recurrence of material injury. All the
10 information on the record and the information here really
11 points in the same direction. There is a huge amount of
12 excess capacity in Italy first of all. Secondly the prices
13 from Italy to export markets are lower even extremely low,
14 even today. Third, that there's a very strong likelihood
15 that that Italian producers would come to the United States
16 in the absence of an order, just because there is really no
17 other alternative markets for them.

18 And finally, and this is in the ECS Report but is
19 also I think implied elsewhere, the impact on the U.S.
20 Industry would be material if there is a revocation of the
21 order. We have, as you know, examined the definition of the
22 industry again in this review. We've done so because we've
23 received new information and we have several witnesses and
24 will speak to that issue. The markets, frankly, have just
25 developed in different ways than we had anticipated three

1 years ago.

2 Largely, this was due to some really hard work on
3 the part of the U.S. Industry to differentiate hot-melt for
4 example from acrylics. We didn't really think it would be
5 quite as successful as it has been and that consumers would
6 appreciate the differences as much as they have. But they
7 have, and I think the proof is in the divergence in the sort
8 of how well the financial relationship in the industry is
9 doing within the acrylics as opposed to hot-melt.

10 Finally, just to touch on one issue is you know
11 there is a certain amount of, certain number of gaps in the
12 record and that is not the fault of U.S. Industry. It's
13 simply because we have not had full cooperation from the
14 Italian producers. They certainly know about this case,
15 they certainly had the opportunity to come here, they
16 certainly have every opportunity to answer the
17 questionnaires and provide the information. They didn't do
18 so. I think we've more than met our burden of coming
19 forward with information and providing you with very
20 detailed information on all of the relevant issues.

21 To the extent that there are gaps, I think that
22 they need to be filled with adverse inferences simply
23 because non-cooperation of the Italians is really a classic
24 example of non-cooperation. So with that, I will stop and
25 will begin with our witnesses. Thank you.

1 CHAIRMAN BROADBENT: Thank you Mr. Neeley

2 STATEMENT OF RICK ANDERSON

3 MR. ANDERSON: Good morning. I'm Rick Anderson
4 with 3M Company. I'm the Global Business Manager for the
5 Box-sealing Tape in the Industrial Adhesives and Tapes
6 Division of 3M. I testified at the Commission five years
7 ago in the sunset hearing and plainly some things have
8 changed in the industry since that time. I have a
9 bachelor's degree from the University of St. Thomas in St.
10 Paul Minnesota and an MBA from the University of Minnesota.
11 I've been with 3M for over twenty-one years. I have been
12 working in industrial business with the tapes for over
13 thirteen years. Before that I worked in the consumer group
14 for tapes.

15 When I was here five years ago, I talked about
16 the overlap between the plastic packaging tapes using the
17 three kinds of adhesives: Hot-melt, acrylic and natural
18 rubber. We in the industry recognize that there is some
19 overlap among some purchasers in buying that product but we
20 also know there's well-recognized separate products and are
21 sold as such world-wide. Five years ago I also
22 noted that while the production processes and the properties
23 of acrylic and hot-melt tapes are different, consumers are
24 willing to trade off some of the better qualities of the
25 hot-melts for the lower prices of acrylics. That trade-off

1 remains the case and there is certainly some competition
2 between hot-melt and acrylic products for some customers'
3 business. Developments in the last five years however have
4 taught us that the hot-melt and acrylic markets are more
5 distinct than we recognized and U.S. Production of the
6 products has moved in different directions.

7 While there is now very little acrylic production
8 left in the United States, the production of hot-melt is
9 doing quite well. The reason for this divergence is
10 performance, I have included, is due to the fact that the
11 markets are actually more similar than we've assumed five
12 years ago. Put another way, the performance characteristics
13 of the hot-melt and acrylic products do make enough of a
14 difference to enough consumers to create separate like
15 products. Many important customers will purchase the hot-
16 melt product in preference to the acrylic product because
17 there are sophisticated customers in the industrial sector.

18 Our ability to distinguish hot-melt performance
19 from that of acrylics and sell the hot-melt at acrylic
20 prices have been better than we expected five years ago.
21 While there has been competition hot-melt is plainly
22 recognized as a distinct and superior product by many
23 important customers. Other witnesses will provide details
24 in the production process differences between acrylic and
25 hot-melt tapes but I think that it is significant that 3M

1 has moved virtually all of its production offshore for the
2 acrylic packaging tapes but has been investing heavily in
3 the United States in hot-melt packaging tapes.

4 The Commission has the confidential figures and I
5 think you will agree that the investments are substantial.
6 I understand that other U.S. Producers are also making
7 significant upgrades to their hot-melt production
8 facilities. We do this because we believe that the future
9 of hot-melt packing tapes in the U.S. should be promising
10 and much different from the future production of acrylics in
11 the U.S.

12 Five years ago I mentioned that 3M brought back
13 some acrylic production from Asia to the U.S. in order to be
14 closer to its customers. That attempt did not work out well
15 and we now make virtually all of our acrylic tapes in Asia
16 and our affiliate in Taiwan.

17 Let me turn to the situation in Italy. As part
18 of my duties at 3M I travel to Italy to work with our
19 Italian subsidiary 3M Italia, so I think I'm fairly familiar
20 with the situation there. First, we should recognize that
21 Europe is a quite saturated market with regards to the
22 consumption of tapes including hot-melt packaging tapes.
23 Even with the expansion of the EU and growth of some new
24 members such as Poland, our analysis is that European
25 consumption growth for packaging tapes is relatively flat.

1 Second, Asia is a not a good potential market for
2 Italian hot-melt tape. One reason is that Asia remains
3 mainly a market focused on acrylic tape where price is
4 everything, thus the attraction of hot-melt tape is reduced
5 greatly. In addition, there is some local hot-melt capacity
6 in Asia for those companies who might want to purchase that
7 product, so profits in Asia and the distribution network are
8 not very attractive to Italian producers.

9 Other markets in the world such as Latin America,
10 Africa and the Middle East are limited in their ability to
11 absorb very much Italian hot-melt product. That brings us
12 to the largest consumer of hot-melt packaging tapes in the
13 world, United States. Because of the dumping order in
14 Italy, the volume hot-melt packaging tape to come into the
15 U.S. has been limited. However, we have provided
16 information on sales prices of Italian producers in the UK
17 in our brief and we can see from that information that
18 prices are low for major Italian producers. Where the
19 strong U.S. dollar alters the Euro and no other markets
20 available for growth, we think that there is likelihood that
21 the Italian Producers will sell to the United States at very
22 low prices in order to reenter the U.S. Markets in the
23 absence of a dumping order.

24 Finally, I have a few words about major Italian
25 producers. There are about twenty-five or so producers of

1 hot-melt tape in Italy who are subject of this dumping order
2 and the Italian Producers have the ability and incentive to
3 sell low prices to the U.S., but three require particular
4 attention. Vibac, which recently absorbed another large
5 producer Syron, now probably has the largest excess capacity
6 for both hot-melt and acrylic packaging tapes in Italy.

7 Our information, gathered by our affiliates in
8 Europe is that its prices have been very aggressive. A
9 second producer, Sicad may be slightly smaller than Vibac
10 but has very significant excess capacity to produce
11 packaging tape and its prices have also been low. Another
12 of the very large producers is NAR which has a huge amount
13 of excess capacity. I should note that NAR tried to enter
14 the U.S. in 1998 under this dumping order but that the
15 Commerce Department found a 12.66% dumping margin in their
16 sales so they seem to have backed off.

17 With low prices in excess capacity, if the
18 dumping order is revoked it will be easy for Italian
19 producers to get back into the U.S. Market in substantial
20 quantities in less than six months, in my opinion. There
21 has been consolidation of the purchasing side for
22 distributors of packaging tapes with several large
23 distributors such as Veritiv, Landsberg, Orora and Uline
24 being major players. These companies are a natural fit for
25 the Italian producers seeking to reenter the U.S. Markets.

1 Big box stores and private label sales as well as internet
2 sales create a market for Italian hot-melt products based on
3 price.

4 Thank you for your attention. I will be glad to
5 answer any questions you may have.

6 MR. NEELEY: Thanks, Rick. We'll turn next to
7 Stephen Shuford from Shurtape.

8 STATEMENT OF STEPHEN SHUFORD

9 MR. SHUFORD: Good morning. My name is Stephen
10 Shuford. I'm the CEO of Shurtape Technologies and have been
11 since 2010. I received my bachelor's degree from Princeton
12 University and then received my MBA from the University of
13 North Carolina at Chapel Hill. Our business is a
14 family-owned business and I am the 5th generation in my
15 family to run the business, which was founded in 1880 as a
16 single yarn-spinning mill in Western North Carolina.

17 Over the years, the business expanded to include
18 various types of yarn, twine, woven textiles, furniture and
19 eventually tape, which was started in the 1950's. In 1995,
20 our larger family received an offer from Tyco International
21 to buy the tape assets of our diversified business. At that
22 time, my immediate family decided to match Tyco's offer and
23 maintain control of the company in our family and in North
24 Carolina. We bought out the interests of our extended
25 family and as part of the deal we also took the textile

1 assets, which had been in decline for many years.

2 Over time, we exited the textile business by
3 closing, spinning off and selling those factories while at
4 the same time expanding our tape production capacity
5 including the construction of our hot-melt packaging tape
6 facility in 1998. We now are predominantly a tape business
7 and employer of over eleven hundred people in the United
8 States.

9 I mention this history because it is not simply a
10 part of the story of my family but is also a part of the
11 story of Western North Carolina where I'm from. I know that
12 the Commission is very familiar with the decline in the
13 fortunes of the textile and furniture industries in North
14 Carolina. Our success in the tape business has provided
15 good-paying jobs for people in the small communities where
16 we operate and we're a textile and furniture jobs are no
17 longer plentiful. The people who work in our plants are
18 drawn almost entirely from the immediate surrounding area of
19 the plants, where well-paying blue collar jobs have become
20 increasingly scarce.

21 Hudson, North Carolina where our hot-melt tape is
22 made is a very small town and it's difficult to exaggerate
23 the importance of the jobs we provide to that community.
24 Hot-melt packing tape is a core component of Shurtape's
25 overall adhesive tape portfolio representing approximately

1 half of our domestic tape production in terms of square
2 yards. Without a profitable hot-melt business, the
3 economics of our company would become significantly
4 challenged and the basket of products that we offer our
5 customers would become less compelling.

6 This is because hot-melt packaging tape is the
7 most meaningful tape category in terms of volume and dollars
8 for many of our industrial distributors. Let me now turn to
9 some discussion of how Shurtape has faced challenges in the
10 industry over the past eight years regarding packaging tape.
11 Like all U.S. packaging tape manufacturers we needed to
12 decide which strategy to pursue to service the needs of our
13 customers, some of whom wanted acrylic packaging tape; some
14 of whom demanded hot-melt tape. In 2008, we made a tough
15 decision to build a plant in China to produce acrylic
16 packaging tape. While we would have preferred to
17 manufacture all products in North Carolina we found that the
18 technology to produce acrylic tape is already widely used in
19 Asia and we would not be able to compete by manufacturing
20 these products in the U.S.

21 In addition to providing us with a competitively
22 priced acrylic packaging tape, we hope that our China
23 facility would also provide Shurtape with a base of
24 operations in China from which to pursue growth in the Asian
25 markets. We have not, however, been successful in

1 penetrating the Chinese market due primarily to excessive
2 supply of acrylic packaging products. This excess supply in
3 large part stems from the ubiquitous nature of acrylic
4 packaging tape knowhow and production assets in Asia.

5 I think these facts are important in assessing
6 the attractiveness of China as a market for Italian
7 packaging tape. Given choice between trying to sell from
8 Italy and the Chinese market or selling to the United States
9 in the absence of a dumping duty order, I have no doubt that
10 the Italian producers will choose the United States.

11 Shurtape, the smallest of the companies here today, does not
12 want to see a major product line like hot-melt packaging
13 tape decline. We have a world class plant, talented and
14 highly dedicated employees and a multitude of domestic
15 suppliers who themselves employ hundreds if not thousands of
16 U.S. Workers. Like 3M and Intertape, we are constantly
17 cutting back on waste in the production process, improving
18 our equipment and operator efficiencies and figuring out
19 ways to increase the speed and capability of our machinery,
20 but we cannot compete against massive imports at low prices
21 from Italy.

22 As the smallest company here, we could easily be
23 overwhelmed financially by large volumes of low prices in
24 the absence of a dumping order against Italy. If we were to
25 lose this review and were forced to file a new case because

1 imports from Italy have greatly increased at low prices, we
2 will have already begun to experience significant financial
3 and employment hardship.

4 Let me just finish by saying Shurtape's
5 importations and the importations of other U.S. Companies of
6 acrylic packaging tapes are not competing head-on with our
7 hot-melt products made in the United States. Our hot-melt
8 products provide meaningful performance advantages relative
9 to acrylics which is why this product line has continued to
10 grow for us even as the volume of acrylic tape imports has
11 increased substantially. We also are very competitive with
12 hot-melts sold from Italy at fair prices. Today, with the
13 order in place, the Italian producers know that if they
14 increase their volumes in the U.S. at low prices, the U.S.
15 Industry will ask that their sales be reviewed by the
16 Commerce department and there's a probability of incremental
17 dumping duties being imposed.

18 However, if the Italian producers are allowed to
19 sell at low prices and swamp the U.S. Market with their
20 excess capacity without the discipline of a dumping order,
21 our ability to compete in hot-melt packaging tape will be
22 significantly impaired. That loss would not only devastate
23 the hot-melt packaging tape industry in the U.S., it would
24 also threaten the ongoing financial stability of Shurtape,
25 one of Western North Carolina's most significant employers.

1 Thank you. I will be glad to answer any questions.

2 MR. NEELEY: Thanks Stephen. We'll turn next to
3 Greg Yull, who's the CEO of Intertape-Polymer Corp.

4 STATEMENT OF GREG YULL

5 MR. YULL: Good morning. My name is Greg Yull,
6 Intertape Polymer Work Group, also known as IPG. I'm the
7 CEO of the company. IPG's US headquarters are in Sarasota,
8 Florida, where my office is. IPG is a Canadian Company that
9 is publicly traded on the Toronto Stock exchange. With the
10 majority of manufacturing and revenues based in the U.S.,
11 IPG is the 2nd largest tape manufacturer in North America
12 and was founded in 1981. We employ approximately two
13 thousand people, mostly in the United States.

14 Hot-melt carton sealing tape was the original
15 product for IPG. This product continues to be one of our
16 largest product lines. Our hot-melt product line opens
17 doors in our customers' networks and allows us to
18 successfully market our other tape products. Our Danville,
19 Virginia plant makes both hot-melt and acrylic carton
20 sealing tape. I would like to thank the two Commissioners
21 and several Staff Members that visited our Danville facility
22 in December.

23 In addition to Danville, we also make hot-melt
24 product in our facility in Carbondale Illinois and make film
25 as well as natural rubber product in our plant in Brighton,

1 Colorado. All together, we have eight plants for tape
2 products in the United States with eleven plants in total
3 plus our headquarters in Sarasota. Our company has grown
4 largely through a number of acquisitions over the last
5 fifteen years, most recently we acquired TaraTape, which is
6 a producer located in Pennsylvania. We are the only
7 producer here today that produces natural rubber carton
8 sealing tape and the only significant producer left for
9 acrylic carton sealing tape in the U.S.

10 My colleague, Dean Blockowitz will explain in a
11 few minutes that markets for natural rubber and acrylic
12 carton sealing tapes have changed in recent years. In
13 analyzing the information for this review, we have come to
14 the conclusion that hot-melt acrylic and natural rubber
15 products each have different characteristics, uses,
16 customers and production processes. It is important to know
17 the recent changes in the corrugate industry have driven
18 demand for hot-melt carton sealing tape. Paper is
19 a highly recycled commodity in the U.S. Due to the amount
20 of recycled paper, the recycled content in corrugate boxes
21 has increased dramatically over the past few years. Because
22 of its superior adhesion and shear properties, hot-melt tape
23 has become the industry solution for sealing high recycled
24 content corrugated boxes. The situation has furthered the
25 differences in the market between the three carton sealing

1 tape technologies.

