UNITED STATES
INTERNATIONAL TRADE COMMISSION

In the Matter of:	)	
	)	
CERTAIN WAX AND WAX/RESIN	)	Investigation No.:
THERMAL TRANSFER RIBBONS FROM	)	731-TA-1039-1041
FRANCE, JAPAN, AND KOREA	)	(Preliminary)

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Friday,
June 20, 2003

Conference Rooms 1 and 2
1724 F Street, N.W.
Washington, D.C.

The conference commenced, pursuant to Notice, at 9:32 a.m., before the Commission staff of the United States International Trade Commission, ROBERT CARPENTER, Director of Investigations, Presiding.

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I N D E X

P R O C E E D I N G S

(9:32 a.m.)

MR. CARPENTER: First of all, I apologize for the change of venue, and I hope it wasn't too much of an inconvenience for you to come here. Maybe for some of you it was actually closer. You're having a hard time hearing me? Okay. I'll stand up for this portion.

As I said, I apologize for the change of venue, but the Commission's hearing room and the other two courtrooms that we often use are occupied. There is the Steel 332 hearing that is taking place that is taking the hearing room, and then there is also the ALJ. Courtroom A is being used as overflow, and then ALJ Courtroom B is being used by one of the administrative law judges.

So we had to come here. This is a nice facility, but the main problem is that we have these microphones which pick up the sound for the court reporter, so the transcript should be okay. But they don't amplify. We've got a lot of people sitting the back of the room, and I suspect you're going to have a difficult time hearing some of the testimony. I just have to ask you to bear with us. And if you can, if you have a hard time hearing, you might want to come up front to the few seats that are available there, or stand a little bit closer.

We'll ask everyone to speak up as much as

possible. I think it's going to be difficult, and we ask you to bear with us.

With that, good morning, and welcome to the United States International Trade Commission's conference in connection with the preliminary phase of antidumping investigations Nos. 731-TA-1039-1041, concerning imports of wax and wax resin thermal transfer ribbon from France, Japan, and Korea. My name is Robert Carpenter. I'm the Commission's director of investigation. Among those present from the Commission staff are, from my far right, Diane Mazur, the supervisory investor; Chris Cassise, the investigator; on my left, Laurent deWinter, the attorney/advisor; John Benedetto, the economist; Queen Fan, the industry analyst; and Justin Jee, the auditor.

The purpose of this conference is to allow you to present your views with respect to the subject matter of the investigation in order to assist the Commission in determining whether there is a reasonable indication whether the U.S. industry is materially injured or threatened with material injury by reason of imports of the subject merchandize.

Individuals speaking in support of and in opposition to the petition will each be granted one hour to present their views. The staff will ask questions of each panel after their presentations, but no questions from

opposing parties will be permitted. At the conclusion of the statements from both sides, each side will be given 10 minutes to rebut opposing statements and make concluding remarks.

Speakers will not be sworn in. However, you are reminded of the applicability of 18 U.S.C. 1001 to false or misleading statements, and to the fact that the record of this proceeding will be subject to court review if there is an appeal. Additionally, speakers are reminded not to refer in their remarks to business proprietary information.

Finally, we ask that you state your name and affiliation for the record before beginning your presentation. Are there any questions? If not, welcome. Mr. Cunningham, please proceed.

MR. CUNNINGHAM: Thank you, Mr. Carpenter. Good morning, members of the staff. Perhaps I can begin by introducing our group. For the record, I am Dick Cunningham, Steptoe and Johnson, counsel for International Imaging Materials, Inc., which we refer to as IIMAk, the Petitioner in this proceeding. To my left is Richard Marshall, president and CEO of IIMAK, and he will be testifying today. To my right is Richard Kingdon, the vice president and general manager of IIMAK. He will also be testifying. Further to my left is John Heimback of IIMAK. He will not be testifying. However, we wanted to have him

here for questions.

As you know from our petition, this is one of those product categories that doesn't fall squarely in the normal tariff schedule categories. Therefore, getting the import data statistically together was an immense task. Mr. Heimback is now the world's foremost authority on the PIERS database and what one can do to plow through it to get data that isn't even on the face of PIERS immediately available. As I say, he will not be testifying. He will be here to answer questions on that issue if you should have them.

Going around the table then, on my far right is Tina Potuto Kimble from Steptoe and Johnson. Tina has always told me that it's a pleasure for her to return to her former home at the International Trade Commission. But, of course, today we're not returning to the International Trade Commission, but so life goes. Next to her is Shannon MacMichael. To the left of Mr. Marshall is Thomas Trendl, and Rikard Lundberg is to the far left.

I would also like to introduce Carmie Lyman, who is in the end of the third row, who is with the law firm of Davis and Lyman. For reasons that we have discussed with you, Mr. Carpenter, with the secretary's office, and with the chair of the Commission, Steptoe and Johnson has withdrawn as counsel for IIMAK and the Department of Commerce on the Korean case and will not be handling Korea-

specific issues. Mr. Lyman's firm will replace us at the Department of Commerce and will enter the appropriate appearance here.

There is some complexities about the precise nature of the entry of appearance. Mr. Lyman will not be working for us, Steptoe. He will be working for IIMAK. But we're working on that with the secretary's office and with the chairman's office, and with you, sir. So once that's done, I assume we will have the full cast of characters assembled.

With that in mind, let me give you a brief set of overview remarks. I think my voice is loud enough that nobody is going to have any difficulty hearing me. I will be talking partly extemporaneously and partly from notes and do not have a handout. Each of the other two witnesses who will testify have texts of their testimony that have been made available, and so the audience can follow them from those texts.

Those of you who have seen me in these proceedings over the years know that I have repeatedly told the Commission everything important that I know about international trade law I learned from the Rolling Stones. And in particular, I have referred over and over again to that quintessential piece of rock and roll wisdom -- you can't always get what you want, but if you try sometimes

you'll find you get what you need. Now at long last I have a case that is the exception to that rule. From a petitioner's counsel point of view, this case has everything that you would ever want. And let me tick off the salient points.

First, there is no doubt, and can be no doubt, that the domestic industry is suffering material injury. We have the data, of course, from IIMAK. You will have the data from all of the producers once the questionnaire returns are all tabulated. They will, we are confident, reflect the same trends as the data from IIMAK.

Let me run you through IIMAK's data. The briefest glance at the operating results of IIMAK, which is the largest producer in the United States, the largest domestic producer, reveals clear material injury. There are local trends in revenues, output, gross profit, operating income, employment, and capital utilization. All of this is set forth in our petition at pages 93 to 98.

You should note that this distress has occurred despite the fact that IIMAK has reduced its cost of sales and increased its productivity during the period of investigation. This injury is marketwide. It is not limited to IIMAK. Despite the fact that U.S. demand for thermal transfer ribbons rose significantly during the period of investigation, prices in the U.S. market have

plunged.

Second, the behavior of the subject imports here is a classic examples of what this Commission has found to be the basis for an affirmative determination. Import volume has risen sharply. You should see our petition at pages 44 and pages 80 to 81. The prices of subject imports substantially and consistently undercut IIMAK's prices, eventually forcing IIMAK to reduce its prices in an effort to retain sales. Again, you will find this in our petition at pages 82 to 83.

That underselling is not fair underselling. It is fueled by -- and the numbers demonstrate that it could not have been done without -- very substantial less than normal value margins. That is summarized at page 47 of our petition. And equally dramatic is the evidence of both lost sales and lost revenues. And I particularly commend that to your attention at pages 84 to 92 of the petition.

In short, this case presents an acutely injured domestic industry, and the clearest causal link between that injury and the increasing volume and sharp underselling by subject imports. As I said, it has everything that a petitioner's counsel could want in an effective presentation; and conversely, it has everything that a domestic industry never wants to see.

I would also suggest that the staff and the

Commission consider the context in which this injurious import activity has occurred. In at least two important respects, you will find that the economic conditions here closely resemble those that have been found in the recent past to give rise to injurious dumping. First, the global market for thermal transfer ribbons is characterized by substantial overcapacity in an industry with relatively high fixed costs. Such conditions have led to chronic dumping in other industries. Steel comes to mind.

This problem of excess capacity is exacerbated here by the fact that demand for fax TTR, a different product, but made by several of the foreign producers in the same or companion facilities, is declining as new technology is displacing the end use applications for fax thermal transfer ribbon. This, of course, is putting additional pressure on several of the Respondents to increase their sales of subject merchandize, and they have found the United States, the largest and most open market, as the outlet for those sales. And the record of their sales volume demonstrates that.

That's the second factor in which this case resembles another recent case in which the Commission found that the conditions of competition made dumping and injury likely. It is the termination of a licensing agreement that had previously foreclosed a foreign producer from --

actually two foreign producers -- from competing in the United States. In EPGTS from Japan, the turbo compressors case several years ago, this was found to be a likely cause, and indeed did cause in that case, and indeed has caused here, a surge of imports into the United States by the foreign producers when they were freed from the restrictions of a licensing agreement that had theretofore prevented them from selling into the United States.

Here, two of the Respondents, Armor of France and Fujicopian of Japan, have responded aggressively to the end of their licensing agreement, their three-way licensing agreement, involving IIMAK as well.

In summary, this case pretty well tells its own story, and a conclusive story it is. Frankly, there is not a whole lot of complexity here for you to analyze, apart from the import data. And you should have from the questionnaire responses data that will supplement that which we have provided you laboriously from our PIERS analysis. You and the Commission will, of course, want to be comfortable with the like-product distinctions we have drawn. But I think you will find them to be the most reasonable approaches.

There is, of course, all of the hard work we had to do with the import statistics. But I think you'll have the same conclusion that I had as I reviewed all the work

that was done on that, and that is that we have gotten to the bottom of that. And certainly whatever margin for error there might be in our work on this, it could not change the dramatically increasing trend of import volume.

Of course, you'll want to examine the results of U.S. producers other than IIMAK, which are also data we did not have in preparing this case. There, however, I am highly confident you'll find the same injurious threats that IIMAK has suffered.

So my job in providing has been an easy and a straightforward task. Let me turn you over now to Mr. Marshall.

MR. MARSHALL: Good morning, Mr. Carpenter, Mr. deWinter, Mr. Cassise, and all the staff working on the investigation. My name is Dick Marshall. I am the president and CEO of IIMAK, International Imaging, Incorporation, of Amherst, New York. I thank you for the opportunity to talk to you today. I am proud to be here representing the hardworking men and women of IIMAK, who have struggled in the recent years in the face of unfairly traded imports to produce and sell our high quality wax and wax resin ribbons in the United States.

IIMAK is by far the largest producer of wax and wax resin thermal transfer ribbons, also called TTR, in the United States. Unlike some of our competitors, IIMAK's

principal business is the production of TTR. The livelihood of hundreds of our employees depend on this business. We are dedicated to producing TTR products our customers want and working with them to ensure they get what they want, they get it when they want it, and they get it at a fair price.

To this end, in recent years, we have invested in the best and most efficient equipment to produce TTR in a highly cost effective manner. We have made these investments not only to compete today, but for many, many years in the future.

Make no mistake. IIMAK is a world-class TTR producer which can compete, and we welcome competition with the larger, highly diversified Respondent companies. We're not afraid of competition. For years, we have competed for the same sales in this market with each of the Respondents. They know our products; we know theirs.

I'd like to provide you with some background of our industry and the companies before you today. Although IIMAK holds the largest share of the U.S. market, it is one of the smallest companies to produce this product. Our future is fundamentally dependent on TTR. In contrast, most subject producers by and large are parts of multinational conglomerates that produce a wide array of products. The Respondents' TTR production is thus only a small component

of their total operations.

Perhaps a little history is in order. The problem for our U.S. TTR market began in 1997, when ITW purchased a distributer called Advent. Advent had been operating and had been largely distributing the TTR slitting and distribution business for Dai Nippon of Japan. When ITW purchased Advent, Dai Nippon lost this U.S. market access. In return, it decided to build its own U.S. TTR sales and slitting operation with an aggressive mandate to make up its lost market position.

Compounding the detrimental effect of DNP losing this customer, the U.S. market for nonsubject slit fax TTR, where DNP is by far the world's leader, made a substantial volume of its sales when it began to decline as a technology. New technology began displacing it. As a result, DNP continues to have excess Japanese manufacturing capacity, and it is determined to utilize it, for which is has sought buyers in the United States market. DNP has been turning to the U.S. barcode market and selling subject TTR at dumped prices to offset the erosion of its historic product channel in the fax business.

Soon thereafter, in 1998, there was further destabilization in our market for TTR, which exacerbated the downward price spiral. Until 1998, Armor of Europe and IIMAK in the Americas operated as exclusive licensees of

Fujicopian of Japan. Under these license agreements, the three companies offered customers in their respective regional markets a series of identical or nearly identical products. However, neither Armor nor Fujicopian could sell their production into the Americas, while IIMAK was similarly precluded by the license agreements from selling into Asia and Europe.

In 1998, the Fujicopian-Armor agreement ended, giving Armor unlimited access to the U.S. market. The Fujicopian-IIMAK agreement subsequently was modified effective January 1, 2000, such that a licensed affiliate of Fujicopian would be free to sell Fujicopian products in the United States. The immediate consequence of the expiration and modification of these agreements was that the historical geographic limitations imposed on the subject producers evaporated.

Fujicopian's traditional markets offered them very little potential, and Armor with 40 percent or so market share in Europe felt the U.S. market a major opportunity. Both entered the market with a vengeance, looking for any outlet for their subject merchandize.

In March 1999, the U.S. TTR market received a third jolt when ITW Corporation purchased part of SKC's film processing operations in South Korea. This acquisition -- and it's a vertical acquisition for ITW -- included

facilities that manufactured TTR. When combined with the domestic distribution strengths of ITW, including the now integrated Advent slitting and sales operations, ITW thermal films combined its manufacturing resources with an established customer base for the sale of TTR in the United States.

What has happened in the last several years is that the Respondents, with more than ample production capacity and shrinking of the limited home market consumption, have increasingly focused on the United States as the most open and largest consumer of TTR. They have done so in a most damaging fashion, by slashing prices, underselling, and continually bidding for business at extremely low prices.

None of these competitors have marketed their U.S. position for the certain product on any dimension other than price. I don't see this as fair competition. It is more like a concerted effort over the U.S. market -- to take over the U.S. market and put IIMAK out of business.

Given the past years of insidious U.S. pricing attacks, IIMAK's concentration in this technology of TTR, IIMAK's relative size, and the need for a U.S.-based company like IIMAK to operate with reasonable profit for its lenders and investors, IIMAK is imperiled. The effects of Respondents tactics individually and collectively is readily

apparent in our financial statements and our sales experience.

IIMAK is a privately held company. We do not publish our financial statistics. I cannot get into those details here. However, we have included all data on our questionnaire response, and let me suggest the results are unambiguous and clear: declining financial performance and significant layoffs. I do not exaggerate when I say the injury we already have suffered is far beyond material.

