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P R O C E E D I N G S

(9:30 a.m.)

1
2
3 MR. CARPENTER: Good morning and welcome to
4 the United States International Trade Commission's
5 conference in connection with the preliminary phase of
6 antidumping investigation Nos. 731-TA-1114 to 1115
7 concerning imports of certain steel nail from China
8 and the United Arab Emirates.

9 My name is Robert Carpenter. I am the
10 Commission's Director of Investigations and I will
11 preside at this conference.

12 Among those present from the Commission
13 staff are, from my far right: George Deyman, the
14 supervisory investigator; Fred Ruggles, the
15 investigator; Robin Turner, the attorney/advisor;
16 Steven Trost, the economist; Charles Yost, the
17 auditor; and Gerald Houck, the commodity industry
18 analyst.

19 I understand that parties are aware of the
20 time allocations. I would remind speakers not to
21 refer in your remarks to business proprietary
22 information and to speak directly into the
23 microphones. We also ask that you state your name and
24 affiliation for the record before beginning your
25 presentation.

1 Are there any questions? If not, welcome
2 Mr. Rosenthal, please proceed with your opening
3 statement.

4 MR. ROSENTHAL: Good morning. I'm Paul
5 Rosenthal with the law firm of Kelley Drye Collier
6 Shannon. I appear here this morning on behalf of the
7 Petitioners, the U.S. producers of certain steel
8 nails.

9 Opposing us today are not only numerous
10 foreign producers and importers, but erstwhile
11 domestic producers of steel nails who have become
12 foreign producers and importers in recent years. The
13 domestic producers who oppose this case are different
14 from Petitioners and supporters of the petition in two
15 important respects.

16 First, each has some type of a relationship
17 with the subject foreign producer; and second, each is
18 importing subject steel nails. Those entities are
19 basically hedging their bets by shutting plants in the
20 U.S., producing in China, and buying low-priced dumped
21 nails.

22 But make no mistake that the reason these
23 U.S. producers are importing nails is to take
24 advantage of the low prices the Chinese and the UAE
25 producers offer. These prices are as a result of

1 dumping, and severe dumping at that. These opposing
2 companies have therefore become part of the unfair
3 trading problems themselves.

4 Make no mistake that the importing by these
5 erstwhile domestic producers, the shutting down of
6 facilities, the laying off of workers is injurious.
7 We all understand it's part of the business strategy
8 and these companies may feel that they feel obligated
9 or entitled to inflict harm on themselves, but in fact
10 the people who are suffering are the workers in the
11 industries and their competitors in the domestic steel
12 bar nail industry.

13 The domestic producers I represent, on the
14 other hand, are attempting to compete fairly and to
15 preserve a U.S. nails industry. They want to avoid
16 further layoffs and factory closures. They want to be
17 able to maintain production in this country and sell
18 at fair prices.

19 Unfortunately, the surge in imports from
20 China and the UAE has caused substantial harm to the
21 domestic producers and is threatening the continued
22 existence of this industry. Imports from China and
23 the UAE increased by 70 percent in absolute volume
24 terms over the last three years. As the subject
25 import share of the U.S. market has grown, domestic

1 producers have seen their market share fall, and their
2 production and shipments decline. As you will hear in
3 our testimony shortly, some companies have had to
4 close plants while others have had to shutdown
5 altogether.

6 These in-roads by China and the UAE have
7 been made possible by low prices that undercut U.S.
8 producers, leading to both price suppression and
9 depression. As prices fall, so do profits. Your
10 database will show a significant decline in the
11 industry's financial performance as a result of the
12 lower prices of the subject imports.

13 Relief is needed to permit the remaining
14 members of the domestic industry to continue to
15 produce nails in this country because what we have
16 seen so far is just the tip of the iceberg. Chinese
17 and UAE capacity to produce nails is enormous and
18 these companies in these countries are highly export-
19 oriented. Every day you read something about new
20 capacity coming on stream.

21 Recent Chinese policy and tax changes
22 affecting its steel industry in particular will only
23 further encourage exports of nails to the United
24 States if action is not taken.

25 We appreciate your attention today and ask

1 the Commission to provide relief to this domestic
2 industry. Thank you.

3 MR. CARPENTER: Thank you, Mr. Rosenthal.

4 Mr. Levine and Ms. Levinson, if you would
5 come forward now, please.

6 MR. LEVINE: Good morning. I'm David Levine
7 here on behalf of Illinois Tool Works.

8 In our opening remarks on behalf of
9 Respondents in this case, Ms. Levinson and I want to
10 frame some of the basic points relevant to the
11 Commissions preliminary injury decisions.

12 The Commission should recognize that
13 Petitioners represent a very small portion of the U.S.
14 industry that produces steel nails. As you know, the
15 Commerce Department is polling the industry in
16 connection with Petitioners' standing claim for which
17 Commerce has extended the initiation period by 20
18 days.

19 Public data on the record at Commerce
20 already indicate that domestic producers responsible
21 for a significant share of U.S. production oppose the
22 petition. Commerce, of course, will decide whether
23 these facts legally defeat Petitioners' claim to
24 represent the domestic industry, and corresponding,
25 whether to initiate an investigation and allow this

1 proceeding to continue.

2 Even if Commerce disagrees with our view
3 that Petitioners lack standing and decides instead to
4 initiate an investigation, the Commission should
5 nevertheless give careful consideration to the lack of
6 support for the petition by a number of very
7 significant U.S. producers.

8 The Commission must also pay careful
9 attention to the reasons why these significant U.S.
10 producers as well as virtually all U.S. distributors
11 and consumers of steel nails oppose the petition. You
12 will hear from our panel of industry witnesses that
13 U.S. producers alone cannot meet demand for the volume
14 and types of nails required by all domestic consumers.
15 Petitioners themselves certainly cannot meet this
16 demand.

17 As the industry and demands for particular
18 types of collated nails have evolved, Petitioners have
19 not kept up, and instead, they followed a demand for
20 commodity products. Imports from China and from the
21 UAE include patented nails, premium-grade paper
22 collated nails, nails meeting the highest construction
23 standards and specifications, and nails uniquely
24 designed for and used in certain pneumatic and gas-
25 powered nail tools.

1 Petitioners have not, and our industry
2 witnesses will testify, cannot satisfy the demand for
3 these specialized products. Please understand,
4 however, that none of the Respondents is making a like
5 product argument here today.

6 Import and consumption trends illustrate
7 what the industry experts, including some very
8 significant U.S. producers themselves, know is the
9 case that imports from China and from the UAE provide
10 a needed source of supply for U.S. consumers.
11 Blocking these imports with antidumping orders will be
12 a terrible disservice to U.S. consumers and to those
13 U.S. producers who recognize that offshore production
14 is essential to a robust U.S. industry.

15 Moreover, antidumping orders would not help
16 Petitioners who cannot meet the demand satisfied by
17 imports. Instead, blocked imports from China and from
18 the UAE would simply be displaced by imports from
19 other foreign producers.

20 MS. LEVINSON: Good morning. My name is
21 Lizbeth Levinson, and I'm with the law firm of Garvey
22 Shubert Barer.

23 This morning you will hear from several U.S.
24 distributors who will testify that they have been
25 unable to obtain from the Petitioners the variety and

1 quantity of nails necessary to serve their U.S.
2 customers. There are many types of commonly used
3 nails that the Petitioners simply do not produce.
4 There is no reluctance to purchase from domestic
5 sources but the Petitioners lack both the breadth of
6 product and the capacity to serve the U.S. market.

7 It speaks for itself that none of the
8 Petitioners have ever solicited business from the
9 distributors you will hear from today.

10 The nail industry, like other construction-
11 related industries, experienced a large unprecedented
12 boom in 2004. The prices of nails soared in response
13 to the dramatic increase in residential construction,
14 the strong economy during that year, and the soaring
15 prices of raw materials such as steel wire rod.

16 Petitioners would have you believe that 2004
17 was a typical year, but in fact industry experts state
18 that it was the best year in an entire generation.
19 Since 2004, which was plainly an aberrational year, it
20 should not be treated as a benchmark against which the
21 alleged industry should be assessed.

22 Consumption of nails did decline in 2006 as
23 a result of the softening of the residential
24 construction market in the United States. In recent
25 months, however, prices have increased and even some

1 of the Petitioners admit that they are operating at
2 full capacity.

3 Significantly, one Petitioner has even gone
4 so far as to place its customers on allocation, and
5 others are raising prices. Still others have flatly
6 told the customers that the quantities of nails they
7 ordered could not be supplied for several months
8 because of a lack of capacity. Plainly the
9 Petitioners simply cannot meet the needs of the U.S.
10 construction industry.

11 Finally, the record will show that imports
12 from China are not the lowest priced, and in fact
13 there are lower priced options from countries like
14 Vietnam and Indonesia. Importers choose to purchase
15 higher priced Chinese products, however, because the
16 quality is reliable and Chinese producers are able to
17 offer a wide array of nails for many distinct
18 applications.

19 Thank you very much.

20 MR. CARPENTER: Thank you, Ms. Levinson and
21 Mr. Levine.

22 Mr. Rosenthal, if you would please bring up
23 your panel at this point.

24 MR. ROSENTHAL: Good morning again. I won't
25 spend a lot of time on introductions as our witnesses

1 will introduce themselves. I will tell you that the
2 people you are about to hear from today have vast
3 experience in the nails industry. They know their
4 business. They know their competitors. They know the
5 distributors. They know their customers, and what you
6 are about to hear will explain to you why the domestic
7 industry is being injured, and why relief is needed.

8 I will start this morning turning over the
9 microphone to our first witness, Mr. David Libla.

10 MR. LIBLA: Good morning. I am David Libla.
11 I am the president of Mid Continent Nail Corporation.
12 I have served as president of Mid Continent since the
13 company was founded in 1987. I would like to give you
14 some background on the circumstances in our market
15 giving rise to this case, and the problems my company
16 and our industry have suffered and will continue to
17 suffer if relief from unfairly traded imports is not
18 provided.

19 Mid Continent began production of nails in
20 the late eighties, and quickly grew to become a major
21 U.S. supplier of nails. We produce a wide variety of
22 nail types at Mid Continent. I have brought a few
23 samples of domestically-produced nails for you to
24 examine. My assistant here will show them to you.

25 Nails can be made with different types of

1 heads. Here is an example where our nails with flat
2 heads.

3 MR. CARPENTER: Mr. Pratt, I want to just
4 pass those around.

5 MR. LIBLA: And then here is an example of a
6 brad head. Nails also have a variety of points,
7 including medium diamond, which he will show you; a
8 blunt chisel; and a blunt diamond. Shank styles of
9 nails may vary as well. The most common is the smooth
10 shank. There is also a rank shank, and this is
11 generally used for softwood, and a screw shank is
12 generally used in hardwood applications.

13 The coating or finish for a nail is another
14 important physical characteristic. Here is an example
15 of what we call a bright nail which has no surface
16 coating, and is generally used for indoor
17 construction. Here is an electrical galvanized nail
18 in which a thin layer of zinc has been applied to the
19 nail and this is a nail with a hot galvanized coating
20 in which the steel is emersed in molten zinc to
21 provide a thick protective coating that helps resist
22 weathering.

23 Nails can be sold in bulk or they can be
24 should in collated through the use of plastic or paper
25 or wire or attachments for the use in nail guns.

1 Notably, the same nail that's sold in bulk can be
2 attached via plastic, paper or wire, and used in a
3 nail gun once it's collated.

4 As you can see, Mid Continent makes a wide
5 range of nail types to supply various needs and
6 specifications. We proud ourselves on producing a
7 high-quality product, and providing exceptional
8 service to our customers. Indeed, our growth as a
9 supplier of nails to the U.S. market following the
10 company's establishment in the eighties was
11 accomplished based on these attributes.

12 Although those qualities should have
13 continued to ensure our success as a domestic nail
14 producers providing a high-quality product and great
15 service is no longer enough to survive in this
16 business.

17 Over the past several years we have watched
18 imports from China and from the UAE significantly
19 increase their share of the U.S. market. They have
20 done so not by providing a better product than Mid
21 Continent or other U.S. nail producers, but by trading
22 unfairly and undercutting our prices.

23 As dumped imports of nails from China and
24 the UAE have flooded our market, Mid Continent and
25 other U.S. producers have been forced to close plants

1 in the United States as we find ourselves unable to
2 compete with these low-priced imports.

3 In 2005, Mid Continent closed our
4 Springdale, Arkansas, facility; in January 2007, we
5 closed our Radford, Virginia, facility; and in March
6 of this year we discontinued manufacturing operations
7 at our Hillsboro, Texas, facility, which was a state-
8 of-the-art facility that was built new in 2004.

9 Mid Continent is not the only U.S. producer
10 being forced to shut down nail production facilities
11 in recent years. Representatives of other U.S.
12 producers here today will relate to you additional
13 production declines and plant shutdowns related to
14 imports. The most notable of these is Keystone, which
15 was forced to completely cease production of nails in
16 December of 2006, due to problems caused by unfair
17 import competition.

18 As Mr. Stirnaman will discuss, others not here,
19 such as Parker Metals, have also closed nail
20 production facilities in the first quarter of '06.
21 Even those who have not joined us Petitioners have
22 closed nail plants. My understanding is that ITW
23 Paslode closed its Arkansas plant this past December,
24 then in March of 2007 closed its Wisconsin plant as
25 well. I also believe that Synco Products closed one

1 of its plants and eliminated a number of jobs.

2 Some of these companies have not supported
3 this case because they have Chinese production
4 facilities, have begun importing these dumped imports
5 in significant volumes themselves, or both. It is
6 disappointing to see major U.S. nail producers not
7 only importing the dumped product to the detriment of
8 other competing U.S. producers but also shifting their
9 alliance away from their own domestic industry.

10 That is particularly true when only 10 years
11 ago one of those companies, ITW Paslode, was a
12 petitioner itself in a case against roofing imported
13 nails from China and other countries because of injury
14 it was suffering from dumped imports.

15 I know it is tempting for U.S. nail
16 producers to shift to importing the dumped nails to
17 take advantage of the low prices offered. The prices
18 being offered for Chinese and UAE nails are so low in
19 some cases that they barely cover the cost of wire let
20 alone the additional cost to process the wire into
21 nails.

22 I can understand the economics driving that
23 decision given the extremely low prices offered for
24 these imports. That does not excuse the unfair
25 behavior, however, which our information shows to be

1 substantial levels of dumping of both China and the
2 UAE. By importing these dumped products, the U.S.
3 producers are becoming part of the problem themselves
4 to the detriment of sustaining a domestic nail
5 industry in the United States.

6 Although the opposing U.S. nail producers may
7 try to rationalize their behavior as not injurious, I
8 doubt their former workers who have lost jobs and
9 their surrounding communities that have lost a
10 significant manufacturing operation would agree.

11 The relentless dumping practices of the
12 Chinese and the UAE producers yielding prices
13 substantially lower than U.S. prices are quite simply
14 driving domestic nail producers out of business. The
15 surviving members of our industry are watching our
16 market share fall, our prices decline, and our profits
17 diminished to unhealthy levels. We simply cannot
18 continue to operate in this business unless action is
19 taken to halt the surge of these low-priced imports,
20 and as if our problems are not already bad enough, it
21 is clear that the import problem will only get worse
22 if antidumping duties are not imposed. I base that
23 concern on several factors.

24 First, the capacity and production of nails
25 in the subject countries have increased significantly

1 in the past several years. China alone has over 300
2 nail producers, and most are heavily export-oriented.
3 The United States has been and will continue to be a
4 major and increasing focus of these exports if action
5 is not taken.

6 Second, the rapid increase in imports that
7 has taken place from these countries over the past
8 three years is alarming, evidence of the ability of
9 these imports to rapidly penetrate our market. This
10 rapid import penetration was accomplished by
11 undercutting U.S. prices for this price-sensitive
12 product.

13 Third, our industry has been placed in a
14 cost/price squeeze that is projected to get worse.
15 Our cost for wire rod and wire have been increasing,
16 at the same time prices of nails have not been able to
17 keep up or keep pace with those increases, and have
18 been in declining in recent quarters.

19 Now we hear that additional increases may
20 take place in the cost of wire rod and wire. Given
21 our ability to pass through these cost increases in
22 this market due to dumped imports, any such cost
23 increases will only further decimate our bottom line.

24 Finally, I refer you to the recent actions
25 taken by China that will encourage further exports of

1 nails to the detriment of our industry. China
2 recently announced it was taking several steps that
3 would lead to a reduction in exports of certain basic
4 steel products, not including nails. China abolished
5 or significantly reduced a VAT rebate provided on
6 exports of basic steel products. China then imposed
7 export taxes ranging between 5 and 15 percent on
8 certain steel products to reduce exports of those
9 products.

10 The affected products are upstream products
11 to the nails we product. No similar VAT rebate
12 adjustments or export taxes were applied to nails.
13 The result of this policy change by China is a double
14 whammy to our industry.

15 First, due to the imposition of duties and
16 elimination of the VAT rebate, the prices of imports
17 of wire rod and, as a result, the price of domestic
18 wire rod and wire will increase raising our costs.

19 Second, these policy changes will lead to a
20 disincentive in China to export the basic steel
21 products to which these taxes apply, and an incentive
22 for Chinese companies to further process the steel
23 into downstream products such as nails for export.

24 Thus, the new policy changes in China will
25 cause an already significant volume of low-priced nail

1 imports from China to increase even further, to the
2 detriment of our industry.

3 For all of these reasons on behalf of my
4 company and my industry, I urge the Commission to find
5 injury to our industry and to provide us with the
6 relief under the antidumping laws.

7 Thank you very much.

8 MR. ROSENTHAL: Our next witness is Mr.
9 James Kerkvliet.

10 MR. KERKVLIIET: Good morning. I am Jim
11 Kerkvliet, Vice President and General Manager of the
12 Downstream Group of Gerdau Ameristeel Corporation. I
13 have been with Gerdau Ameristeel for 22 years. I am
14 currently responsible for Ameristeel's bright bar rail
15 products and the wire group.

16 Gerdau Ameristeel is a leading producer of
17 nails in the United States. Our nails are produced at
18 our Atlas Steel and Wire Division which is located in
19 Harihan, Louisiana. This morning I would like to
20 address the product and the production process for
21 nails and then focus on the impact that subject
22 imports have had on our company.

23 The product at issue in this case is certain
24 steel nails that have a shaft length up to 12 inches.
25 Nails are produced from various grades of steel and

1 are principally used to fasten two pieces of material,
2 typically wood, or other solid building materials.

3 The nails covered by this investigation
4 include nails, both nails made of round wire and nails
5 that are cut. Nails can be produced in either
6 integrated or non-integrated production operations.
7 The integrated operation involving the most common
8 form of nail production, the process starts with wire
9 rod which is draw into wire at the required gauge. In
10 non-integrated operations, the production process
11 begins with purchased wire.

12 In the most common nail production the wire
13 is fed into a nail machine where it is held by a pair
14 of gripper dies. The shape of the head is machined
15 into the end of the dies, where the dies clamp the
16 wire in place, the free end of the wire is struck by a
17 mechanical hammer which deforms the end of the wire
18 into the die cavity to form the head of the nail.
19 With the wire still clamped in the dies, a set of
20 shape cutters then strikes the opposite end of the
21 nail, forming the point and cutting the nail free from
22 the rest of the wire coming off the coil. The nail is
23 then released from the dies.

24 The free end of the wire is drawn from the
25 coil and fed into the machine and the cycle begins

1 again.

2 Nails that have helical twist, serrations
3 and other surface configurations require an additional
4 forming process. These nails must be fed into other
5 machines that roll, twist, stamp, or cut to required
6 forms. This may be a purely mechanical process or may
7 require heating the material before forming.

8 Once the nails are formed, the nails are
9 then cleaned in a rotating barrel filled with cleaning
10 solution to remove any oil from the forming machine
11 and any small metal scraps or nebs that may be
12 clinging to the nails.

13 The basic nail that produces a bright nail,
14 in order to produce various performance
15 characteristics nail, may be further treated in
16 numerous ways after being formed. For example, they
17 may be heat treated, treated to prevent rust and/or
18 corrosion, or coated with various substances such as
19 vinyl or cement. Nails also may be painted in part or
20 in full.

21 Finished nails may be sold in bulk or they
22 may be collated into strips or coils using materials
23 such as plastic, paper or wire. Collated nails and
24 bulk nails are essentially the same nails. The only
25 difference is that the collated nails are attached

1 together where the bulk nails are loose.

2 As Mr. Libla just described, nails can have
3 a variety of finishes, heads, shanks, points and
4 sizes. Despite these differences all nails covered by
5 this investigation share the same basic
6 characteristics, are made to industrywide standards
7 such as those of the American Society for Testing and
8 Materials, the ASTM, an international co-council, the
9 ICC, and are used for the same basic purposes, in
10 construction.

11 Because imported nails are produced to the
12 same standard specification as our products, price is
13 a key factor in the sales of nails in the U.S. market.
14 Lower prices offered by the dumped imports from China
15 and the UAE give them a distinct and unfair advantage
16 in the U.S. market. The lower prices of dumped nails
17 undercut our prices causing us to lose sales and
18 depress our prices causing us to lose money.

19 The effects of this unfair competition on
20 Gerdau Ameristeel has been severe. Since 1004, Gerdau
21 Ameristeel has suffered extreme damage due to the
22 large volume of dumped imports from China and the UAE.
23 The financial performance of our nail operations has
24 deteriorated to unhealthy levels as we have been
25 forced to dramatically lower our prices in an effort

1 to retain sales in competition with the subject
2 imports.

3 Despite our efforts to compete, however, we
4 have continued to lose significant volume of sales to
5 China and the UAE. As a result, we have experienced
6 sharp declines in our production and shipments while
7 our inventory levels have increased considerably. Our
8 workers have also been directly affected. We have
9 been forced to implement cutbacks, so our number of
10 employees have declined as well as their hours and
11 wages.

12 In light of our worsening financial
13 condition and loss of market share to subject imports,
14 Gerdau Ameristeel has still not been able to make any
15 investments in equipment, technology, and manpower
16 that are necessary to be viable long term.

17 Gerdau Ameristeel simply cannot continue to
18 compete with these ever-increasing volumes of dumped
19 imports from China and the UAE. Unless antidumping
20 duties are imposed, prices of nails will continue to
21 spiral downward and we will continue to lose sales and
22 revenue due to these unfair imports. Without some
23 relief from unfair pricing practices, Gerdau
24 Ameristeel's ability to stay in the nail business is
25 doubtful.

1 Thank you.

2 MR. ROSENTHAL: Mr. Cronin.

3 MR. CRONIN: Good morning. My name is Peter
4 Cronin and I am the Corporate Vice President in sales
5 and market for the Hyco Wire Group, USA, which
6 includes Davis Wire Corporation, one of the
7 Petitioners in this case. I have been with the wire
8 group as corporate vice president since March 2005.
9 Prior to that I was present of Golden State Nail
10 Industrial Wire and Industrial Alloys, which are now
11 owned by Tree Island Industries. I have been in the
12 wire and nail industry for over 30 years in various
13 capacities.

14 Hyco/Davis Wire is headquartered in
15 Irwindale, California, and is one of the largest wire
16 producers in the United States, but we also produce a
17 variety of wire products including nails. We are an
18 integrated producer beginning our manufacturing of
19 nails with the manufacture of wire. Since our company
20 was established in 1927, we have built a strong
21 reputation for dependability and quality.

22 Numerous times we have looked at capital
23 projects to expand and update our nail operation, but
24 because of the depressed pricing from China and the
25 UAE we cannot justify spending money in a product line

1 where we are losing money. Over the past several
2 years as low-priced imports of nails from China and
3 the UAE have flooded the U.S. market, taking our sales
4 and depressing our pricing. The increases in imports
5 from China and the UAE have been accomplished based on
6 unfair trading practices at prices that significantly
7 undercut our pricing, making it impossible for us to
8 compete.

9 Our customers are constantly coming back and
10 telling us that our prices are not competitive with
11 those of subject imports. We have a choice to either
12 lose sales or reduce our pricing and lose money.

13 This problem is acerbated by the rising
14 costs we face. Thus, no matter what we do we lose.
15 This is why our company has joined the other domestic
16 producers in this case. We recognize that if we do
17 not obtain relief from the unfair pricing practices of
18 subject producers, our pricing and profits will
19 continue to erode and we will eventually be forced to
20 exit the nail business.

21 As you can see from our questionnaire
22 response, our prediction and shipments have plummeted
23 in the past few years, falling to an all-time low in
24 2006 and '07. Our sales and shipments are 10 percent
25 of what they were in earlier years. Notably,

1 Hyco/Davis Wire has had ample excess capacity during
2 this period to produce nails, and could have increased
3 production and sales but for the dumped imports.

4 Not only have our volumes of sales dropped
5 off, but our financial condition in this nail sector
6 has deteriorated to precarious levels as well. As
7 mentioned before, this decline has prevented us from
8 making the necessary capital investments to remain
9 viable long term.

10 As you have heard this morning, many
11 domestic producers have already been forced to shut
12 down their nail production facilities, which was
13 directly attributable to these dumped imports. I
14 firmly believe that if imports from China and UAE are
15 left unchecked, Davis Wire/Hyco will be next and we
16 will have to completely shut down our nail operations.

17 The application of antidumping duty orders
18 against China and the UAE is critical to allow our
19 company and this industry to return to a healthy
20 financial condition. Therefore we respectfully ask
21 that the Commission find that imports from China and
22 the UAE are causing injury to our industry.

23 Thank you.

24 MR. ROSENTHAL: Mr. John Dees.

25 MR. DEES: Good morning. My name is John

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1 Dees. I am the president of Treasure Coast Fasteners,
2 Incorporated.

3 Treasure Coast has been a producer of nails
4 in the United States since the early 1990s. Our
5 manufacturing facility in Fort Pierce, Florida,
6 produces a wide variety of nails with various
7 specifications that meet our customers' demands.

8 I would like to begin my testimony by
9 expressing to the Commission my support of this case
10 because unfair imports from China and the United Arab
11 Emirates are hurting our business. Low-priced imports
12 are taking away sales and forcing us to reduce our
13 prices significantly and repeatedly. This unfair
14 imports have been sold in the U.S. market at such
15 consistently low prices that the only way we are able
16 to compete is to sell nails without being able to
17 receive a satisfactory return.

18 Treasure Coast has experienced a period of
19 worsening financial performance due to the huge
20 increase and low-priced imports from China and UAE.
21 Based on Treasure Coast's experience, the unfairly
22 priced imports have undersold U.S. nails by
23 significant margins from 2004 to 2006.

24 We had dozens of customers to whom we were
25 selling pallets of nails on a regular basis. Over the

1 past couple of years, however, these customers became
2 increasingly familiar with the Chinese and the UAE
3 product. These foreign producers were willing to sell
4 and to supply our customers at prices far below our
5 own.

6 Every day I am faced with customers saying
7 that they can buy imported products at lower prices.
8 Price is the most important factor of these purchasing
9 decisions. It is relatively unimportant to the end
10 user whether they use the product from one
11 manufacturer or another, or whether the product is
12 produced in the United States or by a foreign
13 producer. We compete for the same customers on the
14 same products as the Chinese and the UAE producers,
15 and their importers in the United States.

16 The underselling has allowed imports of
17 Chinese and UAE nails to take sales and market shares
18 directly away from Treasure Coast Fasteners and other
19 U.S. producers. Because we can no longer afford to
20 lose these accounts with our longstanding customers,
21 we have had to give in and lower our prices.

22 The dumped imports have affected our entire
23 sales base. It is important to realize that we have
24 been forced to lower prices in a period in which we
25 face rising cost. We have had little choice but to

1 drastically reduce our prices and to forego price
2 increases to maintain volumes within our plant.

3 You can see in our questionnaire response
4 what this has done to our bottom line. Our worsening
5 financial condition over the period of investigation
6 led to reductions in available capital, maintenance
7 dollars and employee benefits. We did everything
8 humanly possible to reduce our cost, improve our plant
9 manufacturing processes and productivity. There,
10 however, is a limit to how much we can cut.

11 I also want to explain how difficult it is
12 to run a manufacturing plant when you are put in a
13 position of having to lay off employees. Our workers
14 take their jobs very seriously, are trained and
15 skilled in order to operate the machinery, to produce
16 and pack the nails.

17 I am here today because we are convinced
18 that our company is at a crossroad. If imports from
19 China and UAE continue at current levels, we may be
20 forced to choose and not manufacture nails in the
21 United States. This is particularly sad when we had
22 added more heading equipment and doubled our capacity
23 in 2004, and were running two shifts in hope of
24 expanding our business.

25 Thank you for your attention.

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1 MR. ROSENTHAL: Mr. Stirnaman.

2 MR. STIRNAMAN: Good morning. My name is
3 Vic Stirnaman, and I am executive vice president of
4 Keystone Consolidated Industries, Incorporated. I've
5 been with Keystone for almost 15 years. I am
6 appearing here today in support of the Petitioners.

7 At one time Keystone was the largest nail
8 producer in the United States. Keystone's nail
9 production process was fully integrated from scrap to
10 wire rod to wire and then nails.

11 During the period of investigation, 2004
12 through 2006, we had over 50,000 tons of annual
13 capacity to produce nails. Unfortunately, our ability
14 to utilize that capacity declined significantly over
15 the past three years as unfairly traded imports
16 displaced our sales.

17 Dumped imports from China and the UAE surged
18 into the U.S. market capturing increasing market share
19 in recent years. As a result, Keystone saw its sales
20 volume fall and its share of the U.S. nail market
21 erode. By last year, our capacity utilization had
22 fallen to a dismal level with more capacity sitting
23 idle at Keystone than being used to produce nails.