2 In assessing the situation in Italy, we concluded
3 that a major threat comes from hot-melt products in Italy,
4 where there is a significant market for the product in the
5 United States and where the overcapacity and willingness to
6 sell at low prices from Italy have been proven. We do not
7 want broader protection than unfairly traded goods than is
8 justified and are not looking that the order be extended on
9 products such as acrylic and natural rubber carton sealing
10 tapes.

11 Those products are either dominated by Asian
12 suppliers or are a small part of the U.S. Market. We
13 therefore ask that the Commission find that the standards
14 have been met to continue the dumping order against hot-melt
15 carton sealing tape from Italy. I will be glad to provide
16 any other information that you need. Thank you.

17 MR. NEELEY: Thanks, Greg.

18 We will now turn to Dean Blockowitz, also from
19 IPG.

20 STATEMENT OF DEAN BLOCKOWITZ

21 MR. BLOCKOWITZ: Good morning. I am Dean
22 Blockowitz and I am Vice President of Sales for the
23 Industrial Channel at Intertape Polymer Group. I have a
24 bachelor's degree in industrial management from the Georgia
25 Institute of Technology. I have been with IPG for 21 years

1 working in various roles within our -- within the Industrial
2 Channel Sales organization. In my position I am responsible
3 for strategic planning within the channel as well as
4 managing our industrial sales team. IPG fully supports the
5 position stated by 3M and Shurtape and believes that there
6 would be a recurrence of material injury to the domestic
7 industry if the antidumping order were to be lifted at this
8 time.

9 I would like to take a few moments to speak with
10 you today about the differences in consumer perceptions and
11 needs for hot-melt in acrylic pressure-sensitive tape and
12 also about why we believe there is no other market to which
13 Italian producers can increase their sales other than the
14 United States.

15 Our Danville facility carries out both
16 manufacturing and distribution operations for carton-sealing
17 tape. The manufacturing operations include polypropylene
18 fill manufacturing, adhesive coating, tape converting, and
19 polyethylene stretch film. Our Danville plant produces the
20 most popular carton-sealing tapes, hot-melt and acrylic
21 while the natural rubber product is produced sole in our
22 Brighton, Colorado facility.

23 Hot-melt, carton-sealing tape accounts for the
24 overwhelming volume of the production in the United States
25 with acrylic and natural rubber accounting for the rest.

1 The major usage of carton-sealing tape for hot-melt is for
2 industrial use in sealing boxes, most of which is done
3 through automation. The industrial usage is much greater
4 than the occasional use by a consumer. IPG and others in
5 the industry have been largely successful demonstrating to
6 industrial customers that the superior performance
7 characteristics of the hot-melt product make it worth the
8 cost compared to the acrylic product.

9 While hot-melt and acrylic carton-sealing tape
10 are the major alternatives, the prices have also varied.
11 This trend towards hot-melt in preference to natural rubber
12 has continued in recent years so that natural rubber now has
13 settled into a very small share of the market.

14 Currently we find that hot-melt tape consumers
15 are willing to pay a 15 to 20 percent premium over the
16 acrylic tape because of its high sheer and machine
17 automation capabilities. Hot-melt tape has the widest range
18 of applications both manual and automatic, superior adhesion
19 properties, sheer strength and provides reliable seals to a
20 variety of corrugated and liner-board boxes. Acrylic tape,
21 unlike hot-melt tape does not unwind smoothly which makes
22 the dispensing process less efficient, particularly when
23 used in an automated environment. These characteristics are
24 highly undesirable for automated environments as they lead
25 to longer dispensing times and frequent equipment jams.

1 Hot-melt PSP tape on the other hand can be
2 dispensed more smoothly and as a result is generally favored
3 in automated and industrial operations.

4 Hot-melt, carton-sealing tape has a release
5 coating to prevent the adhesive from sticking to the plastic
6 backing when on a roll which is generally an important
7 feature for machine application.

8 Acrylic tape does not generally have such a
9 release coating. IPG has a great deal of experience in
10 purchasing machinery from Italy for its production. Our
11 executives frequently travel to Italy to purchase machinery.
12 Italy makes the most sophisticated machinery in the world
13 for the production of tape and that machinery is readily
14 accessible to Italian producers of tape.

15 We strongly agree with the estimate provided in
16 our joint brief that indicates that there is significant
17 excess capacity in Italy available for the United States.

18 Furthermore, the level of technology coming out
19 of Italy on their machinery and tape products indicates that
20 they can compete in overall quality versus U.S.-made
21 products. In fact, the two giants in the world of hot-melt,
22 carton-sealing tape production are the U.S. and Italy.

23 In order to stay competitive, U.S. producers must
24 continually invest in R&D and the latest technology. IPG
25 continues to make great strides in making our plants as

1 efficient as possible. We have achieved this through the
2 purchase of some new machinery, but also by using our people
3 more efficiently and having better inventory control.
4 However, all of this hard work and our investments for the
5 future would be put at risk very quickly if this renewed
6 source of dumped and low-priced tape from Italy were allowed
7 to enter the United States.

8 We believe it will happen because of the current
9 channels of distribution, private label opportunities and
10 sophistication of the Italian producers make it very easy
11 for them to reenter this market. The overall barriers to
12 entry and access to the U.S. market will require very
13 limited investment. The Italian tape producers are
14 well-known in the world market and the distribution network
15 for products is well established and the Italian producers
16 will be able to move into that network quickly.

17 I do not think that it would take more than six
18 months after the lifting of the dumping order for the
19 Italian companies to have a major impact in the U.S.
20 hot-melt market.

21 The economists have asked me to address the issue
22 of whether it is likely that a small change in relative
23 prices would change -- would produce a much larger change in
24 relative demand. In my experience this would not be the
25 case. This is a mature industry with a low rate of growth

1 in demand. Going back in history the lower-priced acrylics
2 made some inroads into the demand for hot-melt products.
3 But that carving up of the market has stabilized.

4 What we have learned over the past few years is
5 that acrylic and hot-melt products have settled into their
6 niches in the market and the substitution back and forth is
7 less than many had expected. As a result the hot-melt
8 industry has been successful in the U.S. while the acrylic
9 industry largely has moved offshore.

10 As for other substitutes not covered by the
11 existing order in Italy, the likelihood of actual switching
12 between those products and hot-melt is theoretically
13 possible, but not commercially feasible. Or we have seen
14 such switching back and forth -- or we would have seen such
15 switching back and forth in the past.

16 As a general matter within the hot-melt market,
17 price and quality are usually the most significant factors
18 in buying decisions. Without a dumping order in place, the
19 Italian producers would be able to offer very low prices and
20 huge quantities of product. While the U.S. producers have
21 been successful in differentiating the hot-melt product from
22 the acrylic product in the eyes of the customers, based on
23 performance characteristics within the hot-melt segment of
24 the market is -- price is the deciding factor particularly
25 for industrial uses.

1 The last thing we need in the U.S. industry is to
2 have the high end of the market devastated by dumped-Italian
3 product. We do not believe that the Italian industry has
4 any other market that is nearly as attractive as the United
5 States. Absent the existence of a dumping order, we
6 strongly believe that available volumes and values of
7 Italian, hot-melt, carton-sealing tape would have a
8 devastating effect on the U.S. industry.

9 Thank you.

10 MR. NEELEY: Thanks, Dean.

11 Next we will turn to Dave Bennett, also from IPG.

12 STATEMENT OF DAVE BENNETT

13 MR. BENNETT: Good morning. I am David Bennett
14 and I am Vice President of Carton Sealing Tape and Film
15 Operations at Intertape Polymer Group.

16 In my position I am responsible for overseeing
17 the operations of five IPG locations that manufacture
18 pressure-sensitive PSP tapes and films. The locations
19 include Danville, Virginia; Tremonton, Utah; Carbondale,
20 Illinois; Menasha, Wisconsin; and Brighton, Colorado.

21 As my colleagues have indicated,
22 IPG strongly believes that there would be a recurrence of
23 material injury to the domestic industry if the antidumping
24 order against PSP tape were to be lifted at this time.

25 I appreciate the opportunity to speak to you

1 today about the production process for hot-melt PSP tape.
2 We were very fortunate to have two of the Commissioners and
3 several ITC staff members tour our Danville, Virginia
4 facility in December of 2015. We manufacture and distribute
5 pressure-sensitive carton sealing tape in Danville.

6 The plant was founded in 1987 and has over 280
7 team members with an average of 12.5 years of service. Our
8 engaged associates in Danville operate a safe, world-class,
9 large-scale facility. The new jobs that Intertape created
10 over the last 29 years have helped to stabilize Danville's
11 and Pennsylvania County's economy during a time when
12 textiles and agriculture were in a decline. Approximately
13 80 percent of Danville's production product mix is hot-melt,
14 carton-sealing tape and 20 percent is acrylic carton-sealing
15 tape.

16 The Danville plant's operation is a significant
17 portion of Intertape's sales revenue. The Danville plant
18 has grown to over 500,000 square feet of manufacturing and
19 distribution facilities under one roof with investments of
20 approximately 100 million.

21 The starting material for tape is polypropylene
22 film which we manufacture ourselves at IPG.

23 Railcars arrive with polypropylene resin pellets
24 which are extruded into films for packaging tape production.
25 We then take those rolls of film and coat them with

1 monocoating line with hot-melt adhesive on one side, and
2 release agent on the other. The release coat controls the
3 unwinding of the tape for conversion and consumer
4 applications. The release coat also greatly increases the
5 speed and automated processes when a large roll called a
6 machine-length roll is used. Most hot-melt is used in
7 automated, industrial applications. So the inclusion of the
8 release coating is an important part of the process. The
9 adhesive must also compound in our plant using various
10 rubbers and resins.

11 These processes utilize the latest in
12 technologies and a high degree of automation. Our operators
13 service and monitor these processes are skilled technicians
14 which require a high degree of training and computer
15 competence.

16 Acrylic tape starts with similar grades of
17 polypropylene films. These films are coated with a
18 water-based emulsion adhesive acrylic tape does not have for
19 the release coat. It has a much slower unwind and is
20 primarily used in consumer applications where the tape is
21 applied by hand. Both acrylic and hot-melt master rolls are
22 being converted into smaller widths of tape on a tape
23 splitter. And the split tape is then packaged and prepared
24 for shipping. Hot-melt and acrylic PSP tapes have
25 completely different or separate product production

1 processes and coating lines.

2 While hot-melt uses a continuously compounded SIS
3 rubber-based adhesive, acrylic uses a water-based acrylic
4 emulsion. The adhesive for hot-melt is extruded into the
5 film while the acrylic adhesive uses a more traditional
6 rolled coating method. Hot-melt also runs considerably
7 faster than acrylic.

8 As we demonstrated in our Danville tour, the
9 ovens for acrylic carton sealing tape are different and much
10 longer than the ovens for hot-melt product.

11 And because the acrylic product is water-based,
12 the drying process takes longer for the acrylic tape.

13 The differences I have described regarding
14 hot-melt and acrylic PSP tape production also result in
15 different storage, pumping, and mixing systems. The capital
16 cost for hot-melt production are significantly higher than
17 for acrylic production and is more technologically
18 sophisticated.

19 All IPG carton-sealing tape products undergo a
20 battery of quality control which predict their performance
21 in a wide variety of customer applications. As those who
22 have toured our Danville plant observed, those tests
23 revealed major differences between the final products,
24 acrylic and hot-melt PSP tape. It has recently become
25 apparent to U.S. producers of carton-sealing tape like IPG

1 that hot-melt, carton-sealing tape is a separate like
2 product from other kinds of carton-sealing tape.

3 There are distinct physical characteristics,
4 usage, customers, machinery, and equipment and pricing
5 levels that separate hot-melt, carton-sealing tape from
6 acrylic carton-sealing tape.

7 Carton-sealing tape is one of our company's
8 flagship products in the production of carton-sealing tape
9 in Danville, Virginia and Carbondale, Illinois is vitally
10 important to Intertape's operations.

11 Thank you for your attention and I will be glad
12 to answer any questions that you may have.

13 MR. NEELEY: Thanks. And we'll wrap up our
14 testimony with the folks from Economic Consulting Services
15 who will discuss the study that they prepared.

16 STATEMENT OF BRUCE MALASHEVICH

17 MR. MALASHEVICH: Good morning, Madam Chairman
18 and members of the Commission. It's a pleasure to be here,
19 as always.

20 I'm here at the invitation of counsel to the
21 domestic industry and I'm joined by two of my colleagues,
22 Ms. Kathryn Kobe to my left, and Dr. Stephen Byers sitting
23 right behind me.

24 We operated as a team on this project. And I
25 have to say, this is one of the most interesting cases I've

1 been involved in from my professional perspective.

2 Our mission was to develop an economic model that
3 is technically sound and which generates the most reasonable
4 estimate of the economic impact revocation of the relevant
5 order in this case against Italy.

6 We believe we succeeded in that mission given the
7 data available in the record of this case. Our written
8 report is appended to counsel's prehearing brief and
9 discusses our methodology and findings in considerable
10 detail.

11 However, the underlying data are of an APO
12 nature, so what you'll hear today is more of a summary of
13 those findings. We are prepared to share our underlying
14 worksheets and other papers as part of counsel's
15 post-hearing brief at the request of the Commission or
16 staff. We otherwise will be available for ongoing
17 consultations with staff to permit replication of our
18 results.

19 You will see that the magnitude of the likely
20 adverse impact of revocation is quite substantial by any
21 reasonable measure under the five scenarios we tested.

22 I will now turn the floor over to Ms. Kobe who is
23 the principal author of our study.

24 STATEMENT OF KATHRYN KOBE

25 MS. KOBE: Good morning, Madam Chairman and

1 members of the Commission. My name is Kathryn Kobe, I'm the
2 Director of Price, Cost and Productivity Analysis at
3 Economic Consulting Services.

4 My colleague, Dr. Steven Byers and I were asked
5 to review the available information on pressure-sensitive
6 plastic tape subject to the order and to produce a range of
7 scenarios that would quantify the likely economic impact on
8 the U.S. industry of the order being removed, with special
9 attention to the hot-melt portion of the industry.

10 We were also asked to consider changes in
11 economic circumstances since the time period of the last
12 review that might impact the sensitivity of the market's
13 reaction in the event of the order being lifted.

14 The antidumping order covers several different
15 types of PSP tape imported from Italy which can be
16 classified into the general categories of acrylic, natural
17 rubber, and hot-melt. While the tape can be used for
18 several purposes, its principal use is to seal boxes and
19 cartons. Consequently the demand for the tape is strongly
20 tied to the demand for cartons and boxes, a relationship
21 that is cited in the prehearing report at II-11.

22 Because of this relationship, demand is not very
23 much as the price of the tape changes. The U.S. industry
24 primarily produces hot-melt PSP tape and the Italians are
25 also major producers of hot-melt. It is my understanding

1 that Asian producers focus mostly on the production of
2 acrylic tape.

3 Hot-melt refers to the production method of
4 applying the adhesive to the backing. As the prehearing
5 report notes, hot-melt PSP tape is often used in high-speed
6 sealing lines, but may also be used in cold application
7 machines or hand-sealing applications.

8 The use of machinery in sealing lines also limits
9 the substitutability of other methods of box sealing while
10 boxes can be sealed with staples, glue, or paper tape, the
11 investment in this tape sealing machinery would prompt
12 producers to keep using PSP tape unless there was a very
13 major change in the relative prices between the sealing
14 agents.

15 There have been several changes in the economic
16 circumstances in the United States and in Europe since the
17 last review was done. In determining the scenarios, we
18 considered those circumstances. First and foremost has been
19 the very sharp decline in the Euro against the dollar
20 especially within the last few years.

21 In general such a decline tends to make the
22 prices of products from the Euro zone cheaper in U.S.
23 currency than they otherwise would be. The IMF's recent
24 world economic report provides a summary of research on this
25 general topic. The world economies have recovered from

1 their recession that they experienced during the prior
2 review period. However, information in both the prehearing
3 report and in other industry reports indicate that excess
4 capacity continues to exist both in the U.S. and Europe.

5 We focused on the relative U.S. and European
6 markets because the largest markets for Italian produced PSP
7 tape are European and particularly the Euro zone. We also
8 note that the Euro zone has expanded by several countries
9 since the last review which means that additional European
10 countries are now operating with the Euro as their currency.

11 In addition, we consider the impact of the change
12 in oil prices on the production costs of PSP tape. However,
13 considering that the European market appears to be
14 competitive, we assume that oil price declines tended to be
15 beneficial to all producers.