What is most frustrating to my company and its employees is that we are imperiled in spite of our diligent efforts to meet the competition in every dimension. We are neither antiquated nor unfit. Our product performance is at least at industry standards, and it improves with continuing investments in research and development in our Buffalo facilities. Our customer service is the industry's high water market. Our investments in plant and equipment, along with our most important factor, our employees, their willingness, ability, attitude to generate the productivity gains we expected from these investments and permitted IIMAK to compete at a cost level with the world's best -- that our very existence is challenged by the actions of the Respondents.

Before turning to my colleague, Richard Kingdon, I'd like to discuss the near future for TTR as I see it and

from today's vantage point. For the last several years, the Respondent's have led prices straight down, increased market share at the expense of IIMAK. Respondents have substantial available capacity. They have demonstrated not only a willingness to undersell, but an ability to do it over an extended period of time. There is absolutely no reason to believe they will not continue these practices.

With the United States remaining the most important and largest market for TTR, Respondents will not relent. I urge you to take a look at our financials, and particularly consider the details of the vulnerable position we are in. The real and imminent effect of Respondent's actions on IIMAK is not in doubt. Without the discipline of antidumping duties, our existence as a company and the jobs of our employees are at grave risk.

I want to thank you for your time, and I will welcome your questions as we go through this procedure.

MR. CUNNINGHAM: Before turning now to Mr. Kingdon, I would like to note the fact that Mr. Marshall is here today. In my experience, other than cases that affect alot of political potential, which this is not, we don't have a president and CEO of a company coming to a preliminary staff conference. No offense. But this case really is, as Mr. Marshall says, vital to IIMAK, and I couldn't have kept him away without at least tying him up or

whatever.

Let me turn now to Richard Kingdon, vice president and general manager of IIMAK, to talk in more detail about the market, what has happened with it, and about this product, and what it is and how it works. We have our toys now, too.

MR. KINGDON: Thank you, Dick. Good morning, Mr. Carpenter and the staff team working on this investigation. As Dick mentioned, my name is Richard Kingdon. I'm an executive vice president with IIMAK, and I'm the general manager of the black tag and label and fax business units of IIMAK. In this capacity, I'm responsible for overseeing all aspects of our wax and wax resin thermal transfer ribbon business in the Americas and in Asia. IIMAK sales and marketing personnel report to me, and I'm acutely aware of what has been happening in the TTR market in recent years.

I will cover three areas with you today. First, I'd like to tell you a little bit about TTR, how it is produced, and how it is used, the show and tell bit. Secondly, I would like to address the conditions of competition for TTR, how TTR is sold, the channels of distribution in which it is sold, and the high degree of competition between and among Respondents' imports and our own TTR. And thirdly, I will discuss as best as is possible in this public forum, the effects Respondents' actions have

had on IIMAK during this period of investigation.

I'm going to pass this around. But basically, wax and wax resin thermal transfer ribbons are very thin strips of PET film that are coated. They're coated on one side with ink, and they're coated on the other side with a back coat, which helps lubricate and protect the print head. They are run through machines, printing machines, printing devices such as barcode label printers. And the attraction of this technology is its extreme versatility.

It can be used to print on a wide variety of receivers, from paper through synthetics. The common uses for TTR are textile style hang tags, shipping labels, and manufacturing industries, where they might be labeling particular components. TTR film works through a heat transfer process whereby a data set or a digital image is programmed into a printing device, and the desired image is transferred from a TTR to the receiver medium. So the print heads heat one side of this ribbon, and the ink is transferred onto the receiver medium.

The definition and scope of the subject merchandize -- maybe I will just let you have a look at that. We have several of these. You can see that they are in different sizes, different widths, different lengths. That is driven by the different printers that they are used on. And you can see that they have different color leaders,

we call them, which really differentiate what type of ribbon it is. And if you look to the Respondent's product or our product, you would probably see some difference in packaging, which is a little bit of significance in the distribution channel. But principally, the ribbon would look identical to the naked eye.

MR. CARPENTER: Mr. Kingdon, could I ask you, is that a wax or a wax resin that you're passing around?

MR. KINGDON: I believe that is a wax ribbon.

MR. CUNNINGHAM: And the second one?

MR. KINGDON: That is a -- I think --

MR. MARSHALL: That's wax resin.

MR. KINGDON: That's wax resin.

MR. CUNNINGHAM: Wax resin.

MR. KINGDON: The definition and scope of the subject merchandize in our June 2 and June 19th submissions may appear somewhat technical, and I'd like to explain it in more basic terms. The action in the petition covers the standard commonly used TTR, and that is black -- it is wax and wax resin in chemical formulation. We ask that it be covered in unslit and slit form. It is coated typically in widths of about a meter, and it is then slit down into these narrower ribbons and shorter lengths. The jumbo rolls are perhaps 20,000 meters long.

Our petition covers jumbo fax TTR, but not slit

fax TTR. And I will come back and explain that a little bit more in the future. It does not cover color TTR. It does not cover pure resin TTR. And as I mentioned before, it does not cover slit fax TTR. These are fundamentally different products, often sold to different customers. They have difference uses and different channels of distribution.

In terms of the manufacturing process, there are four major process steps: ink-making, printing, slitting, and packaging. The first two of these processes are the most important and represent really the brains of the production. Ink-making and coating are sophisticated, carefully controlled proprietary operations. It is the ink-making and the coating which impart the core science and technology and the intrinsic value of the TTR.

We go into a great deal of detail on the manufacturing process in our petition, and I'm happy to discuss it further with you if you would like. But for now, I will just explain the basics. First let me address ink-making.

The process equipment used to make inks is comprised of two heated tanks and either a nitrator or a small media mill. Ingredients such as waxes, resins, and other materials are either melted or dissolved and then blended together in the heated tanks. The mixture, along with the pigments, is then milled in the nitrator or small

media mill to de-agglomerate the pigments. We want to try and achieve a defined particle size and then uniformly disperse these pigments throughout the mixture.

Temperature, mixing speed, flow rates, and other critical process parameters are maintained through a central computer control system. The formulations of these inks are proprietary to IIMAK, as is DNP's formulations proprietary to DNP.

In terms of coating, today we are using sophisticated multistation coating machines that coast master jumbo rolls. The raw material DT film is unwound before progressing through individual stations as each coating is applied. After the coating is completed, the ribbon is rewound onto a jumbo roll, producing a finished TTR master roll.

A number of coating technologies are used, including direct gravure, offset gravure, flow tube, mayer rod, and other techniques. Each process employs the science of fluid dynamics to properly deliver and apply extremely thin and uniform coatings to the base film. The process design of solution pumping, delivery systems, cellular pattern of gravure cylinders, the roller configuration, the film conveyance, and many other elements are critical to producing a quality, usable TTR product.

In the case of solvent inks, the film is conveyed

through heated ovens immediately after the ink is applied to the film. These ovens remove the solvents by drying the TTR and provide a controlled curing of the inks. The solvent laden air is transferred to film oxidizers for proper environmental conditioning. Hot melt inks are coated in a hot liquid state and then solidified as the film runs over larger diameter chilling rollers.

There are many process conditions that must be accurately controlled during coating, including ink and roller temperatures, air volume, flowing temperature, film tension, solution delivery blend and flow rate, static controls, and machine speed. A sophisticated computer control system is used to manage the process. Special safety and environmental controls are required due to the hazardous chemicals involved, and also to ensure proper consistency.

After drying, the resulting product, one large thermal transfer ribbon, is wound onto the jumbo roll. At this stage, the jumbo ribbon contains all the unique and technology-advanced characteristics of the finished TTR. Coating marks the end of the actual manufacturing process. The remaining slitting and packaging steps are merely finishing operations to cut and prepare the smaller ribbons for use in different printer configurations.

Let me turn to slitting. Slitting TTR is a

comparatively simple process. There are three sections to the slitting process: an unwind station, a splice table, and a rewind station. During the slitting process, master jumbo rolls are placed on the unwind station. Material is unwound and moved to the next stage, where the process is temporarily interrupted to splice in the leader, as you see, and the trailer coil. The material is then passed through a razor blade bar, where it is slit to appropriate ribbon width.

At the rewind stage, material is wound onto cardboard or plastic cores. There are no special environmental controls required for this process. The slitting process can be a simple manual process or contain various degrees of still fairly simplistic automation, depending upon the product mix and mix configuration.

As you know, several of the foreign producers' U.S. subsidiaries, such as DNP, ITW Thermal Films, and Armor, import TTR jumbo rolls for subsequent slitting in the United States. These foreign producers' U.S. slitting operations fall far short of making them part of the domestic industry producing TTR. Sony and Dynic are in a somewhat different position. While they import jumbo rolls and slit them in the United States, they actually also manufacture here, performing the ink-making and coating process I described earlier on a subset of their total

sales.

The final step in preparation for sale is packaging. And in the packaging stage, at IIMAK at least, the finished ribbons are placed in heat-sealed bags or plastic wraps. Labels are placed on these ribbon. The bags are individually marked with more detailed product and customer information.

I'd like to turn to the second topic now and talk about the conditions of competition for TTR. There is undeniably a high degree of competition between and among imports and domestically produced TTR. Wax and wax resin TTR are highly fungible products and interchangeable with other wax and wax resin products from whatever source, France, Japan, South Korea, the United States.

While there are different grades of TTR, within a given grade products from all of the Respondents compete against each other and IIMAK for the same sales in the United States. Though any sales or marketing person dislikes the term, this is a commodity product in which the various suppliers' products are interchangeable with other suppliers' products.

In fact, each of our competitors has a cross-reference guide which compares all of IIMAK's products to their own products, and in turn to the products of the competition. Customers will always check prices from

multiple sources, and we almost always find that one or more Respondents are making a pitch for the same business that we are.

In terms of channels of distribution, imported and domestic TTR move through the same channels. Respondents and IIMAK typically sell TTR product through sales representatives that target OEMs, converters, people who slit, and distributors. Most TTR reaches the end users via a distributor. A substantially smaller volume reach the end users through an OEM or a converter. With essentially one exception, the volume of TTR sold directly to the end users by producers is minimal.

Let me step through each of the channels. For OEMs, they typically buy finished TTR to install in OEM-branded equipment or to sell as an OEM replacement consumable. In my experience, OEMs often package the TTR for retail sale, but rarely if ever change the physical appearance of the ribbons themselves. OEMs also buy TTR for their printing hardware prepackaged by the TTR producer for direct sale to the end users. OEMs subsequently sell their products to distributors or directly to the end user.

Converters, on the other hand, buy TTR in jumbo rolls for subsequent slitting and processing according to their customer specifications. Converters cannot and do not produce TTR. They only slit and package it. Converters

also often purchase a supplementary supply of generic slit ribbon. Converters sell the finished product either to distributors or directly to the end users.

There is inherent conflict between the converters and distributors because often they are competing for the same end users. Therefore, the converter/distributor relationship tends to be somewhat unstable. Distributors are pure resellers. They buy TTR; they buy it slit and prepackaged from the distributor or converter for subsequent sale -- pardon me, from the producer or the converter for subsequent sale to smaller distributors or directly to the end user.

The ultimate end users of barcode TTR are customers that use the ribbons to print barcode labels and tags for the businesses -- manufacturers, service providers, retailers.

I'll walk through the TTR sales process. The product is sold on the basis of ribbon area, and it is expressed in dollars per thousand square inches, which we call msi, and prices are quoted in cents per msi. In the past, prior to the period of investigation, there was substantial variations in prices across different customer groups driven by their volumes of purchase and the levels of service that they received.

In recent years, the fierce competition in the

market has equalized prices. Customers now expect to pay the same or a very similar price regardless of the volumes they purchase. Customers also expect to receive the same level of service regardless of the volumes they purchase, and without any expectation of loyalty in return.

Most sales are spot sales, particularly to resellers, with standard purchase terms and against an agreed price. In only very rare situations is there a formal sales contract for a specific time period or commitment. In this competitive market, the TTR buyers essentially purchase comparable TTR products at will from a series of suppliers, and therefore they have learned that it is not to their advantage to commit to long-term contracts where they might be forced to pay a fixed price.

TTR is a highly fungible product so price is invariably the most important factor in the purchase decision. With basically every supplier offering comparable products, what IIMAK has often been faced with is the customer who, for example, previously bought from us at 10 or 11 cents. They call up, and they have often demonstration with documentation XYZ just offered me 9-1/2 cents. Lower your price or we're going to buy from them.

In connection with the sale, TTR producers also offer a number of different types of services to customers. In the past, this was a way for the TTR producers to induce

the buyers to remain loyal. In today's competitive market, the customers still expect to receive these services, but without any expected loyalty towards the TTR producer.

One such service is private labeling, where the TTR producer slits and packages the TTR and then in IIMAK's case puts on the customer's name and perhaps their part number and some reorder instruction on the packaging or even on the leader. Another service is drop-ship delivery, where the TTR producer will deliver the product directly to the end user, the ultimate end user, by order, and in the name of the TTR producer's customer.

So in our distribution center, we label this, we send it out, and it looks as though it has been sent from the distributor. But in fact, it came directly from Amherst, New York. Drop-ship delivery is frequently combined with private labeling.

Consignment sales have grown more common as the market has grown more competitive. Large customers like OEMs have the purchasing leverage to make the TTR producer ship a defined volume of TTR to the customer's facility for storage, and the TTR producer's sale is made when the customer takes the TTR out of its own inventory located at the customer's facility. Today, even smaller volume customers may demand consignment sales.

Let me move to part three, how Respondents'

actions affected IIMAK. The impact of Respondents' action on IIMAK is vividly demonstrated by examination of several key points; one, the import volume trends in the market share data; two, the prices and the evidence among the selling; and three, IIMAK's financial production and related information.

Let me talk about import volume trends and market share data. As we discussed in detail in our petition, the traditional source for import data, the ITC's Trade DataWeb and official Customs statistics, unfortunately were not of any use due to a number of significant problems with inconsistent and differing tariff classifications and the presence of other non-TTR products within the various tariff headings, which appear to include TTR.

As you have been made aware, IIMAK undertook an extensive examination of PIERS data in order to ascertain the import levels over the POI. We also corroborated this with our own internal analysis based on our market knowledge. We strongly believe we have understood the import levels for the Respondent countries. We could not track shipments that came through Canada and Mexico, and in many instances we could not be reasonably sure of what product was imported due to missing data on the PIERS database.

In those cases, we did not include those data.

Nevertheless, even the conservative approach we took indicates that imports have risen dramatically over the POI. As Dick as said, Mr. John Heimback, who was deeply involved in our reworking of the import data, is here today to answer any questions that you might have.

At the same time, IIMAK acknowledges that the consumption of TTR in the United States also has risen, but not nearly at the pace with which imports have increased. This is why IIMAK's market share and our total sales have decreased during this period. There are no other significant sources of TTR in the U.S. market, so it is quite clear who took what from whom.

I trust that you have received the questionnaire data from the Respondents, and assuming the data was recorded correctly and consistently, these facts should be borne out.