24 Our financial picture was equally bleak.
25 The lower prices offered by unfairly import, traded

1 imports from China and the UAE caused our prices to
2 decline and led to significant financial losses for my
3 company. The deterioration of our business was not
4 due to a poor quality product or an inability to
5 produce nails to specification. Our business declined
6 because we could not compete with the low prices
7 offered by dumped nail imports.

8 The increased volumes of imports caused us
9 to suffer declines in production, shipment, and
10 employment. The low prices of the dumped imports
11 caused financial losses. The combination of the two
12 was insurmountable for Keystone.

13 As of December 2006, Keystone was forced to
14 shutdown its nail production operations. Keystone no
15 longer finds it financially sensible to produce nails
16 in this country due to the import onslaught. We are
17 currently selling off our inventory and our equipment
18 and exiting this business.

19 While this trade case is too late to save
20 Keystone's nail production operations, we hope it is
21 not too late to help the remaining domestic nail
22 industry members. I have come here today to support
23 the other U.S. nail producers who are suffering a
24 similar plight to what my company faced.

25 This industry is struggling and badly needs

1 relief. I urge you to help the remaining industry
2 members who continue to be injured by unfairly traded
3 imports.

4 Thank you.

5 MR. ROSENTHAL: Mr. McMorrow.

6 MR. MCMORROW: Good morning. My name is
7 Denis McMorrow. I am the president and owner of
8 Wheeling La-Belle Nail Company located in Wheeling,
9 West Virginia. I purchased the company 10 years ago
10 and although Wheeling La-Belle is not a named
11 petition, we support the petition in this case.

12 I am here today because I am very concerned
13 about the future of my company. The large volume of
14 unfairly priced imports from China during the past
15 several years has devastated Wheeling La-Belle. This
16 case is important to me and my employees because it is
17 really the last shot my company has to survive.

18 Wheeling La-Belle was established in 1952,
19 and is a preeminent manufacturer of quality cut nails,
20 serving the building and heavy construction industries
21 as well as preservation-sensitive restoration
22 projects. Today, our nail facility stands as a
23 national historical landmark and ranks as the largest
24 producer of cut nails in North America.

25 As Mr. Libla described to you this morning,

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1 there are various types of nails having different
2 heads, points, and shank styles. Cut nails are simply
3 another type of nail. I have brought a few samples of
4 our cut nails for you to examine. I will pass them
5 around here.

6 The primary distinguishing feature is that
7 cut nails are produced from plate rather than from
8 wire. At Wheeling La-Belle, our cut nails are made
9 from high-carbon plate that is sheared into strips.
10 The strips are then fed into especially-designed nail
11 machines which shape and head the nails. The cut
12 nails are then case-hardened in a furnace and packed
13 in 50-pound cartons on pallets.

14 Cut nails are produced to ASTM
15 specifications and can generally be used in the same
16 applications as those of other nails.

17 Now let me turn to how dumped imports have
18 negatively affected my company. During the
19 Commission's period of investigation, we have seen a
20 large increase in cut nail imports from China at very
21 low prices. These dumped imports have consistently
22 undercut the prices of our product by significant
23 margins. As a result, unfair imports have had a
24 devastating impact on our business.

25 In fact, my company has struggled in

1 competing with these imports for several years, but it
2 has got considerably worse during the past three
3 years. The deterioration in profitability at Wheeling
4 La-Belle is due largely to the onslaught of dumped
5 imports from China.

6 We have been forced to reduce our prices to
7 unprofitable levels to meet China's import prices. We
8 could not meet these prices, and we have lost
9 substantial sales volumes. We continue to be unable
10 to achieve necessary price increases today despite the
11 increase in raw material costs as Chinese imports
12 continue to undercut our prices.

13 The severe financial deterioration caused by
14 these imports has made it impossible for us to make
15 the necessary investments to improve our products and
16 efficiency. In fact, we have had to cancel plans to
17 upgrade and replace certain equipment at the plant.
18 In addition, we had significantly reduced our
19 workforce throughout the past several years. These
20 workforce reductions have been particularly difficult
21 for me personally because many of our workers are
22 second or third or more generation members of their
23 families to work at the plant.

24 If we do not obtain relief from subject
25 imports, our financial condition will only deteriorate

1 further, and the continued existence of our 155-year-
2 old company will be in jeopardy. I urge you to not
3 let this happen.

4 Thank you very much.

5 MR. ROSENTHAL: Our next witness will be
6 Kathleen Cannon.

7 MS. CANNON: Good morning. I'm Kathleen
8 Cannon of Kelley Drye Collier Shannon. My testimony
9 this morning will address several legal issues
10 relevant to this case.

11 First, like product. The like product in
12 this investigation should be defined as co-extensive
13 with the scope of the case, certain steel nails. Our
14 like product definition is, we believe, consistent
15 with precedent of the Commission, and with the six-
16 factor like product analysis typically used by the
17 Commission.

18 The Commission has conducted a number of
19 prior investigations of certain steel nails. In its
20 earliest investigations, the Commission differentiated
21 seven types of nails based on coatings. Since then,
22 however, the Commission consistently has found that
23 certain steel nails, as defined by the scope of this
24 case, comprises single-like product irrespective of
25 type of coating or other physical characteristics.

1 The only type of nails that the Commission
2 has found to comprise a separate like product,
3 collated roofing nails, are excluded from the scope of
4 this case. We believe, based on the Commission's
5 prior like product findings, the discrete features,
6 uses and market for roofing nails, that roofing nails,
7 whether sold in bulk or collated, should also be
8 excluded from the like product definition.

9 Defining the like product as certain steel
10 nails is also consistent with the Commission's
11 longstanding recognition that minor variations among
12 product features do not justify segmenting various
13 types of nails into separate like products.

14 As is true of many other steel products the
15 Commission has examined, steel nails have a variety of
16 different physical characteristics such as the varying
17 head types, shanks, and coatings that Mr. Libla
18 described. These characteristics, however, simply
19 reflect a continuum of a single like product.

20 In terms of the factors the Commission
21 typically examines, certain steel nails share the same
22 basic physical characteristics consisting of a head, a
23 shaft, and a point. Nails have a common end use of
24 fastening two pieces of material, generally wood,
25 together. A wide variety of nails are interchangeable

1 for the same uses, although certain characteristics,
2 such as protective coating, make the nails more
3 suitable to particular uses.

4 Certain steel nails share the same basic
5 production process that Mr. Kerkvliet described. Most
6 nails are produced from wire which is drawn through a
7 nail machine, after which the head is formed, the
8 desired length of the shaft is achieved, and the nail
9 is pinched to form a point. Other operations, such as
10 coating, painting or collating, may also occur before
11 packaging.

12 The only exception to this general
13 production process, as Mr. McMorrow described, is the
14 production of cut nails. Cut nails are not drawn from
15 wire but are produced from steel plate. Cut nails,
16 however, otherwise share the same physical features
17 and uses with wire drawn nails.

18 Producers and customers perceive certain
19 steel nails to be a single product comprised of a
20 broad mix of nail types. Prices of nails reflect the
21 product continuum, with higher or lower prices
22 associated with slight variances in physical
23 characteristics.

24 Based on all these factors and the
25 Commission's precedent, the like product here should

1 be identified identically with the scope of the case
2 as certain steel nails.

3 Reflecting this like product definition, the
4 domestic industry consists of U.S. producers of steel
5 nails whether integrated or non-integrated. The only
6 real question in defining the industry is whether the
7 U.S. producers that are related to foreign producers
8 based on corporate relationships and/or significant
9 levels of importation should be excluded from the U.S.
10 industry.

11 As Mr. Libla stated, information available
12 to us indicates that several U.S. companies are
13 related parties within the meaning of the statute. We
14 believe that appropriate circumstances exist to
15 exclude certain companies based on the factors the
16 Commission has considered in past cases. Those
17 factors include:

18 The percent of U.S. production by the
19 importer; the reason for the imports; and particularly
20 whether the company is shielded from injury due to the
21 relationship or imports; whether inclusion or
22 exclusion of the related U.S. producers data will skew
23 the data for the rest of the industry; the ratio of
24 import shipments to U.S. production; and finally,
25 whether the primary interest of the company lies in

1 its domestic production or in importation.

2 Those factors also have been approved by the
3 Court in a number of cases, including Allied Minerals,
4 Sanvik, and Torrington, and we will cite those cases
5 in our brief.

6 The discussion of why specific U.S.
7 producers should be excluded will require addressing
8 proprietary data on each of the companies, so we will
9 have to do that in our post-conference brief.

10 Suffice to say now that the basic rationale
11 for excluding related parties is the concern that such
12 domestic producers by virtue of the relationships and
13 imports may be in a position to be shielded from the
14 injury caused by imports. Where information indicates
15 that inclusion of any company in the industry would
16 distort the analysis of the industry's condition and
17 the injury caused to other producers by imports
18 exclusion is appropriate.

19 A third legal issue facing the Commission in
20 this case is cumulation. The Commission should
21 cumulate imports from China and the UAE in its injury
22 analysis in this case as the statutory factors are
23 met. Petitions were filed against the imports
24 simultaneously, and the imports from China and the UAE
25 compete with one another and with the U.S. product.

1 As Mr. Kerkvliet stated, steel nails are
2 produced to ICC and ASTM specifications whether
3 imported from China or the UAE, or produced in the
4 United States. As such, these products are fungible
5 with one another and directly compete for sales in the
6 U.S. market.

7 In terms of geographic overlap, we have
8 examined Customs statistics on imports by port of
9 entry for China and the UAE that we will present in
10 our post-conference brief. These port data show
11 widespread overlap in geographic sales by imports from
12 China and the UAE throughout the United States.
13 Domestic producer questionnaire responses also show
14 U.S. sales throughout the country, demonstrating
15 overlapping geographic markets.

16 As for channels of distribution,
17 questionnaire responses again show overlap. Most
18 steel nails sold by subject importers and U.S.
19 producers are sold through distributors with a small
20 volume also sold directly to end users.

21 Finally, nails from China and the UAE, as
22 well as U.S.-produced nails, have been simultaneously
23 present in the U.S. market during the period of
24 investigation as our import tables show.

25 Each of the factors the Commission typically

1 considers as indicating a reasonable overlap of
2 competition is satisfied in this case, therefore
3 cumulative analysis is appropriate.

4 Further, to the extent the Commission
5 undertakes a threat analysis, it should also cumulate
6 imports. Generally, in addition to examining the
7 statutory factors, the Commission has cumulated
8 imports for threat purposes where common trends exist.

9 Here, imports from both China and the UAE
10 are increasing in volume over the period of
11 investigation. Indeed, the increase in imports from
12 these two countries stands in contrast to virtually
13 all other imports which declined over this period.
14 These common import trends also support cumulation in
15 the threat context.

16 A final legal issue that the Commission may
17 consider is the Brosk analysis. Information available
18 at this preliminary stage of the case indicates that
19 non-subject imports are not in a position to replace
20 subject imports or to deprive U.S. producers of the
21 benefit of an order.

22 Most notably, non-subject imports have
23 declined substantially over the past three years,
24 indicating less of an interest in or ability to supply
25 the U.S. market. In contrast, subject imports have

1 surged to substantial levels. These disparate
2 behaviors do not support a finding of likely
3 replacement.

4 Further, average unit values of subject
5 imports are lower than those of non-subject imports.
6 The higher values of non-subject imports indicate that
7 they would not be in a position to replace subject
8 imports in this price-sensitive market. Even if non-
9 subject imports could replace subject imports at these
10 prices, the U.S. industry would benefit by the higher
11 prices at which they were selling as U.S. producers
12 would regain sales and be able to increase prices.

13 Accordingly, the Brosk analysis should not
14 preclude remedial relief to this injured U.S.
15 industry.

16 Thank you.

17 MR. ROSENTHAL: Our last witness this
18 morning will be Gina Beck.

19 MS. BECK: Good morning. I am Gina Beck of
20 Georgetown Economic Services. Today, I would like to
21 address the volume, price and impact of unfairly
22 traded imports on the domestic nail industry. The
23 interest in subject imports from China and the UAE has
24 been dramatic over the period of investigation rising
25 by almost 70 percent.

1 The cumulative volume of these imports
2 surged from 413,000 tons, to nearly 700,000 tons over
3 the 2004 to 2006 period. On an individual country
4 basis, China was by far the largest supplier of nails
5 to the U.S. market in 2006 and the UAE, the second
6 largest supplier.

7 Based on U.S. producer questionnaire
8 responses received to date, estimates for other
9 producers and official Commerce import data,
10 Petitioners have calculated apparent domestic
11 consumption and market share. We recognize that once
12 all U.S. producers' questionnaires are received by the
13 Commission, these figures will change slightly. As a
14 percent of domestic consumption, the share of subject
15 imports increased rapidly, from around 35 percent in
16 2004, to an estimated 60 percent in 2006, before
17 increasing slightly further in term 2007. At the same
18 time, U.S. producers share the domestic market drop
19 during each year of the POI, falling to approximately
20 one-fifth of the market in 2006 and first quarter
21 2007.

22 Notably, it is subject, rather than non-
23 subject imports that are displacing U.S. share and
24 market share. Imports from non-subject countries
25 collective and individually, from virtually all non-

1 subject countries declined significantly over the past
2 three years, while imports from China and the UAE
3 grew. The decline in both U.S. and non-subject market
4 share was due to displacement by the dumped imports.

5 In first quarter 2007, there was a decline
6 in demand for nails throughout the U.S. market, with
7 sales of subject, non-subject, and domestically
8 produced nails all dropping. Even in that period,
9 however, the market share of subject imports increased
10 relative to non-subject imports and to U.S. shipments.
11 Further, if monthly import volumes are examined, you
12 will see that the decline in imports from China and
13 the UAE are short lived, limited only to January and
14 February 2007. Subject imports have shown increasing
15 trends again in March and April 2007.

16 Now, I would like to turn to the price
17 effect of imports from China and the UAE. The only
18 way for these imports to increase market share at this
19 rapid pace was by aggressive low pricing. Extremely
20 low prices of subject imports have manifested
21 themselves in underselling of the U.S. produce, as
22 demonstrated in loss sales and revenue examples and
23 questionnaire.

24 Before undertaking the price comparisons,
25 however, the Commission staff should confirm the units

1 reported for the quarterly pricing data by certain
2 companies in questionnaire responses that we will
3 identify in our post-conference brief. Our review
4 indicates that some companies have not reported proper
5 units for the pricing data. So, use of that data, as
6 reported, would distort the results.

7 During the POI, the domestic industry
8 experienced both price suppression and price
9 depression. Although U.S. producers increased during
10 -- although U.S. prices increased during certain
11 quarters of the POI, as a result of raising costs,
12 these prices did not keep pace with increased costs
13 and were severely suppressed. U.S. producers were
14 also unsuccessful with announced price increases. To
15 make matters worse, continued underselling of U.S.
16 prices are subject to imports in recent quarters of
17 the POI, it has now forced U.S. nail prices to
18 decline. Domestic producers are now suffering price
19 depression, as well.

20 The volume and price effects of these unfair
21 imports have resulted in a negative impact on U.S.
22 industry operations. As Ms. Cannon stated, certain
23 U.S. producers that are related to or importing from
24 subject producers should be excluded from the database
25 for an injury analysis. Those exclusions will alter

1 the actual data relied upon. So, my comments this
2 morning this morning will be general, so as not to
3 disclose PBI data.

4 The compilation of the data reported in
5 questionnaire responses shows a dramatic decline in
6 U.S. industry sales and profitability in 2005,
7 followed by deeper declines in 2006, as well as in
8 first quarter 2007, compared to first quarter 2006.
9 Indeed, the Commission's database will show a decline
10 in nearly every trade and financial indicia. As I
11 referenced earlier, industry sales value have also
12 lacked cost increases. Domestic producers cannot
13 continue to survive at these devastatingly low
14 operating and financial levels and stay in business in
15 the long run.

16 U.S. industry production, shipments, and
17 market share also decreased in 2005 over 2004 and
18 dropped further in 2006. The data that the
19 Commission's staff is in the process of gathering will
20 show U.S. industry capacity reductions, as well as
21 recent shutdowns of capacity by U.S. producers, as Mr.
22 Libla has described. As a whole, during the period of
23 investigation, capacity utilization never achieved an
24 efficient level and has declined to a period low in
25 the latest interim period.

1 The closure of nail production plants that
2 have been in existence for numerous years and layoffs
3 of long-term employees is extremely telling of the
4 injurious impact of unfair imports. The producers'
5 questionnaire responses also show a notable decline in
6 the number of production and related workers from 2004
7 and 2006, as well as during the interim period.

8 I would also like to note that the lost
9 sales and lost revenue examples in this case are
10 particularly voluminous. There are a few, if any,
11 investigations that have included this many incidences
12 of lost sales and revenue at a preliminary stage.

13 As to threat of material injury, Mr. Libla
14 mentioned several factors, including the huge and
15 growing capacity in China and the UAE, indicating that
16 the ongoing threat of imports of nails from China and
17 the UAE are both real and imminent.

18 Thank you for your attention and that
19 concludes my testimony.

20 MR. ROSENTHAL: That concludes our direct
21 testimony this morning. But, I do want to introduce
22 two other people at our panel, who will be able to
23 answer questions, if needed. First, is Mr. Chris
24 Pratt, who is a colleague at Mid-Continent, the law
25 office for Libla, and Grace Kim, a colleague of mine,

1 and Kathy is at Kelly, Dry, Collier, Shannon. They
2 will be available to answer questions, as our entire
3 panel is eagerly awaiting to do right now.

4 MR. CARPENTER: Thank you, very much, panel,
5 for your presentation. It was very helpful. I'm sure
6 we will have quite a number of questions. I want to
7 start off with a couple of questions, myself, based
8 partly on comments that Respondent's counsel made in
9 their opening statements. I was just wondering if you
10 could address these.

11 First of all, the comment was made that U.S.
12 producers cannot meet U.S. demand and, in particular,
13 the Petitioners cannot meet the demand for certain
14 specialized nails. I have, I guess, both a factual
15 and a legal question related to that. First of all,
16 factually, maybe the industry witnesses here, if you
17 could comment on that, both from the perspective of is
18 that the case now, was that the case at the beginning
19 of the period we're looking at in 2004, has it been
20 the case -- I'm assuming that this is an industry
21 where imports, in general, not necessarily in subject
22 imports, but imports, in general, had a presence in
23 the market for quite some time. To what extent has
24 the U.S. industry been able to meet U.S. demand and
25 has that ability declined over the last two or three

1 years?

2 MR. LIBLA: Our company has substantial nail
3 manufacturing capacity unused, both in installed
4 capacity and uninstalled capacity. Our customers that
5 we do business with month in and month out never have
6 difficulty getting deliveries from our company.

7 MR. CARPENTER: Excuse me, Mr. Libla, can
8 you comment on what you mean by installed and
9 uninstalled capacity?

10 MR. LIBLA: Yes, with electric cook tiller
11 machine, basically, would be the difference between a
12 machine that was ready run to produce nails or one
13 that wasn't.

14 MR. CARPENTER: If a machine is not ready to
15 run, what would it take to get it ready?

16 MR. LIBLA: Basically, hook the power to it.

17 MR. CARPENTER: Oh, okay, okay.

18 MR. LIBLA: Sorry.

19 MR. CARPENTER: All right. So, it's
20 available, basically; okay.

21 MR. CRONIN: Our company is currently
22 operating about 10 percent of our capacity. So, we
23 have ample capacity and would be happy to entertain
24 orders from any of the Respondents. And we, also,
25 have numerous machines, which I could talk about in

1 the post-hearing brief, that are moth-balled in the
2 system within our corporation that we could fire back
3 up and, as David says, plug them in.

4 MR. CARPENTER: Okay.

5 MR. STIRNAMAN: Just to speak for our
6 company, we have 50, even 60,000 tons of capacity that
7 just after we made a decision that we could not sell -
8 - compete with the low prices of the imports, our
9 volume declined because of that, to the point where we
10 had more capacity sitting unused, hooked up, ready to
11 go, than we did that was actually operating.

12 MR. KERKVLIIET: I would say that, in
13 general, that the industry, itself, has ample
14 capacity. During the period of review or during the
15 period of investigation, you've seen a lot of capacity
16 that have been shut down or moth-balled and it hasn't
17 been from a lack of capacity. It's been the inability
18 to compete, bases the price that these unfair imports
19 have been brought into the United States.

20 MR. CARPENTER: Mr. Libla, you detailed in
21 your testimony a number of plant closings, both, I
22 believe, at your plant, as well as other plants. And,
23 of course, Mr. Stirnaman, you talked about how you
24 basically shut down capacity of all of your plant and
25 exited the business. So, it sounds like quite a bit

1 of capacity is gone off stream during the three-year
2 period that we're looking at. And I'm trying to get a
3 handle, to the extent that you have a feel for overall
4 capacity for the industry and overall demand or
5 consumption for steel nails in the industry, do you
6 feel that the U.S. industry in 2004 or even still in
7 2006 had the capacity to meet the entire U.S. demand
8 for steel nails?

9 MR. ROSENTHAL: Let me interject for a
10 second here, because I want to ask for the legal part
11 of your question, which you alluded to at --

12 MR. CARPENTER: I haven't actually asked
13 that part of the question, but you can --

14 MR. ROSENTHAL: Well, it's relevant,
15 because, as you know, it is not necessary under the
16 law for the industry to be able to supply all of U.S.
17 demand, in order to achieve relief. I feel that's an
18 important point to make.

19 MR. CARPENTER: You anticipated my question.

20 MR. ROSENTHAL: But, also related to this,
21 and it is striking listening to the opening statement
22 of the Respondent's counsel, and this is not unusual
23 with respect to opening statements, it's not unusual
24 with respect to the arguments you get to real, and
25 what I am about to tell you is not unusual, because

1 I've said it before in other cases. But, the argument
2 that you heard earlier, and I'm sure we will hear a
3 lot more about this, this afternoon, is a lot like the
4 plea by the boy, who kills his parents, and throws
5 himself on the mercy of the court, because he's an
6 orphan. Here, the importers and the foreign producers
7 essentially come in, decimate the domestic industry,
8 and make sure that large quantities of domestic
9 production are taken off stream. And then they say,
10 oh, well, they can't supply the domestic demand and,
11 therefore, they shouldn't be granted relief. That's
12 essentially what has happened in this case.

13 This industry had more than adequate
14 capability to supply domestic demand at one point.
15 During the period of investigation, I'm not sure they
16 had 100 percent of domestic demand covered, but
17 certainly when -- also when you consider the
18 Respondents, who are also, at one point, primarily
19 domestic producers, there was plenty of capacity here.
20 Over time, that has eroded. But, there is more than
21 enough capacity here to meet most U.S. demand and a
22 lot in moth balls that would be able to supply all
23 U.S. demand, if the price were right. That is the key
24 question. What can you produce if you're getting a
25 fair price, because a lot of companies could bring out

1 of moth balls, if you will, capacity to meet demand,
2 if there were fair pricing in the marketplace.

3 MR. MCMORROW: Could I, also, comment
4 regarding mills?

5 MR. CARPENTER: Sure.

6 MR. MCMORROW: As regards cut mills, my
7 company could produce every nail that would be bought
8 or required in the U.S.A. and Puerto Rico.

9 MR. CARPENTER: Okay.

10 MR. MCMORROW: We have the capacity,
11 mechanically. We need two things. We need orders and
12 then we have people to put out the orders. That's all
13 we need.

14 MR. CARPENTER: Okay, thank you. Of course,
15 assuming we get a good response to our questionnaires,
16 we will be able to better evaluate this issue and be
17 able to look at total consumption and industry
18 production and capacity.

19 Mr. Stirnaman, first of all I want to thank
20 you for coming here. It's somewhat unusual that we do
21 have an industry representative, who has exited the
22 industry, but still comes to our conference to testify
23 on behalf of the industry, even though you're, as I
24 understand it, no longer involved in it, at this
25 point. Is that accurate? Did I hear that --

1 MR. STIRNAMAN: That's correct. We're
2 through.

3 MR. CARPENTER: Okay. You did indicate that
4 at one point, you were the largest producer in the
5 industry. Was that in 2004 would you say, to the best
6 of your knowledge?

7 MR. STIRNAMAN: In 2004, yes, I would say
8 from a capacity standpoint, it was our belief that we
9 had the largest nail capacity, capacity to manufacture
10 nails in the U.S.

11 MR. CARPENTER: Okay, thank you. Ms.
12 Cannon, you have already answered a number of
13 questions I was going to ask about the CAFC decision
14 in Brask and whether it applies to this case,
15 particularly talking about the pricing aspect of the
16 subject imports versus the non-subject imports. Would
17 you say that this is an industry that has centered on
18 a commodity product?

19 MS. CANNON: I think that the answer to that
20 question is going to require a more careful
21 examination of all the types produced, because, as you
22 know, there has been sort of a further development of
23 what commodity means in the broad context, as opposed
24 to in a like product context or in a cumulation
25 context. And the Commission, I think, has

1 appropriately recognized that those terms aren't
2 synonymous in a different context. Product like nails
3 are considered fungible products for purposes of
4 cumulation, but those same products may have different
5 types, as they do, within a continuum, such that they
6 may come from one country, but not another, and,
7 therefore, not be able to be completely replaced for
8 purposes of a Brask analysis. So, I think once we
9 develop additional data on this record as to what
10 types of products are coming from what countries, we
11 can better address that question as to how the Brask
12 analysis would work for nails.

13 MR. CARPENTER: But, at least one of your
14 points was that because the non-subject imports are
15 higher priced, that they're not in a position to
16 replace the subject imports should an order be issued
17 in this case, in any event.

18 MS. CANNON: Correct. Even if the
19 prerequisites to the Brask analysis were met, even if
20 we're found to be a commodity product, and even were
21 they found to be capacity-wise able to replace, which
22 we really have very little information on non-subject
23 imports on that issue, but the average unit value
24 information suggests that the prices for China and the
25 UAE are substantially lower, and the industry's

1 experience is that, as well. In fact, that's the very
2 reason for the huge market share gains you're seeing
3 from these two countries, is that these countries are
4 the low prices in the market compared to all other
5 imports. That is how they've established this market
6 share. That is how they've driven their market share
7 and everyone else's has fallen. And I think that's
8 pretty telling to suggest that the other imports
9 couldn't come in and replace them, because they're not
10 willing to sell at those prices.

11 MR. ROSENTHAL: To add to that, Mr.
12 Carpenter, those of us, who have read Brask and looked
13 at data and talked to people in the industry have
14 concluded that if these other countries were deemed to
15 be a threat to come in and replace the imports from
16 China and the UAE, they would have been named as
17 Respondent. It's our considered judgment that they're
18 not in a position to do that for the reasons that Ms.
19 Cannon specified.

20 MR. CARPENTER: Okay. So, clearly, you
21 would disagree with the Respondents' counsel assertion
22 in their opening statements that if there's an order
23 issues, the subject imports in this case would simply
24 be replaced by non-subject imports?

25 MR. ROSENTHAL: Absolutely correctly

1 disagree with them. And one of the, of course,
2 perverse effects of Brask is that it encourages
3 petitioners to file the case against all countries
4 that might possibly come into the marketplace. That's
5 one theoretical -- or one way that you might look at
6 it. We don't look at it that way. We look at this in
7 a -- as bad a decision as Brask is, we think it does
8 have some limitations. It doesn't say any countries
9 out there, you've got to file against. You file
10 against the countries that are -- or where the imports
11 from the countries that are truly causing injury and
12 if you don't believe and they have evidence to suggest
13 that the other countries won't be able to come in and
14 replace the subject imports and otherwise deprive the
15 domestic industry of the benefit of the case, then you
16 don't bring those countries in. And that's been the
17 approach we've taken here.

18 MR. CARPENTER: Thank you. Just one other
19 case -- well, two questions. Mr. Libla, in detailing
20 the plant closings, if I heard you correctly, a siren
21 was going past the time that you were talking about a
22 state-of-the-art plant that you had closed. Was that
23 one of your plants?

24 MR. LIBLA: Yes, it was, sir.

25 MR. CARPENTER: Okay. Would you like to

1 elaborate on that now as to the reasons why you closed
2 that plant? It's somewhat unusual to see a state-of-
3 the-art relatively new plant that is closed. Do you
4 have other plants that are still operating and what --
5 to the extent that this gets involved in confidential
6 business information, we don't want you to discuss it
7 now. You can discuss it in your brief. But, if you
8 have any general comments you would like to offer at
9 this point, feel free to.

10 MR. LIBLA: The single biggest reason is the
11 rapid decline in sales at more and more prices.

12 MR. CARPENTER: Did that plant have lower
13 unit costs than any of your other plants or is that --
14 that may be too sensitive to answer, at this point.

15 MR. LIBLA: We would be happy to address
16 that in --

17 MR. CARPENTER: Okay.

18 MR. LIBLA: -- the post-conference brief.

19 MR. CARPENTER: Okay. And then just one
20 other question. I'm making the assumption that this
21 is an industry where the value to weight ratio is
22 relatively low and, therefore, transportation costs
23 are relatively important in this case. It would seem
24 to me, without knowing the facts, that transportation
25 costs would be a pretty significant percentage of your

1 overall price or costs in this -- in producing nails.
2 Is that true and, if so, does that give the domestic
3 producers a significant advantage vis-a-vis imports
4 from the subject countries?