16 Furthermore, for the short-term of our analysis,
17 the probability of a sharp increase in oil prices seems very
18 low.

19 Using a static economic simulation model, we
20 analyzed two boundary scenarios for the entire subject
21 market and then refined the approach to examine the
22 potential impact on the hot-melt market specifically. The
23 underlying data for both sets of scenarios comes from the
24 prehearing report primarily from Appendix C, with specific
25 submarket details taken from the questionnaire responses of

1 the U.S. and foreign producers.

2 These data were assumed to establish the average
3 short-term financial structure of the U.S. producers as they
4 produced the subject products.

5 Our outlook period is a relatively short one to
6 two years. While the model itself analyzes just the next
7 year, that should be considered as indicative of the impact
8 within a 12- to 24-month period. To the extent that
9 purchasers buy on a spot or transaction by transaction
10 basis, their response to changes in relative prices can be
11 made very quickly. Only about half the responding
12 purchasers requires precertification PSP tape and those that
13 do required certification or qualification indicated that
14 the time to receive such approval is quite short ranging
15 from ten to 180 days.

16 And no purchaser indicated that a company
17 attempting to qualify had failed to do so in the past seven
18 years. See the prehearing report at II-17.

19 Purchasers also cited price, product consistency
20 and availability as the top three important factors in
21 considering purchases. This range of factors indicated that
22 purchasers would make adjustments in a relatively short
23 period of time. Also our clients inform us that the end-use
24 capacity in Italy can be brought back on line in a
25 relatively short period of time, indicating a relatively

1 quick, response from the Italian industry if the order was
2 lifted.

3 In the two scenarios covering all PSP tape,
4 demand for the tape is assumed to increase at the annual
5 rate of increase for the United States for the tape as
6 presented in the Freedonia Report, a report that is also
7 cited in the prehearing report of the staff.

8 For the hot-melt portion demand was assumed to be
9 relatively flat although an assumption of modest growth did
10 not change the results of the scenarios in any significant
11 way.

12 The price changes used in the scenarios were
13 determined from two sources. One was to review price
14 comparisons between U.S. and Italian products reported
15 To the Commission as noted at V-25 of the prehearing report,
16 prices for subject PSP tape imported from Italy were below
17 those for U.S.-produced product in all instances reported.

18 The magnitude of the underselling margins we
19 considered can be reviewed by looking at the specific in on
20 those responses. In addition, we reviewed information
21 provided by counsel on recent pricing of sales by Italian
22 producers in the United Kingdom compared with prices in the
23 United States of like products.

24 To make a conservative estimate, we adjusted the
25 U.K. prices by considering additional transportation costs

1 to the United States and then considered the smallest
2 differential indicated by the resulting numbers. The price
3 differential also provided us with a method of evaluating
4 how attractive the U.S. market would be to Italian producers
5 who currently have unused capacity. As noted in the
6 prehearing report, most of the Italian exports of adhesive
7 tape go to other European countries, of the top ten import
8 markets listed on Table IV-7, only the United States is not
9 a European country.

10 In fact, the Freedonia report indicates that
11 Italy is Europe's dominant producer of PSP tape and that it
12 focuses largely on hot-melt, producing more than its home
13 market consumes.

14 Italian producers also reported that demand in
15 their home market had either fluctuated or decreased. Thus,
16 the indicated price differential would make the U.S. market
17 attractive if the order was rescinded.

18 For our two boundary scenarios it was not
19 necessary to determine what the U.S. producers' response
20 would be to a sharp price decline. However, in scenario 3H,
21 we did make a relatively conservative assumption about the
22 potential price change based on the European market
23 information and also made somewhat conservative estimates of
24 U.S.-producers' supply response.

25 The prehearing report indicated a supply

1 elasticity in the three to five range. We agreed that this
2 product would have a supply elasticity greater than one but
3 thought a more conservative approach was warranted for a
4 short-term response to a relatively large price decline.

5 We could not find an estimate of the supply
6 elasticity for this industry, but we did find a study on
7 substitutional elasticities that we thought would be
8 indicative of the short-run magnitude for the supply
9 elasticity since producers would reduce supply by at least
10 the amount that imports increased. Consequently, we have
11 used a relative conservative short-term, short-run supply
12 estimate of about 1.2 to make our first round estimates of
13 the industry response.

14 Given the impact on the financial situation of
15 the producers, the long-run impact for the industry overall
16 could be even larger.

17 We would invite a discussion with staff on any of
18 our assumptions.

19 We ran five scenarios total, two boundary
20 scenarios for the entire market, and three scenarios for the
21 hot-melt portion of the market. To summarize our results,
22 we first tested for the entire market and for the hot-melt
23 market what would happen if the U.S. producers dropped their
24 price to match the price levels of the Italians and thus
25 maintain their market share.

1 We found that current U.S. production, based on
2 the average industry cost structure, was unsustainable at
3 that price.

4 Our second boundary scenario, again done for the
5 entire subject market and separately for hot-melt, was to
6 determine what the impact on the U.S. industry would be if
7 all the measured excess capacity of the reporting subject
8 Italian producers was to flow to the U.S. market. That
9 assumption resulted in a large decline in U.S. production to
10 a point where U.S. producers filled just that portion of
11 U.S. demand that the Italian imports would not fill.

12 While the scenario looks at the financial impact
13 based on being able to maintain the current average price in
14 the U.S. market on the remaining supply, that is an unlikely
15 price response given that U.S. producers would react to the
16 lower Italian prices and would also compete with each other.
17 However, the assumption that all the reported Italian
18 subject excess capacity entered the U.S. market would reduce
19 U.S. production to a point that would be described as very
20 serious.

21 While it is unlikely that all of the Italian
22 reporting companies' excess supply would be used to produce
23 PSP tape for the U.S. market, it is important to remember
24 that the reporting companies are a small percentage of all
25 the PSP tape producers in Italy.

1 The Freedonia report indicates that there are
2 numerous other producers for whom data were not reported.
3 Therefore this estimate is likely to be less than the
4 potential production coming from the Italian producers.

5 The third scenario which focused only on hot-melt
6 looked at a conservative estimate of likely decline in U.S.
7 prices and a conservative estimate of U.S. producers'
8 response to those prices to determine an approximate
9 resharing of the U.S. market between U.S. producers and
10 Italian producers.

11 Since it is questioned whether all U.S. producers
12 could profitably produce at the assumed lower prices,
13 aggregate U.S. production would suffer and their long-run
14 viability would be in jeopardy, again, when one must
15 consider that the reported Italian industry capacity is
16 likely understated making this a conservative scenario as to
17 the size of the actual adjustments that might take place.

18 That completes my testimony. But for a more
19 detailed review of these scenarios, please see our complete
20 report included in the confidential version of Mr. Neeley's
21 prehearing brief.

22 Thank you very much.

23 MR. NEELEY: Thank you. That completes our direct
24 testimony. We would be glad to take questions.

25 CHAIRMAN BROADBENT: Thank you, Mr. Neeley, and

1 thank you to all the witnesses that came up here from their
2 factories. We also appreciate the hospitality when we had
3 our team down there to visit. I was really sad I had to
4 miss that trip, but we got a great trip report from the
5 staff and it seemed to be a worthwhile trip.

6 Mr. Neeley, do you have any kind of visual aids
7 here to show us the product we're talking about?

8 MR. NEELEY: Actually, we have some samples we can
9 give you. We kind of messed up when we came over there that
10 we didn't bring the acrylic product that we had intended and
11 left it, but I would--maybe, yeah, you have the ones that we
12 provided I think during the factory tour.

13 CHAIRMAN BROADBENT: No, actually, no. This is
14 from my house.

15 MR. NEELEY: Well, even better.

16 (Laughter.)

17 MR. NEELEY: Even better. Let me go to the back
18 of the room, or get one of my colleagues to, and bring up
19 some of the other samples, including one that goes on a
20 machine, so you can kind of visualize the size.

21 But if you have an acrylic there we can look at
22 that, and that's free, because that for some reason is one
23 thing we missed. Yeah, Michael, if you can pass those
24 around, that would be good.

25 CHAIRMAN BROADBENT: Sorry, I know--

1 MR. NEELEY: And what I'll do, is I will have--
2 since I'm not the real expert on this stuff, I will have
3 Dean Blockowitz explain. I will have Dean explain what each
4 of them are.

5 CHAIRMAN BROADBENT: Okay, well now we've got
6 these up here, and then Commissioner Schmidtlein will begin
7 with her questioning and we can get to describing these as
8 we go on.

9 Commissioner Schmidtlein?

10 MR. NEELEY: All right.

11 COMMISSIONER SCHMIDTLEIN: Thank you. Good
12 morning. Yes, I participated in the tour in Danville, so --
13 which was very interesting and helpful, and thank you for
14 the hospitality when we were down there.

15 So I want to start I guess with a question for
16 Mr. Neeley, just to clarify your position. Are we talking
17 about two categories of domestic products, or three? In
18 other words, are you arguing that natural rubber and acrylic
19 is in one, or two, in and of itself?

20 MR. NEELEY: Yeah, I understand. To be quite
21 open, I mean our focus has been on the hot-melt. And so
22 what we have focused on is that hot-melt is separate from
23 any other like-product. And our interest is only in
24 continuing with regard to the hot-melt product, to
25 continuing the Order with regard to the hot-melt product.

1 I think if -- we frankly didn't spend a whole lot
2 of time thinking about whether natural rubber was separate
3 from acrylics. In point of fact, it probably is. I mean,
4 they are at very different price points. They are
5 physically different. They're made in different factories,
6 and all of that.

7 I'm not sure that the Commission necessarily has
8 to reach that question in terms of analyzing the data in
9 this case. And the reason is that if it agrees with us that
10 hot-melt is a product and there would be a recurrence of
11 injury, then you would find affirmative with regard to that
12 product. With everything else that's in the Order, given
13 the lack of interest by anybody in the U.S. industry, a lack
14 of interest by anybody else period throughout the world, I
15 think you could find in the negative, and that you could
16 effectively --

17 COMMISSIONER SCHMIDTLEIN: I guess that really is
18 my question. I mean, could we? I mean I don't think a
19 basis for revoking an Order here at the ITC is that the
20 industry is no longer interested in it; that you really need
21 to go to Commerce to do that. And so if we were to write an
22 opinion saying, okay, we're going to find that hot-melt is a
23 separate like-product, and here's the reasons if we accept
24 the uses, all of these different things that you've pointed
25 to, wouldn't we then also have to explain whether or not we

1 find that natural rubber and acrylic are separate
2 like-products? And depending on what we find there--let's
3 put that question aside--to revoke that Order, wouldn't we
4 then have to say we don't think that this is going to injure
5 the domestic industry?

6 And so that would lead to my next question, which
7 is: Since Italy is still producing acrylic and hot-melt,
8 what would we point to to say we think there's going to be a
9 big increase in hot-melt but we're not going to see that
10 kind of increase or pricing in acrylic from Italy?

11 MR. NEELEY: I guess I would put it -- I agree
12 with you on the revocation of lack of interest being a
13 Commerce issue, for sure I agree with that completely. But
14 I guess I would put it differently.

15 What we have here is testimony by the U.S.
16 industry that there's no injury by reason of a natural
17 rubber or the acrylic. So whether you find one, two, three,
18 five, it doesn't matter how many industries you find, the
19 testimony is the same. There's no injury.

20 Secondly, nobody else has come forward and
21 testified that those are going to be injurious to the U.S.
22 industry. So I think that alone, you could make a no-injury
23 finding--

24 COMMISSIONER SCHMIDTLEIN: Just based on your
25 saying that, without looking at what the capacity is, or

1 what the other markets are for Italian acrylic or natural
2 rubber, that kind of thing? We wouldn't need to do any of
3 that? It would just be a simple --

4 MR. NEELEY: If you want to, you can, but I don't
5 think you have to. In this circumstance, I don't think you
6 have to as a legal matter because you do have information
7 from the people who know best whether or not that is
8 injuring them.

9 COMMISSIONER SCHMIDTLEIN: Because demand for
10 acrylic is going up here in the United States, right? And
11 you see the imports going up. So why wouldn't we find that,
12 yeah, if the Order comes off we're going to see more of that
13 also coming in?

14 MR. NEELEY: Well the reason we didn't--and I
15 guess this goes to the reason we didn't include acrylics,
16 because obviously we thought about this and we could have
17 included acrylics in this case because it's in the scope of
18 the Commerce Order--but as we looked it, the acrylics that
19 are coming in, and the strong acrylic threat, or it's not
20 even a threat anymore, the acrylics have simply moved to
21 Asia. And so when we're focused here on Italy where there
22 is some acrylic production, it's just not a major factor.

23 And so that's why we concluded that the threat,
24 or the--it's not really a threat -- the recurrence of injury
25 from Italy is not, is not an issue here, is not a concern.

1 And natural rubber, on the other hand, is just a very small
2 part of the market. It's gone in a different direction
3 altogether.

4 So both of those, there just was not a concern
5 for one reason or another. One, because it's a small part
6 of the market for natural rubber. The other, that acrylics
7 are just dominated by the Asians, which you can see in the
8 data. What happens with Italy, you know, doesn't seem to us
9 to be all that important on that.

10 COMMISSIONER SCHMIDTLEIN: Okay, that sort of
11 leads to my next question, which is: When I look at what's
12 happened since obviously this Order has been in place, or
13 this finding I guess technically has been in place for a
14 very long time, and there's been a single like-product for
15 all of that time, so in looking at what's changed, right?
16 It looks to me that it boils down to a substantial decline
17 in the volume of acrylic produced in the U.S. That's what's
18 changed. That a lot of that production has moved offshore
19 to Asia, but otherwise there's always been a distinction in
20 terms of the best use for hot-melt versus acrylic. There's
21 always been a distinction in the types of machines that you
22 use. There's -- you know, all of those other factors don't
23 appear to me to be any different than five years ago, except
24 for the fact that U.S. producers no longer make as much of
25 it here in the U.S.

1 So can you tell me how that's wrong, and point me
2 to what else has changed in the last few years?

3 MR. NEELEY: Yeah, we will, because that's an
4 important question. And I'll let some of my colleagues jump
5 in because they really can explain this in some ways better
6 than I can. But in a general way what I would say is this:

7 Is that, yes, there have been those distinctions.
8 We were aware of those distinctions five years ago and ten
9 years ago, but what we weren't aware of, or what we--and I
10 said this in my opening remarks--was that five years ago we
11 thought that acrylics and hot-melt were so similar that the
12 increase in the acrylics into the United States would really
13 have a major impact on the hot-melt side of the market, on
14 the production, on the profitability, and all the things
15 that you look at.

16 That hasn't happened. Okay? That really hasn't
17 happened. And you can see it pretty clearly in the data.
18 Acrylic has gone away. Hot-melt has not. And so as a
19 result of that, and in fact hot-melt right now because of
20 the circumstances of the economy is doing very well. I think
21 we all agree. That can turn around in a second, but right
22 now it's doing fine.

23 But the reason is, as we've thought about it, was
24 that they really are very differently perceived. And it's
25 because the people at these tables have been very effective

1 in going to the market and explaining to industrial users,
2 which is primarily what we're talking about here, that there
3 are advantages that are very significant for the hot-melt
4 compared to the acrylics.

5 And I think five years ago they weren't as
6 confident that they were going to be able to do that. But
7 that's a really significant change that goes beyond all the
8 things that we knew about five years ago. That's what's
9 fundamentally changed.

10 Rick, and Greg, and Steve, maybe you can pitch in
11 a little bit as well.

12 COMMISSIONER SCHMIDTLEIN: Yeah, I guess -- so you
13 had customers who have switched from acrylic to hot-melt?

14 MR. YULL: Yes. I would certainly--you know, when
15 I look back at 2010 versus today, I would certainly say that
16 the corrugate industry has changed dramatically during that
17 period, and that the needs of packaging tape, especially
18 when you talk about automated Fortune 500 customers, has
19 elevated to the point where that acrylic might have
20 performed before the recycled content was added to the
21 corrugate, it certainly does not perform now because of the
22 recycled content.

23 And I think of the development that we've done in
24 our own company as it relates to R&D and changing our
25 adhesive platform within specifically hot-melt during that

1 five years, it was a significant task. It was a significant
2 investment that we made, and we changed our formulations to
3 address that specific issue due to recycled content.