With respect to prices and underselling, in our petition we provided price trend data. And again, we hope that your questionnaires will produce usable data. One thing is abundantly clear, however, which is that prices over the POI have consistently and sharply declined. As IIMAK sales volume declined and we lost sales during this period, Respondent sales increased and their market share increased. It is inescapable that Respondents were the downward price leaders.

We have provided in our petition several instances where we were forced to lower our prices to meet the Respondents' prices. We can document these instances should any of them be denied. That the value of the overall market did not increase commensurate with the volume of the market is telling evidence of the effects of downward price pressure.

The decline in prices was not driven by a single company, but by various companies at different times with different customers. We have done our best to keep what sales we could, and in fact we were able to keep a number of accounts. But we paid a heavy toll in the form of significantly reduced revenue. In some instances, however, the Respondents simply bid us to such an extent that we could not reasonably compete, and we lost the sale. This occurred on large and small sales and with each type of customer.

Despite the highly cost-efficient manufacturing equipment that Dick Marshall discussed with you, we have faced bids below IIMAK's full cost of production. I submit that this is not a fair trade environment.

To my mind, the argument for IIMAK's claim of injury is perfectly summarized by the data on pages 16 and 18 of the questionnaire response. These two pages cover the two primary channels for barcode TTR in the U.S. market.

Faced with such unfair competition as IIMAK has witnessed, a manufacturer has a Hobson's choice: cut prices and retain volume or lower volume and retain prices. You will note that IIMAK tried to do both. Either way, there has been unequivocal injury.

With respect to the financial and production impact on IIMAK of this behavior, as Dick Marshall mentioned, our financial and production data are not public, so I cannot give you specific figures here. But they are all set forth in our questionnaire response. On a general level, however, I can tell you that the financial circumstances of our company with respect to the subject merchandize declined significantly over the POI. As show in the public version of our petition, the trend lines for the items the Commission normally examines, sales, gross profit, operating income, et cetera, unfortunately go from the top left-hand corner to the lower right-hand corner, with some indicators ending up in the red.

As you might imagine, the loss of sales and revenue also had a direct and devastating impact on our production-related data. It would have been unwise, to say the least, to produce at a normal level of production, assuming steadily, or more properly, moderately growing sales. Thus, despite growing demand in the United States, we were forced to scale back production.

Despite our efforts and our strong desire to keep every employee, we simply could not do so and ultimately were forced to lay off many workers. This is particular painful to us, as the Buffalo-Amherst area is an area where good jobs are not easy to come by, and we know the impact this has had on the families of our employees.

I would thank you for your time. I imagine that you might have some questions, and we'll do our best to answer them. Thank you.

MR. CUNNINGHAM: Let me make one observation before we conclude our presentation. And I might add a nice thing about simple, straightforward cases, you don't even have to use up all your time.

In a lot of cases, it is argued that the increasing volume and lost sales are not attributable to price; their attributable to quality differences. You'll find none of that here. And the willingness of customers to shift back and forth between manufacturers is testimony to that. You'll also find evidence that there is substantial underselling. And, of course, substantial underselling is always a very persuasive rebuttal to the argument that, hey, our respondents' product is higher quality and the domestic customers buy from us for quality reasons because if that's so, why price at lower prices.

As I said, as I have sat back and thought about

what on earth is going to be the defense argument in this case, it's really hard for me to see. The case is very straightforward. It's not dependent on a lot of -- we're not here with lagged price effects or any of the sophisticated stuff you've seen in certain other cases. And this is all very straightforward stuff.

So that concludes our presentation. We'd be happy to answer any questions that you have.

MR. CARPENTER: Okay. Thank you very much for your testimony. We'll begin the staff questions with Mr. Cassise.

MR. CASSISE: I'd first like to welcome everyone here this morning. Mr. Kingdon, Mr. Marshall, Mr. Cunningham, thanks for our testimony. I'd just like to start by saying that I'll probably just throw questions out, and whoever feels the most qualified to answer them, feel free to jump in, but first identify yourself for the court reporter. And anything you're unable to answer at this conference, a submission in your post-conference brief would be most helpful.

I'd like to first start with just some product questions. Mr. Kingdon had mentioned that he feels this is a commodity product. And I can understand it being a commodity product when it it's in jumbo roll form. However, I'd like a little bit more information on -- once it's slit,

it seems to me it's much less of a commodity product. How many different specifications, how many different widths, how many different printer types exist out there that you have to deal with, and is there product interchangeability?

It seems to me that once somebody orders something to be slit, you're going to purchase that. They're not going to product switch at that point. Even though it's on a spot basis, there has to be some sort of contractual agreement.

Anyway, like I said, anyone can jump in if you have any --

MR. KINGDON: Richard Kingdon. Let me try and answer that. Perhaps I could suggest that you think of fungibility in a couple of dimensions. We slit product to fit on the -- for the certain merchandize, for the certain TTR, on the printer machines, the barcode printers essentially, of a variety of different printer manufacturers. And they have designed their machines to work on different widths and with different lengths of ribbon.

In fact, I think those two ribbons fit on the same -- different printers manufactured by the same printer manufacturer. So that defines how the products are different once they're slit. And indeed, there is no fungibility in the configuration of the slit product once it

is slit across machines. But we are talking about fungibility across producers, be they offshore or domestic. And here we would say that there is fungibility in a wax or wax resin ink between DNP and IIMAK and ITW. And so the end customer has bought a printing machine, a Zebra printing machine, and they use ribbons that are 440 meters long and 110 millimeter wide.

There are probably 80 or 100 SKU that cover 80 percent of the sales of this certain merchandize, okay?

MR. CASSISE: Well, is there 80 to 100 different widths and lengths?

MR. KINGDON: Width and length and different cores inside because some of the machines take different cores.

MR. CASSISE: So the printer industry doesn't have kind of an industry standard.

MR. KINGDON: Doesn't have an industry standard.

MR. CASSISE: Okay.

MR. KINGDON: But once they've bought that printer, they are -- and they decide that they want a wax or a wax resin ink, they would be essentially indifferent to an ink provided by IIMAK or an ink provide by one of the Respondents because while the chemistry might be slightly different, the application of those products is the same, the performance. And if you were to pick out a marketing chart from any of the players in this market, you would see

laid out at the top wax, wax resin, resin. And across the horizontal, it would say, here is our product, and here is the other guy's product. And these are interchangeable. You could use the DNP product here. You could use the IIMAK product here. You could use the ITW product. Here is a quick reference sheet, Mr. Reseller, Mr. End Customer perhaps, that you can understand the substitutability of these products. And everybody represents their product the same.

As you go down, that becomes less clear. In the resin sector, which is why we've excluded it from this petition, there is less interchangeability because these are custom products that have a particular chemistry that deals with skin oil or great -- or resistance to great fluid or resistance to great heat. And so they are not fungible, and therefore they are not in the petition.

MR. CUNNINGHAM: I guess I'd like not to get hung up on the idea of the word "commodity." Let's try and put it this way. Any customer will be purchasing for use in a specific machine. In the competition for that sale, we're in what is in essence a commodity type competition because he is going to buy the same interchangeable characteristics from whatever manufacturer he buys because it will be determined by the characteristics of the machine on which he is going to be using the material.

So that's why this is a straight price competition industry. That's why it is in essence a commodity-type competition, even though you're right to say in a sense that viewed as the total universe, it's not a single commodity. That's quite true. But in any transaction, it is a commodity competition type of transaction, or at least a fully fungible -- 99.2 percent fungible or something like that -- product. So there are no significant differences among the competitors other than price differences.

Would that be a fair summary?

MR. KINGDON: I think that would be a fair summary. You might get some quirky situation where a particular ribbon and a particular receiver is a perfect match. But that is an handful of percentage. In most cases, the machines have some very simply adjustments for heat, and you can drop in one product versus the other. The industry talks about drop-in replacement bags.

MR. CASSISE: Would it probably be fair to say then that out of these 80 to 100 SKU or different dimensions, all the producers in the industry, with very little cost and very little time, can switch among these 80 to 100 SKUs and slit anything -- any product that you can do.

MR. MARSHALL: That is correct.

MR. KINGDON: That is correct.

MR. MARSHALL: That is correct. I would say most of --

MR. CUNNINGHAM: That's Mr. Marshall speaking now.

MR. MARSHALL: I'm sorry. Most of us have become quite adept at slitting for our order. You might do some high volume SKU to a midmax type of plan with some inventory. But we are able to convert to a specific configuration and basically hold back the jumbo, giving the upmost to customer service flexibility. And most of us have the capability of doing that.

I think a clarification also -- if you think about it from who the customer of the producers usually is, it is in most cases, the vast majority of cases, a reseller of ribbons, whether it be an OEM or a distributor. And in that case, that reseller has the commodity choice to buy a Zebra-configured ribbon from any of the producers that works in a wax type of property or a wax resin type property. So that's where it still remains a commodity because they're really buying for an end use customer, and they still have the choice and that flexibility from all of the producing companies.

MR. CUNNINGHAM: When --

MR. KINGDON: Sorry. One additional comment is that OEMs, because they have such high volumes, typically can request a custom leader that might have their name on

it, like Intermak or Zebra. And when you're thinking about it as an end user, you see that thing, and you think, oh, well, it's that pink stuff, or, oh, it's Zebra, okay? And well, it must be the same.

It is interesting over the last two or three years that one of the largest OEMs has systematically dual and triple sourced product within one product line. So they sell it to the customers as product line XYZ. This is the product. And they have moved the source of that product from IIMAK to somebody else to somebody else. So there might be two or three suppliers, and because it has the Zebra logo leader on it, the end use customer is not aware that the chemistry of the ink is different

MR. CASSISE: So all of the producers are doing these brand loyalty methods that you mentioned in your testimony.

MR. MARSHALL: Most of them.

MR. CASSISE: All the logo leaders and --

MR. MARSHALL: Most of them have the capability and willingness to do it.

MR. KINGDON: With the right volume of business. It has a higher cost.

MR. CASSISE: Now one other question. You mentioned in the petition, and I think you've mentioned here, there exists these proprietary specifications. Now

what exactly is proprietary about these specifications? Is it the chemical composition, the manufacturing process? Are they covered by patents? Have you licensed them off to other producers? How does that work?

MR. MARSHALL: Dick Marshall responding. The proprietary is first -- and certainly is in the ink formulation itself. There are some ink formulations patented. I would say generally the trade doesn't do that. Patenting an ink formulation is akin to teaching somebody what the composition of matter is, and it makes it too easy to work around a patent. So most of us don't do that. And so that's probably our most treasured proprietary art.

How an ink is formulated can change how an ink behaves. So the ink-making process is also proprietary. It can actually change the physical property and printing characteristics of the ink, as would coating. So all of the specifications of coating that Richard Kingdon mentioned earlier on temperatures, air flow, drying times, speed of coating, tensions -- all can induce change to the performance of the ink.

So I'm sure all of us in the process of commercializing a given formulation don't consider that process done until we have been able to replicate the manufacturing through ink and the manufacturing through coating, delivering the same result in printing. So all of

that is considered, I think, by all of us proprietary art relative to what we do.

MR. CUNNINGHAM: In a sale to a customer, to what extent does one manufacturer's different proprietary process or chemistry affect the price competition between the two manufacturers?

MR. MARSHALL: It virtually is indistinguishable by a customer. We all strive to get a certain performance characteristic. We may all get that in very different ways. But the end result is what the customer sees in the image. And the durability of the image and the substrates upon which that ink will print is what we're driving for with formulation. We may all get there a different way, but that doesn't matter to the end use customer as long as the printing appears to be the same.

MR. CASSISE: And would there be any distinguishable -- I know Mr. Cunningham mentioned this earlier -- any distinguishable quality issues between your proprietary formulation and, say, another producer's, distinguishable by end users or maybe an advance in the quality that you would market to the end users? Would that occur?

MR. MARSHALL: Dick Marshall again. There are certain things that you can do to differentiate a little bit. Most of it is controllable at the printer level.

There are variables put into most printers that allow you to change temperature settings and print speeds and that sort of thing which will accommodate those variations. Some might espouse a lower temperature printing, so extended printer life. But as far as the variability and the ability of the end user to switch from one customer -- from one producer to another, there is very little that would differentiate that in the certain product that is being petitioned here.

That is substantially different than the resin product. And I'll get into that if you care to.

MR. CUNNINGHAM: And remember what Mr. Kingdon said about a customer who had a branded product that it sells to the public, that they'll ask the manufacturers to put its brand, as it were, right on the TTR. And yet that customer uses several suppliers, switching from one to the other, to make that same branded product that it sells interchangeably to the public.

MR. CASSISE: I mean, you don't have product lines where customers would pay a price premium for a quality upgrade in ink.

MR. MARSHALL: Yes, we do. I would say that's why the resin products are so different.

MR. CASSISE: Aside from the resin products, just the products in this scope of this investigation.

MR. MARSHALL: In the certain products, there is little dimension. Certainly we all try to hallmark ourselves as being a little better here or a little better there. But relative to the end use customer, most of the products are hardly distinguishable to somebody who is engaged in printing barcode tags and labels.

MR. CASSISE: Okay. Actually, that brings --

MR. KINGDON: Can I just add one thing to that, that there is -- within the subject merchandize, there is a continuum. So there are wax products and there are wax resin products. And they do have slightly different performance characteristics in terms of durability, in terms of robustness of printing on different receivers, perhaps on the speed of that printing, that we've concluded it's impossible to draw a bright line. They mix into each other.

We have a wax product one of our resellers sells as a wax resin product. Is it a wax resin product? We don't think it is. We call it a wax product. They sell it as a wax resin product. So that gets very foggy. But within certain trenches of the continuum, IIMAK and ITW will have a wax product, and DNP will have a wax product. They might have a couple of products in that sector. They might have one interchangeable.

You move further along the continuum, there is wax resin, a slightly different application, a bit more up-

market. But again, the products are interchangeable.

MR. CUNNINGHAM: And within any transaction within one of those trenches, the competition is within that trench?

MR. KINGDON: Yes.

MR. MARSHALL: Excuse me. This is Dick Marshall again. And for the most part, the sophistication of the printer itself has built into it the ability to accommodate any of the differences that remain. So it is allows for, in the certain product, readily substituted products from one to another to another.

MR. CASSISE: Okay. This is actually an issue that I was going to ask next. In the petition you lay out the differences between wax and wax resin, some of the differences that Mr. Kingdon mentioned. Later on in the petition, you argue that these differences have blurred. That's because of the science? That's because of the formulations? Or is it because of a price convergence where people are willing to just pay for the higher -- or the premium that used to exist on wax resin no longer exists? Is that the blurring process that is going on in the difference between these two products?

MR. CUNNINGHAM: This is for Richard Kingdon.

MR. KINGDON: Richard Kingdon. I would say that if you look at the constituent elements, wax is cheap. So

from a manufacturing perspective, if you have sophisticated chemistry that uses more wax, okay, then that gives a more cost competitive product. So that's really where the technical art has been honed. So the increase sophistication of wax products has allowed them to blur this line and to encroach into sectors that perhaps once were serviced by a wax resin product.

MR. CASSISE: So it's the advancement of wax science, as it were.