5 MR. KERKVLIIET: I would say, in general,
6 that the freight as a percentage of the cost of sales
7 is under -- it's single digits --

8 MR. CARPENTER: Okay.

9 MR. KERKVLIIET: -- for our plants
10 specifically, for our business specifically. I think
11 as was referenced in earlier testimony, where the
12 imports are coming in from across different import
13 regions of different ports, it seems that those
14 imports are spread geographically throughout the
15 United States.

16 MR. CRONIN: The importer product from both
17 China and the UAE has to first of all go by truck or
18 some motor transportation to a dock and then be loaded
19 on a ship and then come to the United States and then,
20 again, at the dock, loaded on a truck and then shipped
21 to one of our customers. So, I would say their
22 freight cost is fairly substantial.

23 MR. CARPENTER: Okay. But, the alleged
24 margins of underselling are what they are, so
25 notwithstanding what freight advantage the U.S.

1 industry might have. Okay. Yes, sir?

2 MR. MCMORROW: Just for an example, we're
3 the only one left, basically, so we cover the whole
4 U.S., if we can get orders from different parts of the
5 U.S. But, for instance, Florida is a big market for
6 us, because of the concrete construction down there of
7 homes and so forth and we ship a lot to Miami. Right
8 now, it costs us, because of fuel costs and so forth,
9 cost about \$2,800, \$2,900 to Miami. Funny enough,
10 from Shanghai to Miami is about the same. It's about
11 \$3,000. So, it's kind of a breakeven point as regards
12 to freight.

13 MR. CARPENTER: Okay. Two of the questions
14 I noticed. The Respondents, in their opening remarks,
15 indicated that nail prices soared in 2004 and this was
16 the best year in a generation and was an aberrational
17 year and should not be viewed as, say, as a reasonable
18 base year for analysis in this case. Could anyone
19 comment on that, both from a factual basis? Would you
20 agree with this factually? And as a matter, in terms
21 of analysis in this case, would you agree?

22 MR. ROSENTHAL: I'll further let the
23 industry witnesses respond, but I think you will see,
24 from the financial data, that unlike other segments of
25 the steel industry that you've examined and looked at

1 for 1984, and I think most people would agree, 2004
2 was a big year for the most part. I don't think
3 you'll see the profits for the nail industry being
4 that extraordinary. And in large part, that had to do
5 with their costs being high, as a result of the
6 extraordinary year. So, I will let the industry
7 witnesses expand upon that, but at least looking at
8 things historically and compared to other segments of
9 the steel industry, it wasn't that great for nails in
10 the big picture.

11 MR. LIBLA: In general, you know, the
12 economy was pretty strong in 2004. Housing was pretty
13 strong in 2004. Costs directly related to nails,
14 steel, the demand for steel was strong, the cost for
15 nails -- the cost of steel is going to go up for the
16 nail production. So, I think our information that has
17 been provided would explain that pretty well and
18 confirm what Paul just said.

19 MR. KERKVLIIET: I would say further to what
20 Mr. Rosenthal had said, having the opportunity to run
21 different businesses for our company, I would say that
22 the nail business specifically lagged on an operating
23 income per ton versus the other businesses. While
24 there was a raw material increase across the base,
25 because of some aberrational things that happened in

1 the steel mines here in West Virginia, moving forward,
2 the basic price of steel went up and the selling price
3 of steel went up, but the operating income per ton,
4 from a nail business standpoint relative to our other
5 segments or other divisions, lagged considerable.

6 MR. CRONIN: Much like Jim, our companies
7 are fully integrated wire mill and we produce six
8 major different product groups of wire products and
9 nails uniquely were the only product line where our
10 volume actually was a little lower in 2004 than in
11 2002 and 2003. And because of the cost and the import
12 pricing, we weren't able to get the profits we got in
13 some of our other profit lines. So, we had the same
14 experience Jim's company had.

15 MR. STIRNAMAN: It was a strong year in 2004
16 for Keystone, as well, and for products, rods,
17 industrial wire, other wire products, prices were very
18 strong. Even nail prices were somewhat improved.
19 But, in all of that, we were still only at less than
20 50 percent of our capacity for nail sales.

21 MR. CARPENTER: All right. Thank you, very
22 much. That's all the questions I have. I'll turn
23 next to Robin Turner, the Commission's attorney
24 advisor.

25 MS. TURNER: Good morning. I'm Robin

1 Turner, Office of the General Counsel. Actually, I
2 usually end with these, but let me get through a
3 couple of legal questions to start off with. And
4 basically, you did -- some of these things were not in
5 the petition, but you've answered, Ms. Cannon, in the
6 opening statement. So, let me just ask that on a
7 couple of these that you make in your post-conference
8 brief, make sure that we're on the same page with the
9 types of things I would like to elaborate on.

10 First, when it comes to cumulation, you're
11 going to provide a detailed description of cumulation
12 of threat, in addition to --

13 MS. CANNON: Yes, we will.

14 MS. TURNER: -- for present material injury?

15 MS. CANNON: Uh-huh.

16 MS. TURNER: Okay. Regarding related
17 parties, the petition didn't have any analysis
18 regarding related parties. It did have it regarding
19 standing. But, of course, that doesn't -- it's not
20 the Commission's -- under the Commission's
21 jurisdiction. So, there will not only be an
22 elaboration of whether -- what companies are related
23 and which ones you would propose there are appropriate
24 circumstances to exclude in the post-conference brief?

25 MS. CANNON: Absolutely. And the reason

1 that we didn't have it in the petition is that, as you
2 know, a lot of the factors are specific to the
3 companies, in terms of percentage of production,
4 percentages of imports, which we didn't have access
5 to. But, based on the information the Commission has
6 now received in response to questionnaires, I think we
7 do have that. And so, we will be happy to address
8 that and will be discussing that in detail in our
9 post-conference brief.

10 MS. TURNER: So, you will go through each
11 one that you expect should be the appropriate --

12 MS. CANNON: Correct.

13 MS. TURNER: -- ones? Okay. And the last
14 one on the legal questions that I have deals with the
15 Brask issue. And regarding the Brask issue, you've
16 indicated that you will have -- you've provided some
17 discussion here, as well as you will provide some
18 discussion in the post-conference brief. As part of
19 that discussion, could you, also, elaborate on when it
20 gets to things like the commodity product and part of
21 the discussion that you had with Mr. Carpenter, as to
22 whether, in fact, a product is considered to be
23 fungible or not for purposes of Brask, or whether it
24 is for cumulation or like product, et cetera? Can you
25 address there is case law, BIC, RCAF, et cetera, on

1 commodity products or substitutability between
2 products? Now, there is case law on that, that
3 applies to generally domestic like product and
4 cumulation. It is not something that is yet regarding
5 Brask. But, how that case law applies or if it does
6 apply to the Brask analysis, as well, would also be
7 helpful.

8 MS. CANNON: We will be happy to do that. I
9 think there has been actually some discussion of that.
10 I know that we've seen that in some court case.

11 MS. TURNER: There are discussions. I don't
12 think there is case law yet --

13 MS. CANNON: No.

14 MS. TURNER: -- on what the court's decision
15 --

16 MS. CANNON: No. The courts haven't
17 responded to it yet, but there has been discussion by
18 the Commission and we will absolutely be addressing
19 that, as well.

20 MS. TURNER: Okay. Mr. Rosenthal, you were
21 going to add something?

22 MR. ROSENTHAL: I don't know if you were
23 going to go into the question of like product, as part
24 of your legal questions, or --

25 MS. TURNER: No. I mean, there was a

1 discussion, I would take it, that the petition didn't
2 have, in terms of like product going through the six
3 factors you did hear today. If you want to provide
4 that again in your post-conference brief, that would
5 be helpful. But, it's also on the transcript here.

6 MR. ROSENTHAL: I was just going to be happy
7 to accept the Respondents' stipulation that they don't
8 disagree with our like products. I was happy -- maybe
9 you not insist on extensive briefing on that topic.

10 MS. TURNER: Well, we did get an analysis, a
11 very thorough one today in the opening, I thought.
12 But, if you want to elaborate anything more, if you
13 don't, that's --

14 MR. ROSENTHAL: We really don't.

15 MS. TURNER: -- your choice to make. Now,
16 moving back, then, from the more legal questions, to
17 the -- I do have a number of what would be considered
18 more factual questions for actually the industry
19 that's here. And the first one is, on page eight of
20 the petition, you indicate, and now we've heard today
21 there is actually three different production
22 processes, but on page eight, you talk about two
23 different production processes, one of which is making
24 the head of the nail first, the other one seems to be
25 making the head of the nail at the end of the process.

1 And I've now heard, as well, about making the nail
2 instead of from wire, from plate, and the cut process.
3 So, I guess what I would like is a discussion of
4 whether the producers, who are here, and I understand
5 one producer only makes the cut -- uses the cut
6 process, whether the producers here use the other two
7 processes or whether, in fact, it depends on whether
8 it's made from an integrated producer, in terms of
9 wire, to use one process versus the other, if you can
10 elaborate on that, and any advantages or disadvantages
11 that you view with each of the difference processes.

12 MR. LIBLA: Yes, ma'am. I will address your
13 question. Our company, and I think numerous of the
14 Petitioners, produce the nails both ways. We have
15 machines that does it both ways. Basically, one
16 machine is a rotary and the other one is a collator.
17 They are manufactured by two different machinery
18 companies that are the preeminent nail machinery
19 companies in the world and they have two different
20 processes that they believe in for making the same
21 nail.

22 MS. TURNER: As part of then your answer
23 here, is there any advantage of one? Is one a newer
24 or they're different equipment that you've bought?

25 MR. LIBLA: The rotary style is a newer

1 process than the collating process. So, depending on
2 the application and your production planning, you may
3 use one versus another.

4 MS. TURNER: And when you say --

5 MR. LIBLA: At the end of the day, they make
6 the same nail.

7 MS. TURNER: So the rotary process, this is
8 -- which of these two processes --

9 MR. LIBLA: It's rolling the head on the
10 wire --

11 MS. TURNER: Okay, okay.

12 MR. LIBLA: -- versus hammering it on the
13 wire.

14 MS. TURNER: Okay, okay.

15 MR. CRONIN: We could possibly, in a post-
16 hearing brief, give you a little diagram of the
17 equipment, how it works.

18 MS. TURNER: Any of the other producers have
19 anything to add to that?

20 MR. KERKVLIT: I would say it's just a
21 matter of preference from one product to the other, as
22 to what equipment they use. That's the same, as far
23 as -- as you go further back up in the process of an
24 integrated or non-integrated producer, some people use
25 a certain type of wire drawn equipment and other

1 people use a different brand of wire drawn equipment.
2 It's relative to what their manufacturing process is
3 and what their preferences are.

4 MS. TURNER: Will this provide any
5 difference, in terms of the type of nail that's
6 produced, the quality of the nail, anything to do with
7 strength on it, or its ability to meet different
8 specifications?

9 MR. DEES: We bought -- in 2004, we bought
10 the rotary type machines and the main reason we did
11 that was because they were faster machines. So, the
12 same power and space, we could actually double our
13 production, average about three times faster. And for
14 us, they seem to make a better quality now. And we
15 use our heading machines, the standard type, for more
16 of a high carbon wire, so that we use for in Florida,
17 in particular. That's where we're at. We use those
18 nails mainly for driving in the concrete. And so, we
19 use a high carbon. It works better on the slower
20 machines. It's a better use for that machine for us.

21 MS. TURNER: Anybody else have anything to
22 add on that? Do you know if the producers in China
23 and the United Arab Emirates use the same production
24 processes or do they use different ones?

25 MR. LIBLA: I don't personally have an

1 understanding of what they use in the UAE, as far as
2 heading machines. They could use both or maybe only
3 one style.

4 MS. TURNER: Can you tell from the nail,
5 itself, whether it's produced by which of the machines
6 it's produced by?

7 MR. LIBLA: The manufacturer probably could.

8 MR. KERKVLIT: I, myself, personally can't
9 tell the difference from one machine to another. I
10 have not been to any facility in China or the UAE to
11 say specifically what type of machinery they have. I
12 think suffice it to say, they produce the same ASTM
13 and the same standards here in the United States.

14 MR. LIBLA: Correct.

15 MS. TURNER: One question about the
16 production process, in terms of the cut process. Is
17 that something that -- do you know if -- I take it
18 that's produced in China and the United Arab Emirates,
19 as well, where the same type of process is used.

20 MR. MCMORROW: As regards to the method of
21 production in China, I haven't been there. I heard
22 some weird stories about one whole city -- in other
23 words, one party of people would cut them on in the
24 little machine and put them in a pail and bring them
25 over to another party of people. This was a whole

1 city, who were doing different things. In other
2 words, they were all being handmade. But,
3 subsequently, I heard that they had moved to equipment
4 from Korea to China. So, I'm not sure what is going
5 on there. But, the way we make them, we have special
6 nail machines. And I might say that the men, who made
7 those machines, have no toothaches right now, whatever
8 that means. They're all dead and gone.

9 MS. TURNER: Oh.

10 MR. MCMORROW: But, they're highly efficient
11 and they make a very good quality nail. And the
12 quality is controlled throughout the whole process.

13 MS. TURNER: Let me ask a question about
14 your process. In terms of the process on using it
15 from plate and cutting the nail, is the steel, when
16 it's cut and of the stage, then you put a head onto
17 it, is it still hot? I mean, is it still --

18 MR. MCMORROW: No, it's cold formed.

19 MS. TURNER: It's cold formed, okay.

20 MR. MCMORROW: Cold cut and cold formed.

21 MS. TURNER: Okay. Because my understanding
22 on the other processes, Mr. Kerkvliet, that you were
23 discussing this morning was that the finishing -- the
24 nail is actually made, whether it's made with the head
25 first or not, but after that, to actually produce

1 whether it's a shank -- on the shank, whether to
2 produce the screw or the different types of
3 formations. If there are any formations in it, that's
4 all done as separate process afterwards. It's a
5 tooling-type process.

6 MR. KERKVLIIET: Correct.

7 MS. TURNER: Okay. So, that's --

8 MR. KERKVLIIET: The head, itself, is done in
9 the nailing process, but any further is done typically
10 after the heading process.

11 MS. TURNER: Okay. A question, then, for --
12 there's also, then, of course, if, in fact, it's not a
13 bright nail, if it's a -- has some kind of finishing
14 put on the nail of whether it's electro-galvanized,
15 hot dipped, or vital painted, is that something that
16 is done at your production facilities or is that
17 something that -- is that something that each of you
18 do it at your production facilities or do fabricators
19 do that?

20 MR. LIBLA: Mid-Continent, depending on the
21 plating required, whether it's electro-galvanized or
22 hot dipped galvanized, we would send the nails out in
23 bulk form to a supplier that would provide that
24 coating for us. The hot dipped side, we make that in-
25 house through galvanized wire. So, we cut galvanized

1 wire.

2 MS. TURNER: Okay.

3 MR. STIRNAMAN: At Keystone, we hot dip
4 galvanized and vinyl coated in-house.

5 MS. TURNER: In-house, okay.

6 MR. KERKVLIT: At Atlas Steel and Wire, the
7 forming process is done in-house and all coating
8 processes are done through a toll process and
9 agreement with an outside company.

10 MS. TURNER: Okay.

11 MR. CRONIN: All of our processes at Davis
12 Wire Pueblo are done in-house.

13 MS. TURNER: Okay. Thank you. Mr. Dees?

14 MR. DEES: At Treasure Coast, we, basically,
15 ship ours out to our subcontractor and brought back in
16 bulk, just like Mid-Continent.

17 MS. TURNER: Okay. My next question
18 actually has to do with also the different types of
19 nails -- you just sort of discussed more the finishing
20 on the nails -- the different types of nails, whether
21 they're common nails or whether they're drywall or
22 pallet or flooring finishing. Is that something that
23 you all produce a wide range of, each of you -- each
24 of you produce the whole range of nails or are there
25 certain ones that you produce and others?

1 MR. STIRNAMAN: Well, at Keystone, we
2 produce a wide variety of all sorts of nails, finished
3 nails, drywall nails, vinyl coated, hot dipped
4 galvanized, pole barn nails, roofing nails, staples.
5 So, we do pretty much all.

6 MS. TURNER: Is that the same for --

7 MR. LIBLA: Not quite the same for Mid-
8 Continent. There is items that we do not produce
9 because of the volume requirement. As far as our
10 equipment is concerned, it can produce any nail,
11 except cut.

12 MR. CRONIN: At Davis Wire Pueblo, at one
13 point in time, we made a full line of nails, much like
14 Keystone. But, today, because of pricing, we do not
15 make all the nails, but we can make them again.

16 MR. KERKVLIIET: Similar.

17 MS. TURNER: Okay. Mr. McMorrow, in terms
18 of the cut nails, are there certain -- my question has
19 to do more with specialty. Are they only used for a
20 more limited range of uses or are they, in fact, used
21 for -- I noticed how the squareness of them, I take it
22 that's a cement or is that flooring that that would be
23 used for? And if you could elaborate on whether, in
24 fact --

25 MR. MCMORROW: Nowadays and for the last

1 probably 40 to 50 years, the bulk of our nails are
2 made for masonry usage; in other words, foreign strips
3 and maybe wood, concrete or concrete block or cinder
4 block or something like that. We have the dyes and
5 the patents to make all sorts of nails, bulk nails,
6 clinched nails, framing nails, common nails, whatever,
7 out of cut nails. Initially, in this country, the cut
8 nail was the only nail available in the 19th century
9 and the wire nails came in and kind of displaced it
10 from the market and many usages. But, it still has a
11 sort of niche in the market for certain usages,
12 because it's made from high tense steel, which is case
13 hardened, hardened, in order to penetrate concrete.
14 We, also, make flooring nails, which are used for
15 hardwood floors. In all the old houses, you'll see
16 the cut nails in there. But, basically, the concrete
17 nails, the masonry nails are the prime end-use. One
18 of the nails I passed around to you, there actually is
19 a stainless steel nail, which was produced for
20 porches, at one point. But, it didn't go over very
21 well, because the price was too high.

22 MS. TURNER: Thank you. I have seen
23 probably about every type of nail out there from one
24 construction project, home construction project or
25 another, and wasn't quite sure on the square ones. I

1 know we have used those for masonry or hardwood
2 floors, but didn't know that was something that they
3 could be used for other things, as well. And you've
4 answered that question.

5 I, also, have a question regarding collated
6 versus bulk. And I am trying to find out, has the use
7 or the manufacture, because of the use of collated
8 nails, increased significantly, or is it only certain
9 types, it's more prevalent that they would collated
10 versus bulk?

11 MR. CRONIN: I think the trend over the last
12 10 years or so is the collated nail business has grown
13 maybe five to seven percent a year. And because
14 people, even do it yourselves, the DIY market, and if
15 you're building a fence or you're putting up some
16 crown molding or whatever you're doing at home, the
17 ease of using a nail tool and collated nails, you can
18 do a better job and a more quality job than using a
19 hand nailer.

20 MR. LIBLA: I really didn't have much to
21 expand on that. He explained it very well.

22 MR. KERKVLIIET: I would say relative to the
23 collated and bulk nails, I think Mr. Cronin said it
24 very appropriately. I think on a lot of jobs, you,
25 also, see a contractor that has a hammer in his tool

1 belt, as well as a nail gun. It's going to depend
2 upon what the size of the job is going to be, whether
3 he's got to hammer five nails or he's got to do 500
4 nails. So, in that respect, it's going to be the size
5 and the scope of the project that maybe in some cases
6 determine whether or not it's going to be a collated
7 nail or whether it's going to be a bulk nail.

8 MS. TURNER: Okay, thank you. I have a
9 chart that I'll give to counsel that I would like
10 regarding types of nails and finishes of nails, if you
11 could have each of the companies fill out, to just get
12 an idea of the variety of nails they each produce for
13 the post-conference, the answers to the post-
14 conference briefs. Thank you.

15 A question regarding what drives your
16 production. Is most of your production done by -- I
17 take it on the cut nails, it's more by orders. Is
18 that the case? Maybe I'm wrong on that, but I seem to
19 remember that was part of your testimony. Is that the
20 case for all the producers or is it based -- in other
21 words, is production based on demand on orders or are
22 they made for inventory or does raw materials, the
23 availability of raw materials also have play a part in
24 production?

25 MR. KERKVLIIET: I would say for our

1 business, that there is a mixture of production to
2 order versus the commitment that you receive from a
3 distributor. But, we, also, produce a fair amount of
4 inventory and sell from inventory for quick
5 turnaround. You know, I would guess, I think we have
6 it in our testimony, I can't remember exactly what it
7 is, but I would say it's somewhere in the neighborhood
8 of around 50-50.

9 MR. LIBLA: I would agree with that.

10 MR. DEES: Yes. Treasure Coast does the
11 same thing.

12 MS. TURNER: Similar, okay. Mr. Stirnaman,
13 you indicated that Keystone stopped production
14 December of 2006, is out of the nail business. But, I
15 thought I, also, heard that you're still selling from
16 inventory or is that something that has ended, as
17 well, at this point?

18 MR. STIRNAMAN: It's either ended or very
19 closed to ended. We had very little left that's
20 trickled out over the past few months.

21 MS. TURNER: Thank you.

22 MS. BECK: Just to follow-up on that, Ms.
23 Turner, currently, in second quarter, Keystone has
24 completely exited. So, for purposes of first quarter
25 in the questionnaire, you will see something. But,

1 currently, it has ceased completely.

2 MS. TURNER: Thank you. This also deals
3 with the -- my next question also deals with --
4 actually deals more with pricing to some degree or
5 actually more average unit values with the wide range
6 of different types of nails and different finishes.
7 The average unit values are discussed on page 16 of
8 the petition. They've been discussed this morning, as
9 well. In light of this and in light of the wide
10 product mix, I mean, can you discuss the usefulness of
11 comparing average unit values or using average unit
12 values in lieu of price information?

13 MS. CANNON: Well, I'll start, since I
14 mentioned it. I think, as in all cases, the price
15 information is preferable. The difficulty is that
16 we're somewhat limited in that, at this stage. And
17 so, the HTS categories are broken down by a wide
18 variety of types and I think at least within those
19 types, you're getting a general sense of a reasonable
20 average unit value to use as a proxy for price, unless
21 and until you get more accurate and specific pricing
22 information. So while I agree that prices are better,
23 given what we have now, I don't think that the AUV
24 information has no value, because I do think there are
25 some discrete product types within those broad

1 categories and we've broken those out in the petition
2 and are looking at those, in comparing these values.

3 MS. TURNER: Okay. In terms of capacity,
4 we've discussed actually capacity in the United States
5 and, in fact, how -- whether, in fact, the capacity
6 has decreased because of the fact that there has been
7 companies that have shut down operations, because
8 they're not profitable, at this point, to compete with
9 the imports. If you can actually discuss what you
10 know and provide any information that you know aside
11 from what we get in response to questionnaires, but
12 discuss capacity not only in China and the United Arab
13 Emirates, but what's actually going on in capacity to
14 produce nails in other parts of the world, other than
15 the subject countries.

16 MR. ROSENTHAL: We'll do what we can in the
17 time that we have on the others.

18 MS. TURNER: Okay. Thank you. And I think
19 -- one question that was discussed is about how there
20 are numerous other different types of products that a
21 few of the companies make, in addition to nails, the
22 integrated producers, I believe, in particular. But,
23 there is also staples. There is wire, themselves, the
24 roofing nails, which are not part of the scope. Is
25 this something that you produce and do you produce it

1 on the same equipment? Is it something that you shift
2 from one to the other and, if so, what is the time to
3 shift between, say, roofing nails and staples?

4 MR. ROSENTHAL: I just want to make sure
5 we're talking the -- so is the question, are roofing
6 nails made on the same equipment as the other nails,
7 the subject nails, and are staples made on the same
8 equipment as the subject nails?

9 MS. TURNER: The subject, exactly.

10 MR. ROSENTHAL: Okay.

11 MS. TURNER: And if so, then how much time -
12 - what is the time to shift production from one to the
13 other. And if there are other things that are made on
14 that same equipment that I haven't indicated, that I
15 don't know about, what those would be?

16 MR. ROSENTHAL: As you know, roofing nails
17 are -- they're non-subject merchandise.

18 MS. TURNER: They're non-subject. Actually,
19 what I'm trying to find out is on subject merchandise
20 versus other potential products that are made on the
21 same -- or are other products made on the same
22 equipment and, if so, what is the shift time and why
23 would you shift between what --

24 MR. LIBLA: Staples are not included either.
25 No, we don't. They cannot be made on the same

1 equipment. It's a whole different machine. We do not
2 make staples or roofing nails.

3 MR. KERKVLIIET: From our perspective at
4 Gerdan Amersteel, the products are made on -- our nail
5 equipment are specifically focused on the product that
6 are subject to this trade case. We do not make any
7 other products on the same equipment.

8 MS. TURNER: Including roofing nails?

9 MR. KERKVLIIET: Including roofing nails.

10 MR. MCMORROW: At La-Belle, we can only make
11 cut nails.

12 MR. DEES: At Treasure Coast, we basically
13 just make the nails that are in the petition. The
14 staples are made on a different machine and we don't
15 even have those machines.

16 MS. TURNER: Was Keystone doing the same or
17 is that different?

18 MR. STIRNAMAN: Well, we're completely out
19 of the nail and staple business.

20 MS. TURNER: No, but I'm just trying to get
21 an idea on --

22 MR. STIRNAMAN: The staple machine is a
23 different machine than the nail machines --

24 MS. TURNER: Okay.

25 MR. STIRNAMAN: -- that produce the subject

1 nails. And I believe the roofing nail machines are
2 different, as well.

3 MS. TURNER: Mr. Cronin, anything to add?

4 MR. CRONIN: Ditto, ditto.

5 MS. TURNER: Ditto, ditto, okay. Then, my
6 last question is one that is really for the -- though
7 there was a discussion about China and the VAT or
8 rebate, but I know that's not a dumping finder on an
9 antidumping remedy that's been imposed on nails in
10 another country, but if you could include whatever
11 documentation you have on that, as well as if there is
12 any antidumping remedies that have been imposed on
13 other -- on the subject products in other countries.

14 MS. CANNON: We will include that in our
15 brief, as well.

16 MS. TURNER: Thank you.

17 MR. CARPENTER: Mr. Steven Trost, the
18 economist?

19 MR. TROST: I just have a couple of
20 questions. The first two relate to the market. I
21 know in previous cases that involved the construction
22 industry. There's a certain portion of the industry
23 that was subject to Buy American laws and provisions.

24 I was wondering one, if any such provisions
25 apply to nails. In other words, are there certain

1 orders that can only use American nails?

2 And two, independent of these Buy America
3 provisions, are there customers that insist for
4 whatever reason upon U.S.-made nails?

5 MR. LIBLA: Rarely that happens.

6 MR. CRONIN: Not often enough.

7 MR. KERKVLIIET: I'm not aware of any
8 requirements from a Made in the United States
9 provision, and I would say that from a customer
10 standpoint, requiring material made in the United
11 States I think that the pricing has gotten to such an
12 extent that if there was at one point, that value or
13 that philosophy, that has gone away.

14 MR. DEES: We've never been requested for
15 American made product as a requirement for the
16 construction site.

17 MR. McMORROW: Fortunately, we have a few
18 red-blooded patriotic American companies who will only
19 buy our cut nails, and have been doing it for as long
20 as I'm alive.

21 MR. STIRNAMAN: We had many customers who
22 would say to us they would love to buy for us because
23 they'd love to Buy American if they had a choice, if
24 we'd only meet the import price.

25 MR. TROST: Okay. Anyone else? All right,

1 that covered that.

2 My next set of questions has to do more with
3 the product itself and specifically the differences or
4 lack of differences, whatever the case may be, between
5 collated and bulk nails.

6 The first question has to do with the
7 production process. I've heard that these are the
8 same nails, they just happen to be bound together.

9 I was noticing when I was looking at the
10 ones being passed around that the collated nails had
11 slightly different heads to allow for the device to
12 push each one through.

13 Are these nails identical or are they
14 slightly different? Are they produced slightly
15 differently? My first question.

16 MR. LIBLA: To make the head diameter is the
17 simple matter of a dye, an adjustment on the machine.
18 So if you wanted it to be a bulk nail with a bigger
19 head you could do that, or if you wanted to go in and
20 do a tool, you could lower the head diameter.

21 MR. CRONIN: I don't know what nail you saw,
22 but it could be a D head where they're all angled and
23 they go in the magazine. But you also can do a full-
24 head collated nail, too. you can do a variety of
25 different products all on the equipment we have.

1 MR. TROST: Is it fair to say that you can
2 make a million nails and collate half of them and not
3 collate the other half out of the same batch? Is that
4 done?

5 MR. LIBLA: We decide ahead of time what
6 we're going to do with the nail before we make it.

7 MR. TROST: So it's not, people don't buy
8 bulk nails and then collate them.

9 MR. LIBLA: We don't.

10 MR. KERKVLIIET: I'm not aware of anyone that
11 buys bulk nails and then subsequently collates them.
12 That's somewhat of an in-line process.

13 MR. TROST: Okay.

14 MR. KERKVLIIET: In-line process at that
15 facility.

16 MR. DEES: We don't buy bulk nails and try
17 to collate them mainly because we'd rather have the
18 ability to keep the quality control in house which
19 makes it easier when you collate the nails. That's
20 why we do it.

21 MR. TROST: As far as the construction
22 process, I have a fairly good idea of. Now as far as
23 the customers that buy these bulk versus collated
24 nails. I know Ms. Turner asked a bit about the growth
25 and collated over the past few years. I heard someone

1 say that usually construction workers have both bulk
2 and collocated and they just use whatever the job
3 calls for.