4 And during that same period, we would see large
5 customers that had made the switch from acrylic come back
6 and say we can no longer utilize this product because the
7 tape is not sticking. It's just as simple as that. So that
8 would be one change that I look at over the last five years
9 that has had a dramatic impact on the way we make our
10 product, the way we formulate our product, and also the way
11 we market our product to our customers.

12 COMMISSIONER SCHMIDTLEIN: Okay. Thank you, my
13 time is up.

14 MR. NEELEY: If I could just add something real
15 quickly, I know you're time is up, but, you know, I think if
16 you were to treat this again as all one big like-product,
17 everything congruent with the scope, we'd get to the same
18 place with regard to recurrence of injury. But we've tried
19 to look at this in frankly a very conservative way of only
20 focusing on what we think is important in terms of hot-melt.

21 If you were to disagree with us and put an Order
22 on everything coming from Italy, I think we would still
23 prevail. I think that's not necessary. We're trying to be
24 a little bit conservative here and not too protectionist,
25 but either way, you know, we think that the outcome would be

1 the same. So I just wanted to add that. Thanks.

2 CHAIRMAN BROADBENT: Okay, back to these. Tell me
3 again which ones each of these are.

4 MR. BLOCKOWITZ: Alright, so that one right there,
5 if I can see it correctly, that's a natural rubber, okay?
6 Those two right there (indicating), are hot-melt. And I
7 don't believe you have an acrylic up there. If you had an
8 acrylic--

9 MR. NEELEY: Unless you have one of your own.

10 MR. BLOCKOWITZ: Yeah.

11 MR. NEELEY: I think the clear one you brought
12 from your house--

13 MR. BLOCKOWITZ: Yeah, if you had an acrylic it
14 would be almost clear to the core. It's much clearer
15 looking, less cloudy. That looks -- that could be. It's
16 hard to tell from here. If I can have a look at it?

17 CHAIRMAN BROADBENT: Sure. It would be helpful.

18 MR. BLOCKOWITZ: Yeah, I think that's a hot-melt.
19 It's too cloudy to be an acrylic.

20 CHAIRMAN BROADBENT: So that's still a hot-melt.
21 We don't have an acrylic in the building.

22 Well, if anybody could find an acrylic, it would
23 be helpful. We've got a catalogue here which talks about
24 the different characteristics.

25 Okay, well anyways, Mr. Shuford, when did you

1 graduate from college?

2 MR. SHUFORD: 1991.

3 CHAIRMAN BROADBENT: You look actually pretty
4 young, but--

5 MR. SHUFORD: Well thank you. My 25th reunion is
6 coming up.

7 CHAIRMAN BROADBENT: But you weren't alive when
8 this Order was put in place, I think it's safe to say.

9 MR. SHUFORD: Well, it was alive, yes.

10 CHAIRMAN BROADBENT: In 1977? Isn't that when it
11 was put in place.

12 MR. SHUFORD: I was born in '68.

13 CHAIRMAN BROADBENT: Got it. Okay. Let's see.
14 It sounds like you've got sort of a good story to tell
15 because I think my son went to your college and everybody
16 there went into investment banking, or went to law school,
17 that I could tell, or the majority of people, but to go down
18 to Virginia and start up a manufacturing plant, how did you
19 make that decision?

20 MR. SHUFORD: So actually, funny enough, I did two
21 years in investment banking--

22 (Laughter.)

23 CHAIRMAN BROADBENT: But then you reformed right?

24 (Laughter.)

25 MR. SHUFORD: It's an interesting story that I

1 love to tell, but we don't really have enough time here, but
2 we had a family business that had its ups and downs, as I
3 mentioned, of furniture, textiles, and tape for the
4 businesses that we were in, upon my graduation, and there
5 were some pretty clear and, I'd call them, dangerous trends
6 that were going on in particular with respect to textiles,
7 but soon to impact furniture as well.

8 Partially for that reason, when my larger family
9 received an offer for the tape assets, there was interest,
10 for reasons that you might understand, given kind of the
11 turbulent times and the fact that they could, if you will,
12 throw the textile assets with it was a bonus from the
13 perspective of the sellers in this transaction.

14 But my brother and I, who run the business today,
15 were in business school. I was in business school at the
16 time, my brother had recently graduated. And we felt the
17 tape business had real promise, and that it was
18 under-capitalized, and we thought we could sort through the
19 troubles in textiles. And so we, I guess you might say we
20 took a chance.

21 And so coming out of business school, clearly I
22 was considering other alternatives, but we felt like with
23 that opportunity to really separate the assets from the
24 larger family and really have ownership for the business,
25 that it represented a pretty significant opportunity for us.

1 And immediately after consummating the
2 transaction, we went into a pretty significant growth mode,
3 a lot of green field plants, oftentimes literally as
4 Commissioner Williamson saw, right across the street some
5 closed textile mills were built tape facilities brand new
6 with literally hundreds of millions in investment to fuel
7 that growth.

8 So there were some excruciating times selling and
9 closing facilities, but the nice side, the rewarding side of
10 the story clearly was that we were able to at the same time
11 create jobs and create opportunity for our employees and for
12 the communities we operated in.

13 CHAIRMAN BROADBENT: Great. We struggle here a
14 lot to get a sense of how the digital economy is affecting
15 manufacturing. You saw really the whole startup of the
16 digital economy as it affects manufacturing.

17 How would you characterize its effect on your
18 business?

19 MR. SHUFORD: You mean just in general, the move
20 towards more service-based economy and technology in
21 general?

22 CHAIRMAN BROADBENT: Well I'm thinking of, let's
23 see, the more global supply chains, the getting everything
24 at your front door in five minutes, FedEx's booming growth,
25 that has got to really affect the tape that packages those

1 packages.

2 MR. SHUFORD: Yes, that's true. And I would say
3 just in general in business everything happens, as we all
4 know, just so incredibly fast. I mean, the speed with which
5 global producers will move in and take advantage of an
6 opportunity, whatever that opportunity is, is just
7 mind-boggling.

8 You know, the Asian wave of acrylic products was
9 fast and furious. And I think the folks up here would
10 confirm that, you know, that's really probably one of the
11 most challenging things that we do as we invest in our
12 businesses, is how do you make literally tens and sometimes
13 hundreds of million dollar investments with these long time
14 horizons when things can change so fast? I think that is
15 largely driven by information flows. Certainly to a certain
16 degree by consolidation. We just generally have more
17 sophisticated, more informed customers, as we all are more
18 informed, and I think that is one of the mechanisms we
19 believe I think that the Italians would quickly exploit the
20 opportunities that would emerge in this market.

21 But I'm not sure if that answers your question--

22 CHAIRMAN BROADBENT: it gives us a context.
23 That's pretty interesting.

24 How is the machinery changing? Where do you buy
25 your machinery? And is robotics influencing your factory

1 floor?

2 MR. SHUFORD: Specifically as it relates to hot-
3 melt, it's almost exclusively Italian equipment. It is
4 highly automated and highly--well, it's extremely fast. So
5 the capital costs, the capital investment associated with
6 hot-melt is significant as compared to acrylics.

7 And maybe to give you a little bit more on that,
8 acrylic is kind of spread-it-on-and-dry-it-in-an-oven. You
9 know, an acrylic producer of acrylic adhesives literally
10 could give you--almost literally could give you a handbook
11 and direct you toward the nearest coder producer, and you
12 could be in that business in less than a year. The
13 investment threshold is very low. And this is why you've
14 seen the agents move into this space. Clearly labor costs,
15 lower capital costs, you know, have all kind of invited, if
16 you will, these producers in.

17 Hot-melt is very different in terms of the
18 technology. It's much more capital intensive, a lot more
19 kind of R&D and sophistication, a lot more trade secrets
20 among us here in terms of what we do. And that clearly is
21 one of the reasons we've--another reason why we've favored
22 investing in this country, is obviously the trade secret
23 protection that that offers relative to taking the
24 technologies elsewhere.

25 CHAIRMAN BROADBENT: And then when you look at the

1 global landscape, where do you see the most keen competition
2 for the hot-melt market in the United States?

3 MR. SHUFORD: Where we're seeing product coming
4 from into the United States?

5 CHAIRMAN BROADBENT: Who you're worried about as a
6 competitor?

7 MR. SHUFORD: Well certainly the Italians would be
8 my first concern. They are the largest producer of hot-melt
9 packaging tape, should the Dumping Order be revoked. That's
10 clearly--we would all go into pretty immediate strategy
11 sessions as to how we were going to deal with that threat.

12 And I think, frankly, that what we've seen in the
13 acrylic market is probably somewhat indicative of some of
14 the responses that you would likely see, clearly among them
15 off-shore production evaluation for simple survival.

16 CHAIRMAN BROADBENT: Wait. Say that again?

17 MR. SHUFORD: What I'm saying is, in the event
18 that the Order were to be revoked, I think all of us would
19 go into some kind of mode of trying to evaluate how we
20 should and could respond to that, among them being clearly
21 offshore production if it came to that is what I'm saying.

22 CHAIRMAN BROADBENT: But are you facing imports
23 from Asia in the hot-melt market?

24 MR. SHUFORD: We're seeing limited, we're seeing
25 limited imports of hot-melt from Asia, primarily from 3Ms

1 Division in Taiwan.

2 CHAIRMAN BROADBENT: Okay. Alright, my time has
3 expired.

4 Vice Chairman Pinkert?

5 VICE CHAIRMAN PINKERT: Thank you, Madam Chairman.
6 I thank all of you for being here today.

7 I have a couple of questions that relate to the
8 Commerce side of this proceeding. First of all, what are we
9 to make of the decline in Commerce's reported five-year
10 review margins over the past few reviews?

11 MR. NEELEY: Yeah, the Commerce methodology that
12 was used here--and I'll go into some detail because I think
13 it's important -- if you look at what they did, they went
14 back to a 1985 Decision. And then they took that Decision
15 and they adjusted it based on the fact that they no longer
16 would do, at least as first preference, an
17 average-to-average comparison in a review. So in other
18 words, that reduced the old margin from 1985 down to the
19 3-whatever-percent that they ended up with.

20 The second thing I'd point out: It struck us as a
21 bit odd that they went back to 1985 and did that, mainly
22 because there was another decision that was referred to in
23 our brief and in the testimony from 1998 where there was a
24 review, and that dumping margin that was calculated was
25 12.66 percent, which wasn't exactly 3 percent.

1 So, you know, and that was the company NAR that
2 Rick Anderson referred to. So there was a subsequent review
3 that was much higher.

4 In any event, you know, it is what it is. They
5 came up with the 3 percent. I think that in a certain sense
6 the amount that Commerce comes up with is, well, as long as
7 it's positive, is not the most important thing, though. We
8 think the most important thing about the Dumping Order is
9 not whether they deposit 3 percent or 10 percent, which is
10 kind of what most of them are doing right now, or 12
11 percent, it's that there is a very large risk of companies
12 selling at low prices and in substantial volumes to the
13 United States if they're from Italy right now.

14 So in other words, even if a company could bring
15 it in at 3 percent--I don't know of any that are actually
16 bringing it in at 3 percent, so that's, you know, one issue--
17 -but suppose they could bring in a product and the estimated
18 duty was 3 percent. And they sold at incredibly low prices
19 to the United States, which I think we see evidence could
20 happen. If those volumes are small, frankly we probably
21 would sort of just let it go because it's just now worth it
22 to the domestic industry to ask for a review at Commerce.
23 You know, there's an economic side to this.

24 On the other hand, if those come in at
25 substantial volumes under a Dumping Order, we would ask for

1 a review in a heartbeat. I mean, that's why those reviews
2 are there. And if that happens, you know, that 3 percent
3 deposit rate is going to go up to, you know, 30 percent or
4 something, something really significant.

5 So that's a huge risk of a company that's
6 operating under the Dumping Order right now from Italy and
7 their importers which would not exist any longer if the
8 Order were revoked.

9 So I know that's kind of a long answer to your
10 question, but that's kind of how we see the whole thing in
11 context.

12 VICE CHAIRMAN PINKERT: Thank you. Now either you
13 or Mr. Malashevich, might have a view, or Ms. Kelby, might
14 have a view about the significance of the Italian nonsubject
15 shipments to the United States. It doesn't look to me, and
16 this is just a first look, but it doesn't look to me like
17 there's been a significant move by the Italian nonsubject
18 producers into the U.S. market.

19 So if that's the case, what does that tell us
20 about the potential impact of revocation for the other
21 Italian producers?

22 MR. MALASHEVICH: Bruce Malashevich. I'll try to
23 respond to your question in part, but this is also an area
24 where the industry representatives I think could be very
25 helpful.

1 From the perspective of where I sit, I think what
2 Mr. Neeley mentioned about the 1998 or 1999 review being an
3 actual review, a BIA kind of situation. And in my
4 experience as an advisor on occasion to respondent parties,
5 and an advisor on other occasions to petitioners parties,
6 there's a tremendous reluctance to take on the risk of
7 applying affirmatively for--applying voluntarily to go
8 through an annual review--the time, the expense, the risk of
9 an ultimately worse margin than is already on the books,
10 arising.

11 And the best way to do that is to keep a low
12 profile in the U.S. market over time. And the major players
13 in Italy are under the Order. And what I've learned in the
14 process of this case, having seen the same statistic that
15 you are relating to, is the few players not operating under
16 the Order have a very specialist nature in the Italian
17 market, to the point where they're either small or focused
18 on products where the U.S. market is not particularly
19 attractive.

20 And I would invite the industry people to expand
21 on that, because this was a subject of discussion in
22 preparation for the hearing.

23 MR. NEELEY: Yes, I think--

24 VICE CHAIRMAN PINKERT: Please do.

25 MR. NEELEY: -- Mr. Anderson had a -- I'm sorry,

1 Mr. Anderson might have something to add to that, if you
2 would like him to.

3 MR. ANDERSON: Thank you, Mr. Commissioner. I
4 think from a practical standpoint, if you're an Italian
5 manufacturer you can see from the Freedonia data that 67
6 percent of the volume of all tape produced and consumed in
7 the world is carton-sealing tape. So within our subject
8 matter. And if you're transporting or exporting products,
9 the most efficient thing you can do is to fill up 44
10 containers because your cost becomes so low.

11 So practically speaking, most of those other
12 categories are pretty small in the scheme of things. It's
13 hard to fill containers with those nonsubject matters
14 because it gets pretty fine. Even if you look at the 3M
15 data we submitted, it's pretty small.

16 So to me, one of the biggest factors is still the
17 practicality of having full containers going to large
18 distribution. Thank you.

19 VICE CHAIRMAN PINKERT: Thank you. Would anybody
20 else on the panel like to comment on that issue?

21 (No response.)

22 VICE CHAIRMAN PINKERT: Okay, seeing none, now
23 back to the domestic like-product issue that you've raised
24 here, is there a difference in how the Commission should
25 address a domestic like-product analysis in a review, as

1 opposed to in an original investigation?

2 MR. NEELEY: I'd have to give that some thought.
3 I think that it certainly occurs to me that in an original
4 investigation the information you have is over a shorter
5 period of time, for sure. I mean, the legal analysis may
6 be. I'd have to think about that. But certainly over what
7 we have here is a longer period of time to see, you know,
8 how the industry actually operates.

9 VICE CHAIRMAN PINKERT: Thank you. When you look
10 at that, if you could also look at the sunset review
11 domestic like-product analysis in the Synthetic Indigo case,
12 I think it would be helpful to have your comments on that.

13 MR. NEELEY: Yes. I would be glad to do that.

14 VICE CHAIRMAN PINKERT: Thank you.

15 Now I think that even if we're not talking about
16 Italian nonsubjects, but nonsubject import more generally,
17 why would subject imports from Italy enter in significant
18 volumes if the finding were revoked in light of the presence
19 of nonsubject imports in the U.S. market, which is quite
20 significant even if we're--when we turn from the Italian
21 nonsubjects to nonsubjects more generally?

22 MR. NEELEY: I'm sorry. I'm not sure I
23 completely understand the --

24 VICE-CHAIRMAN PINKERT: I had asked earlier
25 about Italian non-subject imports, but there is a

1 significant presence of non-subject imports, more generally,
2 in the U.S. market, so why would subject imports make a move
3 when you've already got that non-subject import market
4 prices in the U.S. market?