MR. MARSHALL: Yes. This is Dick Marshall. I would say that there is -- as with any industry, there is a continuum of performance improvements. I have been in the industry about 12 years now, and the printing speeds on average when I joined the company were about two to four inches per second in printing, and today it's routinely 8 to 10, sometimes 12, in the tag and label industry.

All of us have had to evolve formulations that allow printing to happen at those speeds. The amount of media material that is used for printing for label material itself has evolved. We have gone from rough stocks to coated stocks to synthetic stocks. And so it has required the chemistry to move with it to provide the ability to print a wider latitude of receiver materials as the adoption of barcode continued to evolve.

So I would say there has definitely been a

movement. It's an evolution of product performance over time. And I think it would be fair to say that where it might have been a little bit more discrete between wax and wax resin five, six, seven, eight years ago, it's less discrete today.

MR. CASSISE: Actually, I would like to take this time for either Mr. Kingdon or Mr. Marshall to explain to staff the differences of products that you specifically excluded from the scope, mainly, the color TTR, the resin TTR. You mentioned that a little already, and of course, the slitted fax. Just anything we haven't heard before, just an opportunity to discuss that a little bit.

MR. KINGDON: Richard Kingdon. Let me start and fill in the spaces. We talked of wax resin, the continuum of that. I alluded a little bit to resin, which probably 5 percent of the market, through very, very specific application, labeling and engine block, putting a label on a chiller compressor in a water fountain or something. So they have to be really flexible and last for a long time versus, say, just a shipping label, which basically has a one-shot life.

And so producers have developed individual formulations to address specific market use. And in our view, the products are not comparable across the different producers. There is some overlap but they're not always

comparable. And there's a consequence for that, the prices for those products are quite different.

MR. CASSISE: And those differences would be solely in the chemical composition, but the rest of the manufacturing process would be identical to TTR. Well, meaning, you'd use the same coating equipment. You'd use the same slitting equipment.

MR. MARSHALL: This is Dick Marshall. Yes, the answer is generally yes. The one clarification I would put in there is that there is a difference in a lot of the producers wax coating capability. Pure wax coating capability where they use a hot melt technology to do that. I am not aware of any pure resin product that can be formulated with hot melt. It's formulated with solvents. So if there was a producer who only had hot wax capability and no solvent capability, they could not produce a resin ribbon.

But otherwise, as long as they have solvent ink manufacturing and solvent coating technologies, they would be able to coat and make the ink and the slitting is simply the same.

MR. CASSISE: And IIMAK has both of those manufacturing processes?

MR. KINGDON: Right, but we couldn't make resin on every machine.

MR. CASSISE: Right.

MR. KINGDON: If I could just go back, you said the differences, the chemical composition, that is probably correct deep down, but again, the way the customer sees it is, does it work on my application. So it's really an application, specifically.

If I were to move -- we also excluded the color product. Color product is in the core barcode business is a very small, minority special minor specialty type of product where people would print labels or tags in multi-colors.

MR. CASSISE: Why would an end user want to print barcodes in color?

MR. KINGDON: Maybe they would set up their distribution warehouse where people would pick -- you know, they'd organize product picking by color. So many pick the blue ones, you know, only pick the green ones. But it's more expensive. There is only a subset of competitors who participate in that sector. And for us, the market dynamics are different. The real application for color is actually color resin product, and that goes through a totally different channel, the signage business, and it's completely different. The differentiation I've drawn is it might go through the same distribution channel, but it is a subset of the total market prices.

MR. MARSHALL: This is Dick Marshall. One

additional differentiation here. In very few circumstances will a customer use other than black to actually make the barcode. Important in the barcode is very specific and definite definition between a line and a space, so that it can be scanned accurately and without misses in the scanning.

There are some occasions where customers will print with the color other than black in the bar code, but very rarely. The application of color in the tag and label business is usually is the second color, black and a blue, black and a red. So maybe a differentiation, for example, one retailer uses some color for sizing differentiation, okay? But they don't print the barcode in anything other than black. So they might use a two-station printer to print the black, then print the red and use it that way. It's a very, very small part of the tag and label industry.

In the resin applications that Richard Kingdon has referred to, it is not the tag and label industry. It's different channels of distribution completely. As an example, an application that TTR has been adopted fairly largely is making license plates. So it's way outside the channel that we're talking about.

MR. KINGDON: You asked for one other area and that was fax.

MR. CASSISE: Before we go onto the slitted fax,

the manufacturing process in the color TTR, again, would that be the same equipment, the same manufacturing process?

MR. MARSHALL: Dick Marshall answering. Yes, for the most part. If you're doing just spot color for tag and label, it's virtually identical. You don't worry much more about the composition of the ink than you would about the black.

If, however, you were going into more sophisticated color imaging, I would say the ink-making process gets more controlled because particle size becomes more critical in getting the right color, the right color gamut. And so, there might be a nuance difference in the ink-manufacturing side of it, from a technical control and from an increasing importance of some of the parameters of making the ink.

Relative to coating, for the most part, no. The coders are interchangeable. If you have a wax color ink, you would use a wax coder. If you have a solvent color, you'd use a solvent coder. And that's similar and slitting's identical.

MR. CASSISE: Okay, thank you, Mr. Marshall. I'm sorry, Mr. Kingdon, let's get into slitter fax.

MR. KINGDON: Richard Kingdon, again. Let me talk about fax. Here fax is a little more parallel, I think, to the point you were making earlier in terms of the difference

of the distribution channel of the machine. At the jumbo level, for many producers, including some of the respondents, the product for a wax in a barcode formulation is very similar. They're not quite identical, but there are minor variances of barcode formulations that are used on fax machines and that is the same for IIMAK.

However, when you drop down from the jumbo level to the slit fax product, it is quite different. The slit fax product is slit in a different size. It is slit on a small coil, not a one-inch coil, but a half-inch coil. There are very few barcode ribbons that are slit on a half-inch coil. The slitting invariably involves some sort of cassetting for the adding of specific spools or spindles that bolt on, that drop into the plain paper TTR fax machine.

In some cases there are -- and there's great sensitive to the environment, depending upon the formulations. That they have to be in a bigger environment. They're certainly pack it differently. And then, in terms of a distribution channel, those products today are primarily distributed through the large, retail stores -- the Staples, the Office Depot, the Office Max. That's where the lion's share of that product is distributed.

Hence, the petition said at the jumbo level, we believe the product is the same. But as you march down to

the finish group level, it is quite different, and therefore, was not included in the finished groups.

MR. CASSISE: So there is some difference in that chemical composition, however, between the fax TTR and something you would barcode with?

MR. MARSHALL: Dick Marshall. Let me try this because I think it's the easiest way to answer it. A wax jumbo that is a good wax for printing on plain paper fax is very able to be slit into a barcode ribbon configuration and print well on a regular, uncoated tag. I would guess that there is very little formulation differences, and you would be able to do that.

I would say there maybe some differences. For example, one of the respondents is the world's leader in producing the fax ribbons. They probably control, through selling to OEMs, 80 percent of the world's market in doing that. And I'm sure their development of that ink has been refined specifically for optimizing performances on the fax machines. Could it be used on an uncoated tag, most likely, yes.

MR. CASSISE: But you would be marketing it as a fax TTR jumbo roll. You wouldn't just say this is wax jumbo, do with it as you will. You would market it as a fax jumbo roll TTR.

MR. KINGDON: I don't think many people just sell

fax jumbo rolls. There is some of that done in Asia. There is very, very little of that done here in the United States. They come in configured for the OEMs specific to set at packaging. It's a retention method that the designer of the fax machine uses to keep his after market in the ribbons. He will patent, in many cases, those cassettes so that he has a better likelihood of retaining them. His formula for success is to get the printers out there so he can sell ribbons as an annuity, if you will. So there's a lot more design involved in the packaging of it to enable the OEM of the fax machines to retain the after market.

MR. CASSISE: You don't sell jumbo fax TTR to, say, a third party distributor who then slits it and then sells it?

MR. KINGDON: In the United States, no.

MR. CASSISE: Actually, that brings up another question, which is, I know the fax TTR is cassetted and there's a lot of after fabrications done to that. Are there any other products that you cassette for customers or do any other after slitting process is done? If you do, could you give me some examples.

MR. MARSHALL: Dick Marshall. There is one specific OEM in the barcode industry that has used cassettes as a way of differentiating their product and they tend to design their cassettes and patent them and try to retain

their after market by doing that. Most of the utilization of tag and label printers don't use cassettes. They basically come in that form. There are some examples where OEMs have done that. In small format printers that might a point-of-sale kind of printer there might be a cassette used just to facilitate the use of getting the ribbon in and out of the printer. But the vast majority in the product in the certain product we're talking about is sold just like that.

MR. CASSISE: But does IIMAK itself do the cassette?

MR. KINGDON: Richard Kingdon. In addressing that specifically, no. In the few instances where those cassettes are used, we still supply rolls like that. And the OEM cassettes or subcontracts the cassetting operation.

MR. CASSISE: Could you give me a ball park figure on maybe how many of those OEM cassette your product?

MR. KINGDON: On a number of OEMs, I would say, off the top of my head, two. One of them is a much older product line, and the market is really gone for rolls. So that is dying down. And then, the other one I'm thinking of has, as Dick said, they're small printers and therefore, it's a very small volume operation and they're able to control the after market by using the cassettes because the printer is so unique and the customer will accept the bundling of their supplies with the printer. If it were a

standard tabletop printer, then the customers would buy a different printer.

MR. CASSISE: Okay.

MR. CUNNINGHAM: Before we go to another issue, I trust it is not escape the attention of the staff that we have sought to emphasize the fungibility aspect of this case by the fact that all three of our speaking witnesses are Richards.

MR. CASSISE: Well, the reason I bring up the cassetting, Mr. Cunningham, is this whole substantial transformation and whether or not the slitter convertors will be place in the U.S. industry.

MR. CUNNINGHAM: It seems to me that there's one fundamental point that just so clearly makes it inappropriate to put the slitter convertors in the same industry with the producers of the TTRs. And that is, their interest in regard to the issue we're talking about here is absolutely contrary. Their interest is in getting the jumbo roll at the lowest possible price. Whereas, the manufacturer's interest is in maximizing profits on sale to jumbo rolls.

And you really will get, if you look at profitability issues, for example, well, of course, as price falls, depressed by dumping, you're going to see greater profits, better results for the slitters and worse results

for the manufacturers. Those diametrically contrasting trends means that you will have apples and oranges together in your amalgamation of figures. So you do have to consider those statistically separate.

MR. CASSISE: I understand the interest argument, but just from a value added, what's actually added by the slitters in numbers?

MR. CUNNINGHAM: Well, I think that's also a strong argument in favor of it. You were talking about the degree of value added by the slitter.

MR. MARSHALL: Dick Marshall. I'd like to respond to this and do it in the strongest of terms that I can. The technical part of producing TTR has been mastered by a relative few worldwide. The ability to slit could be done tomorrow with somebody that doesn't know anything about. Just a fundamental science and chemistry's processed technology, fiscal capital investment, environmental concerns of an ink manufacturer coater capable of competing in all of the certain products that we're petitioning is a unique and very difficult skill set to develop. To consider somebody who can take that art and slice and dice it and sell it into a market and that same manufacturing pool, I think, is grossly unequitable.

If you look at it from a capital investment point of view, the fiscal capital investment on the front end

requires a facility especially built to handle the very expensive coating equipment that's installed. It has to be designed in such a way that you anchor the machines so that there's absolutely no vibration as these machines run at four, five, six hundred meters per minute through multiple stations of coating, carrying this wider than a meter of 4 1/2 micron film without a wrinkle, controlling it with temperatures, solvents, emitting solvents to oxidizers so that you environmentally treat them, being compliant with all of that, with all of the agencies that you have to be compliant with. All of that is part of the front end of the technology. Virtually everybody in my R&D Department is there to master ink manufacturing, ink formulating and process coating. Virtually everybody in my processing engineering organization is there to master that part of the business.

As I said that part of it, I think at the low end from scratch, somebody would be fortunate to have enough capability. It maybe $5 million worth of investment to have a modicum of hope of getting into it, and that's without them ever having chemistry that would formulate. Somebody could get int slitting with 50 to $100,000 worth of investment and 200 square feet of floor space. It's not the same business. The fact that we do it is just taking our product to its final end and being able to service customers

in a very streamlined way.

As a matter of normal case, we don't sell jumbo rolls in the U.S. market. We do to certain customers, but very few customers. It's a very small percentage of the business in the U.S. market. And one of the reasons we do that is the investment we have in the front end of this business is really where the technical art is. It's really where the industry is.

MR. CASSISE: And you would argue that even with all of these after slitting add-ons, whether cassettes or meters or whatever, regardless of even adding those on, the value you create is still much greater that the slitters?

MR. MARSHALL: With the exception of the slit ribbons for a fax, which is not part of the certain products, I would say virtually everything that takes a jumbo roll and converts it to that is commercially available today in all of the forms that you see it here.

MR. KINGDON: Could I just add one point to that?

MR. CASSISE: Sure.

MR. KINGDON: In that, if you look at the slitting cost, which is a little confusing, you might say there's a lot of cost in slitting. That cost is really labor. That's what it is. If you look at the constituent elements of the coating, it's capital. It's the intellectual property associated with the process. The slitting side is labor.

And for IIMAK working, operating worldwide, we coat in one area. We only coat in Buffalo. We might have an operation in Brazil. We might have an operation in Belgium. We send them jumbo product because the intellectual property of the company is in Buffalo.

MR. CUNNINGHAM: And the capital investment.

MR. KINGDON: And the capital investment.

MR. CASSISE: Your European subsidiaries, do you coat there or do you slit there?

MR. MARSHALL: We just slit there. That's not unusual, too. You know, most of the respondent would do the same thing. There's only two exceptions that I know of in the respondents who have actually put coating facilities in the U.S. market, and therefore, in some part they're part of U.S. manufacturing base. We did the same thing because the replication of that just isn't justifiable for the amount of market that we have in places other than the U.S. We've looked at it, but it's prohibitively expensive.

MR. CASSISE: Mr. Kingdon, Mr. Marshall, Mr. Heimback, even though, I didn't ask you any questions, it's a good job on that PIERS. That looks like a lot of work. I thank you all. I have no further questions.

MR. CARPENTER: Mr. deWinter?

MR. deWINTER: Good morning, and thank you for coming this morning. I apologize for the room we're in, and

I apologize to the people in the back if they can't hear me. I'm just going to get a couple of legal questions out of the way and then I have some factual questions. Actually, Mr. Cassise touched on a lot of the factual questions that I have here.

The two legal questions are about the domestic industry. One, who is the related party? To what extent are slitters or other domestic producers benefitting from importation of the subject merchandise, and to what extent are they benefitting from domestic production? And the other is, the slitters or the other term for them.

MR. CUNNINGHAM: Converters?

MR. deWINTER: The converters, yes. The converters, are they engaging in sufficient production related activities that you consider part of the domestic industry? I've heard your position that they're not.

MR. CUNNINGHAM: Right, they're not.