4 But by and large, are there customers that
5 buy overwhelmingly bulk and then other customers that
6 buy overwhelmingly collated? I imagine that
7 construction workers might buy collated whereas Home
8 Depot, Staples, would buy more bulk. Is that a fair
9 assessment?

10 MR. LIBLA: Some retail lumber yards may not
11 handle collated at all.

12 MR. KERKVLIIET: I think your assessment is
13 correct, that the majority of the collated, or the
14 majority of the bulk nails are going to be in the do
15 it yourself in the retail center, as David had said,
16 and the contractor is going to be more SKU'd towards
17 the collated market.

18 MR. TROST: So to follow up on that, it
19 probably isn't a lot of switching back and forth based
20 only on price. People don't choose to use collate or
21 bulk-based on price. It's based on the job and on the
22 end use.

23 MR. LIBLA: I would think that's correct.

24 MR. TROST: All right, and I guess my last
25 question related to this topic is as far as imports

1 from China and the UAE go, are they of both bulk and
2 collated? Are there any different mixes between what
3 U.S. producers make as far as bulk versus collated and
4 what the importers bring in versus, in respect to
5 that? Is competition equally fierce in both areas?

6 MR. CRONIN: The Chinese manufacturers, as
7 we mentioned in our testimony there are 300 of them
8 that we know of. They make all the products.

9 I would say Dubai, and if any of you guys
10 want to question my response, please do. I think
11 they're mainly in the collated business.

12 MR. KERKVLIT: Again, with 300 producers
13 and the breadth of the United States market it's hard
14 to say specifically, but I think the competition is
15 fierce on both products, both bulk and collated nails.
16 Experience from our facility specifically is that
17 we've seen a lot more of the collated nails from Dubai
18 as well as from China versus bulk.

19 MR. ROSENTHAL: I think what you've seen
20 over the years, too, is there's just, as the market
21 has moved from bulk to collated over time, that's
22 where the imports have largely gone as well, but you
23 still see both. Also there is, in the early days, and
24 this probably precedes the period of investigation,
25 people weren't making collated in these other

1 countries because there's an additional step and it
2 takes a while to perfect the process, but that's not
3 been a problem during the period of investigation.

4 MR. TROST: Anyone else?

5 MS. BECK: Mr. Trost, I think you'll find,
6 too, from the pricing that's been reported, the larger
7 importers not only report data on the pricing
8 descriptors of one, but both.

9 MR. TROST: Okay, I think that does it for
10 me. Thank you.

11 MR. CARPENTER: Mr. Yost? The Commission's
12 Auditor.

13 MR. YOST: Good morning, and welcome to
14 Washington. We've saved an especially good period of
15 weather for you.

16 First a disclaimer. I'm not related to the
17 Yost who signed the Tree Island questionnaire
18 response. I did have one or two questions regarding
19 interchangeability of collated nails. Having owned a
20 number of nail guns over the years, one of the things
21 that you notice immediately when you go to buy
22 collated nails is the angle at which they're collated.
23 I wanted to know whether that limits the
24 interchangeability of collated nails produced by
25 different producers.

1 Anyone can answer that question if they'd
2 like to.

3 (Pause).

4 For example, if Maze Nails produces a batch
5 of collated nails, will those fit in a, will they have
6 equal interchangeability among the nail guns made by
7 Paslode or Cenco or Bostitch or one of the other
8 manufacturers of collated, or the nail guns?

9 MR. LIBLA: A number of years ago, several,
10 some of your major U.S. nail producers developed a
11 tool and a nail to work with the tool. With a
12 specific angle and pitch between the nails in the
13 collation.

14 Over time those companies found themselves
15 competing with what we call generics. People were
16 able to make the nail to fit their tool. Then as time
17 went on a company like Hitachi who was a major tool
18 manufacturer from Japan started selling more and more
19 of their tools here, in the U.S., that would compete
20 with say an ITW Duo Fast tool. And Hitachi didn't
21 make nails. Hitachi tools coming into the marketplace
22 allowed even more generic nail production to be fired
23 through their tools. Hitachi developed a real good
24 tool, very well accepted in the marketplace across the
25 country. That had a bigger impact on the original

1 tool manufacturers here.

2 For example, maybe Paslode produced a paper
3 take collation with an angle of 33 degrees with a
4 clipped head. Their tool was specifically designed
5 for that originally. Then a Bostitch would have
6 produced a wire-welded nail with a full round head.
7 Fifteen degree on the angle. That nail was made
8 specifically for that tool recently.

9 As competition goes on, as things progress,
10 generics filled a lot of that void, or competed with
11 them.

12 Now, today, there's a host of tools made all
13 around the world that nail manufacturers can make the
14 nails specifically for anyone's tool to fit it.

15 I don't know if I answered your question
16 well enough or not.

17 MR. YOST: Typically when you see a box of
18 nails in a hardware store or wherever you go to get
19 your nails, on the side of the box of nails it will
20 tell you those nails, which tools they will fit in.
21 And they will fit in a number of tools, typically.

22 MR. LIBLA: Yes.

23 MR. YOST: To follow up on Ms. Turner's
24 question regarding your product mix, do you produce
25 collated nails that will fit all the types of guns

1 that are out there?

2 MR. LIBLA: I guess there could always be
3 the Lone Ranger that we don't know about, but for the
4 most part, yes.

5 MR. YOST: Is that true for the other
6 companies here today?

7 MR. KERKVLIIET: I'm not as knowledgeable as
8 Mr. Libla but I would believe that ours do. But I
9 could confirm that for sure.

10 MR. DEES: Treasure Coast on our collating
11 machines, we can adjust the pitch and angle to fit any
12 gun as long as it's in the range of the nails we're
13 making, we can adjust that. Both on the plastic and
14 the wire coil. That's what we primarily make.

15 MR. KERKVLIIET: As far as the collating
16 process, we can do the wire plastic and we have chosen
17 right now not to do the paper because of the
18 profitability and the cost structure that's associated
19 with it, but we could do that as well.

20 MR. YOST: As far as you know, is this also
21 true of the imports that are coming from China and the
22 UAE? That they can also adjust the pitch and the
23 method of collating?

24 MR. LIBLA: Yes.

25 MR. YOST: Obviously I was getting at the

1 interchangeability of domestic and subject products.

2 That's it for my questions. Thank you very
3 much.

4 MR. CARPENTER: Gerald Houck, the Industry
5 Analyst?

6 MR. HOUCK: Gerry Houck, Office of
7 Industries. I just have a couple of questions.

8 First, on this collating issue, well not
9 issue, but on the matter of collating. Can I assume
10 that the matter of collating involves automatic
11 machinery into which one feeds nails and paper tape or
12 plastic or whatever, into one end, and collated nails
13 come out the other end. Does that describe the
14 process pretty well?

15 MR. LIBLA: That's pretty good.

16 MR. CRONIN: That is correct.

17 MR. HOUCK: Thank you.

18 And with regard to the nail-making machine,
19 could I describe them as a machine into which one
20 feeds wire and nails come out the other end?

21 MR. LIBLA: Yes, sir.

22 MR. HOUCK: Thank you.

23 And with respect to those nail-making
24 machines, and the two types that were discussed
25 earlier, is there any difference in the wire that one

1 would use to make the same nail on one or the other of
2 the machines?

3 MR. CRONIN: Yes, typically the heading type
4 machine, you want to put a little more lube on the
5 wire, and both of them you pay off about a 2000 pound
6 stand of wire into the machine through some feed
7 rollers. On the rotary machine where you spin the
8 head, you want the wire to be clean. You don't want a
9 lot of lube on it. But characteristically it's the
10 same wire.

11 MR. HOUCK: Okay, thank you.

12 One of the issues raised in the opening
13 statement by the Respondents had to do with patented
14 products. Is there any idea here about what that
15 might be? And is it manufactured by your group? Or
16 is it something that's limited to certain
17 manufacturers that own the patents or whatever? Are
18 we referring to patented in the sense of heat treated?
19 What's going on here?

20 MR. ROSENTHAL: I think we probably ought to
21 wait to hear what they have to say about that before
22 we speculate.

23 MR. HOUCK: Fair enough.

24 There seemed to be some ambiguity earlier, I
25 didn't intend to bring this up but there did seem to

1 be some ambiguity about staples. I know that the
2 scope speaks for itself. Scope doesn't mention
3 staples. So it seems like the issue of whether
4 staples are or are not included comes down to the
5 question of whether staples are or are not nails.

6 Do you have any comments on that?

7 MR. ROSENTHAL: Our position is that they're
8 not included, they're not considered nails. They're
9 not within the scope and so just to be clear about
10 that, it's not our intention to include staples within
11 the scope.

12 MR. HOUCK: Thank you.

13 One of the items that you specifically call
14 out in your scope is nails of two or more pieces. I
15 did a little looking to see if I could figure out
16 exactly what you're talking about there, and I do have
17 a few examples in mind, but I'm wondering if you have
18 any examples in mind of what it is that you intend to
19 include in the scope by including wires of two or more
20 pieces. Excuse me, nails of two or more pieces.

21 MR. LIBLA: I'm not sure that even Customs,
22 HTS category understands the difference between a two-
23 piece nail. The actual definition of it.

24 One could surmise what it might be, but -- A
25 two piece nail might have a metal washer underneath

1 the head.

2 MR. HOUCK: Okay. That's one of the
3 examples I did have in mind. Also I had some rubber
4 or vinyl washers. is that also examples of what you
5 have in mind?

6 MR. CRONIN: Those are used for roofing in
7 some cases.

8 MS. CANNON: Mr. Houck, the language in that
9 scope definition really was borrowed from the HTS
10 schedules and it was an attempt just to be complete
11 and coextensive with those schedules and not
12 necessarily to specify a particular type of nail. But
13 to make sure if anything was made from that product
14 and imported as such under that product category, we
15 weren't excluding it.

16 MR. HOUCK: I understand that. But when you
17 get into two or more pieces then it seems like you get
18 into more extensive manufacturing processes possibly,
19 and possibly like product arguments, who knows.

20 MS. CANNON: There was a like product issue
21 raised regarding that in an earlier case, and at that
22 time the Commission found that if nails were made of
23 two or more pieces they would also be included in the
24 same like product. So we treated them the same way,
25 even though the industry doesn't really have any

1 specific examples of U.S. industry production of that
2 product.

3 MR. HOUCK: What about something like an
4 upholstery tack? A decorative upholstery tack?

5 MR. ROSENTHAL: Let's make it clear.
6 Industry sitting here at the table does not make that
7 product and doesn't have a particular interest in
8 including it. Whether it is technically within the
9 scope is, I don't know if it's a two piece or a one
10 piece because I'm not sure precisely how it is made.
11 This goes to the question of why the industry excluded
12 the roofing nails. We didn't want to be overly
13 inclusive to deal with products that the industry
14 didn't make and didn't care about or wouldn't make at
15 the same time we don't want to be underly, under-
16 inclusive, by deviating from the terms of the HDS
17 definition.

18 I understand, Mr. Houck, that leaves some
19 question about what is it, what else is there that
20 we're not specifically naming? The answer is we are
21 not entirely sure. There may be some other products
22 that might be covered, but no one has -- let's put it
23 this way -- We're talking bout products that are not
24 the central focus of what we believe the domestic
25 industry sitting ta the table makes or Respondents are

1 here worrying about it. I understand, you're trying
2 to figure out what else is on the fringes there.

3 MR. HOUCK: What I'm trying to get at is to
4 better focus on what the products are that the
5 Commission is considering in terms of their
6 decisionmaking.

7 One more question. The question of outside
8 processing came up. A number of your people indicated
9 they send their nails out for outside processing I
10 guess for galvanizing and maybe for cement coating or
11 vinyl coating, painting perhaps. Then does the
12 product then come back for final finishing and
13 packaging at your operations?

14 MR. KERKVLIIET: That is correct. For those
15 of us that use outside processes, it goes out for the
16 process whether it's electrogalvanize or hot dip
17 galvanized or coated, and then it's brought back and
18 collated in our manufacturing facility.

19 MR. LIBLA: Same here.

20 MR. HOUCK: Thank you. I have no more
21 questions.

22 MR. CARPENTER: Mr. Ruggles, the
23 Commission's investigator.

24 MR. RUGGLES: Just a couple of quick ones.
25 First, Mr. Libla, the plant you shut down

1 you say it was a rather new, high tech plant? Why
2 would you shut that down and not one of your older
3 plants?

4 MR. LIBLA: That would probably require some
5 confidential data. I'd be happy to address it.

6 MR. RUGGLES: Thank you.

7 Ms. Beck, the petition lists a whole flurry
8 of producers and you found two more afterwards. Is
9 that basically 100 percent of the industry do you
10 believe?

11 MS. BECK: Yes, we believe that is 100
12 percent.

13 MR. RUGGLES: Good. Thank you, that's it.

14 MR. CARPENTER: Mr. Deyman, supervisor/
15 investigator.

16 MR. DEYMAN: An examination of the official
17 import statistics indicates that imports of the
18 subject steel nails from the United Arab Emirates have
19 not increased anywhere near as rapidly as the imports
20 from China. Also the average unit values of the nails
21 from the United Arab Emirates have been substantially
22 higher than those from China.

23 My question is given these differences in
24 the magnitude of the trend and the unit value, is
25 there anything different about the nails from the

1 United Arab Emirates in terms of types of nails or
2 product mix?

3 MR. LIBLA: I'm not aware of any difference.

4 MR. DEYMAN: Any others? No.

5 The Respondents said in their opening
6 statement, they alleged that as we discussed earlier,
7 the domestic industry may not be able to fulfill the
8 demand for nails in the U.S. market, but also they
9 mentioned that you're unable to produce the variety of
10 nails needed.

11 If it is true that there are any nails that
12 you cannot produce in the United States, approximately
13 what share of the domestic market would those nails
14 account for? In other words less than ten percent, or
15 a great share of the U.S. market?

16 MR. ROSENTHAL: First, we don't concede that
17 there are any particular types of nails that aren't or
18 can't be produced by the domestic industry, at least
19 not the subject nails, so we'll have to hear from the
20 Respondents to see what they are claiming with respect
21 to the ability to produce particular nails. If there
22 is something we can identify then we'll try to get you
23 an estimate.

24 There are, as you heard from Mr. Kerkvliet,
25 Gerdau Ameristeel produces all sorts of nails. They

1 can produce the paper collated nails as well, but the
2 price is not right for them. It's not economically
3 sensible to produce those nails for them even though
4 they produce all sorts of other collated nails.

5 So they can produce it, have produced it and
6 will produce it if the price is right.

7 You also heard some reference, we didn't
8 expand upon it too much, but Mr. Libla mentioned that
9 there are some nails that he doesn't produce because
10 of the production runs. There's not enough volume.
11 It doesn't make sense to run some of these nails on
12 his equipment given the prices he can get.

13 A lot of these issues concerning
14 availability really have to do more with price or as
15 much with price as the ability to make the product.

16 A lot of the claims by Respondents are
17 likely to be price related as capability or
18 availability.

19 MR. DEYMAN: Thank you, that was very
20 helpful.

21 Have any of your firms filed for or been
22 certified for trade adjustment assistance?

23 MR. LIBLA: Not that I'm aware of.

24 MR. KERKVLIIET: No, sir.

25 MR. DEES: That's a no for Treasure Coast,

1 too.

2 MR. DEYMAN: I'm sorry, I couldn't hear.

3 MR. DEES: No.

4 MR. CRONIN: Not that I'm aware of.

5 MR. DEYMAN: Finally, if any of your firms
6 issued press releases or other public statements when
7 you shut down any of your facilities that give the
8 reasons for the shutdown, please provide those
9 statements in your post-conference brief.

10 I have no further questions.

11 MR. CARPENTER: Follow-up questions from Ms.
12 Turner?

13 MS. TURNER: I have two quick follow-up
14 questions.

15 First of all, in noticing the nails and just
16 hearing a little more about the production in terms of
17 when they're collated, that's something that's done
18 after you've sent them out for, if you send them out
19 for fabrication of having a finish put on, the
20 collating happens afterwards, is that correct?

21 MR. KERKVLIIET: If it's a hot dipped or
22 electrogalvanized process, correct.

23 MR. LIBLA: In our case the
24 electrogalvanized we send out. The hot dipped we do
25 in-house, in-line.

1 MS. TURNER: That's actually part of my
2 question because these are your nails here, I'm
3 noticing the electrogalvanized nails when they're just
4 in bulk form, the whole nail is electrogalvanized as
5 opposed to any of the collated nails, it's just the
6 tip. I was wondering basically is that because -- Why
7 is that, I guess is my question.

8 MR. LIBLA: I don't have the liberty of
9 seeing the particular nails you're looking at there,
10 but the entire nail is galvanized, both hot dipped or
11 electroplated. You could be just looking at a very
12 bright nail.

13 MR. PRATT: I can answer that question. The
14 nails that you're looking at that the tip is only
15 coated, that is actually a vinyl coating, not an
16 electrogalvanized coating.

17 MS. TURNER: Okay. Despite the color being
18 similar, it's vinyl as opposed to --

19 MR. PRATT: That's correct.

20 MR. CRONIN: When you apply vinyl to a
21 collated nail you do it with a roller. If you're
22 doing a bulk nail, you do it in batch, the vinyl. So
23 when you do the roller you only do the bottom part of
24 the nail.

25 MS. TURNER: So that would be the case if it

1 was bulk nails as well as whether it's collated, any
2 vinyl nail would only have the tip of it.

3 MR. CRONIN: No, the vinyl bulk nail you
4 batch the final coating, you'd just drop it in the
5 tank and there would be vinyl all over the bulk nail.

6 MS. TURNER: So it's not got anything to do
7 with -- Okay. I was just wondering if it had
8 anything to do with the process of it. It somewhat
9 sounds like it does have to do with the process as
10 well.

11 My second question has to do with the two
12 piece nails. There are actually nails that I have
13 half a box left of these, that are ones that are put,
14 and I'm wondering, my question for you is whether
15 these type of nails are actually included as well.

16 They have a big rubber or it's plastic,
17 there's a nail that is, and what they're used for is
18 to put like tarpaper on the roof underneath the
19 roofing. They're also not only used for roofing,
20 though, they're used for any type of thing when you're
21 putting on some kind of something over the top that
22 you don't want the nail to possibly pop through. It's
23 a good size.

24 My question is, that sounds like the two
25 piece nail. Are those included? What I know from

1 experience with, they're a roofing nail. It's not
2 used for shingles, it's used for under the shingles.
3 So if you could elaborate on whether that type of nail
4 is actually something that's included in the scope.

5 MR. ROSENTHAL: We will address that in our
6 post-conference brief.

7 MS. TURNER: You can take the plastic off of
8 them and they're great finishing nails without the
9 plastic on, but it's a good-sized piece of plastic and
10 it's used for that. So thank you, if you would
11 elaborate on that.

12 MR. CARPENTER: We want to thank everyone on
13 the panel here for your expert testimony and for your
14 responses to our questions.

15 At this point we're going to take a lunch
16 break until 1:00 p.m. by the clock in the back. I do
17 want to caution you that if you have any confidential
18 business information to either take it with you, or if
19 you're staying in this room don't leave it unattended.

20 Thank you very much.

21 (Whereupon, at 12:00 p.m., the conference in
22 the above-entitled matter was recessed, to reconvene
23 at 1:00 p.m. this same day, Tuesday, June 19, 2007.)

24 //

25 //

1 at ITOCHU, and Ken Weigel, our Trade Counsel.

2 Some background about me. I have been
3 involved in the U.S. nail business for almost 40
4 years. I started at the age of 15 working for a small
5 importer and distributor of nails and at that time
6 Japan was the main country supplying nails to the
7 United States. I never had another job, never worked
8 in another industry. I have traveled overseas
9 extensively, visited nail mills around the world, and
10 been involved in every facet of this business from
11 operations to logistics to purchasing. It may sound
12 corny, but it's not an exaggeration to say that the
13 nail business has really been my life since I'm a kid.

14 Now regarding this investigation. What I
15 had written in this prepared speech, the next line was
16 let's look at the incorrect assumptions being made by
17 the Petitioners, but I have to tell you, in sitting
18 here this morning some of the answers and some of the
19 claims were just so wrong and so egregious that that
20 sentence just sounds so understated. So let me just
21 move forward.

22 The first crucial statement that was made
23 that was wrong is that a nail is a nail. Prime Source
24 sells more than a thousand different types of nails --
25 framing nails, drywall nails, siding nails, flooring

1 nails, concrete nails. These nails are not
2 interchangeable. You can't use a framing nail to hang
3 drywall, just as you can't use a roofing nail in a
4 deck. Try building a house using only one type of
5 nail and when the deck collapses and the roof caves in
6 and the siding rusts and the foundation cracks and the
7 drywall bleeds, try explaining to the homeowner that a
8 nail is a nail.

9 Try hanging a picture with a cut nail that
10 has no point and no head.

11 In addition to the many types of nails, the
12 application of the nail is done in two very different
13 ways. Nails are either hammered by hand or shot
14 through tools. These tools can be powered either by
15 air or gas or small explosive charge.

16 For some reason those nails driven by the
17 explosive powder method are not included within the
18 scope of this petition, so we have totally different
19 nails which are not interchangeable, two totally
20 different application systems incorrectly combined as
21 if they were one product to be considered to be
22 causing harm.

23 A little history. There have been
24 significant changes in the nail business in recent
25 years that have not been followed by the U.S. nail

1 producers. First is the dramatic shift from hand-
2 driven nails, hit with a hammer, to collated nails
3 that are shot from a nail gun or tool. and as the
4 price of the tools have come down, they have grown in
5 popularity. Along with this has come the explosive
6 growth in the collated nail business -- the nails that
7 are shot through these tools.

8 This segment of the nail business
9 traditionally has been dominated by the big brands --
10 Stanley Bostitch, Paslode, Senco. Their nails were
11 originally produced exclusively in the United States.
12 However it is the same USA companies who led the way
13 and started moving some of their production to China.

14 Going back five to seven years, Prime Source
15 had predominantly sold hand-drive nails. Our collated
16 nail business which was substantial, was almost
17 exclusively bought from Stanley Bostitch, both nails
18 and tools. We were the largest distributor of Stanley
19 Bostitch fasteners in the United States.

20 Then approximately five years ago, without
21 warning or notice, Bostitch pulled the line from us.
22 Overnight we lost \$50 million a year in Bostitch
23 sales. Overnight we were out.

24 In order to make up for this devastating
25 loss, Prime Source aggressively promoted its own Grip-

1 Rite brand of collated nails -- nails that would work
2 in all brands of tools. Prime Source, like Stanley
3 Bostitch and others have done, turned to China for
4 supplies where the full range of collated nails were
5 available.

6 Now remember, the large USA brands are only
7 interested in promoting their own name. Paslode sells
8 only Paslode; Bostitch sells only Bostitch. In fact
9 at the time we were partnered with Stanley Bostitch,
10 we approached them to manufacture the Grip-Rite
11 product line for us in the United States. We felt
12 there was room in the market not only for the well-
13 known brands but a generic product like Grip-Rite
14 which works in all the brands. They were not
15 interested.

16 We aggressively pursued this possibility,
17 taking it all the way to the President of Bostitch but
18 we were turned out.

19 In contrast to the U.S. industry, the
20 Chinese were anxious to supply our needs. Sales of
21 Grip-Rite collated nails have gone from almost zero a
22 few years ago to in excess of \$150 million today --
23 all imports.

24 This is the business the domestic USA mills
25 turned away. There is no USA mill that can produce

1 the range of collated nails that we import from China.

2 Another significant change in the nail
3 business has been the growth and expansion of the
4 small package nail business which we started from
5 China in 2004. Prime Source is the first company to
6 bring small, pre-packaged nails from China.
7 Previously, virtually all small packing of nails in
8 the United States was basically done by the
9 distributor or packing facility. Manufacturers would
10 not do small packing. They viewed that as outside
11 their business.

12 So Prime Source would buy the nails from
13 China or Taiwan or South Korea or Russia or the USA
14 and we would repack in our own warehouse or contract
15 packages. However, unlike the USA mills, Chinese
16 factories were very interested in small packing and
17 saw that as an avenue to increase their business and
18 important to their customers.

19 Starting in 2004 we moved the small package
20 business to China and by the end of 2006, almost all
21 our package nails were coming from there. This is
22 business that the U.S. bulk nail mills were never in
23 and never wanted to be in. U.S. bulk nail
24 manufacturers are all about tons. How many tons can
25 we produce? They are not about customer service.

1 They are not about any labor intense process. They
2 are not about innovation. They are about tons.

3 I just want to address one issue, Mr.
4 Stirnaman is here representing Keystone. Prime Source
5 was the largest Keystone nail customer, and back when
6 we were doing business with them I was personally
7 involved in the nail business. We went to Keystone on
8 numerous occasions to find a way to work with us to
9 increase the business, maintain the business. We went
10 to them to do small packing. They refused. We went
11 to them to do bucket packing, another innovation.
12 They refused. We wanted them to make ring shank
13 siding nails. They refused.

14 We went to them with the idea, okay, you
15 make sinkers. This is a big nail product for you.
16 How about we come up with the idea of red, white and
17 blue sinkers. We go out, we sell them to all the Home
18 Depot stores, all the Lowes stores, which is our main
19 customers, we could have gotten exposure in 3,000
20 stores throughout the country. We didn't care about
21 the price, it was an irrelevant factor. Made in
22 America, USA, red, white and blue sinkers. What does
23 that mean? The green coating that you put on the
24 nails, make them blue, make them red, make them white.
25 The answer? No, we can't do it.

1 So if we look at Prime Source's growth and
2 increase in imports, what we see is a big increase in
3 collated nails, a bit increase in packaged nails, and
4 a somewhat offsetting decline in the traditional hand
5 drive bulk nail business.

6 While there are, we estimate, over 1,000
7 types of nails demanded by the market, many of these
8 are not commercially available in the United States.
9 The U.S. nail producers do not make many of the nails
10 sold in the market, or if they make them the
11 quantities are so small that they are meaningless when
12 considering USA demand.

13 Now the point is, they don't make them, they
14 never made them. They maybe theoretically could make
15 them, but in 150 years of the nail business, they
16 don't make them. These include but are certainly not
17 limited to electrogalvanized nails, phosphate coated
18 drywall nails, double head duplex nails. Yes, there's
19 a very popular nail sold in the USA, sold in thousands
20 of tons, that have two heads. It's hard to make a
21 case for an interchangeable nail for this one. All of
22 these are made in China.

23 In fact, to be specific, if we look at the
24 individual Petitioners' catalogs we will see in the
25 case of hand drive nails, Mid Continent promotes on

1 their own catalog, in their own advertising, 21 bulk
2 nail SKUs, roughly three percent of the product line.
3 Gerdau Ameristeel, zero. Treasure Coast Fasteners,
4 zero. Davis Wyeth, 71 SKUs or 11 percent of the
5 product line. That's bulk nails.

6 Now collated nails. Mid Continent sells 23
7 SKUs, nine percent. Gerdau Ameristeel, 38 SKUs, 15
8 percent. Davis Wyeth, zero.

9 It is interesting to note that the petition
10 specifically excludes roofing nails. This makes sense
11 because these nails are not available in the United
12 States. But why would the Petitioners exclude all
13 types of roofing nails and other power actuated nails
14 which it seems we all agree are not commercially
15 available in the United States, and not exclude all
16 other types of nails also virtually not produced here?

17 Roofing nails are produced on the same
18 machines as other nails. I have been in the
19 factories, I have seen the nails coming out. To
20 change a machine making roofing nails to another nail
21 is a 30 minute dye change process.

22 Why aren't we looking at an investigation on
23 the very limited SKUs actually produced here? As I
24 said, roofing nails are produce in the same factories
25 on the same machines with the same labor as all other

1 import nails. What special quality do they have that
2 the Petitioners believe exempt them?

3 Our company purchases nails from around the
4 world. We buy or have bought nails from the
5 Petitioners at the table, others in the U.S. industry,
6 China, Taiwan, Korea, Malaysia, Russia, Bulgaria,
7 Indonesia, Chile, Honduras, Mexico, Canada, and many
8 other countries. We resell these nails in the United
9 States and to a limited extent Canada and Mexico. We
10 buy the same nails from various sources and resell
11 them without regard to where we sourced them.

12 In other words, a shipment to our customers
13 could include the same nails from the United States
14 and China. Origin is not an issue when we sell nails.

15 There are a couple of important
16 considerations that the ITC must recognize when
17 looking at prices. First, as to trend. 2004 was
18 atypical. In fact it was a phenomenon not seen here
19 in the previous 25 years. Prices had been trending up
20 slowly, and then virtually overnight there was no wire
21 rod available and prices shot up. It was an
22 artificial hysteria. Factories stopped producing,
23 shipments dried up. It was as if someone had turned
24 the water faucet off overnight. Not only wire rod,
25 but all steel products at the time.

1 So when we look at prices in 2004 we are not
2 comparing to normal base numbers. The Commission
3 needs to examine a longer historical period to see a
4 correct trend and try to draw valid conclusions.

5 One other point that Mr. Stirnaman made
6 about Keystone during his testimony. He said in 2004
7 Keystone was operating 50 percent capacity. In 2004
8 the Petitioners had what they wanted. There's no
9 imports coming in. The USA nail industry was on its
10 knees. The domestic manufacturers did not step up.
11 This theoretical capacity never turned into reality.
12 And Keystone, who also is a big wire rod producer and
13 other steel products, made the decision at the time
14 rather than supporting the nail business where price
15 was no issue, they made the decision to put that wire
16 rod into more profitable products.