5 MR. ANDERSON: Commissioner, I think the simple
6 issue is that Italian manufacturing most closely resembles
7 the U.S. manufacturing footprints. So if you look at what
8 these three companies make -- we make primarily hot-melt
9 tapes in the U.S. -- if you look at the quality of tapes
10 between U.S. and Italy, they're very similar, which is the
11 reason the Asians really haven't been able to penetrate the
12 hot-melt markets.

13 So the reason we have the concern about the
14 Italian subject imports is, like I said, they make a similar
15 quality to the U.S. and they've got a very similar
16 manufacturing footprint, plus all the excess capacity.

17 VICE-CHAIRMAN PINKERT: Thank you.

18 CHAIRMAN BROADBENT: Commissioner Williamson?

19 COMMISSIONER WILLIAMSON: Thank you, and I want
20 to welcome all the witnesses today and also to -- very much
21 appreciate the trips to Danville and North Carolina and
22 learn quite a bit about it. In fact, one of the things I
23 came away most impressed with was how innovative the
24 industry is, and how everybody's constantly trying to figure
25 out ways to make their product better. And that leads me to

1 the question. Also, because I've had a lot of frustration
2 with the tapes I've had at home trying to pull 'em off,
3 always breaking, can't find where the barrier is.

4 So what if somebody comes up with an acrylic
5 tape that has maybe a release code or somehow other releases
6 well, pulls off well and has it in a superior bond? I mean,
7 y'all are innovating, so you never know what somebody can
8 do, and how quickly they can do it. So, in that context,
9 why separate the products? Or -- first off -- is this a
10 pipe dream?

11 MR. YULL: I think, from my perspective, I would
12 refer to probably some of our PhDs in our R&D department to
13 answer that. I am told that it is a pipe dream, as it
14 relates to the chemistry of motion acrylic performing at the
15 level of a hot-melt. But I would leave it to the experts as
16 it relates to the PhDs.

17 COMMISSIONER WILLIAMSON: Okay. Mr. Shuford,
18 you are very good at -- .

19 MR. SHUFORD: I have no PhD, just for the
20 record. I think we see the risk of that being very low.
21 The chemistry, the rubber, the artificial rubber, synthetic
22 rubber content of a hot-melt just gives fundamental
23 properties that are advantageous for all the reasons that
24 have been presented here.

25 With an acrylic resin, you tend to get high

1 tack, but low kind of cohesive strength. So it's just not
2 going to be -- here again, no PhD -- as resilient under
3 continued stress, such as an overstuffed box or a heavy
4 load. And it's generally, even if it tacks quickly, more
5 subject to failure under stress every time.

6 So we feel that we are on the right technology.
7 We feel that we've continued to make investments as you just
8 mentioned to further improve our technology relative to
9 acrylics. And I would just reiterate what Mr. Neeley said
10 in that it's really taken a lot of effort on the part of the
11 companies represented here to really demonstrate to the
12 market and sell the value that's inherent in that product
13 design. And we did that, largely because we had to.

14 And clearly we feel like we've been successful,
15 as Mr. Neeley pointed out, perhaps more successful than we
16 thought we could be. Nonetheless, overall I think the
17 overall volume of the hot-melt products has remained flat,
18 even as the economy has grown, which tells you that, at the
19 lower end of the market, there's still trading that happens.

20 But for the customers in particular, the
21 industrial customers that add these high demands, they have
22 gravitated toward a product that's more sophisticated, we
23 think, and I think obviously better engineered product for
24 their particular applications.

25 COMMISSIONER WILLIAMSON: We'll see what happens

1 in the future. But here -- just a quick aside. If I walk
2 in Home Depot or Lowe's, can I find a hot-melt tape and will
3 I know it when I see it? I mean, I'm pretty frustrated now.

4 MR. SHUFORD: You will be hard-pressed to find a
5 hot-melt tape in a retail environment. That is a, kind of a
6 light-duty product and generally sold on price and for those
7 reasons you should probably anticipate more frustration.
8 But I should go ahead and do a commercial here, but I'm not
9 going to, because we do have solutions, but we'll save that
10 for a different day.

11 COMMISSIONER WILLIAMSON: Okay. I'll ask you
12 later then. Continuing with the question Commissioner
13 Pinkert asked about prior cases where the Commission has
14 changed its like product definition from the original
15 investigation and prior reviews, I'm hoping y'all can
16 address that post-hearing. And also, what are the changes
17 in the product or market? What changes in the product or
18 market are there that the Commission can reach such result?

19 MR. NEELEY: Yes, we'd be glad to look at that
20 at a post-hearing brief.

21 COMMISSIONER WILLIAMSON: Okay. Thank you.
22 That would be helpful. I often find it helpful assessing
23 light quality questions to hear from purchasers, and to be
24 able to question them. Since you have no purchasers here,
25 is there anything you can provide post-hearing that would

1 help us get that perspective? How they see the market? How
2 they see the differences in the products? Because what we
3 have in the staff report already makes me wonder.

4 MR. NEELEY: Yes. We can see what we might be
5 able to find in that regard. We'll take a look at it.

6 COMMISSIONER WILLIAMSON: You're just confused
7 by you didn't ask why purchasers --

8 MR. NEELEY: Sure. Understand.

9 COMMISSIONER WILLIAMSON: I take it no one wants
10 to address that right now?

11 MR. YULL: We were just saying that I think some
12 of our customers can provide that kind of feedback for you.

13 COMMISSIONER WILLIAMSON: Okay. Good. Thank
14 you.

15 MR. SHUFORD: Commissioner Williamson, I wanted
16 to add -- if you're referring to our end-user customers and
17 what they would say, I think -- and I think it's important
18 in terms of understanding how and why the U.S. market is,
19 for more sophisticated users has gravitated towards the hot-
20 melt, is you know, what you're saying in the more
21 sophisticated facilities that are using this product is very
22 much a focus on what's called OEE, or equipment efficiency
23 and uptime and these kinds of metrics or more lean thinking,
24 if you will.

25 And so they're looking at the total cost of

1 sealing a box, which is going to include things like damaged
2 contents. It's going to include things like jammed
3 equipment, machine down-time and so when you get into those
4 kinds of metrics and, really evaluating a total cost, this
5 is when, you know, we can convince -- and our sales people
6 can convince that purchaser -- who, by the way, the true
7 purchaser in the purchasing department, is generally focused
8 on unit price, right?

9 But we often find ourselves working with
10 engineers, whatnot, to talk about total costs and that has
11 been a big part of our success in convincing those types of
12 more sophisticated companies that, on a total cost basis,
13 they're wiser to purchase that kind of product. So, those
14 are the kind of words we have heard and we like to hear.

15 It's often that we hear about unit price from
16 the guy on the front office in the purchasing department,
17 and once we're able to kind of tell the whole story, if you
18 will, that's when we get a good reception. And one thing I
19 would add, in Asia, that companies often tend not to be that
20 total cost oriented. It tends to be unit price oriented.

21 Also those environments tend to be a lot more
22 manual in nature, in terms of the way they package at the
23 end of their lines. And for that reason, you would see that
24 acrylics and hot-melts would be more like-kind in those
25 markets, whereas in this market, as explained, we feel like

1 we've done a pretty decent job, you know, explaining the
2 benefits and -- I don't know if that's helpful at all,
3 relating to your question.

4 COMMISSIONER WILLIAMSON: There's now a
5 tremendous increase in online shopping and sort of sending,
6 you know, packages directly to the customer. Is that a
7 market where the, the difference between hot-melt and
8 acrylic is relevant? Or -- I mean those -- I guess there's
9 a lot more probably manual packing there?

10 MR. YULL: I would say that would definitely be
11 relevant. What we see a lot in our company in the
12 e-commerce space would be Amazon type companies, which there
13 are not many like Amazon. But certainly in the space is --
14 they've actually moved to a product called water-activated
15 tape, which is non-pressure sensitive.

16 You've all probably seen it now when you get
17 that product delivered. And they utilize -- that's a manual
18 pack and some of the drivers that Stephen mentioned earlier,
19 you know, companies like that are looking at total cost,
20 right?

21 So they're looking at things like workman's comp
22 claims, repetitive motion injuries, and that's one of the
23 problems with pressure-sensitive hand-held applications of
24 acrylic card sealing tape, but they also look at things like
25 pilferage, right?

1 A lot of the e-commerce boxes are understuffed
2 and they utilize water-activated tape because that actually
3 is almost a security tape where if someone was to open and
4 take the contents, they would rip the box apart. Does that
5 answer your question?

6 COMMISSIONER WILLIAMSON: Yes, it does. Good.
7 Thank you. And thank you for those answers.

8 CHAIRMAN BROADBENT: Commissioner Johanson, he
9 always has good experiences with the products that we
10 investigate here, so I'm sure he's got a good one on this.

11 COMMISSIONER JOHANSON: Gosh, I guess I probably
12 do. Yeah, actually I do. I just sent something back to
13 Italy using tape. It was actually a pair of hiking boots
14 so -- I wrapped up a package only a few days ago.

15 CHAIRMAN BROADBENT: The tape was on the
16 package, not the boots?

17 COMMISSIONER JOHANSON: On the package, that's
18 right. Anyway, I did not intend to bring that up, but I was
19 asked to, so -- Actually, I do know they make things in
20 Italy, because they make very nice hiking boots. So I know
21 they make -- they make some very good, high quality
22 products.

23 Anyway, that was an aside, which was instigated
24 by somebody else. But, I'll now jump into my questions.
25 And I'd like to begin with a question that was already asked

1 by Commissioner Pinkert and Commissioner Williamson. And
2 I'd just like to reiterate that it would be helpful if you
3 all could provide any other examples of Sunset reviews where
4 the Commission has altered the domestic-like product
5 definition. I know you've been asked that before, but it's
6 probably the first thing that jumped out at me when I
7 started going over the record, so I would appreciate that.

8 Also, as somewhat of a follow up to a question
9 of Commissioner Pinkert. He mentioned the low commerce
10 dumping rate for this review, and how, despite that, there's
11 still not a large -- why, despite that, the total presence
12 of the U.S. market over the POI has been kind of small, but
13 also I'm interested as well, because as described in Page 19
14 of your pre-hearing brief, the exchange rate between the
15 Euro and the U.S. dollar has moved almost twenty-five
16 percentage points in the favor of the domestic imports since
17 the last review. But still the presence in the market of
18 Italian products remains small.

19 Also, the duty rate has declined since 1977 from
20 10% to 5.8%, and so it should be easier for this product to
21 enter the market, but then again, its presence is relatively
22 low. You all described a little while ago that there's some
23 product differences which might make up for this, but could
24 you expand on this a little bit?

25 MR. NEELEY: I think a little bit, yeah. I mean

1 I don't think that the duty rate in the sense that the duty
2 that would be applied to low-priced imports would be 5%. I
3 mean that might be the posit rate for certain products from
4 certain companies under the law right now.

5 COMMISSIONER JOHANSON: I think that's the
6 general rate of duty, I think is 5.8%, right?

7 MR. NEELEY: Yeah, but it varies from company to
8 company and the average might be around 5%, I think, for all
9 other companies, but when a company -- in my experience and
10 I think in the experience of everybody who works on the
11 Respondent's side, which I do a lot as you know -- is the
12 people don't just look at what the deposit rate is, you
13 know?

14 The deposit rate, because the U.S. has a
15 retrospect of systemetrics tells you, sort of, what your
16 cash flow is and what you have to pay to get a product in
17 the United States. And that was, as you mentioned, was
18 determined a long time ago. So you pay 5%, but if you're
19 selling at very low prices in the United States and we, as
20 the domestic industry, ask for those entries to be reviewed,
21 you're not going to pay 5%.

22 In fact, you know, the fact that you deposit
23 5% -- it's very unlikely you're going to end up paying 5%.
24 In fact, you'll be paying much more than 5%. And I think
25 that's where the effect of the dumping order comes into

1 play, because of the way the U.S. system works, is that the
2 deposit rate tells you very little, other than your initial
3 deposit.

4 When it's reviewed, there's a very big risk to
5 accompany. So there continues to be a big risk to Italian
6 companies. The most recent decision by a company that
7 decided it wanted to get its own rate was the 1998 decision
8 where it was 12.66%, so the experience hasn't been all that
9 good, I guess for Italians. So they're cautious with a
10 reason, I believe.

11 COMMISSIONER JOHANSON: Okay, but once again, I
12 get back to the whole issue of the barriers to entry for
13 Italian product to the United States is low, and I'm just
14 thinking why should we not conclude that the revocation of
15 the anti-dumping duty order would not lead to a similar
16 unremarkable result? And I know you've already addressed
17 that, but it does continue to perplex me somewhat.

18 MR. NEELEY: I guess we fundamentally disagree
19 the barriers are low. We think they're extremely high
20 because of the dumping order.

21 COMMISSIONER JOHANSON: Okay. Thank you, and
22 I'll review the record again on that. I appreciate it.
23 Also, overall production of PSP tape has decreased since the
24 last review while employment appears to have increased
25 significantly. Could y'all explain why that is the case?

1 MR. ANDERSON: Thank you. We did look at that
2 ourselves as well. Because if we look at the information
3 submitted, the production capacities did go up primarily
4 from engineering advances and our coating lines, while the
5 production quantities did go down. I think a couple of
6 factors probably impacted that.

7 And most drastically is the amount of imports
8 coming into the U.S. And from the table provided from the
9 pre-hearing brief, we show that ten years ago it was less
10 than 20% of the U.S. market came from imported tapes. If
11 you look at the numbers in 2014 it's getting closer to 40%.
12 That is an impact on U.S. markets.

13 I think the other thing that's showing up in
14 here is some of the shift in production of U.S.-made
15 products to Asia. For us in particular it would be the
16 acrylics.

17 COMMISSIONER JOHANSON: All right, thanks for
18 your response. In getting back to the issue of product
19 production shifting overseas, I think predominantly to Asia,
20 on Pages 13 to 14 of your pre-hearing brief, you state
21 several times that the production of tapes with acrylic
22 adhesives have largely moved to Asia while tapes with hot-
23 melt adhesives continue to be largely produced in the United
24 States and Italy. Could you help me to understand why Asia
25 has not become a more significant source of hot-melt tapes?

1 MR. ANDERSON: There are several hot-melt tape
2 producers in Asia -- including our operations in Taiwan --
3 makes hot-melt, primarily for Asian markets although we do
4 import some of that product into the U.S. as well, in
5 limited quantities. But my principal view is, none of those
6 four producers make the same quality of hot-melt tapes that
7 the U.S. and Italian producers can make. So there's kind of
8 a difference here of market that they compete in.

9 MR. SHUFORD: I guess I would add that, for the
10 reasons given before, high-capital costs, higher degree of
11 R&D, sophistication, and a high degree of automation, which
12 is not necessarily compelling in an Asian labor market would
13 be the added reasons I would submit, along with the fact
14 that the Asian market itself tends to not really
15 discriminate in terms of the performance parameters cited
16 before, so I think all those reasons I would add.

17 MR. YULL: I would add one more comment.
18 Certainly the capital hurdles are much more significant.
19 But also the capacity hurdles are also much more
20 significant. So one coating line of acrylic carton sealing
21 tape produces about a tenth or probably 20% of what a hot-
22 melt line would produce. So when you think of the markets
23 and penetrating those markets, it's a lot of product to sell
24 on an incremental capacity increase basis.

25 COMMISSIONER JOHANSON: All right, thank you.

1 And Mr. Shuford, I believe you had mentioned this, but just
2 to clarify. So the production of hot-melt is a less labor
3 intensive, is that correct?

4 MR. SHUFORD: As a whole, yes. Mostly because
5 it's for the reasons Mr. Yull cited there. Just it's a lot
6 faster production process and so --

7 COMMISSIONER JOHANSON: Because you don't have
8 to dry it? Is that one of the issues?

9 MR. SHUFORD: Correct.

10 COMMISSIONER JOHANSON: Okay.

11 MR. SHUFORD: So we call it 100% solids process
12 which means there's no drying, frankly, at all, other than
13 the little bit of release coat that goes on.

14 COMMISSIONER JOHANSON: Is it more energy
15 efficient as well to produce the hot-melt?

16 MR. SHUFORD: Yes.

17 COMMISSIONER JOHANSON: Because you don't have
18 to dry it?

19 MR. SHUFORD: That's correct.

20 COMMISSIONER JOHANSON: Okay, thanks. And I
21 think I have time for one more question. And getting back
22 to the whole issue of Italy and the quality of production
23 there. If much of your equipment comes from Italy, are your
24 research and development expenditures based on technological
25 trends of the Italian industry, and also on Page 14 of your

1 pre-hearing brief, you mentioned that the U.S. industry's
2 focusing on modernizing its facilities, are there or will
3 there be any crucial differences between your facilities and
4 Italian facilities, if you're using similar technology?