MR. deWINTER: But in a post-conference submission, if you could go through a six-factor test the Commission uses to determine whether they're part of the domestic industry or not would be appreciated. I understand some of these factors you won't have a lot of information about their operations, but give us information you have available.

MR. CUNNINGHAM: Okay.

MR. deWINTER: So now I go to the factual questions that I have, and they're most for Mr. Kingdon. And as I said, Chris has actually asked most of the questions that I had. But I think the like product is really what I'm having the most difficulty understanding. So let me go back to the beginning, the manufacturing process. You mentioned most of the science or the art in this is in the actual mix and mixing of -- the alchemy in all of this. And the way I understand it is, the difference between wax resin and resin is really the ratio of wax to resin, am I correct there?

MR. KINGDON: That's correct.

MR. deWINTER: So a resin TTR will have some wax and they will be mixed in the same vats, the same type of faxes, tritters you call them, as wax and wax resin TTRs?

MR. KINGDON: Richard Kingdon. Yes, that's essentially correct. As Dick mentioned, you need a solvent process. The suspension is insolvent for resin products. When you get to the bottom end of the wax products, it might be a hot melt process. Therefore, you wouldn't use solvent. So with that minor clarification of it, your statement is correct.

MR. deWINTER: And the solvent part comes at the end of the production process or it comes in the actual mixing of the inks?

MR. KINGDON: It comes in the mixing at the end and the coating of the inks because that solvent has to be essentially burned off. What you're trying to do is to pull the solvent off so the wax resin bonds to the PET film.

MR. deWINTER: And od you sue solvents to make wax resin TTR? If it's proprietary, you can also submit it at post-conference.

MR. MARSHALL: I would say, no, it's not propriety. And not to worry about how I would answer the question here. A wax resin ribbon could be layered. You might have more than one ink layer, and one or both of those layers could be solvent-based. One of those layers maybe solvent-based. One maybe hot melt-based. That could happen. So it really has a lot to do with how the particular formulator decided to go at the objective that he's looking for. So although that objective might be the same from one producer to another, their approach at getting there might be a little different.

I wish I could give you a very crisp answer there, but it really has a lot to do with the formulator. And it could be all solvent-based. It could be partially solvent-based.

MR. deWINTER: What about the color? When dealing with color TTR, do you use solvents?

MR. KINGDON: Actually, the color TTR comes in

resin formulations, and it comes in wax formulations. And so, it really mimics what we've said for the black.

MR. deWINTER: Okay, so you've covered the full gamut of the black.

MR. MARSHALL: Dick Marshall, again, talking. Basically, what you're doing is, whatever your black colorant is, usually a black pigment of some kind or another carbon black. You remove that and you put in some kind of color pigment. What you carry that with the wax resin or resins pretty much can be interchanged.

MR. KINGDON: Richard Kingdon, again. Perhaps on the color side, imagine, you have a machine that's milled black ink. You either have to have another machine sitting by that you use a color ink or you have to clean it all out and set it up properly. So the real issue with the color is more that it's low volume. And to get that perfect color, you don't want to flip flop backwards and forwards between black and you don't want to flip flop between colors. So hence, the premium for the product and the fact that it isn't in the certain merchandise as we've defined them.

MR. deWINTER: And the higher price in color basically comes because of this. Because of the fact that it's manufactured in small amounts and purchased in small amounts. There's nothing about color that's specifically more expensive.

MR. MARSHALL: That's not quite right. Dick Marshall, again, reporting. Some of the color can get quite expensive. For example, color used for the signage industry could be pigmented with very robust automotive grey pigments, which are extremely expensive. And we're doing that to get the utility of UV stability and durability and those sorts of things. So color can get very pricy.

MR. deWINTER: Let me ask you about printers. You mentioned that some printers can adjust to speed and the temperature so that you can use -- there is this continuum of wax and wax resin so that you might be able to use something that you may classify as a wax DPR, and then adjust the speed and temperature so that you can use the wax resin, am I correct?

MR. KINGDON: Yes, Mr. Kingdon answering. In the printer, the higher the resin content, the more heat that you need to transfer the ink to the receiver. So you achieve that by either slowing down the print speed or adjusting -- there's usually a heat adjustment on almost all the printers. So within one of these traunchers or wax resin, that the printer set up is almost identical, maybe there's a range of 30 clicks, 30 degrees of heat setting on a machine and you could drop it in and it would work perfectly. Turn it a couple of clicks and it would work.

If you want to run a wax resin ribbon through

there, or even a resin ribbon, you'd slow it down and you'd have a burn table that is appropriate in the printer for that product.

MR. deWINTER: Yes, that was my follow-up question about resin. The resin TTR can be used in these printers as well if you turn up the heat enough and slow it down enough. It can run the whole gamut of these.

MR. MARSHALL: Dick Marshall answering. Yes, generally, the printer manufacturers are targeting their printers to be able to run the gamut. And so, they will have enough range on the burn tables and on the print speeds to facilitate the three.

MR. deWINTER: You mentioned that the tag and label industry, the bulk of them, that purchase this product will generally buy the wax or the wax resin and not the resin. The resin is mostly a special applications. Are there any tag and label purchasers that would have applications for a resin?

MR. KINGDON: Oh yes, the channels of distribution are not particularly different. We might have a distributor that works closely with General Motors, and they might provide General Motors with, you know, a particular resin product to mark the engine blocks. They might concurrently be supplying General Motor with ribbon to label the boxes that they ship the products in or put the spare wheel in,

all sorts of different things.

MR. CUNNINGHAM: But totally different applications, even though, it's the same distributor.

MR. KINGDON: Yes, the same distributor.

MR. MARSHALL: Dick Marshall. Let me embellish this a little bit just so that you understand why we thought it should not be in this certain class. When a customer who may buy all three types of grades is selling a wax or a wax resin tag and label situation to his customer, he generally knows the ITWs, the Sonys, the IIMaks, the whoever are going to work in that application. It's a carton label.

In these resin areas, I'll give you a couple of typical applications. Putting a barcode label on a printed circuit board that withstands a weight solder bath. So you have a manufacturer as your customer. You have found a product that does this. It has been tested by your customer. You're getting the premium for the ribbon. The last thing you're going to do is try to bid that out because, first of all, you need the cooperation of the customer to verify that the product works. And secondly, you already have the business. And they're comfortable with it, and they don't want you to fix that. That's a real unique application.

In the case of General Motors, if you've got a barcode going on a transmission block, and that barcode has

been tested against transmission oil, gasoline, brake oil, heat and it's durability has been verified and they know it would last, they have that account. They're not going to try to slip another product in. So it's just that specific and not everybody's premium resin products will work in that environment. Some of them do better with isotope or alcohol than they do with gasoline. Some of them will handle the weight solder bath. Some of them won't. So there's not that kind of fungibility that's on this. And as a result of it, it is very application specific and it's kind of a coveted business. Once the reseller of ribbons gets that business, they tend to be very protective of it and its application.

MR. deWINTER: And does that side of your business effect the other side, the wax? You know, the customer that goes to you for resin application, will that customer be loyal to you for the wax resin wax?

MR. KINGDON: To some degree, though -- this is Richard Kingdon. Remember, we are selling to resellers. And so, that loyalty is a second order of fact, really. Because if they have a solution, they can be very happy with IIMAK product on the wax and wax resin area, but they have this DNP custom solution that works here. They're loyal to both suppliers for the different things that they're providing. The end use customer might not know they're

being sourced from different people.

MR. MARSHALL: Dick Marshall. I want to give you a little historical evolution of the market. But I think is important to answer your question as it's evolved over time. Ten years ago, the vast majority of thermal transient ribbons wax, wax resin and resin were bought from producers and resold by the OEMs, the printer manufacturers themselves.

Over the 10 years, that has evolved away from the OEMs in large part, not completely. OEMs still are a factor and has evolved to distribution. There was quite a bit of loyalty when it was an OEM business. In fact, the OEMs wanted to have differentiation of their product, and they wanted to have a little mystery involved. You wanted to by an *X* brand of ribbon and then add their name on it so that you know that works in our printers. That -- over time.

And as it did, also goes the after market. And so, the distributors have taken a lot more of the business and are much less loyal on the whole product family than you might have otherwise think. There used to be more pull through when your resin ribbon got you an order. But I would say today that's so substantially eroded because of the way the market's involved that it does not do that to a large extent.

MR. CUNNINGHAM: And this is what you would expect

in a market that is over capacity, declining price level, fiercely priced competitive market. Customer loyalty has disappeared on markets like that.

MR. MARSHALL: It's kind of interesting. We do our customers that will buy our resin product and color product and don't buy the wax and wax resin product from us.

MR. deWINTER: One last question, and it's a pretty simple one. The machines that people use to read barcodes, they can read any kind of barcades, made with resin wax, the blue ink or red ink or does it matter the color?

MR. MARSHALL: Color will matter.

MR. deWINTER: Color matters?

MR. MARSHALL: Color matters.

MR. KINGDON: You get the highest scan rates with the black because of the contrast between the two. But yes, any --

MR. deWINTER: Any reader can read black resin. Thank you very much, appreciate it.

MR. CARPENTER: Mr. Benedetto?

MR. BENEDETTO: John Benedetto with the Office of Economics. Thank you all for coming and thank you for answering our questions. For all of my questions, if I ask you anything confidential, feel free to answer it later in your post-conference submission.

I think the first question is, we haven't talked a lot about substitute technologies. How are dealing with your ultimate end users who switch from using your technology and using a different type of technology for the ultimate transfer. That's pretty difficulty, isn't it?

MR. MARSHALL: Go ahead.

MR. BENEDETTO: What I'm getting at is, if the price of GTR were very expensive, would they be able to switch to a totally different technology, or is that just not feasible?

MR. KINGDON: Richard Kingdon. There is some substitution, but it is relative small. The substitution, the most obvious one is with direct thermal. This doesn't have a ribbon, but the paper is thermally sensitive. So when you heat the paper the image comes through. And those products, historically, do not have the performance that TTRs have in terms of the length of time of the image, the robustness of the image. But again, at the low end of TTR and the high end of direct thermal, there is some substitution and direct thermal is clearly -- they're advancing their products as TTR manufacturers are advancing there.

And then, there's also some laser printing and some inkjet printing. There's really enlarged a color inkjet technology. As you will see, you run the ribbon past

the print head. Once it's gone in TTR, it's gone. So you paid for the length of the ribbon. If you've only printed a small series of characters on it, you've got that unused TTR that you've bought and paid for. So some of the other technologies, such as inkjet, clearly, you pay for what you use in terms of the ink that creates the image.

MR. BENEDETTO: Are those impacting the demand for your product?

MR. KINGDON: Again, it's very, very marginable because in the data that we've collected and watched because of the robustness of TTR. And these printers are used in manufacturing and distributing environments, so they're -- you know, it's dirty. It's noisy. It's hot. You know, people fix them with a screwdriver. It's rough, tough stuff and the printers that have are very inexpensive, very robust, very reliable and that's really what -- there's good OEMs in this business that retain the competitiveness of TTR.

MR. BENEDETTO: You may not know this, but end user's total cost, how much is accounted for by the TTR, more or less, do you have any idea about that?

MR. MARSHALL: I would like to take that, Richard.

MR. CUNNINGHAM: This is Richard Marshall.

MR. MARSHALL: The vast majority of end users of TTR buy this as a supply item. It's generally not a

material item. Now an exception might be an automobile where they might have a hundred embedded barcode labels in the machine for the various key serial numbered devices in the machine. And generally, those fall into the license category. But the vast majority of the tag and label business is an MRO purchased item by a manufacturer. It's not on a building material.

The only thing that I would say about it is it's probably more rather than less important, in their viewpoint, is they want the robustness of the machines. They want the printer to work. They want their rerates to be high because a lot of manufacturers have integrated these in their manufacturing process. A lot of distribution centers are automated. So when cartons come in with their barcode labels on them, human beings don't touch them. Their barcode label is scanned and they get moved into the various arteries of the distribution center. They come in on one truck and go out on 50, and that always happened with human beings, basically, not in the process. So what they're most interested in is very high rerates, very good reliability, very accurate reading, and it's part of their manufacturing process or distribution process. But relative to the cost of their product, it's not a very important item.

MR. KINGDON: It's Richard Kingdon. Can I add

just one comment, which I think this made the dynamics of this business so insidious, which is, that the barriers to entry at the reseller level are very low. So you and I could sit down together and put our shingle up and work out of home and sell TTR consumables. And the respondents or IIMAK would drop-ship that to Mr. Carpenter's manufacturing facility and it would be fine. You'd never touch it. We'd get paid maybe on 30 days. We pay IIMAK in 30 days. We wouldn't even have to have a cash flow if we did it really quietly.

So there were a number of large companies that have been classic resellers of this product are more a standard register. Companies like that. And they've provided a full product line of products to the customers. As they've changed their strategies, redirected, they have people are superfluous to their needs, they let them go. And those people take 20 customers that they used to sell TTR to, and they do exactly what I just said. So what has happened is that the activity of the respondents has compressed the price levels across, as we said in our testimony, the different resellers. And these very low overhead resellers have come in and they take that price to the end user.

It is not the end user who says, oh, I must have a barcode at 8 cents with the reseller markup. It's the

resellers going into the end users and ping, ping, pinging on them because the producers have given the tools to do that.

MR. BENEDETTO: That sort of gets to my next question, who are the distributors and the resellers? Are they mainly distributing TTRs or is there something else? Is that a small part of their business, too?

MR. KINGDON: There are sort of sectors. There are some people who were in the forms business, so they're supplying a series of different services of which TTR is one of them. There are a good number of them who are label convertors. They're taking label stock and they're dye cutting labels, perhaps, preprinting some of the labels. And then, they're selling TTR to print upon those labels.

There are some people who are VARs. And you've added resellers who are putting in systems to control inventory. They're put in the scanner, the printer, the software. And then, they'll get a contract to supply consumables because that's an annuity. And then, there are some people who are simply distributing TTR and maybe direct thermal products and maybe one or two other things as well. So there's different sectors in the market with different mixes of product and OEM. I'm sorry, you were clearly more focused on the printer and the consumer.

MR. BENEDETTO: You've touched on this a little

bit already, but what kind of TTR will get distributed by what kind of distributor? What goes directly to an OEM? Is there any difference within the market that you're selling to?

MR. KINGDON: There's really no difference. We have small resellers who have gotten into huge companies, Frito Lay, and sold quite sophisticated products. We've had big resellers that have sold large volumes of basically simple products. I don't think you can generalize.

MR. MARSHALL: Dick Marshall adding to that. To the extent that those differences could get larger that would cause an OEM to be in something that distributors were, I will give you an example. One OEM is heavily into garment labeling and they actually manufacture printers, barcode, thermal transfer printers to do that. However, the inks have to be able to print on polyester-kind of fabric, endure dry cleaning or industrial laundering. And so, what tends to happen is if there is a fairly substantial gap in performance, it probably falls outside of the certain products because it's a unique type of an application.