17 Again, we need to think about the reality as
18 opposed to the theory.

19 Today the trend of prices is up, up, up. As
20 of today bulk nail prices on the average are more than
21 20 percent higher than where they were six months ago.
22 The China currency has appreciated as it is floating.
23 China has moved to close many smaller steel mills to
24 reduce the supply of wire rod which is used to make
25 nails and they're in the process of further reducing

1 export incentives on nails.

2 Mr. Libla mentioned in his testimony that
3 China had adjusted the export incentive tax on only
4 certain commodity steel products which did not include
5 nails. However, at the time they did that the Chinese
6 government said there would be additional changes
7 coming, and as of this morning nails have been subject
8 to the same reduction of export incentives by a swing
9 of eight percent. Just announced.

10 It's a fallacy to assume that China is the
11 automatic low cost source for nails. Nail pricing
12 varies. In many instances we are buying nails at a
13 lower price right now from Taiwan or Malaysia.

14 For example, specifically the three plastic
15 strip collated nails detailed in the questionnaire
16 have been and continue to be commercially available at
17 lower pricing from China.

18 Also it is important to recognize that the
19 price is not always the total landed cost in the
20 United States. This is touched on in the testimony.
21 Transportation is a very important cost factor and it
22 is common to have the cost of transportation to be
23 significantly lower from China than inside the USA.

24 For example, if I want to bring a load of
25 nails from China to the Prime Source warehouse in

1 California, the ocean freight cost is \$1200. If I
2 want to bring that same load of nails from Florida,
3 New Orleans, even Colorado to Los Angeles today, the
4 cost could be or would be as much as \$3,000 depending
5 on where I'm shipping from for that same load of
6 nails. It's cheaper to put it on a boat and bring it
7 from another country than it is to put it on a truck
8 inside this country.

9 In conclusion, it is respectfully suggested
10 that the assumptions made by the Petitioners are
11 invalid. That there is no domestic industry to be
12 harmed. And the only ones to be hurt by determination
13 of dumping would be the American consumer and the
14 struggling housing industry.

15 MR. KRAM: Good afternoon. My name is
16 Guenther Kram, not Guenger Kram as it says on here. I
17 am the business unit manager or ITW Paslode. My
18 responsibilities include the nail production
19 facilities here in the U.S. and in China affected by
20 this misdirected case.

21 With me is Mark Boutelle, General Manager
22 for ITW, Paslode Construction.

23 Illinois Tool Works is a global manufacturer
24 of thousands of components, products and systems in
25 nearly 800 businesses in over 50 countries. In 2006

1 ITW's global revenues exceeded \$14 billion.

2 ITW Paslode, a division of ITW, is a global
3 producer of nail systems. Paslode is a major U.S.
4 innovator, a domestic producer. We are also an
5 importer and Chinese producer of highly engineered
6 paper tape collated nails and a major innovator in the
7 manufacture of power tools for which our nails are
8 specifically designed.

9 After careful consideration ITW decided to
10 oppose this case because antidumping duties would do
11 little to assist U.S. producers including our four
12 domestic facilities in Texas, Tennessee, Kentucky and
13 Arkansas, within the structure of the U.S. market as
14 it now exists.

15 In fact, we believe that import duties would
16 hurt overall U.S. production.

17 As I'm sure the producer questionnaires will
18 show, Petitioners' principal concern is with commodity
19 nails including bulk nails. Individual nails sold in
20 bags or cartons are not representative of the U.S.
21 industry as a whole as it has been restructured over
22 the last 20 years. In contrast, collated nails are
23 sold in strips or coils that can be fed into pneumatic
24 or gas-powered tools, enormously improving the
25 productivity of construction workers applying these

1 fasteners.

2 To help make a point, I've only got two more
3 strips. I'm not going to give you much more. But I'd
4 like you to look at these. On these two particular
5 strips, these two particular strips have multiple U.S.
6 patents on them that we have, ITW owns. We're the
7 only licensee for them worldwide. And in our post-
8 conference brief we will cover the details of the
9 actual U.S. patents that are covered by those nail
10 strips.

11 The point being that those nails are unique.
12 They are not the same. They cannot be easily
13 interchanged. They are made specifically with unique
14 features and benefits for end users that were
15 specifically designed for their needs.

16 To continue. Ten years ago ITW operated
17 only three physically limited U.S. collated nail
18 plants. Since then we have opened, purchased, closed
19 and consolidated collated nail plants to best respond
20 to market demand.

21 Petitioners mentioned plant closures, but
22 not concurrent expansion in the Texas collated nail
23 plant we did or the current expansion of our Arkansas
24 plant that we're doing currently.

25 Both of these, these are both collated nail

1 plants, U.S., were designed to generate economies of
2 scale and to take advantage of the benefits of
3 domestic shipping capabilities and to serve the
4 expanding collated nail market.

5 Until the opening of Paslode Shanghai in
6 2005, ITW in its 93 year history had never purchased
7 or built an off-shore manufacturing facility for the
8 sole purpose of supplying the U.S. market. Never.

9 The Shanghai facility was opened to take
10 advantage of the opportunity to globally source wire
11 rod. In keeping with ITW's culture, this facility has
12 focused on output that is 100 percent specialized and
13 in patented products designed specifically to function
14 with ITW's line of patented pneumatic and gas-powered
15 tools.

16 ITW owns these patents and the ITW paper
17 tape collated nail manufacturing facility in China is
18 our sole licensee.

19 The initial reason for the China plant was
20 due to anticipated domestic nail capacity shortages
21 when it was originally built.

22 We do not make, import or sell bulk nails.

23 Based on Paslode's 73 years and my 22 years
24 of experience I can tell you that Petitioners have
25 never been viewed in the market as significant

1 producers of collated nails. ITW does not benchmark
2 against these Petitioners, rather against other U.S.
3 producers who have not joined this petition, and
4 likewise have integrated downstream into the
5 manufacturer of fastening systems.

6 In other words, our nails follow the sale of
7 our tools.

8 Based upon my review of the public version
9 of the petition, I know there was very little net
10 change in the total volume of U.S. imports of nails in
11 the most recent few years of the relevant period.
12 More important, there was a sharp drop of 23 percent
13 in the volume of imports so far in 2007, although the
14 petition is silent on that score.

15 During the period in question ITW's U.S.-
16 based nail business and our margins have remained
17 strong. If Petitioners' operations are found to be
18 hurting, subject imports of imports generally are not
19 the cause. A much more plausible cause is the recent
20 softening in new residential homebuilding activity.
21 Another cause, Petitioners' loss of market share to
22 other U.S. producers who increasingly are selling
23 innovative fastener systems.

24 The Commission needs to understand one,
25 because of our unique, highly engineered U.S. patented

1 paper tape collated nail products that were designed
2 to fit our high performance patented nail driving
3 systems, ITW Paslode is able to maintain high market
4 pricing and margins which in no way creates injury to
5 the Petitioners.

6 The U.S. nail industry does not have the
7 capacity to meet all U.S. demand.

8 Three, residential housing starts appear to
9 be rebounding. Remodeling and non-residential
10 construction activity continues.

11 Four, ITW is a major U.S. collated nail
12 producer with four U.S. nail plants and over 400 U.S.-
13 based collated nail manufacturing employees.

14 We oppose this petition as this case is
15 misdirected as it includes highly engineered, patent
16 protected collated nails.

17 Thank you for your time. I would be happy
18 to answer any questions.

19 MR. TABOR: Good morning. My name is Gary
20 Tabor and I am the President and CEO of Building
21 Material Distributors known as BMD.

22 I've been involved in the nail business
23 since graduating from college 27 years ago. BMD is
24 what is called in the industry a two-step wholesale
25 distributor, which means that we buy products for

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1 manufacture and then we redistribute them to retailers
2 or specialty distributors. BMD is a 64 year old
3 company and our ownership is comprised of 400 very
4 patriotic employee owners. We're an ESOP.

5 Our annual sales are in excess of \$300
6 million a year, and we currently operate 11
7 distribution centers and three sales offices. Our
8 headquarters are in Sacramento, California and we are
9 considered one of the largest distributors of nails in
10 the United States. BMD distributes both import and
11 domestic nails as well as other building materials,
12 but we do sell the full gamut of nails which include
13 collated, bulk and packaged nails. In that category we
14 are the fifth largest distributor in the country of
15 specialty products. We're not a small mom and pop
16 shop, which is the reason why I bring this up.

17 However, it is strange for me to be sitting
18 on the opposite side of the table from Davis Wire, one
19 of the Petitioners, because we happen to be a large
20 multi-million dollar customer of Davis. In fact just
21 recently I spent a week playing golf with their chief
22 executives at their invitation. We have a solid and
23 longstanding relationship with Davis Wire, to which we
24 provide a variety of wire products.

25 Despite our readiness to buy many products

1 from Davis, they have never once offered to sell us
2 nails. In fact until this case was filed, we were
3 unaware that they even produced nails. I've now
4 learned that they produce only approximately 20
5 percent of the nail products BMD distributes, and that
6 they could not realistically manufacture the
7 quantities of products that we need from any one
8 particular supplier.

9 Additionally, I have two distribution
10 centers within 50 miles of Davis Wire's plant in
11 Pueblo, Colorado. Again, they've never once mentioned
12 to us that they're in the nail business.

13 The other Petitioners, to the best of my
14 knowledge, also do not produce nails in any
15 commercially meaningful quantity. To give you an idea
16 how narrow the offerings appear to be, we cannot
17 obtain nails such as drywall nails, certain galvanized
18 nails, the aforementioned double headed duplex nails,
19 lead head nails, cap nails, furring nails,
20 underlayment nails and the list goes on and on. It
21 doesn't take a lot of technology to make a commodity
22 nail like a 16 sinker or an 8 sinker. It does take a
23 desire and innovation to make some of these specialty
24 nails which the domestic manufacturers, by their own
25 publications and web sites, appear to have no interest

1 in manufacturing.

2 As I look at the list of Petitioners, very
3 honestly, despite having been in this business for 27
4 years I do not recognize any companies, except for
5 Davis who is a strategic partner to BMD, and Maze
6 Nails, but I know them by name only. No Petitioner
7 has ever once contacted BMD about distributing nails
8 for them. I did not know Mid Continent existed today
9 or that Gerdau existed today, prior to this petition,
10 so I question their eagerness to expand their market
11 share.

12 Again, BMD is the fifth largest specialty
13 distributor in the United States.

14 BMD sells a complete line of bulk packaged
15 and collated nails that are used in a variety of
16 construction applications. At present, collated nails
17 are a growing segment of the nail business while the
18 sale of bulk nails are declining.

19 For a point of reference, collated nails are
20 fired through power tools, again whether it's air or
21 gas. They provide speed and efficiency. And since
22 the price of power nail tools has come down, those
23 tools are increasingly used by a larger segment of the
24 nail consumer.

25 As you may know, 2004 was a banner year. As

1 nail prices soared in response to a shortage of wire
2 rod, a booming economy and a very bullish housing
3 market. In fact 2004 was the best year I had ever
4 witnessed in my 27 years of being in this industry,
5 and it is not a year in which benchmarks should be
6 established. A 100 year flood, if you will, is not
7 what we base our building requirements on. And we
8 had, if you will, the perfect storm of profitability
9 and success in demand in 2004.

10 2005 was also robust. In fact trainloads of
11 nails which were manufactured overseas were being
12 shipped from the port of Los Angeles to Texas and New
13 Orleans to help with the reconstruction efforts
14 associated with hurricanes Katrina and Rita. This was
15 required due to the lack of domestic manufacturing
16 capacity. So while we had great demand for product,
17 not one time did these manufacturers step up and say
18 we can meet the needs. So I challenge some of the
19 statements that were made earlier this morning.

20 Last year as the housing market slackened
21 and the economy slowed, the nail industry also
22 experienced a decline. However, in the past several
23 months there has been a turn-around and nail prices
24 have increased by as much as 20 percent in a short
25 period of time.

1 There are several reasons why the price of
2 nails have soared recently. First, raw materials
3 required in the manufacture of nails have increased
4 dramatically. In addition, the Chinese government has
5 essentially raised the price of many steel products
6 including nails by reducing the export tax credit and
7 that went into effect this morning as Ms. Zinman had
8 mentioned earlier. An eight percent reduction in that
9 tax credit.

10 Now we're being told that some of the
11 specialty nails such as heat treated nails and certain
12 galvanized nails may not be available for us through
13 the summer, or may be actually on allocation and
14 perhaps even for a longer period of time, being a
15 tight demand.

16 Also shipping prices out of China and other
17 Asian countries have increased at remarkable rates
18 throughout all of '07.

19 Since this case has been filed I have
20 learned that several nail importers have actually
21 sought to purchase products from the Petitioners and
22 have been told that it would take as long as six
23 months to deliver orders because the petition
24 companies lack the capacity to produce the required
25 volume.

1 One of the Petitioners, Gerdau, actually
2 stated in an e-mail to an importer dated June 12,
3 2007, that its customers are currently on allocation
4 and that going forward "we are uncertain of what we
5 will have available to you," speaking to the importer.
6 They also stated further that it could only offer
7 products presently in its inventory adding, and I
8 quote, "If existing accounts don't take their
9 allocation you will be my first call. But in the mean
10 time I will allocate you to one truckload per month."

11 I can tell you, for BMD as an importer, we
12 import over 100 truckloads per month. One truckload
13 per month wouldn't occupy even our smaller customers.

14 As they increase production they may try to
15 also adjust their allocation, but again, no
16 commitments or promises.

17 These statements will be submitted in our
18 post-conference brief. Other U.S. importers have
19 reported to me that they have repeatedly asked for
20 quotes from the Petitioners and have received no
21 response.

22 Chinese nails are not the lowest priced
23 nails in the United States. Lower cost options are
24 available to BMD from Indonesia, Malaysia, Vietnam,
25 Mexico and now India wants to get into the nail

1 business. We do not avail ourselves to these options
2 because the quality of product cannot be matched to
3 that which is produced for BMD in China. If imports
4 from China are blocked, imports will merely shift to
5 other foreign sources.

6 This concludes my testimony. Thank you.

7 MR. FISCHER: Good afternoon. My name is
8 Peter Fischer, I'm President of Continental Materials.
9 Continental Materials is a U.S. importer of the
10 subject steel nails from China and opposes the
11 antidumping duty petition against China.

12 Continental Materials was established in
13 1958 and for almost 50 years has been providing high
14 quality building products for an ever-growing customer
15 base nationwide. Aside from importing and
16 distributing the steel nails at issue in this
17 investigation, Continental Materials is an importer
18 and supplier of bulk and collated roofing nails.
19 Indeed, Continental is a pioneer in the supply of
20 generic coil roofing nails with millions of boxes
21 shipped worldwide.

22 We are also a leading supplier of roofing
23 asphalt, fireboard insulation, roofing felt serving
24 wholesale distributors nationwide from 12 shipping
25 locations.

1 Our business model is to utilize our
2 resources to search the globe and find quality
3 products for sale to the roofing and building
4 industry. We are fully knowledgeable about the
5 nuances of letters of credit, customs rules, tariffs
6 and other regulations, and even the red tape involved
7 in bringing foreign-made products to the U.S.. We
8 maintain our own customs bond, we have nationwide
9 contracts with customs brokers and freight forwarders
10 to arrange for our shipments from all over the world.

11 We work to form strategic alliances with
12 manufacturers around the globe to see the benefit of
13 utilizing our sales marketing credit and financial
14 expertise to sell their quality products into the U.S.
15 market.

16 Today we have exclusive contracts with
17 factories in Canada, Mexico, and Venezuela, to name
18 some, who turned to Continental to bring their
19 products to market. We have regular commercial
20 activities on nail products from Vietnam and Malaysia
21 additionally.

22 To be somewhat blunt, were this petition to
23 be successful such that we were no longer able to
24 afford the risk of buying the subject steel nails from
25 China, we would not turn to the U.S. Petitioners to

1 provide products for our customers, we would continue
2 to look worldwide for other suppliers. Even were this
3 not our business model, as far as I'm aware the
4 Petitioners do not even produce most of the types of
5 steel nails covered by the petition and of the types
6 they do sell, I believe many are actually imported by
7 the Petitioners themselves.

8 It is true that China has over the last
9 several years become a major supplier to Continental
10 Materials and the U.S. market generally of the subject
11 steel nails, but there are reasons for the shift
12 toward Chinese supply and the Commission needs to
13 closely consider and understand them.

14 First, from a historical perspective, much
15 of what we heard this morning referred to as China
16 supply is in reality what was formerly referred to as
17 Korean and Taiwanese supply. For more than 30 years
18 my company, Continental Materials, has purchased the
19 subject steel nails from Korea and Taiwan. We only
20 shifted our purchases to China in recent years when
21 our Korea and Taiwanese suppliers shifted their
22 production equipment to China to take advantage of
23 lower labor costs.

24 I fully believe that were an antidumping
25 duty order to be put in place against steel nails from

1 China, these Korean and Taiwanese owners would simply
2 move their production equipment back off-shore and
3 produce again in Korea or Taiwan, or possibly
4 Malaysia, Indonesia, Vietnam, or India.

5 These other countries have already some
6 established steel nail production capacity. Moving
7 this production equipment is not that difficult and
8 can be done rather quickly, perhaps in just a few
9 months.

10 Second, from a marketing perspective, the
11 Commission should be aware that Continental Materials
12 now looks to China for supply because it has the
13 specialized production equipment needed to make the
14 generic coil, paper tape and plastic steel nails that
15 our customers seek.

16 While we still purchase bulk nails from
17 China, many of the types that our customers apparently
18 cannot obtain from the U.S. producers, we have seen
19 that the demand in the U.S. over the past two years
20 for coil, paper tape and plastic strip nails has been
21 increasing much more than the demand for bulk nails,
22 due in large part to the ever-increasing use of low
23 cost generic power tools.

24 Continental Materials, as well as most
25 others in our business, saw some time ago that

1 collated steel nails were not the future of the steel
2 nail industry and realized that dealing in bulk nails
3 was not a play for future growth and profitability.
4 China had become a focal point not just for the
5 specialized production equipment of the Korean and
6 Taiwanese steel nail producers, but also that of U.S.
7 and European producers such that China was a natural
8 selection for meeting increasing demand for collated
9 steel nails.

10 Continental Materials serves somewhat of a
11 distinct role in the U.S. market in that we are
12 supplying steel nails to smaller distributors, dealers
13 and tool supply houses who do not have the purchasing
14 power of a Home Depot or other national chain stores.

15 As far as I'm aware, Continental Materials
16 does not directly compete with any of the Petitioners
17 here today. Our smaller customers rely on our
18 expertise not only to find the types of steel nails
19 they need, but also to find the quality products and
20 to provide them financial and technical expertise.

21 Our imported steel nails are drop shipped
22 directly to our customers in shipping containers. We
23 do not maintain any inventory for sale in the U.S. of
24 the steel nails named in this petition.

25 In any event, were the petition against

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1 China to be successful, we would turn to other
2 countries to supply our needs such as Taiwan, Korea,
3 Vietnam and Malaysia. I have worked with steel nail
4 producers in these countries in the past. While they
5 have not needed to grow as China has taken their place
6 over the years, they remain ready and eager to work
7 with us and any others to fill any void a dumping
8 order against China might cause.

9 While I do not believe they currently have
10 sufficient capacity to satisfy all demand in the
11 absence of China and perhaps the UAE, I firmly believe
12 that they easily and rapidly could expand their
13 production capacity such that none of the Chinese
14 business would come back to the U.S..

15 I can say that presently on our web site,
16 posted on our June newsletter, even before this
17 petition was filed, is the following discussion as to
18 the nail pricing generally that still applies directly
19 to the steel nails at issue here.

20 Quote, "Pricing on nails and metal products
21 are spiking quickly as the continued demand for these
22 products locally in China and other parts of the world
23 has pushed raw materials higher. Low U.S. inventories
24 have put a real push on available supply, and most
25 overseas nail factories have very heavy order files

1 for the third quarter. Part of the cost drivers are
2 rising transportation costs which recently went up
3 close to ten percent per ocean container."

4 We at Continental Materials do not believe
5 that our imports and sale of steel nails from China
6 have been the cause of any of the decreases in price
7 that may have occurred over the last few years.
8 Rather the greatest fluctuation in steel nail pricing
9 have been the result of larger market forces including
10 the change in raw materials mentioned and the rise and
11 fall of the U.S. housing market.

12 Certainly based on my experience with
13 imports, nails in the U.S. steel nail market, Chinese
14 imports do not drive U.S. prices any more than any
15 other steel nail imports or even steel nails produced
16 and sold by U.S. producers.

17 In many respects that fact is easily
18 understandable given the large variety of nail types
19 and typical commingling of foreign and U.S. sources of
20 nails with many of the types used by our and other
21 U.S. customers.

22 I thank you for giving me the opportunity to
23 speak before you. That's the end of my prepared
24 remarks. I took the train down here from Philadelphia
25 today so I could be here in person, and I look forward

1 to answering any questions you may have. Thank you.

2 MR. DAVIS: Hi. My name is Jacob Davis, the
3 President and one of the owners of FANACO Fasteners, a
4 distributor of fasteners for retail vendor customers.

5 Twenty years ago my father, the founder of
6 our company, went out to get the mail. A neighbor and
7 owner of a retail store that supplied fasteners to
8 contractors was outside. They began talking. Soon our
9 neighbor was expressing his frustration with domestic
10 fastener suppliers.

11 At that time, as is still true today,
12 domestic suppliers were unwilling and to some extent
13 unable to respond to retail customer needs.

14 Our neighbor's primary frustration was his
15 inability to find a supplier or manufacturer that
16 offered a full line of fasteners, what we refer to as
17 one-stop shopping.

18 Instead of having to talk and negotiate with
19 a dozen suppliers, he longed for a single source that
20 would free up his time to expand his business and
21 listen to his customers' needs. Products that were
22 always in stock.

23 My father saw an opportunity in this problem
24 and FANACO was formed.

25 I started working for FANACO from its

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1 inception. I was 18. Our business plan from the
2 beginning was to target the need expressed by our
3 neighbor. Twenty years later, domestic manufacturers
4 and suppliers still do not fill the need for a full
5 product line. I have heard our customers call us
6 their heroes because we do offer one.

7 Here are examples of products we offer that
8 are not available from domestic manufacturers. Our
9 customers had a problem with a standard size nail
10 manufactured for nail guns. The guns routinely
11 misfired. Our company now offers a nail that is
12 slightly larger than that standard size nail that was
13 causing the misfiring in the nail guns. The extra
14 steel that we spec for our nails prevents nail guns
15 from misfiring in the field a problem customers,
16 including ours, had complained about for years when
17 using domestic producer standard size nails. U.S.
18 producers had shrugged their shoulders.

19 At FANACO's request, Chinese manufacturers
20 were willing to manufacture the nails we had designed.
21 Our customers' problem was solved.

22 Another example is a steel nail that we
23 changed from its standard specification of being
24 partially vinyl coated to one being fully vinyl
25 coated. Adding this extra protection addressed our

1 customers' concern about nail head rust that would
2 otherwise form in the extremely damp climate of the
3 Pacific Northwest. We were able to outsource the
4 production of a fully vinyl coated steel nail to a
5 more than accommodating Chinese manufacturer.

6 And yet another example, a type of pallet
7 nail. Just a few months ago a customer asked for a
8 particular type of pallet nail, a three inch by .120
9 coil ring shanked stainless steel. After first
10 calling U.S. producers he called FANACO and we were
11 able to provide what he needed because we could source
12 it from China.

13 It's important for the Commission to
14 recognize that this is not only an issue of China
15 providing a fuller product line that is more
16 reflective of U.S. demand, but it's also a case where
17 China provides the convenience that my old neighbor
18 was seeking -- a one-stop shop. A place to buy all of
19 his nails from a single source.

20 We would be unable to source any of the
21 three nails I just described to a domestic
22 manufacturer.

23 I currently, however, can purchase all three
24 of these nails from a single Chinese supplier. In
25 essence, China and other off-shore manufacturers have

1 provided the solution to creating in reality our old
2 neighbor's vision.

3 This is also true with packaging. A few
4 years ago our customers started to specifically
5 request special packaging that would protect nails
6 from the rain and other moisture so prevalent in the
7 damp climate of the Pacific Northwest. A common
8 problem among our customers was that the nail boxes
9 would collapse or tear open once exposed to rain
10 leaving all the nails to fall on the ground.

11 By listening to our customers, our company
12 was a pioneer in the use of extra protection for nail
13 packaging. Ironically, a long time ago FANACO
14 Fasteners had approached Keystone and asked that
15 company to use their nails and improved packaging with
16 our labeling. Keystone refused.

17 We were forced to rely on Chinese
18 manufacturers who were more than happy to customize
19 the boxes for our nails.

20 Not only did these manufacturers modify the
21 boxes by adding a wax layer, they also placed the
22 nails first in plastic bags prior to loading the nails
23 into the wax strengthened boxes. They positioned the
24 collated nails in rows of two by two for ease of
25 loading into the nail guns.

1 Finally, the Chinese accommodated our newly
2 designed cutting edge labeling that allowed users to
3 easily recognize the boxes of FANACO Fasteners they
4 were using on the construction sites.

5 My customers have told me directly that all
6 these features have made their jobs easier.

7 On the other hand, the domestic producers
8 continue packaging their nails in thin corrugated
9 boxes that easily tear upon the first rain shower.
10 They use no plastic bags and position the nails in
11 different direction and use smaller sticker labeling
12 that was difficult to read.

13 In general, it is as if the domestic
14 manufacturers operated a restaurant where the menu
15 board said no substitutions allowed. The Chinese
16 board said if you don't see what you like, ask. We
17 cook to order.

18 In FANACO's business we do not view
19 fasteners as a commodity. We have listened to our
20 customers' needs and fulfilled them, but the reality
21 is that we have been able to fulfill those needs
22 because of our association with Chinese manufacturers
23 which provide the flexibility that is continuously and
24 increasingly demanded by our customers.

25 Our customers have grown dependent upon such

1 flexibility. Because of that, I can assure you that
2 stocking Chinese imports will not further the
3 Petitioner's stated goal of eliminating unfair
4 competitors. What restricting Chinese imports will do
5 is force businesses like mine to move to other
6 suppliers in Southeast Asia including Taiwan and
7 Vietnam, whose pricing will be no more than that
8 charged by the Chinese. I know this for a fact
9 because I already buy from those other countries and
10 these suppliers have already made it quite clear they
11 are ready and willing to assume the business I now
12 give to China.

13 Thank you.

14 MR. FROSIO: Good afternoon. I am Bob
15 Frosio, the President of Fastening Systems
16 Incorporated, a regional distributor of collated nails
17 and staples located in Jacksonville, Florida.

18 I oversee the process of ordering nails for
19 Fastening Systems. Fastening Systems purchases
20 several types of nails directly from Dubai Wire and
21 many more types of Dubai Wire nails from Hitachi for
22 use in Hitachi pneumatic tools.

23 Dubai Wire is the only UAE producer of nails
24 shipped to the U.S.. I would like to thank the
25 Commission for allowing me to speak here today.

1 We at Fastening Systems are troubled by this
2 case. We have purchased Dubai Wire products for close
3 to ten years.

4 Price is not the deciding factor in
5 purchasing from Dubai Wire. The number one reason why
6 Fastening Systems purchases Dubai Wire nails is the
7 quality of the product. I have visited the plant in
8 Dubai and seen Dubai Wire's operation firsthand. Dubai
9 Wire offers very high quality products from the nails
10 themselves to the pallets on which the nails arrive to
11 the packaging of the nails.

12 There are many different manufacturers of
13 nailers and Dubai Wire's nails work flawlessly in
14 every tool, regardless of the manufacturer. Nail
15 quality is critical for our business because we sell
16 Dubai Wire's nails under Fastening Systems' private
17 label. We have bought nails from suppliers all over
18 the world and we have had a number of quality issues,
19 but Dubai Wire's products are consistently high
20 quality whereas the quality of some other suppliers
21 can vary more between batches.

22 For example, several years ago we bought
23 some nails from one of the Petitioners and the quality
24 was so bad that we had to return the entire batch.
25 After that point the company basically did not want to

1 do any more business with us. Then in 2005 we
2 actually started to buy less from Dubai Wire and more
3 from another supplier in a country that is not part of
4 this case, but we went back to Dubai Wire because
5 their products and order processes are so good.

6 Dubai Wire does not have the lowest price,
7 however doing business with Dubai Wire is seamless and
8 easy and we can trust their products.

9 Thank you.

10 MR. JOHN HURWITZ: Good afternoon. My name
11 is John Hurwitz. I am the Vice President of Operations
12 for Northeast Wholesale Nail and Fastener Supply
13 Company located in Canton, Massachusetts. I'd like to
14 thank the Commission for the opportunity to speak here
15 today.

16 Northeast Wholesale sells steel nails to
17 over 600-plus of the lumber yards and tool houses on
18 the East Coast which in turn sell to contractors and
19 home owners. I am responsible for purchasing the
20 nails that we provide to those customers for the East
21 Coast region.

22 Northeast Wholesale is concerned about this
23 case and its potential impact on our ability to
24 provide high quality nails to our customers.

25 In my view the U.S. nail industry simply

1 cannot supply the U.S. market the nails it needs.

2 Some people are arguing that Dubai Wire is
3 selling nails at prices that are too low, but we have
4 been doing business with Dubai Wire for over 15 years
5 and there are a lot of reasons why we buy Dubai Wire's
6 nails.