5 MR. ANDERSON: Thank you. I would say in
6 general the equipment is relatively comparable between the
7 U.S. and Italian manufacturers. With the question about
8 R&D, you know, our R&D is focused on the U.S. and we'll
9 share it with other parts of the world, but, you know, in a
10 U.S.-based company. The bulk of our R&D is done here. So
11 the work that we do for hot-melt goes to the U.S. plants
12 first and then other parts of the world.

13 And as far as future technologies, you know, I
14 would say more of the technologies that are coming out of
15 Italy right now that are advancing or converting than they
16 are on the coating side. So the coating is a more expensive
17 part of the process, but the converting's the last step of
18 that. So that's probably where the newest technology I'm
19 seeing is coming from.

20 COMMISSIONER JOHANSON: All right. Thank you
21 for your response. My time has expired.

22 CHAIRMAN BROADBENT: Commissioner Kieff.

23 COMMISSIONER KIEFF: Thank you, Madam Chairman,
24 and I join my colleagues in thanking the panel for preparing
25 and traveling and presenting and following up afterwards as

1 well, and I share Mr. Shuford's time arc through this story,
2 which I guess means, like, probably everybody else in the
3 room -- I watched The Graduate and realized that plastics
4 are where it's at.

5 And then of course as a early phase of my career
6 as a patent litigator on both sides of the U.S., Italian
7 plastics patent litigations. So I love this stuff. But let
8 me, with a techie interest, just ask a very brief discussion
9 of some of the technology.

10 Am I correct in understanding that, in effect,
11 there are basically two layers to this stuff. There's the
12 plastic substrate, and then the glue, if you will. Is the
13 plastic substrate roughly -- I think you've said this during
14 your opening. The plastic substrates roughly the same
15 whether you're hot-melt or you're acrylic, right?

16 PANEL: [Nodding in the affirmative.]

17 COMMISSIONER KIEFF: Okay. And so, and am I
18 correct that the large roll here is -- this is your hot-
19 melt?

20 MR. NEELEY: That's correct.

21 COMMISSIONER KIEFF: Okay. And then, in terms
22 of the adhesion properties, am I correct in understanding
23 that the hot-melt may feel to the touch a little less tacky
24 at first touch, but it has more internal strength over time?

25 MR. SHUFORD: That's a generalization, but yes.

1 As a general rule, I would say that is very much correct.

2 COMMISSIONER KIEFF: Okay, that's great. That's
3 helpful. So let me, if I could, then, just shift gears and
4 ask some questions that I recognize are legal in nature.
5 And it's -- I really greatly benefit from the business and
6 technical discussions that you have been having with my
7 colleagues, many of you, and I look forward to more of that.
8 But if I could ask Mr. Neeley some legal questions.

9 In the last review, three of the commissioners,
10 in effect, dissented. Can you -- in a nutshell -- tell me,
11 first of all, do you think -- what do you think were their
12 top three errors? Were they factual errors, legal errors,
13 analytical errors. What did they get wrong?

14 MR. NEELEY: I probably should address that more
15 thoroughly in the post-hearing brief, where I can really
16 look at them again. Because it has been a few weeks before
17 I did that. But there was one that did jump out at me, and
18 I recall it very vividly, which is that I think one of the
19 points that the three who voted against this made was that
20 they thought that there were markets for the Italian
21 production.

22 And we think that is a factual error. I think
23 it was a factual error then, we think it certainly is a
24 factual error now, that there really aren't any other
25 markets. And I think they, in fact, may have even mentioned

1 Europe as being one of those, and it's to our mind, I think
2 there's no doubt. It's a saturated market, so -- but we'll
3 look at that in more detail, and if there's anything else
4 that kind of jumps out as well.

5 COMMISSIONER KIEFF: Yes. And by no means, are
6 any of our questions, I think, designed to put any of you on
7 the spot. So the post-hearing is always a welcome venue for
8 all of us. And then, just to follow up on Mr. Neely, to the
9 extent you can, in the post-hearing, go through the work of
10 the three who voted against you, and explain why they either
11 got it wrong or why -- even if they were right -- today's
12 world is different. You would be providing a decision-maker
13 who might otherwise find a lot of what they said reasonable,
14 a path to deciding your way.

15 MR. NEELEY: I understand.

16 COMMISSIONER KIEFF: So, you know, that, I
17 think, would help.

18 MR. NEELEY: We will do that analysis. Thank
19 you.

20 COMMISSIONER KIEFF: I think -- I'll just also
21 mention a question that re-mentioned, I think, a dialogue
22 that you explicitly had with Commissioner Schmidlein, but
23 just -- and I think was underlying some of the other
24 dialogues -- but if you can really work out for us how we
25 could see the domestic industry as a whole and still find

1 injury? Because I think it's possible that the way one
2 defines domestic like product, may have an impact on the way
3 one -- this is a denominator problem --

4 MR. NEELEY: Absolutely.

5 COMMISSIONER KIEFF: -- the way one then defines
6 the benchmark and then, as a result, the particular hot-melt
7 effect might -- I'm not trying to be too cute here -- melt
8 away. You know, it might appear to be less, and that might
9 make it more challenging to get to an affirmative.

10 But I offer all of those thoughts and the
11 opportunity to give you, in whatever is most convenient for
12 you post-hearing, the opportunity to explain why they might
13 appear, but nonetheless, don't interfere with an affirmative
14 decision in your favor.

15 MR. NEELEY: Sure, understand.

16 COMMISSIONER KIEFF: Your economist, Bruce
17 Malashevich, has his hand up.

18 MR. MALASHEVICH: I have nothing to say on the
19 legal argument, but if you were to have a look at our
20 report. Exactly for that reason, arguing in the
21 alternative, the first two scenarios are with respect to,
22 let's call it the old like product definition, within this
23 -- coterminus with the boundaries of the scope. It's the
24 next three scenarios that we drill down and look at hot-melt
25 only. So we've covered both of those options.

1 COMMISSIONER KIEFF: Thank you very much. Those
2 my questions and I yield the rest of my time and just look
3 forward to everything that you provide in the continued
4 discussion. Thank you very much.

5 CHAIRMAN BROADBENT: Commissioner Schmidtlein.

6 COMMISSIONER SCHMIDTLEIN: All right, thank you.
7 I have a few follow-up questions. Could you turn to page
8 1-25 in the staff report? I'll give you a second to get
9 there, and I'm not sure 1-25. So there's a figure on the
10 staff report, and it's a chart that comes from a company
11 called Imperial Paper Company, which I looked at the
12 website. This is dated May 22nd, but the chart is still
13 there today.

14 It's a packaging company that provides boxes and
15 different types of options for companies to package whatever
16 they need, right? So they've included this chart to help a
17 customer decide what tape to choose, if that's the route
18 they want. I guess you can also staple your boxes, which is
19 an option they have on their website.

20 So one question I have is when you look down
21 this chart it has -- this is a performance comparison
22 between the three types of tape, and when you get down to
23 the fourth one, it says "recycled cartons." Now it says on
24 rough/recycled cartons, and then it has the three -- their
25 three, you know, their opinion about which ones are good,

1 better and best.

2 So my first question is is this recycle -- is
3 this what you were talking about with recycled corrugated
4 cardboard I guess, and why do they list hot-melt as only the
5 good option and natural rubber being best and acrylic being
6 better?

7 MR. NEELEY: Thank you. I remember seeing this
8 actually. I'll let them answer anyway.

9 COMMISSIONER SCHMIDTLEIN: I mean, you know,
10 this is one company's opinion, right, you know, but --

11 MR. NEELEY: Yeah, and I'll let them go into it.
12 But I mean I think one of the interesting things is yes, it
13 is one company's opinion. What I think the real tale is
14 told in what the market overall says as opposed to what a
15 company says, you know, that when we see the success of
16 everybody, we see it in their financial statements.

17 You can see it in what they've been selling over
18 the last few years for hot-melt. If it was only good and
19 not better or best, I mean they wouldn't have been as
20 successful in persuading people to pay more for the
21 hot-melt. So I think for whatever reason this company has
22 perhaps a different opinion.

23 But it also seems to me that the market, the
24 actual data, hard data from the market tells a somewhat
25 different story. But I'll let Rick talk about it.

1 MR. ANDERSON: So from reading that, I'm
2 personally not familiar with this company.

3 COMMISSIONER SCHMIDTLEIN: I can't really hear
4 you.

5 MR. ANDERSON: I'm sorry. I'm not familiar with
6 Imperial Paper.

7 COMMISSIONER SCHMIDTLEIN: You're not familiar
8 with it, okay.

9 (Simultaneous speaking.)

10 MR. ANDERSON: But if I read that,
11 if I read that table the first time, first of all it feels
12 like more of a European view than a U.S. view of
13 technologies. The European markets accept PVC backings as
14 common, and U.S. customers are much less open to PVC for box
15 sealing tapes.

16 So it gives the nice properties of strength and
17 it gives the very nice properties of very clean unwind, but
18 it's not as clean and low cost as probably the propane
19 backings that are on there. So I think the view is a little
20 bit tilted towards what their best technology is or what
21 they prefer to sell would be my estimates.

22 MR. YULL: My only comment to that would be
23 similar to Mr. Anderson, is that number one, I've never
24 heard of this company. But looking at PVC there, that is
25 definitely not a North American product or mainstream

1 product that we compete with.

2 Certainly looking at the good, better best
3 categories that they show, especially around recycled boxes
4 is counter to what our scientists and what we've proven in
5 the field. So I really can't comment much beyond that.

6 COMMISSIONER SCHMIDTLEIN: Okay. Mr. Shuford.

7 MR. SHUFORD: I might add very quickly that
8 hand-applied acrylic can often work well. Multiple strip to
9 wipe it down, applying a great deal of pressure will often
10 get the job done. In that immediate environment, where
11 boxes are designed to align, you know, at 15, 20, 25 per
12 minute, you've got one chance to wipe it down and that can
13 give you different results altogether.

14 So that may play into this a little bit. But
15 having said that, nor am I familiar with the company and
16 would just suggest, I think as was stated earlier, that
17 certainly our experience and the, you know, the purchases of
18 our customers would express a different position on that.

19 MR. NEELEY: If I could interject now quickly,
20 my paralegal has -- our paralegal has gone and found the
21 missing piece of acrylic and if I could hand it up if I
22 could to you, so you can look at that as well.

23 CHAIRMAN BROADBENT: Sure, thanks. You guys are
24 great to do that. I appreciate that.

25 COMMISSIONER SCHMIDTLEIN: Where did he find it?

1 Okay. So make sure we've got this. Are there customers --
2 are there customers out there still using acrylic in an
3 automated line that you're trying to convince? Is there
4 anything -- in other words, are there any new customers left
5 in the United States to convince to switch over to hot-melt?

6 MR. BLOCKOWITZ: Yeah. I mean there certainly
7 are customers -- can I just speak without a mic?

8 COMMISSIONER SCHMIDTLEIN: I think no, because
9 the court reporter needs to have you recorded.

10 (Off mic comments.)

11 MR. BLOCKOWITZ: All right. So your question
12 was whether there's acrylic being used that could still be
13 transferred over to hot-melt?

14 COMMISSIONER SCHMIDTLEIN: Uh-huh.

15 MR. BLOCKOWITZ: I mean there certainly is. You
16 know, within certain applications, you know, specifically in
17 the food industry, okay, acrylic carton sealing tape because
18 of its temperature advantages is used in the food industry.
19 But you know, through technology, specifically IPG, we've
20 developed hot-melt technology that can mimic the temperature
21 ranges of acrylic and certainly our sales force actively
22 pursues those opportunities.

23 COMMISSIONER SCHMIDTLEIN: 3M, Mr. Anderson.
24 I'm sorry.

25 MR. ANDERSON: I was going to say, there are

1 probably a tier of customers that buy acrylic because of its
2 price and run on machines in those large system rolls there.
3 But acrylic tapes tend to leave a little bit more residue
4 and require more maintenance on highly automated lines.

5 So those customers many times will switch back
6 to hot-melt. So we see that switch back and forth, first
7 for pricing and then back for easier maintenance.

8 COMMISSIONER SCHMIDTLEIN: I see, okay.

9 MR. YULL: One other comment I would make that
10 might be insightful is when we look at, as a company, when
11 we look at our mix between automatic length rolls versus
12 short rolls and hot-melt versus acrylic, we have a much
13 higher percentage of short rolls in our acrylic portfolio as
14 compared to hot-melt, which to answer your question as it
15 relates to opportunities to switch over automatic acrylic
16 and how much is being sold out there. It's a
17 disproportional amount compared to hot-melt.

18 COMMISSIONER SCHMIDTLEIN: Uh-huh, okay. All
19 right thank you very much for those answers. The last thing
20 I wanted to touch on was this question about price and the
21 likely impact, and this might for you, Mr. Neeley. You
22 might be the best one to answer this.

23 In the staff report it mentions that there are
24 no other dumping orders on Italian product out there in the
25 world, and so one question that comes to mind is why would

1 we -- if given that you've focused on the fact that there is
2 excess capacity in Italy currently, why would we find or why
3 should we find that they would dump here, since they're not
4 currently dumping in other margins, in order to sell that
5 excess capacity?

6 MR. NEELEY: Well, I think that the first
7 difference that we need to look at between the United States
8 and other markets is that there really aren't any other
9 markets of any significance for the Italians to go to, as we
10 discussed before. I mean Asia is not really a hot-melt
11 market. Europe is saturated and you couldn't bring a
12 dumping case there anyway.

13 So really, I don't think we really have any
14 examples of where they would be dumping. I think where we
15 can derive the best information on why they would be dumping
16 and why they would be dumping or selling at very low prices,
17 which is more of what the Commission looks at, is two
18 places.

19 One is the information that was provided by 3M
20 in the UK as to how low they've gone there, and the other is
21 there is some information in the staff report from
22 questionnaires, which I think is very important and
23 revealing as to prices in the United States for at least
24 some Italian producers right now.

25 Volumes at a low, you know, low volumes

1 admittedly. But that's what we fear, is that if that can be
2 done now, it can be done with much greater volumes in the
3 future if the order is revoked.

4 COMMISSIONER SCHMIDTLEIN: All right. If I may,
5 Mr. Malashevich.

6 MR. MALASHEVICH: Thank you. Just one
7 additional point please. I think if you think -- in
8 addition to an extension of what Mr. Neeley said is that
9 remember that the EU, Western Europe broadly defined,
10 essentially the EU and the United States are the only
11 attractive markets in the world for the Italians.

12 The EU, of course, is a customs union and now a
13 monetary union. So when you think about it, they might be
14 dumping like crazy in Germany or Denmark, but of course it's
15 not actionable in the European Union. So I think this is
16 the only place where they would gain advantage absent an
17 order by dumping, which is, you know, not an option that's
18 actionable within the EU.

19 COMMISSIONER SCHMIDTLEIN: Okay, thank you.
20 Thank you.

21 CHAIRMAN BROADBENT: All right. Do I have these
22 lined up right in terms of hot-melt, acrylic, rubber? Does
23 that look right? Okay. Quick question. Where does Amazon
24 Prime -- what kind of tape is this?

25 MR. YULL: That's water-activated tape.

1 CHAIRMAN BROADBENT: Water, oh-oh, okay. And
2 what does Ali Baba use?

3 MR. YULL: They use a very different model.
4 They're not set up as a structure the same as Amazon. So
5 they per se do not purchase a lot of tape as Amazon would.
6 So they're doing a lot of fulfillment of companies that are
7 providing their own tape. They don't centralize, distribute
8 it and ship it directly to the end user.

9 CHAIRMAN BROADBENT: Is there -- are there big
10 Chinese operations that use a lot of the tape?

11 MR. YULL: I think that would be best for Mr.
12 Anderson to answer. We don't do much business in China.

13 MR. ANDERSON: China is by far the largest tape
14 consumer in the world. It actually swallows the U.S. in
15 size and in growth. So it's the most attractive market from
16 a growth perspective, and it's almost the most difficult
17 market from a price perspective. So there's an enormous
18 number of domestic competitors in China. So it's a
19 difficult place to compete for our types of companies. A
20 lot of small niche suppliers in China. So like I said, it's
21 a difficult place to be but it's very, very large.