MR. BENEDETTO: Moving to a slightly different topic, you gave us a list of demand segments for certain TTRs. Are most of these demand segments pretty established or are they new, and you characterize in general, is there anything about -- is demand solvent or has it fallen off

recently or is it different by segments?

MR. KINGDON: I'm blank here a little bit on demand segments.

MR. BENEDETTO: You give us barcodes, I think, in labels. There's a list in the petition of different uses for certain TTR, maybe you don't think of them as segments. Is there a difference between different uses for TTRs?

MR. KINGDON: In terms of their growth and in terms of their robustness, the answer is yes. But we are one stage removed from seeing that as well as someone in my position would like to see it and understand it. We're fairly familiar with some major customers in the retail sector and so we get some perspective on that. But I think once we start going down to the individual segments and how they are moving relative to each other, we have some data, but the knowledge is fairly skimpy because we don't really know where the resell is. We know because we're drop-shipping, but we don't sort of know what the application unless you're drop-shipping to WalMart. Well, it must be retail, but it could be in their distribution centers. So we don't have those segments as clearly.

MR. BENEDETTO: So is TTR with the same specifications sold to different segments or is one specification for one particular end users or are there general specifications that are sold to different end users?

MR. KINGDON: There are typical TTR formulations for typical applications, and that TTR would work in multiple applications. So let's say shelf labeling in Home Depot they put it on a particular colored card and there maybe someone who goes along and squeegee it, you know, to clean it up so the price is clear. That would probably need a different ribbon than the ribbon that you would use to label the cartons that the products came in.

MR. CUNNINGHAM: But that's more the exception than the rule. There's quite a degree of multiple applications for a given TTR formulation.

MR. KINGDON: The respondents might only have three or four formulations. We might, across this whole range, probably active selling four or five. I mean, clearly, they apply in multiple places.

MR. BENEDETTO: In the petition you also had a discussion of recent market history, and you summarized it against the market today with some of the new entries to the market. What was it like in 1997 before that history started? Why has there been so much interest into coming into this market, I guess, since 1997? Is the demand very high?

MR. MARSHALL: Dick Marshall respondent. I would say that the market was enjoying faster growth because there was still quite a bit of adoption of barcode technology. I

would say prices -- I've been in the industry since '92. From '92 to '97, I would describe pricing as virtually stable. There wasn't a tendency to increase price. There wasn't a tendency to decrease price. It essentially never came up in discussion.

I recall there was an evolution of the distribution channel from OEMs to distribution. And the OEMs were more interested in their performance of their inks. Their retention of their after market. Their differentiation from the other me too products. I would say that we put a chronology together as best as we witnessed the market changes.

I believe what happened in 1997 is that with ITW purchasing Advent and removing Dai Nippon's access to the market literally in one transaction, it caused Dai Nippon to create a slitting/selling operation of their own. And so, what starts to happen is the demand starts to come out of -- I'm sorry, the supply starts to come out of balance with the demand. And I think that the U.S. targeted because it is the largest market in the world. Europe is certainly a large market, but it's not as large and it is more fractured than the U.S. market. So particularly, for Asian respondents, Europe would be harder to tackle than the U.S. because the U.S. comes out as a homogenous kind of a market. It's one language. It's just easier to do business in the

U.S. across the continent than it is to do business in Europe.

So I think for the size of it, for the openness of the market, for the swing in distribution channels to distributors, I think there was a convergence of factors that really facilitated it. And then, you know, you take one of those changes that altered supply and demand and you try to adjust to it. And actually, after 1997 and during part of 1998, there was some stabilization. And then, another factor, which was the expiration of the licenses and two more contestants coming into the market changes that equation again.

And that it happens again with ITW having purchased its own source of coated films from a Korean company. So I think what's happened is that it's had this continuous onset of supply increments being added to the marketplace without a corresponding demand growth. And then, of course, in 2001, you have a business recession. And it was the first time in my history with the industry that I saw a demand actually settle, if not, not go down somewhat in that one year. It has seen kind of picked back up into single-digit growth again.

So that's kind of it. And I would add one clarification. I mean, you asked a question about, you know, the demand of our marketplaces. The one thing that

has happened, especially, in this mainstream of certain products, it about runs right with the economy. Especially, in categories like durable goods, and if that's low, the market is soft. If that's robust, the market is robust. And so, what's happened over the last decade is that the adoption of the technology has tapered and the technology that is used in the very important segments of the economy and it can practically be tracked today with generally measured economic measures.

MR. BENEDETTO: Is my understanding correct that when somebody adopts this technology, their demand for the product is going to go way up and then stay at a certain level? Or at least, is going to go way up at first and then drop off? In other words, once they start using it, they're going to keep using it at a high level, is that right?

MR. KINGDON: Richard Kingdon. Yes, the study on the printer manufacturers, and there are some people who track that, is that they are still gaining on the install base. And those printers today are faster and consuming more consumables. They have the capacity to consume more consumables. And once you've bought that technology, and you've integrated it into the way you do business, that it will go up and it will be relatively stable. It will move with the success that they have in their broader business, as Dick suggested.

MR. MARSHALL: Dick Marshall. One more comment. The one difference, we've been talking, generally, about the barcode business. The fax business is in decline for TTR. I would in at least a couple, maybe several years ago the new install base of fax printers has declined and the overall global matrix of that is that the install base is starting to decline. It will be a market for quite some time because it's install base. Generally, it's a small office, home office applications, not likely to be transferred out just because they're a new technology. People will use them until they break, and then, they might go to a laser technology or something like that, that's basically taking it over. But that part of the application of TTR, I believe, is in technology decline.

MR. CUNNINGHAM: Well, we've mentioned in our petition that, that has a particular effect on one of the respondents.

MR. BENEDETTO: Is slit fax TTR more expensive than certain TTR?

MR. KINGDON: It's actually sold in a completely different way. It's sold by roll. If you calculate it out, the number of MSI on a fax roll, the price is higher. But you've got more labor in slitting it. You've got the propriety patented cassettes or non-infringing compatible cassettes that have intellectual property in them, et

cetera, et cetera.

MR. BENEDETTO: Well, thank you very much for answering my questions.

MR. CARPENTER: Ms. Fan?

MS. FAN: Thank you very much. Queen Fan from Office of Industries. I would like to join my colleagues in thanking you guys for your testimony here today. Most of my questions have been posed in a way by Mr. Cassise, and I'm just trying to gather more details on the manufacturing process on some of the products. And if I pose any questions that are propriety, please feel free to submit in post-conference.

My first question is, basically, do you see for those who turn producers are the ones that take part in the ink-making and coating process, but it doesn't really matter. They slit or converted this, is that correct?

MR. MARSHALL: That's right.

MS. FAN: Okay, and my second question relates to the manufacturing process. Basically, do you use the same machinery and the same employees to make the wax resin and your resin TTR's?

MR. MARSHALL: Dick Marshall answering that. The more sophisticated technology of coating that we've invested in, in recent years, we've designed in the capability to do either. Those coating technologies are much more

sophisticated in computer control, in flexibility and change over to be able to do both hot melt source solvents, which you do cross over when you move from waxes to wax resins. And so, those high performance, versatile machines have a fairly sophisticated level of laborer. There aren't many of them because most of the process is automated. But those that we do have are very skilled labor.

The earlier generation coaters tend to be more fixed stationed. Coating had coated hot melt wax or coating had coated solvents. To do a wax resin, there are some resins that are soluble in a wax formulation, and therefore, you can't have a hot melt wax resin. But not with very high performance. Most wax resin products move into a solvent-based coating because the resins are soluble and the solvent is not soluble in the wax. Those coating stations would be fixed in solvent. So with motor technology was basically fixed stationed, and they were flexible. And the operators that ran those machines would be less skillful than the ones that run the much more sophisticated new technology, but there were more of them.

So it's sort of evolved from more labor and less sophistication of machines to a lot more sophistication of the machines and less labor at the front in.

MR. CARPENTER: Excuse me, could I just ask for a clarification on that. I think Ms. Fan asked in her

question she also included a resin. I didn't hear you speak to that as part of your answer.

MR. MARSHALL: The resin would absolutely be solvent.

MR. CARPENTER: As far as sophisticated machinery, could you not also use that with the resin?

MR. MARSHALL: You could have used first-generation solvent type of coating that we had. It also is coatable on our new technology equipment. The difference lies in there's a substantially resin content and there is no opportunity to use a wax base for it. You have to use a solvent base for it. And that technology tends to be more sophisticated because you have a mission that you have to worry about. You're flashing the solvents off through ovens. Those solvents have to be collected and destroyed by oxidization so that you're environmentally sound. So they tend to be more sophisticated pieces of equipment to do the solvent-based products.

MR. KINGDON: Could I just add one thing to that? I think in our response to 2/3 we stated that there was a small percentage of our manufacturer equipment that could make resin product. So again, there's an overlap and then there's a small set.

MS. FAN: Could you guys also apply the same question to producing color TTRs versus the black TTRs, is

it the same thing, the same product?

MR. MARSHALL: Dick Marshall, again. Yes, essentially, you take out the carbon black and you add color pigmentation. In all of the discussion we've had, an assumption in what I'm explaining to you is that the coating monolithic. Whether it's black or color, when you look at the web of the jumbo, it has all of the color across the entire web uniformly coated. In past, and to some extent today, there are some special color products that have panels of colors on the jumbo. So in the case of process color where you're doing full color imaging, you would require yellow, magenta, cyan and black ink. And we have had product lines, and we continue to have some special applications. For example, printing on CDs where we actual panelize the coating. And so it's more of a printing operation than it is a coating operation. But when you hold the ribbon up, instead of it being monolithic in color, it will have a yellow panel, a magenta panel, a cyan panel, and a black panel. Not all of the respondents have the capability of doing that. Some of them do. Some of them do not. And it doesn't fall into the certain products because it's a very, very special application of thermal transfer.

AUDIENCE MEMBER: The witnesses are inaudible back here. Completely inaudible.

MR. CARPENTER: That's difficult. I think the

witnesses are speaking as loudly as they can. I'll ask you again if you can speak a little bit more loudly. But I think it's going to be a problem that is going to be difficult to deal with.

MS. FAN: My next question relates to the fax products. Basically, I understand that the slitted fax product contains much more valued added process. Underneath it all, is it the same TTR as the subject products?

MR. KINGDON: Richard Kingdon. Let me see if I can say this slightly differently. The fax printer is a very, very unsophisticated printer. It's cheap. They're 80 bucks or something at Office Depot. So it has very little heat control on it, and it's sold to you as printing on plain paper, on uncoated paper. So the ink formulation there is invariably, exclusively a wax formulation. A simple soft formulation and the back coat on the ribbon is robust enough to protect the film from puckering or burning because these print heads get so hot.

When it gets really hot, it sticks to the paper. And so, to answer your question, in a vin diagram way, there is an overlap on the TTR. There are wax TTR formulations that can be used in barcode and can be used in this fax printer, okay? So, yes, a subset of the certain TTR can be used in fax printers.

MS. FAN: And if you would, please, in a

post-conference submission, could you please have a diagram of the layers of the TTR. For instance, the difference between fax versus wax coating.

MR. KINGDON: We can certainly do that.

MS. FAN: Thank you. And to the best of your ability, can you estimate the percentage of U.S. consumption that is fax TTR, of the total consumption? What percentage of the total U.S. consumption is fax TTR?

MR. KINGDON: Is U.S. consumption?

MS. FAN: Yes, what percentage is fax TTR?

MR. KINGDON: I'd like to think about that.

MR. MARSHALL: Dick Marshall responding just for a second. There are no associations that track this kind of data. What we would provide to you is our best answer at that, and it's strictly from our ability to be out in the market and estimate it.

MS. FAN: Pretty much what you see. Thank you. And my last question pertains to something from the petition. You mentioned the logo leaders. And I'm just trying to get a clarification, are only the producers the ones that take part in the logo leader portion or can converters do that or typically, is that an OEM thing?

MR. KINGDON: Richard Kingdon. You asked me what those ribbons were because when you looked at it, you could tell. So what the logo leaders do is identify the product.

So all our products have a different color logo leader. So you pick it up, and you know what it is. So it's really an identification at the producer level. When you move downstream, the resellers are trying to put some identity on this. An OEM reseller will put an OEM logo on it because they're saying buy my product, perhaps, pay a little more at the reseller level, but you've got my product and you can identify it as mine by the OEM logo leader.

The independent converters, which are not respondents who are converting their products. But there are a small sector of independent converters. You put the logo leader on at the converting level. So anybody who can convert could put a different logo leader on, and some of them use it to give brand identity to their products, XYZ Ink, in representing that they're sort of a producer, but they aren't a producer. They're a converter.

MS. FAN: Thank you very much.

MR. CARPENTER: Mr. Jee?

MR. JEE: I have no questions.

MR. CARPENTER: Ms. Mazur?

MS. MAZUR: Thank you very much, gentlemen and ladies, particularly the industry witnesses. It's extremely important that you're here today. You're helping immensely to develop the public record in these investigations. So we really do appreciate your presence.

Just a few last minute items, in terms of the market estimate that you provide to us in your post-conference submission, could you take the total TTR market and give us segments for a wax and wax resin, the subject products; the fax slitted non-subject; and then the resin and color, separately, components of the market. So we've got the total market and then the various components, if you could do that. And it might differ on a quantity and value basis, so to the extent that you can do it both ways that would be very helpful.

Secondly, could you discuss briefly, and more extensively in the post-conference submission, the role of non-subject imports in the subject TTR market here in the United States. Do you have any other real competitors from other countries besides France, Japan and Korea?

MR. MARSHALL: Dick Marshall. To the best of my knowledge, the preponderance of all manufacturing and primarily those are the countries. There are some smaller, older producers in Europe. There's virtually no other major nation, for example, like China who has gotten into, in any big way that I know of, in coating. There are converters in China and a lot of the players who are in this room are supplying jumbo into China. But to the best of my knowledge, there is no sophisticated coating or ink manufacturing or art in that marketplace. And certainly,

none that I know of that's coming into the U.S. marketplace. So I think the Japan, South Korea and France are the vast, vast majority of the producer capability in the globe.

MR. CUNNINGHAM: And in terms of imports into the Unites States, they are essentially all of the imports?

MR. MARSHALL: Essentially.

MR. KINGDON: Richard Kingdon. Could I add one comment to that? That we do understand that certain producers in Japan would send their product -- they have converting facilities in other countries other than the United States. So I don't think we know categorically that some of those slit products are not coming into the United States.

MR. MAZUR: Do you have any sense then of the slit products that maybe coming in from sources other than the three subject countries?

MR. KINGDON: We believe it's minimal.

MR. MAZUR: And from what sources do you think it would be?

MR. MARSHALL: Malaysia, maybe.

MR. KINGDON: The sources of the data or the sources of the --

MR. MAZUR: Of the slit TTR.

MR. KINGDON: There are certain facilities in Southeast Asia, Mexico.

MR. MAZUR: Mexico, as well, did you say?

MR. CUNNINGHAM: Yes.