7 First, Dubai Wire offers one-stop shopping.
8 Dubai Wire has a wide range of products and many
9 collations of nails which reflects Northeast
10 Wholesale's needs. Not all other nail producers have
11 a similar product range.

12 Also Dubai Wire allows us to purchase
13 containers that contain a mix of products rather than
14 requiring us to purchase one full container of each
15 type of product.

16 Furthermore, Northeast Wholesale has bought
17 nails from many different sources and in my experience
18 the quality of Dubai's nails is one of the best.

19 We also like Dubai Wire's packaging.
20 Northeast Wholesale provides a private label to the
21 lumberyards, making the quality of the nail itself as
22 well as the packaging in which it is provided very
23 important.

24 Dubai Wire also provides reliable delivery.
25 The lead times are within a range that allows

1 Northeast Wholesale to serve its customers. No
2 domestic manufacturer has the needs of our broad
3 product mix and they do not make the large amount of
4 different nails which are needed in our market.

5 In the many years that we have been doing
6 business with Dubai Wire, they have earned our
7 business. They provide a broad range of products that
8 have been consistently high quality over the course of
9 those many years.

10 Thank you.

11 MR. LOCK: Good afternoon. My name is Hal
12 Lock. I'm the Senior Vice President of Marketing and
13 Business Development of Orco Construction Supply. I
14 also sit on the Board of Directors for STAFDA, one of
15 the largest independent tool and fastener distributor
16 associations in the United States.

17 I'd like to thank the Commission for the
18 opportunity speak here today.

19 Orco has been providing construction
20 supplies to thousands of customers in the Western
21 United States since 1957. At Orco I'm one of the
22 primary employees responsible for making purchase
23 decisions.

24 We buy a variety of products from Dubai
25 Wire. We buy Dubai Wire products both indirectly

1 through Hitachi and directly as well.

2 I understand that we're all here today
3 because some people claim that Dubai Wire's prices are
4 too low. We do not buy Dubai Wire products because
5 they are cheap. They are not the cheapest. We buy
6 products from Dubai Wire because in the course of our
7 four to five year relationship they have proven
8 themselves to be a reliable provider of quality
9 products.

10 Product quality is the main reason Orco does
11 business with Dubai Wire. Nail quality is very
12 important to our revenues and therefore our overall
13 business. Collated nails generated additional add-on
14 revenues for our business. If the customer is not
15 satisfied with the nails then we lose the rest of the
16 customer's business associated with those revenues.

17 Orco sells nails in boxes under the Orco
18 label. Our company's name and reputation are on the
19 line. Collated nails can present serious quality
20 issues if the strictest of quality standards are not
21 followed. We cannot afford to risk having nails that
22 do not meet our standards.

23 Also we need to have multiple suppliers in
24 this category. We cannot risk having interruptions in
25 our supply chain.

1 Fortunately in all the years we've been
2 doing business with Dubai Wire we have never had
3 quality issues. In my experience the quality of the
4 nails depends more on the specific mill that produces
5 them than the country of origin.

6 I have visited Dubai Wire about once a year
7 over the course of our relationship and have
8 personally inspected Dubai Wire's mill to ensure that
9 it meets Orco's standards of quality.

10 In addition, Dubai's wire nails are ICC
11 approved which is a requirement in the California,
12 Nevada, and Arizona markets where we do much of our
13 business.

14 With Dubai Wire packaging the nails that
15 Orco buys in Orco's packaging we can be confident that
16 our end customers will get high end quality product.
17 Orco buys Dubai Wire nails because they have proven
18 themselves over the years, not because of price.

19 Thank you.

20 MR. VETH: Good afternoon. My name is James
21 Veth. I am the Vice President, Auxiliary Service
22 located in West Trenton, New Jersey, and a purchaser
23 of steel nails produced by Dubai Wire. I would like
24 to thank the Commission for the opportunity to speak
25 here today.

1 Auxiliary Service has purchased steel nails
2 produced by Dubai Wire both directly and through
3 Hitachi for several years. The main reason why we use
4 Dubai Wire is the quality. We have never had a bad
5 batch of Dubai Wire nails. Customers request Dubai by
6 our brand, Temco, and are willing to pay more for
7 these nails. Even Dubai Wire's packaging is high
8 quality.

9 Dubai Wire is also very dependable with
10 respect to delivery. Containers arrive within two to
11 three days of estimates given by Dubai Wire.
12 Auxiliary knows when the product will arrive, and can
13 provide reliable information to our customers.

14 This case threatens to limit our access to
15 Dubai Wire products, a reliable supplier of high
16 quality nails that our customers ask for by name.

17 Thank you.

18 MR. SURO: My name is Eric Suro, I'm with
19 Black and Decker. I want to thank you for the
20 opportunity to speak here today.

21 I'm Product Manager for our fastening
22 business at Black and Decker based out of Towson,
23 Maryland.

24 Black and Decker is a U.S. importer of steel
25 nails from China as well as other places. Black and

1 Decker asked the Commission to investigate whether
2 Petitioners' definition of domestic like product,
3 which covers all steel nails 12 inches or smaller, is
4 it over-inclusive? This definition may cover what are
5 really two distinct like products in domestic
6 industries -- construction-based nails and
7 woodworking-based nails, also commonly known as
8 framing or finish nails.

9 Woodworking nails and construction nails are
10 not interchangeable and have different physical
11 characteristics, uses, channels of distribution,
12 production processes, customer perceptions and price.

13 Black and Decker asks the Commission to
14 determine that there are two like products and two
15 domestic industries.

16 The imports are not causing material injury
17 or the threat of material injury to the domestic
18 industry producing woodworking nails.

19 Black and Decker's estimation on the next
20 slide of the U.S. market is the first differentiation
21 that you will see in the total market size. We see
22 the total market size as close to a \$1.7 billion
23 market. When you break that out, we see what we
24 define as a construction-based market and a
25 woodworking-based market. Construction is 84 percent

1 of that total market, where woodworking is just 16
2 percent of that total market. Again, these are our
3 internal estimations of the market based on our
4 knowledge and experience.

5 Our auditors let us know that the Commission
6 would be considering six factors in this
7 investigation. One being physical characteristics and
8 uses; two, interchangeability; three, channels of
9 distribution; four, production processes; five,
10 customer perceptions; and six, pricing.

11 First we go on the physical characteristics
12 and uses and this has been discussed a couple of
13 times. From a construction nail characteristics --
14 nail length, typically two inch to three and a half
15 inch diameter is .099 to .162 typically. From a
16 woodworking nail characteristic, the nail length is
17 typically a lot smaller -- 5/8 inch, 2.5 inch, where
18 diameter is typically rated in gages, from 15 gage to
19 23 gage as well as that's correlated to inches there
20 for the Commission.

21 Construction nail uses also differ very much
22 so from woodworking nail uses and users. From a
23 construction nail use, this is where you typically see
24 your stick framing. New construction being built.
25 There's a picture just for your reference there just

1 to see what I mean by the stick framing and new
2 construction; as well as secondary uses of deck and
3 fence building.

4 Woodworking nail uses typically are used for
5 molding installations, indoor use, cabinet and
6 woodworking shop bases.

7 Also from physical characteristics and uses,
8 it is important to note that each product recommended
9 by the Petitioners to the Commission to collect
10 pricing data on reflects characteristics of
11 construction nails and not one of those is recommended
12 as a woodworking nail to investigate.

13 From an interchangeability factor, this has
14 been discussed as well so I'll go by this one fairly
15 quick. But if you look at it, the nails that we
16 talked about earlier that were passed around do not
17 work -- construction based nails will not work in a
18 woodworking base nail, and woodworking nails will not
19 work in a construction based nail. As well as within
20 every type of nail where there's different kinds of
21 nails being used, from 18 gage to 16 gage to 15 gage,
22 you cannot put a 15 gage nail within a construction
23 based nail. There's no interchangeability.

24 Channels of distribution. This is another
25 area that we feel there's major differences.

1 The construction nail market by channel.
2 What we have done, we've broken this out from what we
3 consider big retailers which would include your Home
4 Depots, Lowes, Ace Hardwares, True Values, and then
5 independent specialty shops.

6 On the left hand side you will see that from
7 a construction nail market that we feel that
8 independent specialty shops is the largest majority of
9 where this product is sold, 82 percent versus 18
10 percent within the major retailers.

11 When you go to the woodworking nail market
12 we see a bit of a flip here where 58 percent of the
13 market we see as being delivered from the big
14 retailers and only 42 percent being delivered from the
15 independent specialty shops.

16 Next from the production processes, the
17 construction nail market, we see this as the wire is
18 drawn, and again this has been discussed in length a
19 little bit, but wire is drawn through certain
20 diameters and then cut to make individual nails.
21 Those individual nails then get a point and a head,
22 are then sorted and lined up to be collated.

23 From a manufacturing process from a finish
24 nail or, excuse me, woodworking nail standpoint, we
25 see where the wire is drawn through a very small

1 diameter, where it is lined up against possibly up to
2 100 or 120 strands next to each other at which point
3 the strands are cut and not put into individual nails
4 and collated at that point, then put on a head and a
5 point. So they're not actually, so the processes are
6 a little bit different.

7 From customer perceptions, there's a lot of
8 information here. I'll let the Commission go through
9 it. But I want to make a couple of points here from
10 customer perceptions.

11 On a construction nail perception, one of
12 the measures that we see the customers typically shop
13 based on price and has the option of many generic
14 brands out there, many options to choose from.
15 Contractors typically buy products for his or her
16 entire crew. Multiple boxes are typically purchased
17 at once with the purchasers possibly reaching pallet
18 size which is typically 48 boxes to a pallet. Those
19 pallets could be going through an entire day building
20 a house.

21 From a woodworking nail perception, the
22 customer typically shops based on compatibility,
23 quality, convenience, along with a strong brand name
24 still. A consumer purchases nails for their own use.
25 Typically multiple boxes of one size and dimensions

1 are rarely purchased. Many times a purchase is only
2 made for one thousand nails per purchase. A customer
3 is unlikely to go through more than a thousand nails
4 per day per person.

5 The last point based on price. Retail
6 analysis for the common construction nails versus
7 retail analysis for common woodworking nails. We have
8 taken some construction nails based on what the
9 Petitioners have asked the Commission to take a look
10 at based on pricing. What we have determined there,
11 based on average cost per pound, average retail price
12 per pound for these three common construction nails on
13 the left hand side. And typically the average retail
14 price per pound comes to 81 cents retail price per
15 pound.

16 When you go through the retail analysis for
17 common woodworking nails, we have chosen three of the
18 most common nails -- two inch 18 gage nails; two inch
19 16 gage; and one and a half inch, 15 gage nails. The
20 average cost per pound there comes to \$2.74 versus the
21 \$.81.

22 We are not concluding that the construction
23 nails are being dumped into the U.S. market, but we
24 are concluding that these two industries are very much
25 different. It is much easier for the three parties,

1 which include the retailers, distributors and
2 manufacturers, to split margin with dollars than it is
3 cents.

4 Black and Decker believes there are two
5 distinct industries in this investigation:
6 construction nails and woodworking nails.

7 Black and Decker also believes that
8 woodworking nails are profitable for all parties
9 involved; manufacturing, distributing, and retailers.

10 Black and Decker asks the Commission to
11 consider determining that imports are not causing
12 material injury or the threat of material injury to
13 the woodworking industry.

14 Thank you.

15 MR. PORTER: Mr. Carpenter, this is our last
16 witness. Mr. Carpenter, Mr. Ved will just be one
17 minute, I think.

18 MR. CARPENTER: Okay. You can go ahead and
19 take a minute to complete your presentation.

20 MR. VED: Thank you. My name is Rupert Ved.
21 I've been in nail production in the United Arab
22 Emirates for 27 years. After 27 years, 25 years I've
23 been shipping to United States.

24 I would like to emphasize that United Arab
25 Emirates is a completely free economy. We do not get

1 any subsidies from the government. We do not get any
2 rebates whatsoever from any governed body in UAE.

3 We are one of the most integrated plant
4 producing nails in the world. We have our own wide
5 drawing, we have our own electroplating, own hot-
6 dipping. We make our own tooling in-house. Our
7 tooling room, we've invested more than \$4 million.
8 What that does for us is that we can supply any type
9 of product very quickly.

10 When you subcontract, transportation is a
11 major factor, because every time you move steel there
12 is a cost implication of \$20 to \$30. So if you send
13 for electroplating in and out, there is an additional
14 cost that makes you non-competitive. For us, we have
15 more than a million square feet of production
16 facilities, where we do everything in-house.

17 We have tremendous mix of product. We make
18 all the plastic collation for many different types of
19 guns. There is a lot of difference between one gun to
20 another gun. We make many different types of wire
21 collations. We make many different types of paper
22 collation.

23 One of the major factors that we have
24 focused over 25 years of experience is in quality of
25 the product. Our quality is extremely good, and the

1 reason it's necessary is that if nail price, the value
2 of nails in construction is minimal. Quality is more
3 important than the price.

4 If a guy is standing on the roof and the
5 nail doesn't work, you know, he has to spend a lot of
6 time to come down and replace the nails.

7 As you have seen, the value of our products
8 on time basis is much higher than others. Our volumes
9 have been very consistent, not only for the last three
10 years, but even if you go before that, we have been
11 very consistent with volumes. We have not been
12 erratic.

13 We have also reacted and limited the --
14 okay, this is my last point. I mean, we have been
15 very sensible in the downward, in the construction
16 industry. We have not over-produced or anything like
17 that.

18 And I would like you to reevaluate fairly on
19 whether we are injuring. We have just been doing our
20 job following U.S. industry, construction industry.

21 I would like to thank you for this
22 additional minute that you gave us.

23 MR. PORTER: Thank you, Mr. Carpenter.

24 MR. CARPENTER: Yes, thank you very much for
25 your testimony. And we understand you have a very

1 large panel here. If there's anything that you were
2 unable to complete in your presentation, of course you
3 can add that to your post-conference briefs.

4 Again, we want to thank the panel for your
5 presentation. It was very helpful, and we're glad you
6 could all come here today.

7 Mr. Porter.

8 MR. PORTER: Mr. Carpenter, I just want to
9 note there are a few other people here that did not
10 give direct testimony, but are available for
11 questions. And so, with your indulgence, some people
12 may raise their hand. You may do some shuffling of
13 chairs. But we have quite a few very quality industry
14 representatives here to answer your questions.

15 MR. CARPENTER: Okay, that's excellent. To
16 the extent that they can get close to a microphone so
17 that if they have something to say, they would have to
18 speak into the microphone. Otherwise we're not going
19 to be able to get their comments.

20 MR. PORTER: Understood.

21 MR. CARPENTER: So perhaps they could pull
22 up a chair behind someone else, and contribute that
23 way.

24 Okay. I think we'll begin the questions
25 with Ms. Turner. Ms. Turner.

1 MS. TURNER: Good afternoon. Robin Turner,
2 Office of the General Counsel.

3 I have a number of questions, and I thought
4 the first one was going to be, I pretty much knew the
5 answer until just a few minutes ago. So let me start
6 off with that, that has to do with the domestic-like
7 product.

8 I would ask, I guess, from everyone except
9 for Black and Decker at this point, do you agree with
10 the proposed definition of a single domestic-like
11 product consisting of all types and finishes of
12 certain steel nails?

13 MR. PORTER: Ms. Turner, on behalf of the
14 Chinese Respondents, we are not contesting the like
15 product definition at this time.

16 MS. LEVINSON: Ms. Turner, I just want to
17 add that that's for purposes of this preliminary
18 phase.

19 MR. KOENIG: We agree.

20 MR. PORTER: I think that covers it for
21 Illinois Tool Works and for Hitachi-Koki, also not
22 contesting.

23 MS. TURNER: Okay. Now, I understand that
24 this is for the preliminary, as Ms. Levinson has
25 indicated, though I would also ask, though, if you got

1 any thoughts as to where there are possible deviations
2 since the Commission would be making a decision, and
3 would also want to know where it's to look at further
4 information if, in fact, it does go forward with this
5 case, that we would need to have some idea on, you
6 would need to raise the arguments, or at least ideas
7 and issues for the Commission.

8 One of which, that I think the consensus
9 that I've gotten is a difference between collated
10 versus bulk. Is that something that there is
11 potentially not necessarily for a like product, but
12 the arguments seem to be that there is a difference in
13 competition between collated and bulk?

14 MR. PORTER: Absolutely. And we will let
15 the industry witnesses public stand on that.

16 But what the witnesses tried to do here
17 today is show that the imports from China, the
18 competition of the imports from China is attenuated.
19 And that's because the majority of imports from China
20 are the collated nails, where at least among the
21 Petitioners are focusing on the bulk nails.

22 Again, we're not getting into like product,
23 but it has to do with attenuated competition.

24 MS. TURNER: And there is agreement that
25 that's the case for all the Chinese, as well as ITW,

1 as well as the United Arab Emirates? Yes? I see
2 shaking heads.

3 MS. LEVINSON: On behalf of U.S. importers,
4 yes, we agree with that.

5 MS. TURNER: Okay. Now, my question next is
6 directed to Black and Decker. The argument for two
7 like products here is based on two different types or
8 categories of nail, being framing nails versus
9 woodworking -- i.e., finishing-type -- nails. And
10 there is not a distinction made between collated
11 versus bulk, because both of those do --

12 MR. SURO: Not for us, no.

13 MS. TURNER: Okay. So it would be a
14 distinction between each type, as opposed to how they
15 are put together in terms of, so there wouldn't be a
16 further breakout?

17 MR. SURO: Not at this, no.

18 MS. TURNER: Okay. Then let me ask a
19 question. Black and Decker imports nails from China.
20 Does it import both construction nails, what you would
21 characterize as construction nails, as well as
22 woodworking nails?

23 MR. SURO: Yes, we do.

24 MS. TURNER: So you import both.

25 MR. SURO: Correct.

1 MS. TURNER: Okay. Okay. Is there a
2 different -- I'll continue with that line of
3 questioning with you. Is there a different production
4 process for framing nails versus, I call it finishing
5 nails, you're calling it woodworking, but that's what
6 I mean if I say finishing.

7 MR. SURO: For myself, I can't necessarily
8 answer that question. But as far as I know from
9 working with our sourcing department, there is, but
10 that's from certain nails.

11 MS. TURNER: There is a different production
12 process --

13 MR. SURO: Correct.

14 MS. TURNER: -- for producing. We have
15 people representing the Chinese producers, as well as
16 the United Arab Emirate producer is here. Could you
17 please elaborate on whether that is the case? There
18 is a different production process for construction
19 nails versus finishing nails.

20 MR. BOUTELLE: It's hard to tell from ITW
21 pas-load. From our production standpoint, there is a
22 significant difference in how framing nails and finish
23 nails are made. It's two different types of
24 equipment. The finish nails are typically stamped,
25 and the Black and Decker testimony alluded to that as

1 he was talking about multiple strands of wire being
2 glued together, and then it's cut into lengths. So
3 it's a dramatically different process.

4 MS. TURNER: Well, walk me through both of
5 them, then, the processes of both of them, so that we
6 can understand what that difference is.

7 MR. BOUTELLE: As, I believe his name is
8 Eric, described, the finish nails are much lighter
9 gauge, a 15-, 16-, or 18-gauge wire. It's very, very
10 thin. Those wires come together and are glued
11 together, okay, typically into a band.

12 That band is then fed into a press, and that
13 tooling is putting the head, as well as the point, on
14 a band of wires that are 30, 50, 100 wide. So by
15 being glued together, it's collated differently.
16 Okay?

17 Versus this morning, as was described, wire
18 is typically running into the nail machine and being
19 headed and pointed, and then collated after that.

20 MS. TURNER: Okay. And so that's for
21 framing nails that you're saying that that's what
22 happens.

23 MR. BOUTELLE: Yes.

24 MS. TURNER: But when finishing nails are
25 made in bulk versus collated fashion, would the

1 process be different?

2 MR. BOUTELLE: I'm unfamiliar with bulk
3 finish nails, how they're being made. Maybe somebody
4 else can speak to that. Most of those would be a
5 heavier gauge.

6 MS. TURNER: Can anybody else --

7 MR. KASNER: Yes.

8 MS. TURNER: Please get to a mic. Can you
9 indicate who you are, because we don't have a name?

10 MR. KASNER: My name is Howard Kasner --

11 MR. CARPENTER: Please get to a mic.

12 MR. KASNER: My name is Howard Kasner. I'm
13 the President of Metropolitan Staple Corporation in
14 Springfield, New Jersey.

15 As the name of our company implies, we
16 originated with staples. And what I wanted to add to
17 the comments of the gentleman from ITW is that the
18 process of making finish nails, say 18- or 16-gauge or
19 even thinner-gauge finish nails, is very similar to
20 the process of making staples.

21 Say if you have 18-gauge wire on a glued
22 band -- I've seen this in many factories -- that are
23 all brought together, if they're being made into
24 finish nails, the whole piece is being cut, and the
25 head is being sort of squeezed on at the same time.

1 If it's staples, well, the same wire band is simply
2 being cut and bent into the form of, say, of a U
3 shape, of a staple shape.

4 So I think it's important to note that
5 staples and finish nails of that type are very, very
6 similar. And staples specifically are not included in
7 the scope.

8 MS. TURNER: Okay. But my question really
9 was regarding the production of finish nails. They
10 are not made in the process that we heard this
11 morning? Meaning that you, particularly for bulk
12 form, as opposed to collated form, they are not made
13 running --

14 MS. ZINMAN: Bulk finish nails are made just
15 like every other nail. No difference.

16 MS. TURNER: Okay.

17 MR. TABOR: Ms. Turner, if I could elaborate
18 on that. Gary Tabor with B and B.

19 Finish nails are a heavier-gauge wire that's
20 used in a bulk finish nail. The process is similar to
21 a framing nail.

22 When we get into wire gauges 15 gauges or
23 lower, then it goes into the glued process that was
24 referenced earlier. And a light-gauge finish nail is
25 not a finish nail, it's a brad. And so we're getting

1 into some semantics of the industry.

2 But when we talk about a bulk finish nail,
3 the process is a stamp-and-cut process, very similar
4 to a framing nail.

5 MS. TURNER: Okay, thank you. That's very
6 helpful.

7 Let me then ask a question of the Chinese,
8 representing the Chinese producers and, or anybody who
9 actually imports, but primarily representing the
10 Chinese producers, as well as the United Arab Emirate
11 producer.

12 Do you produce nails in the cut, do they
13 produce nails in the cut-nail production process?

14 MS. ZINMAN: Yes, we do.

15 MR. FISCHER: Peter Fischer. Yes, we buy
16 masonry cut nails, but it's very small volume. And
17 most people that buy them usually mix them in a
18 container with some other bulk nails.

19 Very few of our customers would buy full
20 containers of those nails.

21 MS. TURNER: Please.

22 MR. VED: UAE does not produce cut nails.

23 MS. TURNER: Thank you.

24 MR. KRAM: ITW does not produce cut nails.

25 MS. TURNER: Okay, thank you. Okay, I have

1 asked, and I will give these to counsel, I take it
2 aside from the cut nails, I've heard the statements,
3 and just tell me if I'm wrong. But the Chinese
4 producers and the imports, as well as the United Arab
5 Emirate producer, as well as the imports, are across
6 the whole wide variety of all the nails that are part
7 of the scope?

8 MR. PORTER: That's definitely true for the
9 Chinese. I'll have to let the UAE representative
10 answer that.

11 MS. TURNER: Why don't you pull up a chair
12 up by a mic here, please? They're comfortable.

13 MR. VED: UAE started as --

14 MR. CARPENTER: Could you please identify
15 yourself, sir?

16 MR. VED: I am Rupert Ved from Dubai Wire.

17 MR. CARPENTER: Thank you.

18 MR. VED: We started as producing bulk
19 nails, but in the last three years we've been
20 producing 100-percent collated nails.

21 MS. TURNER: Okay. So you're not producing
22 bulk. But in collated, it's across the wide variety
23 of the different types of nails, but only collated?

24 MR. VED: Yes, very wide variety of nails.

25 MS. TURNER: And different finishes, as

1 well?

2 MR. VED: Yes. As I mentioned earlier, we
3 produce all these finishes in-house: hot-dipped,
4 electroplated, phosphate-coated, et cetera, et cetera.

5 MS. TURNER: Okay. Do any of the importers
6 distributors know whether, in terms of the Chinese
7 production, whether the nails are imported in, say, a
8 bright form, and then finished in the United States by
9 a fabricator?

10 MS. ZINMAN: They are not.

11 MR. PORTER: It's all done at the factory,
12 or they send it out to be done.

13 MS. TURNER: Okay, thank you. I will give
14 to counsel, as I gave to counsel for the domestic
15 industry, a chart on different types of nails and
16 different finishes, that I would ask for imports, as
17 well as foreign production -- I'll do that after -- to
18 give to you, to please fill out, and to provide as
19 part of your post-conference brief.

20 MR. PORTER: We'll be happy to do that,
21 sure.

22 MS. TURNER: Okay. Let's see what else I've
23 got. A number of other questions here.

24 Okay. There has been a number of
25 allegations by the domestic industry regarding that

1 there are related parties; and that, in fact, those
2 related parties should be, there is appropriate
3 circumstances to exclude them from the domestic
4 industry.

5 We have not been told exactly who those are,
6 but I would -- and we will, in the post-conference
7 briefs. But could counsel, in the post-conference
8 briefs, and if anybody wants to address here, indicate
9 whether, in fact, first of all, you believe there are
10 related parties; and secondly, whether, in fact,
11 there's appropriate circumstances to exclude any of
12 those related parties.

13 MR. PORTER: Ms. Turner, this is Dan Porter
14 from Vincent and Elkins for Chinese Respondents. Of
15 course that will be a key part of our post-conference
16 brief. We will go through the criteria that the
17 Commission has traditionally applied.

18 An initial examination, without getting into
19 BPI information, suggests to us that there really are
20 not appropriate circumstances to exclude any domestic
21 producer that might happen to import or might happen
22 to be affiliated with a Chinese producer. That's our
23 initial examination, but we'll go into detail on all
24 of the criteria examined by the Commission, and as the
25 facts, as applied to the facts on the record.

1 MR. KOENIG: Peter Koenig for UAE counsel.
2 We will address that, too, in our post-conference
3 brief. And also, actually we're before DOC now
4 arguing that the domestic industry doesn't support the
5 petition. It will be similar-type arguments there.

6 MS. TURNER: Well, our criteria is a little
7 bit different than theirs, so --

8 MR. KOENIG: Right, I agree. I just wanted
9 to note that.

10 MS. TURNER: -- please express it in our
11 terms. Thank you. And Mr. Levine.

12 MR. LEVINE: On behalf of ITW also, we will
13 be addressing that.

14 MS. TURNER: Thank you.

15 MR. LEVINE: And do believe there is no
16 reason to exclude them as a related party.

17 MS. TURNER: Okay. There has been comments
18 that were made, and I'll sort of go back to my notes
19 here. But there's been comments made by a number of
20 the importers and distributors that, in fact -- and I
21 guess I'll start with Mr. Fischer -- that, in fact, if
22 the Chinese imports had orders imposed on them, that
23 you would not import, you would not purchase from the
24 United States, but you'd import from other global
25 sources. Why is that?

1 MR. FISCHER: I think in our unique role,
2 we're not a stocking distributor, so there would be no
3 function for us as an intermediary between a U.S.
4 producer and our chain of distribution. In our unique
5 role, we're different than Prime Source and B&D, in
6 that we're a direct-ship importer.

7 MS. TURNER: Okay. So you're an importer
8 only, is basically why you would.

9 MR. FISCHER: In that specific product
10 group.

11 MS. TURNER: Okay.

12 MS. ZINMAN: Can I add something?

13 MS. TURNER: Yeah, I was going to ask.
14 Similar comments were made by some of the supply
15 houses that seemed to be actually due, are not just
16 importers. So if you could elaborate on why you would
17 not look to the U.S.

18 MS. ZINMAN: Right. Well, the main reason
19 is that the United States mills simply cannot supply
20 the full range of nails that are needed.

21 Before we were buying a majority of the
22 product from China, we were buying those same products
23 from South Korea, we were buying those same products
24 from Taiwan, we were buying them from Russia. That
25 capacity and those factories are not gone. They are

1 not, they have not disappeared.

2 So, for example, there is one very, very
3 large nail mill in Russia, in Magnagorsk, that's been
4 producing for 50 years. When they decided for their
5 own policy change or for whatever reason not to ship
6 to the United States any more, that capacity didn't go
7 away. They are now selling in Eastern Europe, they're
8 selling in the domestic Russian market.

9 If China is blocked, what will happen is
10 simply that those countries will reemerge. And, as
11 Mr. Fischer alluded to, a lot of the factories that
12 are now operating in China actually are either
13 Taiwanese or are Korean, who still have the facilities
14 in the original countries. They have not sold them.
15 All they did was move the machines.

16 And if there is a dumping duty order imposed
17 where the cost, you know, comes very high, what
18 they'll simply do is take those machines, put them
19 back, ship them back to the factories, and resume
20 production. All we're going to do is turn the clock
21 back a few years. We're not going to resurrect the
22 U.S. industry that has never been there, and is not
23 going to be there.

24 MS. TURNER: Well, then, I don't quite
25 understand a statement you made actually in your

1 affirmative presentation. I do understand from Mr.
2 Fischer that basically, from his perspective, he's not
3 an intermediary, wouldn't be an intermediary between a
4 domestic source. So consequently, he's going to look
5 for foreign product because he's an importer.