22 CHAIRMAN BROADBENT: But it's the biggest growth
23 market, and you all don't think the Italians are trying to
24 come and take that Chinese market?

25 MR. ANDERSON: The Chinese market primarily uses

1 acrylic tapes first and foremost, and the price delta
2 between Italian hot-melt and Chinese acrylic is enormous.
3 So it would be too difficult for them to enter.

4 CHAIRMAN BROADBENT: Okay. Do you foresee the
5 Chinese persisting with this commitment to acrylic?

6 MR. ANDERSON: Well, presumably for the
7 near-term future. I mean if you look at once again how many
8 producers there are in the hundreds, maybe even thousands
9 that have the ability to produce tape in China, it would be
10 hard to penetrate. I mean 3M has a presence there but it's
11 even limited for us, just because of the amount of local
12 competition.

13 CHAIRMAN BROADBENT: Okay. So if a package gets
14 delivered at my house with a drum, is it going to need a
15 different kind of tape?

16 MR. YULL: No, it is not going to need tape.

17 CHAIRMAN BROADBENT: Okay.

18 MR. YULL: Yet.

19 CHAIRMAN BROADBENT: Okay. Mr. Neeley, does
20 your group think that there are injurious non-subject
21 imports coming into the market at this point?

22 MR. NEELEY: I think at this you're talking
23 about both hot-melt and just generally of subject
24 merchandise? You know, we've looked at that. We continue
25 to look at it. At this point, we haven't thought there was

1 enough to file a case. So I guess that's -- I'd put it that
2 way.

3 CHAIRMAN BROADBENT: Okay. What explains the
4 growth in apparent U.S. consumption of acrylic tape but not
5 hot-melt tape?

6 MR. SHUFORD: I think that's largely explained
7 or I would largely explain that by switching that's gone on
8 over the years at the lower end of the performance market,
9 where they were deemed substitutes. As I would suggest,
10 that what that's telling us is that we found over the years
11 the real users of hot-melt tape, in other words, the folks
12 that really needed that degree of performance for that
13 product.

14 What we've lost over the years to the acrylic
15 importers, largely importers, are the users that wanted
16 sticky stuff to keep their box closed.

17 So what we've seen is through our efforts
18 collectively in marketing the product and finding those
19 critical users, we've been able to hold on to a certain
20 degree of the hot-melt business. But we have not enjoyed
21 material growth on account of the significant increase in
22 acrylic imports.

23 CHAIRMAN BROADBENT: Okay. I have a question
24 for the Inner Tape representative, Mr. Bennett I think. As
25 I understand, you're the only person on the panel that

1 produces all three types of the tape in substantial
2 quantities. Do you separate the three the same way as the
3 rest of the group, in terms of the different categories and
4 looking at trying to narrow the domestic like product?

5 MR. BENNETT: Well, it probably would be better
6 to answer that in the post-hearing brief, because I guess I
7 really need to understand how you're asking us to separate
8 it. Obviously, we interchange a lot in our sales group, you
9 know, because of the various ways that these tapes perform.

10 Certain customers will buy natural rubber if
11 they have a low temperature application; certain customers
12 will be acrylic if they're looking for certain types of
13 applications; and certain customers will buy hot-melt. Does
14 that answer your question or --

15 CHAIRMAN BROADBENT: Well I mean you all are
16 asking us to separate, right? So I was just trying to get
17 your sense of how you see these -- is it a unified category
18 or is it separate categories?

19 MR. YULL: They are separate categories,
20 distinct.

21 MR. BENNETT: Yeah, they're separate.

22 MR. YULL: They have their own price list, they
23 have their own, if you will, simply marketing collateral.
24 They all have their features benefits and we market them as
25 distinct categories.

1 CHAIRMAN BROADBENT: Okay. Mr. Neeley, I'll let
2 you kind of take a seat. I had one question to follow up on
3 something you were discussing with Commissioner Johanson.
4 I'm guessing there was a rejection in the tariff around
5 1997, I think, from what ten percent to five percent. I'm
6 guessing that must have been in the Uruguay Round we
7 negotiated a reduction.

8 It surprised me, if this was sort of an import
9 sensitive product back then, since we had a dumping duty
10 order on it, why we would have reduced the duty. But it
11 seems to me that the industry did okay with that reduction,
12 and it would be a reduction on the order of magnitude that
13 you would have if this order was revoked.

14 So why are the two cases different? Industry
15 survived with a reduction from ten to five percent in 1997.
16 If we were to revoke this order and reduce the 5.87 percent
17 duty to -- actually, no. It already has a 5.8 percent duty.
18 So three percent dumping duty would come off when we revoke
19 the order. So you'd still have a 5.8 percent duty.

20 Can you kind of weigh the magnitude there of how
21 much import protection you need?

22 MR. NEELEY: Well yeah. I mean I think it goes
23 back to some extent to what I was talking about before and
24 the way the anti-dumping duties work in the United States.

25 CHAIRMAN BROADBENT: Right.

1 MR. NEELEY: A regular duty of the sort if
2 there's a reduction of three percent, five percent, whatever
3 it is, that's a real reduction and you know you're going to
4 pay that much less. I mean that's a fixed amount.

5 CHAIRMAN BROADBENT: But what happened in 1997
6 when that happened, nothing?

7 MR. NEELEY: Well, because you still have the
8 anti-dumping duty.

9 CHAIRMAN BROADBENT: Okay. So you're saying
10 that the anti-dumping duty is the driver of protection?

11 MR. NEELEY: Yeah, yeah, because -- and as I
12 mentioned before, regardless of what the level of the
13 deposit is, you know, sophisticated companies, and we think
14 that most of these Italian companies are quite
15 sophisticated, realize that it's not just the deposit rate
16 that they need to be looking at. They need to be looking at
17 what they ultimately could end up paying and what the risk
18 factor is, and that's substantial.

19 CHAIRMAN BROADBENT: Yeah, okay.

20 MR. NEELEY: So that's the distinction between
21 the two, I think.

22 CHAIRMAN BROADBENT: Okay. I appreciate that.
23 Okay. Is there a term of art for this thing that happens
24 when you have this laying around your house and you need a
25 piece of tape and you're trying to find it, and then you

1 find that half of the piece of tape is ripped off and you're
2 like scratching with your nail to try to get it all lined
3 up?

4 MR. YULL: You might want to buy a new roll of
5 tape. That would help. That would help our industry
6 immensely, right.

7 (Laughter.)

8 MR. YULL: But no, there is not.

9 CHAIRMAN BROADBENT: Vice Chairman Pinkert?

10 VICE CHAIRMAN PINKERT: Thank you Madam
11 Chairman. I'm just wondering whether part of the impetus
12 for your attempt to clarify the domestic like product is
13 that this is such an old finding. I'm not aware of another
14 case in which we reviewed a finding going back to 1977, and
15 maybe you can give us some perspective on that.

16 MR. NEELEY: Commissioner, actually that's a
17 very good point and I think it is a major impetus in some
18 ways. None of us at this table or in this room were
19 involved when this order went into place. It was under the
20 1921 Act, as we all know. We look at it and if you go back
21 and read anything from the 1921 Act, whether it's at the
22 Treasury Department then, because it wasn't even at the
23 Commerce Department, or here at the Commission, the way that
24 things were analyzed and looked at back then was, I think,
25 significantly different than it is now.

1 For one thing, there wasn't judicial review in
2 the way that there was after the 1979 Act. So the way that
3 things were written back in those days, when this order was
4 originally put in place, was a -- I think the description,
5 let's say, in the order is not as precise as it would be
6 today.

7 I think we can all agree. If we look at the
8 definition that you guys come across today in every one of
9 your cases that comes over, and you compare it to what was
10 in this case back in 1977, I mean there's night and day
11 contrasts. The way that the domestic industry was analyzed
12 back in 1977 was utterly different than what it is after the
13 1979 Act.

14 So you have all of that going on, and
15 historically what has happened here is people just sort of
16 went along in every sunset review and say yeah, it's kind of
17 the same as the scope and, you know, that seemed more or
18 less right to everybody because we did think that things in
19 the domestic industry would influence each other, as I had
20 explained before, between acrylic and hot-melt.

21 So everybody just kind of stopped with that
22 original scope. But this year, you know, I think we were
23 really faced with the importance of the difference, I mean
24 because it stood out to us this year. When we looked at the
25 contrast between how the hot-melt industry was doing and

1 what had happened to the acrylic industry.

2 So yes, in some ways it does go back to the
3 order being that old, to the way that the scope was written,
4 to the fact that frankly nobody really realized what could
5 happen in terms of perceptions of the product and the
6 differences. So yeah, but ultimately it goes back to that
7 same fact. It is an old order with an old-fashioned sort of
8 scope.

9 VICE CHAIRMAN PINKERT: Thank you, and my next
10 question is just a hypothetical. It doesn't reflect my view
11 of the matter, but might some people say given the age of
12 this order that we really don't have the kind of evidence
13 about what would happen in the event of revocation that we
14 would normally have.

15 Therefore, some might say well perhaps we take
16 the order off, see what happens, and if there's a problem
17 you can come back to us. Is that a reasonable way to view
18 this issue?

19 MR. NEELEY: As to the latter part of the
20 question, I think Mr. Shuford addressed that really
21 dramatically. By the time you could gather the evidence,
22 that you could put together a new case, that you could come
23 here, the injury that would be done to all of the companies
24 here but certainly probably to ShurTape as a smaller one
25 would suffer perhaps the most.

1 But any of them really would be very, very
2 significant and devastating. So I think waiting and seeing
3 is not an option that is a good option in any way, shape or
4 form.

5 VICE CHAIRMAN PINKERT: And my last question is
6 given the financial performance that we observed for this
7 industry, is it reasonable to say that this industry is not
8 vulnerable to injury in the event of revocation?

9 MR. NEELEY: I'll let some of the other people
10 address that a little bit more. But I think a major reason
11 that we had ECS undertake the economic study was to address
12 just that issue, that the swings -- well, there's two things
13 that go on. Right now, the industry is doing well because
14 of raw material costs by and large, where prices have been
15 sticky, as we say, upwards and have stayed there, where
16 costs have dropped.

17 But that's cyclical and that's going to change
18 over time. But there can be a dramatic swing if you have
19 imports at low prices at substantial volumes in the
20 financial condition of the industry, and that's what the ECS
21 study shows, I think, very, very clearly. But I'll let some
22 of the others address that as well.

23 MR. MALASHEVICH: Commissioner Pinkert, Bruce
24 Malashevich again. Yeah, I think we both can think of a lot
25 of cases that have come before the Commission in, I don't

1 know, five or ten years, where dramatic swings in the
2 reported profitability of the domestic industry have
3 occurred, huge swings, including some very recent cases.

4 One or two years can make a big difference, and
5 also I do think that it's -- I'm limited because so much APO
6 data is included in our report.

7 I can't get into the numbers, but if you look at
8 the bottom line results that we've calculated in relation to
9 reported operating income, in relation to reported sales, in
10 relation to reported employment, I think anyone would agree
11 that they were dramatic, and the model was developed to
12 remain within the one to two year threshold, which I think
13 is a ballpark interpretation by me of what the Commission
14 has appeared to see as the reasonably foreseeable future.

15 So it's a short run model, and as Ms. Kobe
16 presented, we documented the elasticities with an effort to
17 be conservative in terms of taking the short term response,
18 in terms of the long term response. Even the short term
19 response is nothing less than disastrous.

20 But it's for that reason, because of the
21 constraints of a public forum, that I invited to continue
22 discussions with staff, so that they could replicate our
23 results, and if they know of a way to improve upon them,
24 we're certainly open to it.

25 MR. YULL: One thing that I would like to add is

1 I've been in this business for 25 to 30 years, and one thing
2 that we cannot lose sight of is the cyclical nature of this
3 business. Certainly, we are all benefitting from lower
4 petroleum and petroleum-based input costs. I do not believe
5 that's sustainable going forward.

6 Fundamentally, we're dealing with a zero growth
7 business, okay. So when you think of the position and the
8 fragility of the industry, box sales last year grew 1.2
9 percent, okay. So you know, you're dealing with zero to low
10 growth in this business.

11 When I took over as CEO of this business and
12 this company, and we're a publicly traded company so this is
13 all public knowledge, our gross margins were ten percent.
14 Our SG&A was approximately 11 percent and our debt interest
15 was about 3.7 percent. We were losing money. That was the
16 last cycle.

17 So I just remind everyone that again, while
18 things look good right now, that cycle is going to come the
19 other way. It always has and we've all been in this
20 business long enough to ride through those cycles.

21 MR. SHUFORD: I'd like to add if I could,
22 relative to the conjectures that relate to Italy and what
23 they might do, and just once again mention Europe and what
24 we've observed there, both in terms of the pricing in the UK
25 and also the simple fact that today, while we don't

1 participate meaningfully in the European packaging market,
2 my understanding is that Italy produces -- is really the
3 sole producer of hot-melt packaging tape of the entirety of
4 that market.

5 And as I mentioned still exporting it at prices,
6 exporting to the UK at prices that we would find pretty
7 threatening to our industry here. So I may not have to look
8 too far to surmise as to what might happen in the event of
9 the order being lifted.

10 VICE CHAIRMAN PINKERT: Please.

11 MR. ANDERSON: If I could add to Mr. Yull and
12 Mr. Shuford, I would say we consider this order to help this
13 industry be successful. So if we look back at 2010 to
14 today, having this order in place has helped us keep roughly
15 1,000 U.S. manufacturing jobs on site. I would say the
16 employment levels have been pretty consistent between the
17 last review and this review, and as you see they're pretty
18 good-paying jobs and there are nice factories.

19 Like I said, it also allows for capital and R&D
20 investments. So we shared confidentially our numbers on
21 that. We have internal hurdle rates. So when we make
22 capital investments, we compete against all the other
23 projects within 3M. So we have thresholds we have to hit.
24 So having a certain amount of profitability is critical for
25 that. So that's important for us.

1 Then the last piece is just the profit margins.
2 So you know, to Mr. Yull's comments as well, if you look at
3 the industry profitability from the pre-hearing brief, it's
4 still below 3M's company average, which means is a dilutive
5 business. So you know, it's making that margin thinner and
6 tighter with more imports would make the situation much
7 tougher for all of us.

8 VICE CHAIRMAN PINKERT: Thank you very much.
9 Thank you Madam Chairman.

10 CHAIRMAN BROADBENT: Commissioner Williamson.

11 COMMISSIONER WILLIAMSON: Thank you. Industry
12 has stated that different workers are used for the different
13 lines. To what extent is there movement of workers between
14 lines over time? In other words, will a given worker be
15 moved from one line to another based on the need for a
16 particular type of worker? Mr. Bennett?

17 MR. BENNETT: Yeah, they would do that. But
18 when we look at these lines, can you hear me?

19 COMMISSIONER WILLIAMSON: A little bit. That's
20 better.

21 MR. BENNETT: Does that answer your question?

22 COMMISSIONER WILLIAMSON: So is there -- does
23 that happen very often or is this pretty rare?

24 MR. BENNETT: Not very often, not very often.

25 COMMISSIONER WILLIAMSON: Okay. Anybody else

1 want to add to that?

2 MR. SHUFORD: Well, I would add that our sole
3 manufacturing capabilities in our Hudson facility are
4 strictly hot-melt as you saw, so there would be no switching
5 to be done outside of that facility, outside of moving
6 somebody to a different facility.

7 But if you want it clarified, I'd be happy to
8 offer more insight. But in general, I would say certainly
9 we have ^^^^ I think we all have very capable employees that
10 can be cross-trained to the extent necessary. But in our
11 case, that one technology is dedicated to a particular
12 facility. So moving an employee would require moving in
13 this case to a different zip code, to a different plant.

14 COMMISSIONER WILLIAMSON: But probably, shall we
15 say, within the same industry?

16 MR. SHUFORD: Within the same industry, yes.

17 COMMISSIONER WILLIAMSON: Okay, thank you.
18 That's somewhat helpful. We frequently have cases with a
19 range of products, such as steel products. They have
20 certain differences, but we find enough similarities to
21 warrant a single like product. And so why is this case
22 different? I mean it's asking the same question we've asked
23 before, but from this perspective?