MR. MAZUR: Okay, that kind of ties in with my last question in terms of how we measure import volume. We're getting questionnaire responses, obviously, when you ultimately review those questionnaire responses, Mr. Cunningham, give us a sense of what you think is the most appropriate way to measure import volume. Should we use questionnaire responses totally? Should we apply some PIERS methodology to official statistics, a combination of one of the two? But once you see what's available for us on the confidential record, could you give us your opinion as to what the best methodology would be to measure import volume? Again, it's not just the subject country. We're also keen on the non-subject sources as well.

MR. CUNNINGHAM: Right, which as the gentleman said -- this is Dick Cunningham. As the gentleman said, I think, we believe that's minimal. Going into the examination of the questionnaire response, we know of no better data than the stuff that we've laboriously compiled from PIERS. What we will do is look at the questionnaire response. I would hope that, that has all been reported in a form that will actually give you better data. And I hope to be able to say that to you. But if we can't say that to you, we'll tell you why it's not there.

MR. CARPENTER: That would be very, very helpful. And the last item, the licensing agreements that you all talked about this morning, can we get a bit more detailed information about them, you know, the terms, the licensee, the licensor. Who's affected by these agreements?

MR. CUNNINGHAM: We'll do that, but we'd obviously like to do that in a confidential record.

MR. MAZUR: Absolutely. Those were the only questions that I had. Thank you, again, very much.

MR. CUNNINGHAM: Thank you.

MR. CARPENTER: I would just like to reexamine one like product issue that's already been brought up once. And that's the question of why not include resin product in the like product along with the wax and the wax resin product? Mr. Kingdon, you indicated, I believe, that there was an continuum between the wax and the wax resin. And I guess, my question is, why does that continuum not also extend to include the resin product?

Mr. Marshall, you had given a couple of good examples of specific applications in which the resin product could only be used and not the other two. But, I guess, I'm still not clear as to whether there's a bright line distinction between the wax resin and the resin. And maybe I don't understand, for example, is there sort of a high end to the wax resin product and a low end to the resin product

at which there is some overlap, an exchangeability? Does that make sense?

MR. MARSHALL: Dick Marshall. I'm going to try to respond a little bit to that. There probably is some potential application overlap between a wax resin product and some of the resin, if not all the resin products. I think what keeps them from having more rather less overlap is there is substantially different pricing on the resin products.

MR. CARPENTER: Is that the case even in the wax resin if it's primarily a resin component to that, is there still a substantially difference between that product and the --

MR. MARSHALL: Yes, most likely, because if a producer has developed what he markets as a wax resin product, there is an expectation from the market as to what that implies. Wide receiver printing latitude would be one. A level of durability that you would not typically find in what would be sold as a wax product. An application generally understood to be in a labeling kind of an environment. And so, I think that the differences in the chemistry would only be as a result of the imagination of the formulators to get to that end goal of what a wax resin product did.

On a resin product, it's not real clear that

there's a very specific market demand for the application of the resin product. There might be some overlap on things like some durability with exposure to solvents, some durability with exposure to temperatures. And some of our products, collectively, as a producer group, will work in those environments to some part. But, boy, then the continuum starts to scatter. I just think what happens is the fungibility of resin products virtually goes away. And from a practical point of view, it goes away because the buyer of the product, the application that it's being used in and the seller to the end user of the product are inclined to try to fix it if it's not broken. Because the performance demand is generally that specific. So although there's some fungibility, it really starts to break apart. I think that was in our minds why we took the tack that we did in defining this certain product. We thought it fell apart in fungibility at the resin product level. And the market seems to have to behaved that way.

MR. CARPENTER: That's very helpful. Thank you.

MR. KINGDON: Could I add, perhaps, two comments to that. And perhaps, in our post-conference submission, we could rearticulate the chemistry a little bit and cover that.

Secondly, I think if you look careful, there is quite some trading in resin products between respondents and

between parties in this room. So they sell them to each other for resell because, basically, the economics of spending hundreds of thousands of dollars in an R&D lab to develop a formulation that has a very narrow application doesn't really work. So you're not going to get two or three. So if XYZ has a good one, the person who holds it is interested in selling as much they can of that product.

To tie with another question, if you've got that, does it pull all the rest? Well, not really. So what do you do? You have it. You'll sell it to somebody else for resell. And if you look at the layout of the products, again, in these data sheets, you'll see, perhaps, from one respondent it will say, oh, by the way XYZ resin ink is really my ink.

MR. CUNNINGHAM: This is Dick Cunningham. I wonder if I could just sort of that a moment and try to put this into the factors that the ITC has considered, and let me sort of give you a thumbnail summary here.

There is, to some extent, a spectrum in most of the factors that the ITC has considered. And in some there's significant overlap and in some there's very little overlap. If you look at physical characteristics, if you look at applications, if you look at type of customer, and if you look at different price levels for the resin versus the others and different price trends for resins, the

overall different price behavior, you tend to get the sharper demarcations. There are demarcations but more overlap in terms of manufacturing processes and what companies make the two categories.

And I'll have to think about channels of distribution. I haven't focused on that. But what I think we ought to do for you is to sort of lay it out in that format for you in the post-hearing submission so it's all put together in one place and you could look at the degree of clarity and the demarcations in each of those categories.

MR. CARPENTER: That would be excellent. We would appreciate that. Any more staff questions?

MR. deWINTER: I just have a quick clarification on the six factors that the Commission looks at in determining whether there's sufficient production activity that you could talk about, not just the regular TTR, but also the fax TTR with converters.

MR. CARPENTER: Thank you again for your testimony and for your excellent responses to our questions and your patience. We'll take a 10-minute recess and ask the respondents, all three panels, to come up as one group to the table. Thank you.

(Whereupon, a short recess was taken.)

MR. CARPENTER: Just to clarify, we're going to start with two Respondent panels and then the third panel

will come up and make their direct presentation. Afterwards, we'll do a little switching of chairs and then all three panels can come back for the question and answer period. Feel free, Mr. Levine.

MR. LEVINE: Thank you, Mr. Carpenter. Good morning. My name is David Levine. I'm with the law firm, McDermott, Will & Emery, representing Illinois Tool Works, Inc. and it's wholly-owned Korean subsidiary, ITW Specialty Films Company Ltd. We refer to them collectively as ITW, as a composed U.S. importer, as well as a U.S. producer, both of the subject merchandise and other TTRs.

Several bases exist for the Commission to dismiss this case at the preliminary stage, as the witnesses on this panel will demonstrate. They represent a significant collection of industry experience and knowledge. And from their most educated perspective, the petition filed by IIMAK fundamentally lacks merit in several key respects.

First, IIMAK claims that the Commission should adopt as a domestic like product definition the same artificial limitations that IIMAK used to carve up the subject imports of what they call certain TTRs. Neither the producers nor the market recognizes the lines IIMAK ask you to draw.

Second, IIMAK seeks to exclude from the domestic industry several key players and a whole level of

production, including the companies, who produce other types of TTRs and those that have invested significant capital and resources to develop and maintain production of the finished product that is actually used by customers, finished slit TTRs.

Third, while IIMAK may be suffering financially and may have lost business to its competitors, its financial condition and status in the marketplace results from its own business and production decisions, not from any unfair imports.

Finally, to the extent that increasing prices are having a negative impact on any of the players in this industry, and no one is immune to the trend, it is the U.S. producers, themselves, chiefly, Sony's Pittsburgh operation and IIMAK, itself, and not foreign exporters, who are the cause. And I would note that you all should pay close attention to whose absence here today. Sony hasn't shown up.

I'll now turn to the industry experts to give you the facts relevant to your investigation and I urge the Commission to reach a negative determination based on the facts. Mr. Landry.

MR. LANDRY: Good afternoon, ladies and gentlemen. My name is Jim Landry and I'm Vice President and General Manager of the ITW Thermal Films Division of Illinois Tool

Works. I've been involved in the TTR industry for seven years. ITW has both coding and processing operations in the United States, located at Calcaska, Michigan, at Romeo, and Bruce Michigan. These operations collectively represent approximately $34 million in capital investment and employ a total of 127 Americans, all Michiganders, by the way, just to put that in there.

We, also, own and operate the sole Korean producer of TTR, ITW Specialty Films Company, Ltd., and we believe we account for 100 percent of the imports from Korea. But, it is important for the Commission to understand that we consider our imports to be of an intermediate product, so-called jumbo TTR rolls. Practically none of these imports is resold in the intermediate state; rather, jumbo rolls are further processed at our U.S. production operation and sold in a transformed form, i.e., slit rolls, at a substantial higher sales value. As a result of our U.S. processing, nearly all of our U.S. market share is supplied with U.S.-produced material that it either produced at Calcaska or further processed at Romeo or Bruce, Michigan.

I was very surprised when they brought this case, because even though I'm not a trade lawyer, I always thought unfair imports had to be the reason for obtaining antidumping relief. Imports are not the cause of IIMAK's trouble. I can, also, tell you that IIMAK's troubles are

unique among U.S. producers and that explains why it is the only U.S. producer petitioning for relief.

The next largest U.S. producer, Sony, out of its Pittsburgh operations, boasted very recently that it imports only a small amounts of TTR and is in very good health. You might know that Sony management recently announced that it thought the petition had substance, but stopped short of publicly supporting the petition.

For Sony's U.S. production to benefit from antidumping relief would truly be absurd. Leveraging its substantial U.S. production operations, it has relentlessly been driving prices downward for some time in a well publicized campaign to reduce the number of TTR suppliers in the United States market from approximately 19 or 20, down to five. We have documentation that we will support with our brief that will provide evidence for the claims -- the assertions that I make in my testimony.

The documents we will submit will cover a much broader, more representative universe of competitive TTR pricing than the Commission will receive from the questionnaires.

So why did IIMAK initiate this action? We believe for several reasons. A company called PATZER acquired IIMAK in October of 1997. PATZER acquired IIMAK after a long period of double digit growth, which everybody had enjoyed

until the mid-1990. That growth rate attracted new entrance and eventually over capacity as the market matured.

In March of 2000, PATZER agreed to sell almost all of its interest in IIMAK for a substantial capital gain. IIMAK's management bought the company in a highly leveraged buyout, financed by the venture capital firm, Center Partners Management, LLC. The buyout was announced to the marketplace in early 2000, right at the beginning of the period of investigation in this case.

PATZER's gain became IIMAK's loss. IIMAK began life in its current form as the most heavily indebted TTR producer of any significance, with a debt that I estimate to be in the range of $100 million. At the same time, recession hit the U.S. market and the rate of growth in the U.S. TTR demand fell to about zero. Over capacity in the U.S. industry and competition from competing technology, such as direct thermal printing, ink jet printing, and laser printing, added to the general downward pricing pressure. Only now are we emerging from this period to expect positive growth over the next several years.

What did IIMAK's management do, in response to the most difficult environment after the 1990s? It's spent a lot of scarce capital seeking to expand market share through a variety of means that failed or backfired. In July of 2000, IIMAK attempted to buy what I estimate to have been

about $17 million in annual sales through the purchase of a distributor, Acuco Imaging. But, then, it effectively lost a portion of this business by substituting a cheaper TTR product through the Acuco channel, which created ribbon breakage problems with Acuco's customers' printers. A large portion of the Acuco imaging business had been supplied with waxed product from Union Chemicar.

IIMAK was forced to direct its reps to take various remedial measures, in order to prevent customer desertion. But the effort failed and customers left in droves, some becoming customers of our company. They did not come to us, because of lower prices. They simply wanted a product that worked. As you investigate claims of loss sales and loss revenues to our products and to those of the other TTR producers, ask the customers, if they had previously purchased from Acuco.

IIMAK management, also, invested heavily to develop and server the market for TTR colors and other specialty TTR products. It purchased two new multi-head coding machines from Italy that were designed to cod these particular products; but the market and U.S. demand failed to develop, as expected. Today, the great majority of demand is still for standard black waxed TTR products. My understanding is that the two multi-head IIMAK coders are greatly under utilized, adding to their depreciation

expense, but ill suited for the high volume TTR wax commodity market.

During the period of investigation, IIMAK, also, invested capital in a company called T-2 Solutions, in Plymouth, Minnesota. IIMAK's hope was to expand the sales of color TTRs through developing a systems integration solution. That is the bundling of color TTR with labels and printers in a single system. This was a direct selling effort into the market by IIMAK, as T-2 as a wholly-owned subsidiary. IIMAK management admitted to me, personally, that the effort has not achieved their plan, as the business has been closed and relocated to their facility in Amherst, New York.

Other marketing disasters befell IIMAK during this period of investigation, which helped to explain why its average prices might have eroded more rapidly than those of its competitors. One such event involved ID Images, which was a major Sony and IIMAK distributor during the period of investigation. ID Images allegedly owe IIMAK a large amount of accounts payable. To resolve this issue, ID Images ribbon business was transferred to IIMAK in January of 2001. Before the transfer, ID Images significantly reduced price to the end user market using Sony products. This action produced a panic response from IIMAK management, which communicated to the marketplace that it would meet its

distributor's lower prices immediately and guarantee such prices for a period of months.

IIMAK, also, invested in a company named Precision Ribbon Technology, an offshoot of Chemicraft, which has not paid off, as IIMAK as planned. Initially, IIMAK was toll quoting for this company; but, eventually, absorbed the company into IIMAK in January 2002. Another offshoot from Chemicraft emerged, Ribbon Craft Associates, Inc., which effectively reduced the business volume IIMAK had anticipated absorbing.

In short, any erosion you might find in IIMAK's financial performance and prices are linked to the foregoing self-generated events, not some sudden low priced strategy of importers. The fact is that prices have been declining for everyone for more than five years now. But, IIMAK's strategies and response have been uniquely counterproductive, which explains why IIMAK, unlike other U.S. producers, has chosen to file this case. Nothing else is worth. Despite IIMAK enjoying the industry's largest share of the large U.S. TTR market, why now?

I suspect a decision was forced by the company's venture capital financiers, whose original investment timing was poor, and who tend to turn every deal within a four-year period, that is an approaching event. But that is no reason to penalize other competitors, who have survived in a

difficult market by increasing competitiveness through more effective strategies.

I would like to make one final point. Mr. Marshall thinks that the source of all price pressure began in 1997, owing to ITW's purchase of Advent. However, the Commission should note, we acquired Advent in July of 2000. So, Mr. Marshall's chronology of events is not accurate. Thank you, very much.

MR. LEVINE: Now, Mr. Gallette.

MR. GALLETTE: Good afternoon. My name is Peter Gallette. I'm the General Manager of ITW Thermal Films, in Romeo, Michigan. I've been involved in this industry for seven years. I am intimately familiar with all the aspects in the industry, the market, and TTR products.

I have, also, been educated in the last several days on the factors considered by the ITC as like product analysis. I would like to acquaint you with the product at issue here and demonstrate why the TTR products excluded from the imports under investigation should be included with your definition of the domestic like product. Netting it out very simply, all TTR products should be included as a single like product without exception.