6 But you indicated that you bought from
7 Bostitch, I believe?

8 MS. ZINMAN: Stanley Bostitch.

9 MS. TURNER: Yes. And that you also
10 indicated that they led the way and transferred
11 production to China.

12 MS. ZINMAN: Right.

13 MS. TURNER: So they were in the United
14 States.

15 MS. ZINMAN: That's collated nails.

16 MS. TURNER: But there's collated nails
17 produced in the United States still.

18 MS. ZINMAN: Right. But Stanley Bostitch is
19 producing for Stanley Bostitch. They're not producing
20 for me; they're producing Stanley Bostitch nails.

21 MS. TURNER: Okay. But you were buying from
22 them to sell.

23 MS. ZINMAN: I was buying the Stanley
24 Bostitch brand as a distributor for Stanley Bostitch
25 up until five years ago, until they cut us out. Until

1 they said --

2 MS. TURNER: But they were here in the
3 United States producing those in the United States.

4 MS. ZINMAN: Right, right.

5 MS. TURNER: And your statement was that
6 they were a leader in transferring production to
7 China. So the question is, they were here producing,
8 they went to China.

9 MS. ZINMAN: Collated nails.

10 MS. TURNER: But collated nails are part of
11 their domestic product.

12 MS. ZINMAN: Oh, why they can't bring it
13 back? Why Stanley Bostitch can't bring them back
14 to --

15 MS. TURNER: Well, partly why they can't
16 bring it back, but also basically the argument that in
17 fact they never produced these products in the United
18 States.

19 MS. ZINMAN: Well, there's many products
20 that were never produced in the United States. I
21 didn't say there were never any products produced.
22 You're talking about a skew listing of products that
23 have 1,000 different types of nails, literally 1,000
24 different types of nails.

25 MS. TURNER: Okay. But I take from this, I

1 mean, my question is that the argument that they would
2 go to other foreign sources, and that you wouldn't
3 have production in the United States because it had
4 never happened here doesn't seem to be consistent with
5 your statement that, in fact, there were leading
6 producers in the United States who transferred
7 production to China.

8 MR. PORTER: Ms. Turner, can I try? I
9 assure you that everything Ms. Zinman says is
10 completely internally consistent.

11 We're talking about different things here,
12 okay? The first thing that she's talking about is
13 breadth of product mix. And what she and others have
14 said is, if you look at the vast array of nails that
15 are demanded by U.S. customers, in their experience
16 the U.S. producers have not offered the full range.
17 It doesn't mean they don't offer one or two or a
18 bunch, but they don't offer consistently the full
19 range. That is why she and others have turned to the
20 Chinese suppliers, so they can get the full range in
21 one-stop shopping. So that's one aspect.

22 Another aspect, though, when we're talking
23 about sort of the individual types of nails, or
24 actually better yet, individual categories of nails,
25 she noted a shift from hand-driven individual nails to

1 collated nails. And she noted that it's been actually
2 a fairly dramatic shift over time, and accelerating
3 over the POI. As you have essentially a flood of low-
4 cost nail guns, power tools that can use collated
5 nails, everyone is buying power tools. So there's a
6 shift in the market from the hand-driven to the
7 collated.

8 What she explained is that originally when
9 the nail guns were very expensive, it was very much a
10 branded business: Stanley Bostitch, Paslode, et
11 cetera sold branded nail guns and branded nails. And
12 most people said geez, I've got to buy the nails that
13 go with the nail gun.

14 Over time, as the cost of nail guns came
15 down, more generic nail guns came into play, and also
16 generic nails. And in fact, what she's saying is when
17 they sort of originally got into the collated nail
18 business, they were primarily doing Stanley Bostitch.
19 They would buy from Stanley Bostitch, sell to Home
20 Depot. They were the distributor.

21 Stanley Bostitch decided we don't want you
22 to do that any more; we'll do it ourselves, whatever.
23 So she said okay, fine. I think the market is big
24 enough to offer a generic nail that can be used in
25 multiple nail guns.

1 They went to Stanley Bostitch and said will
2 you make this for me. They said no. So she really
3 had no choice but to go to China to get the full range
4 of collated nails as a generic, so she could supply
5 her customers.

6 MS. TURNER: Did she try other companies?
7 Other U.S. companies to make that generic nail?
8 Because they've indicated to us this morning that they
9 do actually make that generic nail. So I don't
10 understand why -- I mean, part of the argument was
11 that there was never any production in the United
12 States. We've now determined that, in fact, there is
13 production in the United States of these. But I guess
14 I just don't understand why China was the source.

15 MS. ZINMAN: Stanley Bostitch only made, and
16 still makes, a very limited range of the collated
17 nails. What we went to them was to produce the full
18 range. They said no.

19 Stanley Bostitch tools only shoot a certain
20 type of collated nails. So the Stanley Bostitch
21 capacity that went overseas, or coming back or not
22 coming back --

23 MS. TURNER: Okay, I understand that. It's
24 for your generic collated nails that you are now
25 selling, you went to Stanley Bostitch first, then you

1 went to China.

2 MS. ZINMAN: Well, there was no one else.
3 Who was I going to ask? There was no one else. There
4 was no U.S. --

5 MR. KARAGA: I'm Steve Karaga from Hitachi.
6 They happen to be competitors. I think that's the
7 biggest issue.

8 We import a lot of nails for the Hitachi
9 brand, as well. And part of the reason that we can't
10 source from some of the domestic Petitioners at least
11 is that they're competitors of ours. They don't
12 necessarily want to sell to Prime Source, and make
13 Prime Source or Hitachi competitive, because there are
14 competitive issues on the table.

15 MS. TURNER: Okay. That offers some insight
16 into --

17 MS. ZINMAN: The Petitioners simply did not
18 have the capacity to supply the product. That's the
19 bottom line.

20 MR. FISCHER: If you go to, someone alluded
21 to STAFTA. That's the tool industry trade show.
22 You'll see half the booths there are generic tool guns
23 now. I bet there's 50 of them on the market that make
24 a generic gun. They don't sell fasteners; all they do
25 are make framing-nail guns, and flooring-nail guns,

1 and roofing-nail guns, and a whole gamut of them.

2 I think even Prime Source, you have your own
3 brand of guns, too. I see it at some of our
4 customers.

5 So there's a market to supply the fasteners
6 to go in those guns, but I don't think they're all
7 made here in the U.S.

8 MS. TURNER: Please.

9 MR. KASNER: Howard Kasner again from
10 Metropolitan Staple. Mr. Davis had made the argument
11 earlier, one of the reasons why we could not buy from
12 an American manufacturer is we have a particular type
13 of packaging. We like private label. We have a
14 specially printed box and special packaging.

15 And just recently as yesterday, the general
16 manager of my company contacted one of the
17 petitioners, who I believe is the largest of the
18 manufacturers, and specifically asked them, can you
19 make a private box. Can you make a box with our name,
20 with our type of packaging? And they said no, they
21 don't do that.

22 And by the way, he also asked them about
23 certain other types of nails that are very important
24 to us collated, and they don't make them, as well.

25 And as Ms. Zinman had mentioned, and I will

1 list in my post-conference brief, there are many, many
2 nails that are just not made here, and to the best of
3 my knowledge have never been made in the United
4 States. So I'm not so sure that all of a sudden we
5 can just go ahead and buy from a U.S. manufacturer
6 those products.

7 MS. TURNER: Okay. I guess, though, the
8 question, or it sounds like what you're indicating is
9 that you don't know for sure if they're not made here;
10 the fact is they will not make them to the private
11 label that you want them to make them to.

12 MR. KASNER: My company has been in business
13 since 1962, and I've been in this industry one way or
14 another since 1969, when I was 10 years old. And so
15 like Ms. Zinman, I've spent a large part of my life in
16 nails.

17 I've seen what's in the market and what's
18 not in the market. And there are certain nails, which
19 I will list in the post-conference brief, that are of
20 a proprietary nature to our markets, that I have
21 never, since 1969, seen made in the United States.

22 MS. TURNER: Okay. What would be more
23 helpful for the Commission is if you can provide
24 documentation not of a list of what you think is not
25 made here, but documentation where you have asked the

1 U.S. producers to actually make it, and they have told
2 you that, like your first scenario, that they will not
3 do that. That would be very helpful.

4 MR. KARAGA: I think Hitachi could provide
5 several instances of those types of communications
6 between -- we do buy from a significant quantity of
7 the production of one of the petitioners. And I can
8 tell you that over the years, we've asked them to
9 expand that product range, quite unsuccessfully. I'm
10 sure we've got a trail of correspondence to that
11 effect.

12 MR. PORTER: Ms. Turner, I'd like to suggest
13 something, since this seems to be an important issue.

14 The Commerce Department has given a gift of
15 time to the Commission of an additional 20 days.

16 MS. TURNER: No, it hasn't.

17 MR. PORTER: Well, everything is postponed
18 by 20 days. I know you have your own internal
19 procedures.

20 Everyone at this table will give you a list
21 of products that they feel quite confident have not
22 been made for many years by the domestic Petitioners.

23 I would like the Commission to ask the
24 Petitioners to prove evidence that they have made
25 those products. Rather than us proving the negative,

1 it's much easier that they can show that they produced
2 these products in commercial quantities for a number
3 of years.

4 MS. TURNER: Mr. Porter, first of all,
5 though, the fact is you're making the argument that
6 they don't. So if there is some documentation that we
7 would like to show that now. If you want to provide a
8 list as well of things that you don't think that they
9 do, that would also be fine to please include. But it
10 would definitely be much more helpful.

11 As for the question about the additional
12 time, Commerce has indicated that it will take, by
13 statute, has up to 20 days. Commerce does not always
14 take its additional time. So we don't necessarily
15 know how much time Commerce is going to take. So just
16 to clarify the statute in terms of what Commerce has
17 indicated to us that they would do.

18 MR. KASNER: Ms. Turner, even by the
19 Petitioners' own admission this morning, I think when
20 someone asked about upholstery tacks, as I read the
21 scope in the public version of the petition, it is
22 usually wide. So that even by their own admission,
23 there are items that they themselves put into the
24 scope which they don't make.

25 MS. TURNER: The other part of any of this

1 documentation would be helpful, and that's part of
2 what I have asked counsel to do in terms of this, is
3 dealing with the percentage of the quantity of the
4 imports, as well as the production that any of these
5 products that are not produced, or that you don't
6 believe are produced, the amount that that accounts
7 for. Because that's, of course, very helpful.

8 MR. PORTER: Yes, we can provide that.

9 MS. TURNER: Okay, thank you.

10 MS. LEVINSON: Ms. Turner, this is Liz
11 Levinson. I just wanted to add quickly that we are
12 prepared to present you with documentation of requests
13 from particular importers for a product. And
14 sometimes it wasn't produced, or sometimes it was
15 produced, but only in very small quantities that were
16 not meaningful for the particular importer.

17 But I'd also like to make a reference to Mr.
18 Tabor's testimony, that even though he has close
19 relationships with some of the Petitioners and buys
20 millions of dollars worth of merchandise from them --
21 he mentioned Davis Wire -- that they've never
22 approached him to purchase nails.

23 Now, query. Is it the importer's
24 responsibility to go to each of the Petitioners and
25 say this is what we need, can you make it? Or are

1 these people in the business of nails, so that they
2 should be out shopping, telling people what they make,
3 advertising it, putting it on their website, and
4 soliciting the business?

5 MS. TURNER: I'm sure you'll provide more
6 information about that in your post-conference brief.

7 Actually, Mr. Tabor, if I can change the
8 questioning here a little bit and actually just follow
9 up on something that you indicated that I just wanted
10 to clarify.

11 You had indicated you were put on
12 allocation. I take it that's in terms of the subject
13 imports that you've been put on allocation for certain
14 products?

15 MR. TABOR: On certain specialty products,
16 yes. We have just received notice just this week that
17 there are allocations now on certain products
18 overseas, as well as domestically. We're told that
19 they're not made, as our people have shopped not only
20 the Petitioners, but other domestic manufacturers, for
21 these products simply are not going to be available,
22 or are available in very limited supply.

23 MS. TURNER: I believe actually you weren't
24 the only one, but others had indicated. But you did
25 say that this morning, the Chinese had just -- I

1 believe Ms. Zinman had also indicated this -- that
2 this morning, that the Chinese had just changed its
3 rebate, was it, on the --

4 MR. TABOR: Yes. It's an export tax credit.

5 MS. TURNER: It's that, yes.

6 MR. TABOR: Yes, it's that. And it was
7 reduced from 13 percent to five percent.

8 MS. TURNER: I would imagine counsel will
9 provide us documentation of that in any post-
10 conference brief.

11 MR. PORTER: Of course.

12 MS. TURNER: As well as, of course, our
13 standard question regarding whether, in fact, there
14 has been any anti-dumping remedies that have been
15 imposed on subject products in other countries, and
16 the documentation regarding that, as well, Mr. Koenig,
17 as well.

18 MS. LEVINSON: Ms. Turner, just one more
19 thing on the allocation issue. We'll be submitting
20 with our post-conference brief an email from one of
21 the Petitioners that is a response to a request for
22 product, in which they say our customers are presently
23 on allocation. This is from about a month ago.

24 And Mr. Tabor quoted from that document.

25 And we'll be submitting that with our post-conference

1 brief.

2 MS. TURNER: Okay, thank you. Two other
3 questions that I have, one of which relates to the
4 average unit values. And Black and Decker actually
5 raised this regarding the difference between framing
6 and finishing nails, and wide variations between the
7 two.

8 Are average unit values -- and I think I
9 know the answer here -- is that average unit values
10 are, because of the multitude of products, you would
11 not say are a good source to look at for value
12 purposes?

13 MR. SURO: Those are retails, so we tried --

14 MS. TURNER: Oh, those are retail.

15 MR. SURO: Yeah. We tried to furnish
16 something that was easily readily available, that you
17 could go check retails at any retailer, any specialty
18 shop, and check the retails. So it was trying to make
19 it convenient for the Commission to look at.

20 MS. TURNER: Okay. The question, though,
21 then is whether average unit values still are
22 something that would be appropriate for the Commission
23 to look at, to use.

24 MR. PORTER: Ms. Turner, again, Dan Porter
25 on behalf of the China Respondents.

1 In our view, in this particular case, import
2 average unit values are completely meaningless. And
3 that's just because the vast breadth of products in
4 each HTS.

5 As Ms. Zinman will explain in a second, you
6 will have a single HTS covering both hot-dipped and
7 electroplated nails. Electroplated nails are much
8 less expensive to produce.

9 So if you have the Chinese, for example,
10 that are shipping both electrogalvanized and hot-
11 dipped nails, the mix could, you have a lower AUV.
12 Yet if you compare it to someone else who is only
13 selling hot-dipped, you'll have a vastly different
14 comparison.

15 And so in our view, you cannot use, in this
16 particular industry, import AUVs for any meaningful
17 pricing analysis.

18 MS. ZINMAN: In addition, the category is so
19 broad that you have bulk nails, hand-dried nails,
20 packaged nails, and collated nails all mixed together,
21 coming in under the same tariff number.

22 So a lowest cost of production of 16-penny
23 sink with just a coating on it is coming in the same
24 nail collated, you know, in a plastic strip or in a
25 wire coil, or a very short nail, a very long nail with

1 different costs. So it's so broad. There's no
2 subdivision in the category, except by the coding.
3 And the only one that's separated out in statistics is
4 coil roofing nails. Everything else is lumped
5 together.

6 So the cost will vary drastically from
7 producer to producer, putting everything all together.

8 MR. PORTER: I want to add, Ms. Turner, we
9 fully recognize, though, your need to have a
10 comparable pricing from other countries. And we're
11 going to do our best to give you what I call direct
12 comparisons, where it's either an offer from a
13 supplier, or you can see from the offer, or it's an
14 invoice that's paid to a third country. You can see
15 from the invoice the exact type of nail. And we'll
16 line it up and be able to do that comparison that way.

17 MS. TURNER: Any other comments from anybody
18 else about average unit values and product mix?

19 MR. LEVINE: This is David Levine. I would
20 just concur with the comments here that in this
21 particular case, average unit values are not going to
22 be indicative of what you need.

23 MS. LEVINSON: I'd like to just add that the
24 HTS number includes roofing nails, of course, as well.
25 So that's in the mix.

1 MS. TURNER: A question for ITW. You had
2 indicated in your testimony that you produced, I mean,
3 part of your discussion is that you produce a
4 collated -- instead of producing a generic collated
5 nail, you produce a patented collated nail that is
6 used in your products, in your own equipment.

7 You produce those both in the United States,
8 the same nails in the United States in your facilities
9 here, in addition to your facility in China? Or are
10 they different types of nails that are produced here
11 versus China?

12 MR. LEVINE: Because there's a lot of
13 proprietary production information involved in the
14 response to your question, we'll answer in the post-
15 conference brief.

16 MS. TURNER: Okay. Then my second part of
17 that question was, if, in fact, whether you have,
18 actually are producing the same products here. But if
19 you do take that into account in terms of answering
20 this, why did you shift to production in China?
21 Because that product I believe is imported back into
22 the United States, right? Or is that product produced
23 in China only sold in other markets?

24 MR. KRAM: At the time that we made the
25 decision to add capacity, one of the main drivers was

1 the wire rod costs in the United States. And there
2 were issues related to wire rod costs and being
3 competitive in it that drove us to go to a supply base
4 that was very consistent, which is China. They make a
5 lot of wire rod that we use, specifically in the nail
6 grade we make nails out of. So that was a main driver
7 of going to China.

8 MS. TURNER: Was your raw material cost?

9 MR. KRAM: absolutely.

10 MS. TURNER: Okay. Then my final question,
11 and this is one directed to counsel primarily, has to
12 do with the Brask issue. And basically, I'm sure, but
13 just to make sure that each of you address that in the
14 post-conference brief, can you please -- the
15 Commission will have to consider non-subject imports
16 in its analysis.

17 And if you could provide the Commission your
18 analysis on whether, in fact, Brask and/or Caribbean
19 ISPAT applies to this case. And if so, how the
20 Commission should take that into account. Also taking
21 into account comments that I made to Ms. Cannon
22 earlier about commodity products, and looking at
23 distinctions between what the CIT and Fed Circuit have
24 done in terms of, I believe it's Bick, as well as R.
25 Kaff, as well as others on commodity products.

1 And with that, I thank you all, and turn it
2 over to the next.

3 MR. CARPENTER: Okay. Mr. Trost.

4 MR. TROST: Good afternoon. I just have one
5 very quick question for completeness.

6 I'm just curious if any of you have
7 encountered a purchaser or a customer that insisted on
8 domestically made nails, and would not accept imported
9 nails for whatever reason, legal or otherwise.

10 MS. ZINMAN: The U.S. Government.

11 MR. TROST: And how big of a -- that sounds
12 like a pretty large customer.

13 MS. ZINMAN: Your credit line is not that
14 great.

15 (Laughter.)

16 MS. ZINMAN: Seriously, when the U.S.
17 Government does buy nails, they request made in the
18 U.S.

19 MR. TROST: Do you have any estimate? I
20 mean, is that two percent of the market? Is that five
21 percent?

22 MS. ZINMAN: I'm not sure.

23 MR. FISCHER: It shows up when there's a job
24 on a U.S. base or somewhere, and a contractor is
25 bidding it. They're supposed to first try to find a

1 U.S. product.

2 MR. TROST: But again, you think it's less
3 than one percent? Okay. Anyone else?

4 MR. TABOR: We would concur with that. It
5 is less than one percent. It's less than one-tenth of
6 one percent. The driving definer now is ICC, which is
7 the manufacturing standard for collated nails.

8 MR. TROST: Okay. Thanks. Anyone else?
9 That's all I have. Thanks.

10 MR. CARPENTER: Mr. Yost?

11 MR. YOST: Okay. Thank you very much for
12 coming to Washington this nice summer day. And I have
13 no questions. Thank you.

14 MR. CARPENTER: Mr. Houck.

15 MR. HOUCK: Thank you. I have a couple
16 questions for Mr. Suro concerning his suggestion that
17 there was more than one domestic-like product here.
18 And in particular, trying to understand exactly what
19 is included in his suggested separate-like product for
20 woodworking nails.

21 Are you referring only to collated
22 woodworking nails made by this particular process that
23 you describe here?

24 MR. SURO: Yes, sir.

25 MR. HOUCK: Okay. So you wouldn't, if there

1 were woodworking nails that were in bulk that were cut
2 with a standard brad-type head on them and a diamond
3 point and so forth, they wouldn't be in this separate-
4 like product?

5 MR. SURO: That is correct. What we've
6 showed there does not include bulk nails.

7 MR. HOUCK: So these nails, then, are a
8 little bit different physically. If one of them is
9 broken off of the stick, it's a different nail
10 physically than a cut nail? I mean, the head is not
11 exactly the same shape, the point is not the same
12 shape, because of the way the head and the point are
13 manufactured.

14 MR. SURO: Correct. Brad nails are
15 different from framing nails. There's clipped-head
16 nails and framing nails. There's D-head, there's
17 brad, there's different heads, different -- points are
18 roughly the same. There's different heads involved
19 from the woodworking to a framing nail process.

20 MR. HOUCK: Are you calling these -- when
21 you mentioned, you used the word brad nails. Is that
22 to refer to this woodworking nail that you're
23 describing?

24 MR. SURO: That is one segment of the
25 woodworking nail business. So the 18-gauge nails that

1 are listed there is what I think most of us here would
2 commonly refer to as a brad nail.

3 MR. HOUCK: The 18-gauge nail. They are the
4 smallest.

5 MR. SURO: Within what I have in that --

6 MR. HOUCK: Of the three that you mentioned.

7 MR. SURO: Yes, sir.

8 MR. HOUCK: Okay. Looking at the 15-gauge
9 nail market, the 15-gauge nail and the particular
10 collating method that you have pictured here in your
11 brochure, is that made from individual cut nails? Or
12 is that made by the same method that these 16- and 18-
13 gauge that you depict here?

14 MR. SURO: As far as I know, it's made from
15 the same process as I depict there.

16 MR. HOUCK: Okay. So the heads and the
17 points are formed after the collation.

18 MR. SURO: With my knowledge of the
19 industry, yes.

20 MR. HOUCK: Okay, that's all the questions I
21 have. Thank you very much.

22 MR. CARPENTER: Mr. Ruggles.

23 (No response.)

24 MR. CARPENTER: Mr. Deyman.

25 MR. DEYMAN: Good afternoon. George Deyman,

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1 Office of Investigations.

2 I'd like to ask a couple of questions that I
3 asked the domestic industry this morning. The first
4 one was relating to the imports from the United Arab
5 Emirates. Imports from that country have not
6 increased anywhere near as rapidly as the imports from
7 China. And the unit values from the United Arab
8 Emirates have been substantially higher than those of
9 the nails from China.

10 The domestic industry this morning couldn't
11 tell me if there was anything different about the
12 nails from the United Arab Emirates. But from what I
13 gather this afternoon, there is something different in
14 that they are all collated, is that correct? As far
15 as you know?

16 MR. VED: Yes.

17 MR. DEYMAN: So they are all collated. So
18 what share of the imports from China are collated?
19 Does anyone have any idea?

20 MR. PORTER: We can get you that.
21 Basically, you would like a breakdown of imports from
22 China between bulk and collated, is that correct?

23 MR. DEYMAN: Yes.

24 MR. PORTER: We will try to get that for
25 you.

1 MR. DEYMAN: Thank you. And what about on
2 the domestic industry side? Does anyone have any idea
3 what share of the product produced in the United
4 States is collated?

5 MR. BOUTELLE: This is Mark Boutelle from
6 ITW. From our standpoint, being a major U.S. producer
7 in the United States, all of the nails that we make in
8 the United States are collated.

9 MR. PORTER: Mr. Deyman, I'm going to have a
10 survey back from 2000. I believe the Wire Producers
11 Association does a nail survey. Unfortunately, I can
12 only get one back to 2000. If they still do it, that
13 survey breaks out U.S. domestic shipments between bulk
14 and collated.

15 MR. VED: I would request that within bulk,
16 that it is packaged nail, which is also of
17 substantially high value. And sometimes it can be as
18 high a value as collated.

19 So if you could segregate it with bulk,
20 packaged, and collated, I think that would be a very
21 accurate way of looking at it. Thank you.

22 MR. DEYMAN: Well, anything that you could
23 provide on that would help. Again, we are just simply
24 trying to determine if there's anything different
25 about the nails from the United Arab Emirates compared

1 with the nails produced elsewhere.

2 MR. BOUTELLE: I'll add that my knowledge,
3 or what my impression would be from the other
4 manufacturers, being Cenco and Stanley Bostitch, is
5 that whatever production that they are making, as well
6 as the majority of their sales from a competitive
7 standpoint, are also collated nails.

8 MR. DEYMAN: Another question I asked the
9 domestic industry this morning is to estimate, if
10 there are nails that they can't, truly cannot produce
11 in the United States -- not because of price, but they
12 truly cannot produce them -- but what share of the
13 domestic market would those nails account for. Do you
14 have any thoughts along those lines?

15 MR. PORTER: We've been, since the question
16 this morning, we talked at length at lunch. And we
17 know that that's on our to-do list.

18 I do want to take a moment, Mr. Deyman, to
19 sort of, you know, discuss about what is production,
20 what is capability to produce. And I think we really
21 have to make a distinction, as Ms. Zinman said,
22 between theoretical ability to produce and historical
23 experience in producing the item.

24 I mean, we heard today about a capacity,
25 what was it called?

1 MS. ZINMAN: Uninstalled --

2 MR. PORTER: Uninstalled capacity. It
3 wasn't even plugged in. And I submit that that's not,
4 you know, true, practical capacity, as the Commission
5 specifically requests in its questionnaire.

6 And so what we intend to give you is a list
7 of products that have not been supplied by the
8 domestic producers for a number of years, in the
9 quantities required to service demand in the United
10 States. That's what we intend to do.

11 MR. DEYMAN: That would be helpful, thank
12 you.

13 One of you mentioned commingling of nails
14 earlier. I think it was Ms. Zinman, and I think
15 someone else may have mentioned it. But to what
16 extent are imported nails commingled with each other,
17 or with domestically produced nails, before you sell
18 them?

19 MS. ZINMAN: They're sold interchangeably.
20 The country of origin is not a factor in selling. So
21 if we buy a nail from China, we buy it from Taiwan,
22 the U.S.A., we put them together. It's the same nail.
23 They are totally commingled as far as maintaining
24 inventory, sales records, shipping to customer.

25 MR. DEYMAN: Do you mean that, for example,

1 bulk nails, you actually put them all in the same box?

2 MS. ZINMAN: No, no, no.

3 MR. DEYMAN: No.

4 MS. ZINMAN: No. What I mean as commingling
5 is that they are sold interchangeably, that if a
6 shipment, a box of nails, comes in from China or a box
7 of nails comes in from a U.S. manufacturer and a
8 customer orders a box of nails, he could get either
9 one of them. We don't differentiate the inventory by
10 country of origin. We don't open the box and mix them
11 up together.

12 MR. DEYMAN: I understand. So how do you
13 price them?

14 MS. ZINMAN: The same.

15 MR. DEYMAN: All the same?

16 MS. ZINMAN: Cost average basis.

17 MR. DEYMAN: It's a cost average basis?

18 MS. ZINMAN: And we sell it based on the
19 average cost of the inventory.

20 MR. DEYMAN: Okay.

21 MR. KASTNER: If I may add, if also by
22 commingling you mean various products in one container
23 in one shipment, we have that ability from China that
24 we don't have from a U.S. manufacturer putting in 20
25 different or more even SKUs in a particular container

1 all the way from staples to hot dip galvanized bulk
2 nails to brad nails to common nails to coil nails to
3 roofing coil nails to whatever in one container and
4 have, as I mentioned before, private label packaging
5 all done exactly as per specifications. I cannot
6 imagine that that's available in the United States.

7 MR. FISCHER: Sir, when we sell bulk nails,
8 we sell hundreds of containers of bulk nails. The
9 majority of the containers have 10 different items in
10 the same container. And the customer could actually
11 order boxes, plastic buckets, 5-pound boxes and even
12 sometimes two or three different brands, the labeling
13 they want, all mixed in the same container. They
14 could want three pallets that say X on it and three
15 pallets that say Y on it, and it's not a problem to
16 get that done overseas.

17 MR. TABOR: BMD would concur with these
18 statements. What we see overseas specifically in
19 China is the ability to consolidate a lot of different
20 products into one container if need be. The U.S.
21 manufacturing arm does not have that ability to if you
22 will group together. There's not one person that is
23 the point person that we could buy some products from
24 Mid-Continent, some products from Gerdau, some
25 products from CF&I as an example.

1 We do have that ability overseas, and we do
2 it with great regularity. It enables us to bundle our
3 purchasing, thus driving down our purchasing costs.
4 Subsequently we don't have to write four or five or
5 six purchase orders. We go through one consolidator
6 in order to do that.

7 If I may ask for your indulgence, Mr.
8 Deyman, when we talk about the UAE specifically, we're
9 talking about one mill, and that's Dubai Wire. And
10 you asked is there a difference between Dubai and
11 China. There is a marked difference. Dubai Wire is
12 considered a quality manufacturer. On a global scale,
13 they're at the very top of the tier, a very high
14 producer. Mr. Ved has for years, actually for decades
15 now, produced high quality products.

16 To throw him into the same group as China,
17 which could have three or 400 manufacturers, is really
18 not a fair equation. The difference is is in Dubai,
19 there is but one wire or one nail producer. And I
20 don't buy from him. I have to say this as unrequested
21 testimony, but they fall into a completely different
22 category than some.