24 MR. NEELEY: Well, we think your analysis is the
25 same. I mean, you know, we're not saying you should do a

1 different analysis here. We're just saying that the facts
2 as they now appear, which are different than they were five
3 years ago, lead to a different conclusion.

4 But yeah, I mean the factors that you look at or
5 the factors we look at, as you can see in our brief, the
6 explanation of why those factors are the way they are really
7 comes down to, as we discussed at the very beginning and
8 have discussed throughout, the ability of people at these
9 tables to market the product.

10 So there's a distinction there, but you look at
11 the same factors and I think if you look at those factors,
12 you see the divergence in how the industries have gone in
13 acrylics and hot-melt, you'll come to the conclusion that
14 they're separate industries and separate like products.

15 COMMISSIONER WILLIAMSON: Even though the
16 differences are not less than what we often see in some of
17 the steel products when we look at how they're being used?
18 Because it's all the --

19 (Simultaneous speaking.)

20 MR. NEELEY: Yeah. Where you draw the lines
21 would be a long discussion.

22 COMMISSIONER WILLIAMSON: Okay. Let's not have
23 that at this point. But okay, thank you. Either now or in
24 post-hearing, can you provide a breakdown on the U.S. market
25 between hot-melt, acrylic and natural rubber tape? It would

1 also be interesting to see how they break down in Europe. I
2 think someone -- in Italy. Someone mentioned that as
3 similar to here.

4 MR. NEELEY: Okay, we'll do that.

5 COMMISSIONER WILLIAMSON: Okay, thank you.
6 Let's see. To what extent do Italian producers focus on
7 specialty tapes and other types of tapes produced in Italy
8 that are not produced in the U.S.? Mr. Anderson.

9 MR. ANDERSON: Yeah. I think there probably are
10 some smaller niche products that are made in Italy not in
11 the U.S. We've got a couple in particular within 3M's
12 portfolio. None of them are very substantial, but they kind
13 of fit the model of how they can produce them there. So
14 there are some but not a huge quantity.

15 COMMISSIONER WILLIAMSON: Okay, thank you. In
16 your post-hearing brief, can you please comment on our
17 coverage of non-subject imports?

18 MR. NEELEY: Sure. We'd be glad to do that.

19 COMMISSIONER WILLIAMSON: This just occurs to
20 me. Duct tape didn't come up. Is that a subject product or
21 not? I know we had that discussion. I'm trying to
22 remember.

23 MR. SHUFORD: Yeah. Duct tape doesn't generally
24 meet the definition of PSPT tape on the basis of largely its
25 thickness.

1 COMMISSIONER WILLIAMSON: Okay, thanks. It just
2 occurred to me.

3 CHAIRMAN BROADBENT: It also can be like
4 carmel-colored or something.

5 COMMISSIONER WILLIAMSON: What?

6 CHAIRMAN BROADBENT: It's carmel-colored duct
7 tape.

8 COMMISSIONER WILLIAMSON: Oh okay, good. That's
9 right. They can get a lot of different colors on it, okay,
10 good. Okay. Those are all the questions I have, so I want
11 to thank the witnesses for their testimony.

12 CHAIRMAN BROADBENT: Okay. Commissioner
13 Johanson.

14 COMMISSIONER JOHANSON: Thank you Chairman
15 Broadbent, and I'd like to get back to the Italian industry.
16 That is where I finished in my last line of questions. On
17 page seven, pardon me, on page 427 of the staff report, it
18 states that Italy is Europe's leading manufacturer of
19 plastic tape, and we have also heard about the prevalence of
20 Italian machinery in this industry.

21 Does anyone on the panel have a historical
22 perspective on how Italy achieved such a dominant position
23 in this industry, and how it has remained there, especially
24 given that Italy is what I would perceive as a likely high
25 cost producer?

1 MR. ANDERSON: I'm not sure, Commissioner, if I
2 can give you an adequate answer. But it is interesting,
3 especially northern Italy. It has so many quality
4 manufacturers, both from the tape industry, from the machine
5 industry and in the broader sense the packaging industry to
6 compete.

7 There's almost small circles you could draw on
8 maps that seem to have a little bit of everything. A good
9 tape manufacturer, a good tape equipment manufacturer and an
10 equipment supplier that fits their packaging industry. So
11 I'm not sure how that grew up that way, but it just seemed
12 like it happened.

13 But you're right. There is some movement out of
14 Italy at this point, but in general it's a very dense
15 country for technology.

16 COMMISSIONER JOHANSON: You know, it's
17 interesting. I've seen this mainly up near Milan. Am I
18 correct? Okay. I don't know Italy well, but I do know
19 there's quite a bit of manufacturing in the north.

20 And along those same lines, just for a little
21 background, I was really struck by the large number of
22 producers in Italy. I think there's something like 30 of
23 them.

24 MR. NEELEY: That's right.

25 COMMISSIONER JOHANSON: In a country of maybe 50

1 million people. Is that because they're providing for such
2 a large market in the EU, or do any of you know why that
3 would be the case?

4 MR. ANDERSON: Yeah. The Italian producers
5 primarily produce for export markets. So it's kind of the
6 hub for Western Europe and for Eastern Europe for a certain
7 extent too, although eastern Europe we're starting to get a
8 little bit more competition from them as well.

9 COMMISSIONER JOHANSON: From Asia mainly?

10 MR. ANDERSON: From Asia and actually some
11 eastern European suppliers popping up.

12 COMMISSIONER JOHANSON: There are a lot of
13 producers around the world of this product. I'm actually a
14 little surprised. And getting back to Italy and actually
15 Italy's ability to sell abroad, do you all know if the
16 Italian firms have a distribution network in the U.S. market
17 that could help them to gain market share quickly after
18 revocation?

19 MR. ANDERSON: My initial thoughts would be
20 probably it would be fairly limited, but it's pretty simple
21 to set that up quickly. You guys can probably add to that
22 as well.

23 MR. YULL: What we've seen on the customer side
24 on distribution is we've seen some consolidation on that
25 space. So we saw two of the largest competitors in

1 distribution merged a year and a half ago, and we've seen
2 some other consolidations. So for any company to access a
3 high proportion of the market is fairly easy and fairly
4 point to point.

5 COMMISSIONER JOHANSON: Okay, thanks. And
6 somewhat along the same lines, do you all compete against
7 any in scope Italian tape in neighboring export markets, for
8 example in Canada or Mexico? To the extent that you do,
9 could you provide some pricing data for those markets in the
10 post-hearing brief that might help us to gauge what Italian
11 competition, absent an order, might look like? I have no
12 idea who would supply Mexico and Canada --

13 MR. NEELEY: You're interested in North America
14 primarily.

15 COMMISSIONER JOHANSON: Right.

16 MR. NEELEY: Because we did give it for the UK.
17 But yeah, no. I understand.

18 COMMISSIONER JOHANSON: That would be useful.
19 Thanks a lot. You have spoken quite extensively, both and
20 also in your prehearing brief about the impact of lower raw
21 material costs, how that has impacted your industry. But
22 you've also made some fairly significant capital investments
23 in recent years.

24 How much would you say the domestic industry's
25 profitability increase can be attributed to lower raw

1 material costs as opposed to capital investments? Do you
2 all have an idea on that?

3 MR. NEELEY: I'm told, not surprisingly, that's
4 pretty confidential information. So why don't we try to
5 address that in the post conference or post-hearing brief.

6 COMMISSIONER JOHANSON: Okay, thanks a lot. I
7 appreciate it. Finally, I have one more question for Ms.
8 Kobe or Mr. Malashevich, whoever would be in the best
9 position to answer this, and this is a very complex
10 question. So my apologies, but I think you'll probably get
11 the gist of it.

12 In your Scenario 1, you assume that were the
13 order revoked, U.S. producers' prices would fall by the
14 amount of the under-selling observed in a pricing table for
15 Product 1. In the main part of the prehearing brief in page
16 22, Italian price data from the UK market is presented,
17 which is presumably a duty-free EU destination for Italian
18 tape.

19 Do you have any data for sales of comparable
20 U.S.-produced tape in the UK market? Having such data might
21 help test the validity of your price assumptions for
22 Scenario 1. Does that make sense to you? I assume you
23 can't provide that now, but if you could do that in the
24 post-hearing, that would be helpful.

25 MS. KOBE: We'll look at the range of data that

1 are available and provide what can be in the post-hearing
2 brief.

3 COMMISSIONER JOHANSON: Okay. Thanks a lot.
4 That concludes my questions, and thank you all for appearing
5 here today.

6 CHAIRMAN BROADBENT: Commissioner Kieff.

7 COMMISSIONER KIEFF: Thanks Madam Chairman.
8 Just to follow up, I had anticipated being done. But just
9 to follow up your discussion with Commissioner Schmidlein,
10 when she was asking you about the chart, the good better
11 best chart for the three business witnesses in the front, if
12 I remember correctly you were in effect hypothesizing that
13 the, what do you call it, the origin or the authors of the
14 chart might have had in the back of their minds two types of
15 fact patterns.

16 One a PVC fact pattern and two a multiple layer
17 of tape fact pattern. So let me, if I could, just ask some
18 technical questions about those two. On the PVC fact
19 pattern, am I correct in understanding that the mechanical
20 properties of PVC are materially different from the
21 mechanical properties of the -- I think you used
22 polyethylene or polypropylene for your tape.

23 Can you just briefly describe the mechanical
24 differences or behavioral differences between PVC and your
25 plastic?

1 MR. YULL: I'm not familiar with the mechanical
2 differences at that level of information. But you know, in
3 North America, we do not utilize any PVC. There's no PVC
4 sold. So maybe Rick, I don't know if you have any
5 background on PVC and the properties of PVC or Steven.

6 MR. ANDERSON: Yeah. Like he said, I probably
7 couldn't define a lot of the mechanical properties either.
8 We'd have to ask one of our experts, but like I said in
9 general, PVC is still used in Europe, primarily because it
10 has good strength and virtually no noise, almost no noise
11 when you peel it off the role so it's quiet.

12 So it's used for that standpoint. But as Mr.
13 Yull said, it's not really what's used in the U.S.

14 COMMISSIONER KIEFF: Great, and if you wanted to
15 add, you're welcome to.

16 MR. SHUFORD: Well, just the fact that it
17 doesn't even exist, I've never even heard of it really,
18 makes the whole table to me a little bit suspect to be
19 honest.

20 COMMISSIONER KIEFF: Gotcha.

21 MR. SHUFORD: But so that's all I would add.

22 COMMISSIONER KIEFF: Okay. So then just to say
23 back to you, to make sure I'm hearing it correctly, one
24 point is the empirical point about use frequency in the
25 North American market, as three people who do a lot of

1 business in this market, this is not a substrate you see in
2 this market.

3 And then the second is there are some
4 performance differences and in the post-hearing you could
5 follow up if you'd like. But just to -- within a week, that
6 helps us understand why an author of that table might in
7 good faith be coming to a totally different view of how
8 things are going than you are, also in good faith, simply
9 because of those basic differences between PVC and your
10 plastic.

11 Also on the multi-layer of tape branch of this
12 discussion, let me just make sure I'm understanding some of
13 the things you said there. I think -- am I correct in
14 understanding that you are pointing out that in a multiple
15 layer application, often a hand is required and that hand
16 then performs nuance pressure and greater pressure, and that
17 use of greater pressure right at the time, I think you said
18 something like, you know, smoothing it out really firmly,
19 that that effect might be causing some of the -- some of the
20 performance characteristics that are reported in the table?

21 MR. SHUFORD: Well, what I will say is this.
22 Most often, and I think Mr. Yull commented earlier,
23 increasingly the hand roll market, hand-applied tape has
24 moved towards acrylics. The reason for that is that because
25 they're pressure sensitive products and therefore sensitive

1 to pressure, that if one is going to hand apply something,
2 they can probably go cheap on their tape and they've found
3 that to be true.

4 COMMISSIONER KIEFF: Gotcha.

5 MR. SHUFORD: And as a last resort, if they need
6 to -- and you've done this at home no doubt. If you need to
7 add an extra strip just to make sure, then you do. It
8 doesn't work that way in a major facility in an automated
9 environment, for obvious reasons.

10 COMMISSIONER KIEFF: Gotcha. So that's the
11 difference between a systems approach and individualized
12 approach?

13 MR. SHUFORD: That's one big difference.

14 COMMISSIONER KIEFF: Gotcha, and then a last
15 difference might be an effect that -- and again I ask this
16 as a tech person, so bear with me. In fact, you're creating
17 a composite when you have multiple layers of tape, because
18 you've got a fiber, the plastic, and at least one matrix,
19 maybe even two matrices.

20 One would be the glue, but the other might in
21 fact be the glue of the type that is not exposed to the air,
22 the deep layer, and the glue that was exposed to the air
23 during the time that the tape was unrolled. So if you have
24 a multiple layer tape setup, you're really forming a pretty
25 complicated composite.

1 You're also covering off in times a greater
2 surface area, where you overlap parts. And all of those
3 effects, I take it, are available in the hand application
4 market but not in the automated market as easily.

5 MR. SHUFORD: I'm not sure the exposure to air
6 really comes into play to speak of. One difference that,
7 just to reiterate it, between an acrylic and a hot-melt is
8 that our hot-melt products will have a third layer, which is
9 a release layer. So it's that it quite readily releases
10 from itself.

11 COMMISSIONER KIEFF: Understood.

12 MR. SHUFORD: And that's very friendly to an
13 automated dispensing application, just the lower unwind
14 forces that are required.

15 COMMISSIONER KIEFF: Gotcha. Anything else you
16 want to provide is welcome, but otherwise I'm good. Did you
17 want to --

18 MR. ANDERSON: I was going to say, the scenario
19 you just painted was something that we probably all three
20 companies would sell against, trying to convince them to buy
21 a better grade and just use one piece.

22 COMMISSIONER KIEFF: Yeah. That makes sense.

23 (Off mic comments.)

24 COMMISSIONER KIEFF: Great. Thank you all. No
25 further questions. I think we're back to Commissioner

1 Schmidtlein.

2 VICE CHAIRMAN PINKERT: Do Commissioners have
3 any additional questions?

4 (No response.)

5 VICE CHAIRMAN PINKERT: Okay. Hearing none,
6 does staff have any questions for this panel?

7 MS. MESSER: Mary Messer, Office of
8 Investigations. Staff has no questions. Thank you.

9 VICE CHAIRMAN PINKERT: Thank you, and with
10 that, we'll come to closing statements, as there's no other
11 party here to ask questions or have questions asked of.
12 Those in support of continuation have five minutes for
13 closing, plus whatever you have left over from before. You
14 may begin when ready. Just five minutes? Okay, thank you.

15 CLOSING REMARKS OF JEFFREY S. NEELEY

16 MR. NEELEY: Okay. I'm not going to take very
17 much time, because I think we've spent a lot of time going
18 over these issues today, and I just want to thank you,
19 because I think they've been very helpful to us, to clarify
20 what the concerns of the Commission is. We'll focus on
21 those in our post-hearing brief.

22 As I said at the beginning, there's a lot of
23 good information out there. We've made a really determined
24 effort to get the Commission studies independently, like
25 Freedonia and Alexander Watson and of course the study from

1 Economic Consulting Services.

2 We'll address the concerns which we've certainly
3 anticipated of what happens if you look at it as only a
4 hot-melt and what happens if you look at it as everything,
5 and we'll go into those in some detail in the post-hearing
6 brief. So I just want to thank you on behalf of all of our
7 clients for your time and attention to the details of this
8 case. Thank you.

9 VICE CHAIRMAN PINKERT: Thank you. I express
10 the Commission's appreciation to everyone who has
11 participated in today's hearing. Your closing statement,
12 post-hearing brief, statements responsive to questions and
13 requests of the Commission and corrections to the transcript
14 must be filed by February 10th, 2016.

15 Closing of the record and final release of data
16 to the parties will be on March 4th, 2016. Final comments
17 are due on March 8th, 2016, and with that, this hearing is
18 adjourned. Thank you.

19 (Whereupon, at 12:16 p.m., the hearing was
20 adjourned.)

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CERTIFICATE OF REPORTER

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INVESTIGATION NO.: AA1921-167

HEARING DATE: 2-2-16

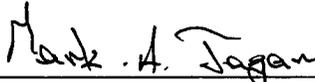
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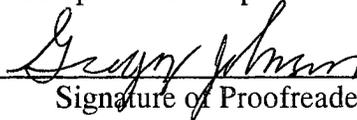
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