23 All of us that import products have had bad
24 experiences in China, and we work very diligently to
25 make sure that we buy from the highest quality

1 producers and in fact have even instructed mills on
2 how to manufacture nails. That is not the case with
3 Dubai Wire. They do a fantastic job and should not be
4 held in the same light as we do all Chinese imports.

5 MR. KARAGA: You know, I'd like to add to
6 Mr. Tabor's comments that Hitachi buys probably the
7 vast majority of Dubai Wire's production at least for
8 the better part of the last five years, and they've
9 been producing for us for over 10 years.

10 I think there are some important
11 distinctions between not only Dubai Wire, who makes
12 all of our fasteners to our specifications and working
13 with Hitachi's engineers, we provide blueprints, and
14 when those fasteners are not made to those exact
15 engineering standards, they cause all kinds of
16 problems for us. We get driver breakage and excess
17 jamming and those sorts of things. So I think that
18 that kind of quality production level is just critical
19 for us.

20 MR. DEYMAN: All right. Ms. Levinson, you
21 mentioned this morning and actually this afternoon too
22 that 2004 is not a benchmark year because it was such
23 a good year in the market in the United States. What
24 do you recommend that the Commission should do,
25 though? In this preliminary phase of the

1 investigation, we only have data beginning in 2004.
2 So do you recommend that 2004 be given less weight, we
3 look at 2005, or do you have any ideas on that?

4 MS. LEVINSON: Well, I ask Mr. Porter to
5 join in when he wants, but I think that you should
6 look at a longer period of time. Granted, you don't
7 have the questionnaire responses for a longer period
8 of time. However, there is publicly available
9 information that we can furnish to tell you what was
10 happening in 2003, for example.

11 And you obviously can look at what happened
12 in 2005, but 2004 should not be looked at as the
13 measure of what the economy should be, of what the
14 industry should be realizing. As Mr. Tabor said, it
15 was the best he'd ever seen, and sure, he would love
16 it to go back to 2005, to 2004, but that's not a
17 realistic expectation for this industry.

18 MR. PORTER: Mr. Deyman, for the purposes of
19 this preliminary investigation, I think you should use
20 as what I call the best available information to use a
21 phrase from the Commerce Department terms the 201
22 case. In the 201 case, you had a category of nails,
23 and I submit that those, I know it's not exact, but it
24 is a close proxy for the U.S. nail industry in terms
25 of the products covered. And I bet you if you lined

1 it up, the vast majority you would have overlap.

2 And in there, you have a nice three-year
3 time series, and you have the Commission's thoughts
4 about, their views about whether that profitability
5 demonstrated injury or not. And so I'd say you look
6 at that as well as the other years you have, and you
7 can get a sense of historically the nail industry,
8 what they've done, and then you can use that to
9 analyze 2004.

10 MR. DEYMAN: All right. I have no further
11 questions. Thank you very much.

12 MS. LEVINSON: Mr. Deyman, one of my
13 clients, Mr. Bill Sims, who's the president of Accent
14 Wire, is sitting behind me. He'd like to make a brief
15 statement in response to your question.

16 MR. SIMS: Bill Sims, Accent Wire. We buy
17 from three of the people who spoke this morning wire
18 products, not necessarily nails, but we've bought
19 nails in the past. 2004, literally within four
20 months, steel increased 60 to 70 percent from most
21 domestic manufacturers, including the guys sitting
22 over there who are my friends and business partners.
23 We were on eight-week lead times on wire. I have to
24 assume nails were the same. So 2004 just I don't
25 think can be considered in any way. It was a once in

1 a lifetime aberration.

2 MR. DEYMAN: Thank you.

3 MR. CARPENTER: I hate to beat a dead horse
4 here. The topic we've been discussing about a good
5 bit for the last half hour or so is this allegation
6 that U.S. producers don't offer a full range of nails,
7 and there has been some testimony that there are
8 perhaps 1,000 different types of nails out there. So
9 for the sake of argument, let's say there are 1,000
10 different types of nails.

11 Mr. Tabor, you actually somewhat addressed
12 this question just a few minutes ago with respect to
13 UAE. For distributors, I'm wondering, I can see the
14 advantage of so-called one-stop shopping where you can
15 go to one source of supply and they can provide the
16 full range of nails that you're looking for, the full
17 range of 1,000. Are you saying in fact that UAE is
18 able to provide that full range of nails across the
19 entire spectrum?

20 MR. TABOR: I'm not aware of the complete
21 line of products offered by the UAE. We have bought
22 from them in the past, and they fulfilled our
23 requirements. I'm not sure what the broad
24 requirements are. Hitachi might be a better source
25 for that information.

1 MR. CARPENTER: Okay.

2 MR. KARAGA: I'd like to say yes. And when
3 they haven't had the capability for a particular
4 fastener, they've been very quick to invest to meet
5 whatever capacity needs we have and to build new
6 fasteners. When we invent new tools, they're always
7 willing to invest in the machinery and the engineering
8 to provide us with whatever fastener that we need.

9 MR. CARPENTER: Okay. But in that case, you
10 would be working with Dubai and say we have a new
11 product, we need some new types of nails, could you
12 provide those for us in a certain timeframe.

13 MR. KARAGA: We don't have the expertise for
14 fastener manufacturing, but we design tools. That's
15 Hitachi's primary business is the tool business. And
16 we engineer the fasteners. So what we do is we
17 provide blueprints, and Dubai Wire engineers the
18 manufacturing portion.

19 MR. CARPENTER: Have you or others attempted
20 to work with U.S. producers to try to get them to do
21 the same thing?

22 MR. KARAGA: We have, and we do buy some
23 nails, but the range is extremely limited. And we
24 have a long history of buying domestic nails. When we
25 invent new tools, we haven't been able to get domestic

1 producers to invest in the necessary equipment and
2 engineering.

3 I think there's a distinction between the
4 Petitioners and the other domestic manufacturers that
5 are opposing it, and I think that distinction is that
6 the primary business of the folks that are opposing
7 the petition is that they're in the tool and fastening
8 business. I heard a lot of commentary from Mr. Kram
9 to that effect this morning.

10 And I think that's Hitachi's business as
11 well, highly engineered fastening systems. And it
12 requires engineering resources to build the fasteners
13 for those tools, and I think the Petitioners largely I
14 think generally speaking are looking for ways to
15 produce -- Ms. Zinman mentioned this morning they're
16 interested in tonnage. And that's the type of
17 response that we've always had from the petitioners of
18 the domestic producers, and I think there's a big
19 distinction there.

20 MR. CARPENTER: So is it this panel's
21 assertion in general that the Petitioners prefer to
22 specialize in high volume products as opposed to
23 trying to offer a full range?

24 MR. KARAGA: We see it as the Petitioners
25 might generally be categorized as picking the low-

1 hanging fruit. They want to make the high volume the
2 highest volume. Everybody in this room knows what 3
3 by 120s and 3 by 131s are, and that's what the
4 Petitioners specialize in.

5 MR. CARPENTER: I guess without any
6 specialized knowledge of this particular industry, it
7 just does strike me that 1,000 different types of
8 nails would be difficult for any one company to be
9 able to produce.

10 MR. KARAGA: It is difficult, but I think
11 that most of the manufacturers are geared towards a
12 particular brand of tools, and that wouldn't be 1,000
13 different SKUs. For companies that are in the
14 distribution end of the business, the industry, like
15 BMD or Prime Source, they are in a position where they
16 have to handle and they have to have access to all
17 1,000.

18 The folks that are specializing in the
19 fastening systems industry like Hitachi or ITW or
20 Bostitch or SENCO, our range is slightly limited
21 because we don't provide fasteners for our
22 competitors' tools, but the folks in the distribution
23 end of the business do.

24 MR. FISCHER: Mr. Carpenter?

25 MR. CARPENTER: Yes.

1 MR. FISCHER: I think I'd give you just a
2 clarification. It's not 1,000 types of nails, because
3 there's a lot of different finishes.

4 MR. CARPENTER: Right.

5 MR. FISCHER: One type of nail could
6 actually have 20 or 30 items just because it could be
7 a smooth shank or a ring shank or it could be bright
8 finish or then it could be hot dipped or EG or it
9 could be EG ring shank or bright ring shank. So
10 that's one product group.

11 MR. CARPENTER: Right.

12 MR. FISHER: But it appears to be many
13 different ones. I don't know if you quite understood
14 that part.

15 MR. CARPENTER: Okay. To say nothing of the
16 different sizes that are available too.

17 MR. FISCHER: Right. Just on plastic strip
18 nails, there could be 100 items just on plastic strip
19 or maybe even more.

20 MR. CARPENTER: Right.

21 MR. KASTNER: Howard Kastner, Metropolitan
22 Staple. If I may add also too, we have customers who
23 say, okay, I want two bio 99 in a 9M box, I want it in
24 a 5M box, I mean, 9,000 nails in one carton or 5,000
25 nails in one carton and, I mean, on and on and on and

1 on and on. We have customers who say I want a
2 particular color of the vinyl coating on the nail.
3 And they may specify, well, the normal head size is
4 2.5 millimeters. We have a special application. We
5 want 2.69 millimeter head size and on and on and on.
6 Sure, if a customer is ordering following on what Mr.
7 Karaga had said a full container of 3 by 120 stick
8 nails, there's not a whole lot of profit. It's sort
9 of like, as you said, the lowest-lying fruit. If a
10 customer is ordering a whole container of all
11 different types of mixed items, it's far more
12 interesting and far more profitable.

13 MR. CARPENTER: Okay. Ms. Zinman, I'd also
14 like to follow up with you. You buy primarily from
15 China, is that right?

16 MS. ZINMAN: China, Taiwan, Malaysia.

17 MR. CARPENTER: Okay. And if I understood
18 your testimony, you were saying that you were able to
19 purchase the full range of nails from one source. I'm
20 wondering how that works with 300 different Chinese
21 producers.

22 MS. ZINMAN: No. What I meant was from
23 China. I didn't mean one individual factory.

24 MR. CARPENTER: Just China in general.
25 Okay.

1 MS. ZINMAN: But the nails can be combined
2 as they were talking about in the same container
3 coming from the same loading port even from different
4 factories.

5 MR. CARPENTER: Could you elaborate on the
6 logistics of that? I mean, how do you go about
7 ordering this full range of products, and how is that
8 coordinated among the different factories in China?

9 MS. ZINMAN: I would rather put that in
10 writing.

11 MR. CARPENTER: Sure. That would be fine.
12 Okay. Yes, sir.

13 MR. VED: We do make close to 1,000 SKUs,
14 and we are able to mix it from the same plant, and we
15 would be happy to provide a list of all that. There's
16 more to it than just one type of thread. Even in
17 threads, somebody wants 32 threads per inch. Somebody
18 wants 28. So there's more sophisticated engineering
19 type of threads also. So these kind of toolings need
20 to be made.

21 So there is a lot of engineering as it was
22 being discussed. And if you do not have a fully
23 integrated factory, then it would be very difficult to
24 produce even a simple thing like a threading die
25 because you've got to meet the time factor of the

1 delivery. So we will submit to you 1,000 different
2 SKU lists or approximately. I'm not aware. I do not
3 keep track of exact numbers, but it will be very close
4 to that number.

5 MR. CARPENTER: Okay. And I think a number
6 of you have offered to provide lists of types of nails
7 that are not available from U.S. producers, and again,
8 I just wanted to support what Ms. Turner and Mr.
9 Deyman had requested. We need to get some sort of a
10 handle on just how important those products are.

11 And I was thinking maybe the best way to do
12 that might be if the companies involved were to give
13 the dollar value of their annual purchases of each of
14 those types of nails so that we'd have a better sense
15 of how important those products are. It looks like
16 Ms. Turner may have a chart that you'd be able to fill
17 that out.

18 Okay. Oh, another related issue in terms of
19 this one-stop shopping. For the distributors here,
20 how do you feel about single sourcing versus double
21 sourcing, the dangers of single sourcing, if you
22 purchase everything from just one source? Are you
23 concerned about that? Do you see any reason to go to
24 more than one source?

25 MR. PORTER: Excuse me. Do you mean one

1 source as in country or source as in company?

2 MR. CARPENTER: I would say company.

3 MR. TABOR: Mr. Carpenter, on behalf of BMD,
4 we single source brands. We do not single source
5 products. So if we're talking about the Hitachi nails
6 as an example, we would be loyal to that particular
7 brand. If it's like our bulk mail business, which is
8 under own brand and we buy from a variety of mills
9 literally from around the globe, we would never single
10 source from one factory. There's too much exposure on
11 that because we are not the manufacturer.

12 MR. CARPENTER: Okay. Okay. But if that
13 one brand has several factories that they can source
14 from?

15 MR. TABOR: When you single source, you're
16 buying their credibility that they can produce as
17 promised. An example would be Johns Manville
18 insulation or Simpson strong tie connectors. We
19 single source those products because we trust in and
20 we have a history with them that they would be able to
21 fulfill the requirements as asked.

22 MR. LOCK: I concur with Mr. Tabor. We
23 would single source brands but never products that go
24 under our own brand like collated nails. We buy from
25 four or five different sources.

1 MR. CARPENTER: Okay. And just one final
2 question which again Ms. Turner has already asked for
3 information on, the applicability of Bratsk to this
4 case. I'm thinking in particular of one of the
5 prerequisites, that it has to be a commodity product.

6 After listening to all the discussion here
7 about the fact that average unit values do not appear
8 to be very useful because of the products' mixed
9 problems, I'm just wondering if you could specifically
10 in that context address the issue of whether this is
11 in fact a commodity product or it is not, and if it's
12 not, does that mean Bratsk does not apply in this
13 particular case.

14 That's all the questions I had. Any others?

15 (No response.)

16 MR. CARPENTER: Okay. Again, thank you for
17 this panel. We appreciate all these people coming
18 here, and it's been very helpful. You've done a good
19 job answering all our questions.

20 MR. LOCK: Thank you, Mr. Carpenter.

21 MR. CARPENTER: Okay. At this point, let's
22 take a 10-minute break, and we'll have rebuttal and
23 closing statements initially by the Petitioners and
24 then by the Respondents. Each side gets 10 minutes.
25 Thank you.

1 (Whereupon, a short recess was taken.)

2 MR. CARPENTER: Could everyone take a seat,
3 please, and we'll conclude? Mr. Rosenthal, you can
4 start whenever you're ready.

5 MR. ROSENTHAL: Okay. Thank you. I just
6 want to note that we hear all these charges about
7 child labor in China, and then we come to this hearing
8 today and we hear about our witnesses on the other
9 side being in the nail industry from the ages of 10
10 and 15. I feel like we're directing our attention on
11 child labor at the wrong country. I was shocked to
12 hear about these things.

13 I was late to the law business by comparison
14 since I was not able to go to law school until my
15 mother bought me some long pants. One thing you can
16 learn, though, listening, you have to be in the law
17 business a long time to understand the issues that the
18 Respondents are really trying hard to mask or avoid
19 here.

20 What you heard mostly with the exception of
21 ITW is from distributors and importers, folks who are
22 in the business to get the lowest price and to sell at
23 the highest price. Despite what you have heard today
24 from the Respondents, this case is all about price.
25 Their businesses are all about price.

1 And you've got loss sales information that
2 will be confirmed. You have a great deal of
3 information about pricing already in the record. You
4 don't go from where China and the UAE were in terms of
5 market share and zoom up and increase your imports by
6 70 percent unless you're offering the lowest price in
7 the marketplace.

8 Now I just want to at least acknowledge one
9 point of agreement with the witness from Prime Source,
10 Ms. Zinman. I don't think we said a nail is a nail.
11 If we did, I didn't mean it that way. What we said is
12 there is one like product, and there was widespread
13 agreement with everyone except for the witness from
14 Black & Decker. What we did say was that there is a
15 continuum of products in the nail business.

16 We acknowledge lots of SKUs are out there,
17 but under the ITC definition and how the ITC has
18 traditionally looked at this industry, we said there's
19 one like product, and there's really virtually no
20 serious disagreement about.

21 And by the way, on the question of SKUs, a
22 lot of what you heard earlier this afternoon is
23 misleading. Companies like Keystone had hundreds of
24 SKUs over time. One year customers say we're not
25 going to pay the price that you want for your SKUs.

1 We're not going to buy these products from you in a
2 way that you can make a profit. You stop offering
3 those SKUs. It's not as if those products aren't
4 available, weren't available.

5 But it is ridiculous to suggest that this
6 industry which supplied most of the market for a long,
7 long time couldn't, didn't make the SKUs and that the
8 only reason that the people behind me are going
9 offshore is because they can't get the product here.
10 The reason why they've gone offshore is price.

11 You heard from ITW, a respected producer.
12 Why did they admit going offshore? Because they said
13 they could lower their costs by doing so. Lower costs
14 equal lower prices. There was an interesting
15 statement by their counsel at the opening which said
16 that offshore production is essential to a robust U.S.
17 industry. Which industry would be robust? Not the
18 domestic nails industry. Perhaps if you're in the
19 nail gun industry or if you're a distributor, if you
20 can buy cheaper nails from abroad, that would make
21 your industry robust. It won't make the domestic
22 nails industry any more robust.

23 The Prime Source witness indicated that
24 freight from China to the L.A. area is \$1,200. Well
25 if the Prime Source folks in L.A. bought from Tree

1 Island, which is located in southern California,
2 they'd pay half that amount in freight.

3 And by the way, there's lots of allegations.
4 I won't go through them all today, lots of allegations
5 about how the domestic industry folks allegedly didn't
6 approach certain customers or they couldn't supply
7 them certain products, et cetera. We'll get more into
8 that in our posthearing brief. I will tell you,
9 though, that a number of those claims are unfounded.
10 And my clients tend to get annoyed with me when I
11 contradict or disparage their customers in public
12 because they think it might have an effect on future
13 business, but I will say that since Keystone's out of
14 the business, I can use some of these examples. But
15 Keystone was all about mixed loads. They had hundreds
16 of SKUs.

17 And when it came to the question raised by
18 Prime Source about the programs that they were
19 approached about, Keystone did have a plastic bucket
20 program. In fact they've got 19,600 buckets that are
21 unused that are in inventory. If anyone would like
22 them, anyone wants to make an offer for them, I'm sure
23 Keystone's available.

24 Keystone did manufacture duplex nails. They
25 did make roofing nails. They did investigate the

1 whole red, white and blue sinker issue. The question
2 was always price. Price, price, price. So you hear
3 it's unavailable. It's unavailable for the price you
4 want to pay. We didn't approach this particular
5 importer or distributor? Yes. Perhaps that's true
6 because we knew you weren't going to pay us the price
7 that we needed to make a profitable product.

8 Mr. Porter claims that their entire argument
9 is one of attenuated competition. They're trying to
10 suggest that the imports focus on collated nails and
11 the domestic industry on bulk nails. That's one
12 argument that they're making. It happens to be
13 untrue. The domestic industry's bulk production has
14 gone down quite a bit.

15 In fact most of the folks who are dedicated
16 primarily to bulk production are out of business.
17 What you see in the room before you are domestic
18 producers mainly of collated products. They follow
19 the marketplace. Unfortunately they followed it down
20 when it comes to pricing and financial information.

21 And on the question of finances and the year
22 2004, it's not a benchmark year in terms of prices.
23 In fact there are quarters in 2005 when the prices
24 were higher. Raw material costs were also up, but any
25 price increase was insufficient to cover rising costs.

1 And so the industry experienced inadequate
2 profitability in 2005, certainly in 2006. But 2004,
3 while a banner year as we said for other segments of
4 this industry and it's clearly better than the
5 previous years, was still not fantastic in the nails
6 business.

7 And following up with Mr. Deyman's question
8 regarding the higher average unit values from the UAE,
9 we have several loss sales and revenue examples from
10 both China and the UAE, and they both are for bulk and
11 collated nails. I'm sorry. The collated nails from
12 both, I think bulk only from China.

13 Just to be clear, in our reporting in our
14 questionnaires on capacity, we did not report on so-
15 called uninstalled capacity. We reported just as the
16 questionnaires requested. The point today on
17 uninstalled capacity was that there's plenty that's
18 been mothballed that could come onstream without very
19 much activity if the prices were there.

20 By the way, I will pass on some of these
21 allegations concerning willingness to supply,
22 relationships with individual customers and suppliers.
23 We'll put those in our posthearing brief. All I can
24 tell you is what happened in this case is not unusual
25 and not unusual for other cases.

1 After a petition is filed, Respondents are
2 well-counseled by their lawyers. They call up the
3 domestic industry and ask them if they can supply X
4 quantities in a very, very short period of time. Not
5 surprisingly, a lot of the responses are equivocal
6 because they've got their orders in place. They don't
7 have large amounts of inventory sitting around. So
8 you will get some responses saying like, gee, I can't
9 supply you right now. Not a great surprise. Not an
10 unusual tactic. So take these claims that you've
11 heard with a large grain of salt.

12 If the Respondents are serious about working
13 with the domestic industry about getting their
14 supplies here, there's ample capacity, ample SKUs
15 available to be able to do that. They just have to be
16 willing to do one thing, and that's pay a fair price.
17 And let's not forget this case is not about shutting
18 off supply from China or the UAE. It's about having
19 fair pricing in the marketplace.

20 The claims that, well, gee, if you impose
21 antidumping duties on the two subject countries, we're
22 just going to go someplace else, why do you think
23 they're buying from China and the UAE? Because those
24 are the lowest prices. Why do you think the producers
25 in Korea and Taiwan that were referred to by the

1 Respondents have moved their production from those
2 countries to China? So they could lower their prices
3 when shipping to the U.S. and make more money that way
4 but keep their prices lower.

5 If production goes back to Korea, the
6 Koreans will not be able to match the Chinese prices
7 in the U.S. The same of the other countries. And if
8 you look closely at the transcript, there are
9 admissions along those lines.

10 So this case is not about attenuated
11 competition. It's not about unavailability of
12 product. It's not about who has solicited whom. This
13 is a case about the willingness of the importers to
14 buy a fairly priced domestic product versus a dumped
15 product. It's a case about price. And I'm sure the
16 Commission when it looks at the entire record will
17 conclude the same and find affirmatively. Thank you.

18 MR. CARPENTER: Thank you, Mr. Rosenthal.
19 Mr. Porter, Mr. Koenig, and Mr. Leonard?

20 MR. PORTER: Mr. Carpenter, the day has been
21 long, and therefore, my concluding remarks will be
22 brief. After hearing all the testimony today, it
23 appears that the Steel Nails petition was filed on a
24 hope and a prayer.

25 Petitioners hope that you will focus your

1 attention just on them and ignore that the law
2 requires the Commission to examine all U.S. producers.
3 Petitioners hope that you will focus only on the
4 increase in subject imports and ignore the fact that
5 the volume of total imports has been relatively
6 stable, which demonstrates that subject imports simply
7 replaced imports from other countries.

8 Petitioners hope that you believe that steel
9 nails are just a simple product and therefore, subject
10 imports are completely fungible with domestic
11 production and hope that you ignore the fact that
12 Petitioners have not historically supplied the many
13 types of nails that are coming in from China now.

14 And finally Petitioners pray that the
15 relatively short time period required under the law
16 for the Commission to make a determination will not
17 allow a full understanding of the true competitive
18 dynamics in the market.

19 Mr. Carpenter, I believe that the testimony
20 that you heard today strongly suggests that
21 Petitioners' hopes have been dashed and their prayers
22 will not be answered. The reason for my belief is
23 that today you had the opportunity to hear from an
24 unusually strong panel of industry representatives.
25 The industry witnesses on Respondents' panel

1 represented the full spectrum of the entire industry:
2 U.S. producers, importers that buy and sell subject
3 imports and distributors that buy and sell U.S.-
4 produced nails. I am sure that you will agree that it
5 is unusual during the preliminary phase for the
6 Commission to have so many industry representatives
7 that the lawyers have no time to talk during the
8 affirmative presentation.

9 Mr. Carpenter, I urge you to take advantage
10 of this unusual development. The Commerce Department
11 has given the Commission a gift of time, perhaps not
12 the full 20 days but a few days nonetheless.

13 I urge you and your team to follow up with
14 each and every one of the industry representatives
15 that were here today. I am confident that when you do
16 so, the factual record will demonstrate that there is
17 no factual or legal basis for an affirmative injury
18 determination. Thank you.

19 MR. KOENIG: I'm Peter Koenig, Miller &
20 Chevalier, for the UAE. There's no reason the UAE in
21 particular should be involved in this case, and after
22 listening to today's testimony by the petitioning
23 industry, I think that's even more demonstrated.

24 They presented to you today their best case
25 against the UAE, and it was nothing. They were asked

1 the question, the UAE is a stable to declining supply
2 source to the U.S. with high unit value. And then the
3 question was posed to the domestic industry panel,
4 what say you about that as far as whether there's
5 injury from the UAE.

6 And all they could say was a lone statement:
7 The UAE produces the same product. By implication,
8 they're saying high price, same product. That doesn't
9 sound like injurious dumping to me. And that was
10 their case to you in response to that question.

11 And in addition of course, we also provided
12 extensive evidence about the extremely high quality of
13 the UAE product, the fact that the UAE producer
14 provides a broad range of product, special engineering
15 on demand, tailors product mixes to specific customer
16 needs and provides rapid delivery.

17 But going on to the Petitioners' case or
18 lack of a case, the main Petitioner here I would
19 submit is Mid-Continent just because it dominates the
20 others in relative size. And if you listen to his
21 testimony, he got to the point where he was talking
22 about what's the situation going to be in the U.S.
23 market from here going forward. In other words, he
24 was building his threat case, threat of injury. There
25 was no discussion at all of the UAE. He was totally

1 silent. And that's itself I think a revealing
2 admission of a lack of impact of the UAE.

3 The Petitioners here really represent a very
4 narrow segment of the domestic industry, and I think
5 to help themselves, they wanted to broaden the
6 representation and so they brought in one
7 nonPetitioner industry witness. Did he talk about the
8 UAE? No. Not one mention of the UAE.

9 Again, Petitioners themselves have built the
10 case on the noninjurious nature of the UAE, and that's
11 their best case that they presented to you. I think
12 it's clear no injury.

13 MR. LEONARD: Will E. Leonard of Adduci,
14 Mastriani & Schaumberg on behalf of Black & Decker
15 (U.S.) Inc. For want of a nail, the shoe was lost.
16 For want of a shoe, a horse was lost. For want of a
17 horse, a rider was lost. For want of a rider, a
18 battle was lost. For want of a battle, a kingdom was
19 lost. A kingdom was lost for want of a nail.

20 In these times, should we want for a nail,
21 we shall all be lost. That is a circumstance we must
22 avoid at any cost. Imports are a staple of supply
23 today, or perhaps methinks I can put it this way. A
24 really short, short tale, and I mean not to rail. You
25 don't have to be from Princeton, Harvard or Yale to

1 know some U.S. producers are doomed to fail. What
2 they want to put up for sale is nothing new, is really
3 stale. So a few of the industry doth flail.
4 Castigate imports is what they will wail. Blame a
5 demand shift, a supply shortage, a plant frail, but do
6 not blame any Chinese nor UAE nail.

7 MR. CARPENTER: Thank you, gentlemen. And I
8 hope at the end of the day, we can all agree that
9 there will be poetic justice in the Commission's
10 determination.

11 (Laughter.)

12 MR. CARPENTER: I do agree that we had an
13 exceptional group of witnesses here today. And on
14 behalf of the Commission and the staff, I do want to
15 thank the witnesses who appeared today as well as
16 counsel for sharing your insights with us and helping
17 us develop the record in these investigations.

18 Before concluding, let me mention a few
19 dates to keep in mind. The deadline for the
20 submission of corrections to the transcript and for
21 briefs in the investigations is Tuesday, June 26. If
22 briefs contain business proprietary information, a
23 public version is due on June 27. The Commission has
24 not yet scheduled its vote on the investigations. It
25 will report its determinations to the Secretary of

1 Commerce on July 30. Commissioners' opinions will be
2 transmitted to Commerce on the same day.

3 Thank you for coming. This conference is
4 adjourned.

5 (Whereupon, at 3:47 p.m., the conference in
6 the above-entitled matter was concluded.)

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CERTIFICATION OF TRANSCRIPTION

TITLE: Certain Steel Nails
INVESTIGATION NOS.: 731-TA-1114 and 1115
HEARING DATE: June 19, 2007
LOCATION: Washington, D.C.
NATURE OF HEARING: Preliminary Conference

I hereby certify that the foregoing/attached transcript is a true, correct and complete record of the above-referenced proceeding(s) of the U.S. International Trade Commission.

DATE: June 19, 2007

SIGNED: LaShonne Robinson
Signature of the Contractor or the
Authorized Contractor's Representative
1220 L Street, N.W. - Suite 600
Washington, D.C. 20005

I hereby certify that I am not the Court Reporter and that I have proofread the above-referenced transcript of the proceeding(s) of the U.S. International Trade Commission, against the aforementioned Court Reporter's notes and recordings, for accuracy in transcription in the spelling, hyphenation, punctuation and speaker-identification, and did not make any changes of a substantive nature. The foregoing/attached transcript is a true, correct and complete transcription of the proceeding(s).

SIGNED: Carlos Gamez
Signature of Proofreader

I hereby certify that I reported the above-referenced proceeding(s) of the U.S. International Trade Commission and caused to be prepared from my tapes and notes of the proceedings a true, correct and complete verbatim recording of the proceeding(s).

SIGNED: Tammy Brodsky
Signature of Court Reporter