The U.S. TTR market is served by both in-fill products, and I'll use your term, the certain TTR, and those products expressly excluded from the petition. IIMAK

excludes some TTRs, such as type of waxed resin, tellers, and resin products. I have to say that IIMAK attempts to include some formulations, but to exclude others makes no sense at all.

I understand that IIMAK can exclude whatever types of products it wants from the subject imports and has chosen to exclude slit wax TTR and other specific types of TTR. But, there is no reason for the ITC to exclude any TTR products from the like products.

The physical characteristics of certain TTR and excluded forms of TTR are very much the same. All are coded on the same polyester films, by the same basic processes, although specific processes vary among manufacturers. They are produced in the same type of jumbo rolls and packaged the same. There is also a substantial degree of interchangeability between and among the various type of certain TTR, other TTR, fax TTR, in both production and application. All of the jumbos could be produced on the same coding equipment. The slit product are virtually indistinguishable, even to the experienced eye.

Other than in some cases, like color or patterns created by coding, and you can see some samples that I have with me today, they are -- and I'll pass these around and you can look at them. This is our waxed products. This is our midrange product that was not included in the scope.

This is a fax sample that does not have a cartridge listed. And then here's one with a cartridge, just so you can take a look at the difference in the product. They are distinguishable, in most cases, only by their labels, packaging, and leader materials, as you can see here.

What I'd like to do is show you a board that we created to help demonstrate some of the perspective. What I did is place five different ribbon products on the board that are still here in the U.S. If you take a look at them visually, they are all very similar; they're all of the same polyester. Out of those five, two are certain products and three are out of the scope of the petition. If you flip open the top, you can see that the differences are not in order, whereas the first one is in scope, the next two are out of scope, the fourth one is in scope, and the fifth one is out of scope. You can see from a visual standpoint, it is very difficult to tell the difference and the distributors and end users have a very difficult time distinguishing between products.

All TTR may be sold through common channels of distribution. Nearly all TTR are sold by producers, through distributors, and/or directly through OEM printing manufacturers, such as a company called Zebra. I know that the same distribution network will represent both fax and non-fax TTR product.

So does IIMAK. As their catalogue demonstrates, it has placed fax TTR together with other excluded TTR and certain TTR. If you take a look at Exhibit 1, a brochure by IIMAK, you can see on the front cover and they clearly use different leader materials on their outside of their roll, to help identify the formulation for the distributors. If you turn to the interior on the third page, you can see that they clearly market -- where they're marketing certain TTR, on the third page, they are, also, marketing fax ribbons and other TTR products, such as products in the same brochure, to the same distribution base, the same customer.

Producers and customers likewise receive all TTR products as a single set of goods. Educated customers and distributors understand that common technology is used in the printing methods of certain TTR and non-subject TTR. The key differences would be the ink formulation and the format of the slit rolls used. The key differences would be the ribbon structure, including ink formulation, and form of the slit rolls used. That is the length, width, and, in some cases, for example, addition of cartridges for fax TTR.

While there is overlap in the distribution channels, as mentioned above, there are some additional channels available to certainty fax TTR markets to the substantial home office view. Again, for example, there are certain slitted TTR, sometimes called the label converters,

slitted fax TTR, and certain TTR, sometimes sold to forms brokers, while office supply stores primarily carry certain fax TTR products, due to the customer base they serve. You've seen that IIMAK's sale literature groups all forms of TTR, including fax TTR, in promotion literature reflecting both the producer's and customer's perception.

Now, if you'll turn to Exhibit 2, the chart, which is produced by Bathon & Avery Johnson lists selected products offering of all significant competitors and groups them by application. Note that I have marked the various instances where both in-fill and excluded individual TTR products are recommended for the same applications. If you look inside the chart -- and I'll give you the original; I made a photocopy -- the original has a little bit more definition of color. This is produced by a manufacturer of label types and on the columns here in the blue, are all the different label stocks, from a paper uncoated, all the way to polyester products, their range of different types of label types stocks in the marketplace.

Then, across the top and on the back, you will see that the major manufacturers of TTR listed and, also, some major distributors of TTR listed, that correspond to the label stock. And in each category, they list different certain TTR and non-subject TTR in each category. So, the black mark that I've placed next to them represent non-

subject TTR and all the other ones, in my opinion, represent certain TTR. And it's very obviously, as you look in greater detail inside the boxes, where under the same application, under the same label stock, you can have fax ribbons that fall within the scope and outside the scope of this petition -- oh, I'm sorry, the colored ribbons. On yours, it all came the same color, I'm sorry. If you look at this one, I'll pass it around, the resin is green. So, you can see the perspective of the resin over all the different boxes within the chart. And I'll pass that around.

Now, if you would, please, turn to Exhibit 3 and 4 and reference those, as I'm talking through it. Pricing among all TTR products is heavily influenced by the relative volume and demand for individual products. I have with me a chart, which displays the relative price of representative products across the broad spectrum of TTR products. You can see that pricing is organized, in what I am told the Commission would call continuum. The continuum includes all forms of TTR. I have identified with this continuum currently excluded TTR, from currently included TTR. There's no clear dividing line.

If you're looking at Exhibit 3, what I did on the first one is the red is certain TTR, what is included in the scope of the petition. The blue boxes represent excluded

TTR. If you then look at Exhibit 4, I have, also, placed in the boxes the names, which represent the categories of the boxes, representing the wax-resin market, the near-edge wax-resin market, and what we've talked about this morning, in the specialty reds and the color reds and the resin.

It's important to note that the length of the box and the overlap of that box clearly starts to gives us perspective of the overlap of the different markets and creates the continuum of all the products that we have in the marketplace. Also, the box gives a perspective on the range of prices -- the range of the product prices within each category; so that is, also, represented by the overlap.

I would add that the price of excluded fax TTR seems to be developed based on the same characteristics as certain TTR and other TTR. In the national marketplace, the unit pricing for fax TTR and non-fax TTR is very similar. For ITW, recent pricing for certain fax jumbo products differs from that. For certain other TTR jumbos are sold to the same customer by a fraction of one cent per MSI. We'll support the supporting documentation in confidence. Thank you and I'll be happy to answer any questions.

MR. LEVINE: Mr. Loeb.

MR. LOEB: Thank you, Mr. Carpenter and members of the staff. I'm Hamilton Loeb with the law firm of Paul Hastings. We represent DNP and are here both with DNP and

Jim Groh, who is from Fujicopian.

Unlike Dick Cunningham, I learned by trade law from an American source, which is a blues and country singer, that some of you may listen to the Morning Show, may be familiar with, Delbert McQuinton. And I really think the case Dick Cunningham brings here is more accurately explained by the Albert McQuinton principle, which goes like this: before you accuse me, take a look at yourself. That's what I think the story is behind this petition.

We're going to start with Jim Groh, who was at IIMAK, and is now at Fujicopian. And I think you'll see by the time you hear from Jim and then Brett Cameron from DNP, how what has been done here has been done by the Petitioner to itself. Jim?

MR. GROH: Thank you, Hamilton. Good afternoon. My name is Jim Groh. I believe I can present a perspective here that you will not hear from anyone else. Although I now serve as the president and CEO of Fujicopian (USA) Inc., for many years, I served as an executive vice president of IIMAK and a member of their board of directors. I was one of the very early management members of that company. We had 27 employees in the beginning. I worked there from March 1986 until my retirement in 1995. I know IIMAK and I know their industry. I have many friends, who are still with the company, and I know that they're hurting and none

of us take any joy in that. However, what you'll hear from me are a few reasons why I believe IIMAK is responsible for its own financial condition.

First and foremost, I'd like to talk about the modification of the Fujicopian license agreement. IIMAK was founded in 1984, based on the purchase of a license agreement from Fujicopian. That included test and manufacturing know how. This agreement, also, granted IIMAK an exclusive territory that included North America. Under this agreement, Fujicopian could not manufacture or sell TTR products in North America. IIMAK was its exclusive licensee. Also, under this agreement, Fujicopian received payments of royalty. This agreement was scheduled to expire in 2008.

MR. LOEB: May I just point out, this is on page three of the written testimony that's been circulated, and Mr. Groh is taking his second point before his first point.

MS. MAZUR: We didn't get copies.

MR. LOEB: Sorry, I thought it had been circulated in the room. I didn't know that it hadn't got to you.

MR. GROH: In 1999, the management of IIMAK approached Fujicopian and asked that the license agreement be revised. They requested a reduction in their royalty obligations and access to the Asian market. In turn, they offered to eliminate the existing restriction that

Fujicopian could not market or manufacture in North America. At their urging, the agreement was revised and under these new terms, effective January 2000. IIMAK initiated the agreement change and voluntarily agreed to Fujicopian entering the U.S. market.

When I was with IIMAK, Jack O'Leary, the then CEO, and I considered Fuji to be the greatest potential threat to our business, because many Fuji products are dead ringers for IIMAK products. The Fuji FTX303 is the same as IIMAK's ST330. The Fuji FTX100 is the same as IIMAK hard wax. The reason we're so similar is that because IIMAK, as a Fuji licensee, utilized certain Fuji formulas in the production of their products.

For whatever reason, IIMAK wanted the agreement changed and it was. They received a substantial financial benefit with the reduction of royalties. Perhaps, they gambled that they would win more of the Asian market, but they would lose in their own. But, it was IIMAK that decided to end their exclusive marketing agreement several years earlier. Fujicopian would have been very content to leave the agreement in place to 2008 and continue to receive the royalty and, also, continue to give the exclusivity and protection.

We are here today in no small part, because IIMAK now realizes too late the benefits of having territorial

exclusivity. They should not be allowed to tamper with the exclusive market agreement, avoid paying license royalty fees, and then still retain additional restrictions on Fujicopian entering into the U.S. market.

The second point I'd like to talk about is specific to a customer and a channel conflict issue we were involved with, that demonstrates that price is not the only dimension of which we're competing in the market. There was a distribution channel conflict that was very costly to IIMAK, in terms of the loss of one of their largest customer.

In 1995, IIMAK had over 10 percent of the sales to a company called Zebra Technology, an OEM printer manufacturer. That 10 percent was disclosed in SEC documents we filed when the company was public, naming customers, who had that percentage of business. Zebra was IIMAK's biggest customer -- one of IIMAK's biggest customers and IIMAK was, by far, the biggest ribbon vendor of Zebra. IIMAK was essentially a single source supplier.

Upon my return to the industry in the first calendar quarter of 2000, I met Mr. Barry Knot, the vice president of supplies for Zebra Technologies. This is the first time I met the gentleman. In my very first meeting with Mr. Knot, he informed me that Zebra had had underway a strategy to move business from IIMAK to other suppliers.

The reason he gave was that, and I quote, "my biggest supplier had become my biggest competitor." Mr. Knot further explained that he felt that IIMAK was targeting Zebra customers to sell to them directly. This was costing Zebra significant sales. His strategy was simply to move business to other suppliers.

Fujicopian, at our initial meeting, received a very warm welcome from Zebra and that we had unique ability to provide alternatives to certain IIMAK products that were not available from other vendors. For our first sale's call, we were welcomed with open arms.

Like many industries, customers in our industry simply will not tolerate aggressive competition from their suppliers. This was the case here. Channel prospects proved to the customer to be the reason that they looked for alternative sources, not price.

Lastly, I'd like to talk about my view of what happened in the market versus what was expected to happen in the market in the late 1990s, into 2000. Now, first of all, this industry is not like other industries, like semiconductor and steel, where the business leaders have very good information regarding consumer demand. Although it would be nice to predict better what the demand for TTR would be, sometimes, it seems like people in this industry make substantial business decisions based on bad numbers.

In the late 1990s and the early 2000s, there was a blind euphoria in the AIDC market, regarding bar code supply growth. At that time, bar code printers were around a 15 percent annual growth industry and some took this as a sign that TTR demand would grow along with it, on the reason that more printers would mean more TTR. In hindsight, the demand growth never came close to what the industry forecasts were.

It was about that time that IIMAK expected a leveraged buyout, which, from my understanding, was essentially a $120 million purchase and investment in their business. And should their LBL model follow what mostly happened in the industry, that means that they took on, during that time, an additional $100 million.

The problem is, I believe, they did this at absolutely the wrong time. Certainly, we have the benefit of hindsight, at the time, it was simply terrible. Demand for TTR went from growth to flat and industry supply was growing, mostly motivated by the aggressive forecast we had all seen in the late 1990s.

What I believe happened here is that even though year over year printer sales were growing, the real demand driver, which is the installed base of printers, was not expanding at the expected rate. I had some interesting discussions with the people at Crossland and Sullivan on mathematically modeling this about a year-and-a-half, and

there's two reasons that I believe that this didn't happen.

First of all, many of the new printers that were being sold were cannibalizing the existing installed base. They were replacing printers that were five, six, and 10 years old. So, even though printer sales were growing, they were retiring or cannibalizing their installed base.

And, also, there was a well recognized movement in the printer business, called distributive processing. A company, to offer better convenience and logistics on the printing of labels, would buy three less expensive printers and put them in various departments to print labels. So, essentially, what you have is three printers, printing the volume of one printer. And even though printer sales went up, there was no growth in TTR or label demand.

To summarize, as my friend believes that IIMAK made a substantial investment by a leverage buyout, at a time when the industry became, I would say, less than attractive to do so. So, in my opinion, this case is not about low cost imports taking IIMAK's market. It's about the consequences of actions taken by IIMAK.

Like IIMAK, Fujicopian (USA) manufactures in the U.S. We employ U.S. workers. We make capital investments in the U.S. and are a registered U.S. company. And like I said, I have friends at IIMAK and I understand their company is in tough shape. They clearly have my sympathy. However,

I do not think that IIMAK should be bailed out at the expense of my company or my company's employees. Thank you.

MR. LOEB: Mr. Cameron of DNP.

MR. CAMERON: Good afternoon. My name is Brett Cameron. I have been in the TTR business for eight years, first as a buyer and, now, as head of U.S. sales for one of the leading producers, Dai Nippon Printing, DNP IMS America.

I know this industry, and I can assure you that the way the Petitioner has depicted it in the petition is an unrecognizable distortion. I do not mean only the way they have tried to carve out major segments of the TTR industry, in order to improve their changes of showing injury, and I do not mean only the way they have tried to bypass the profoundly misguided business strategies IIMAK has followed in the past few years. You have heard about these from others. What I stress today is that the central thesis of the Petitioner's case -- that they have lost business and market share because of imports, and that those imports have won the business solely on price -- is seriously and demonstrably wrong.

First, by background. From 1995 to 2000, I worked as director of marketing and global distribution for Datamax, the world's second largest manufacturer of thermal transfer devices; that is, bar code printers. In that role, I interacted with the TTR suppliers, those on both sides of

this case, about as much as anyone in the industry. I moved to DNP in late 2000, where I am now VP for sales and marketing.

Having been a major buyer of TTRs for years, I know what drives the purchasers' selection of suppliers, and it is not the pure price-driven process that Petitioner has claimed here. The larger customers, companies such as Zebra and Intermec in the bar code printer business, look first and foremost to the compatibility and effectiveness of the TTR ribbon with their machines. If your product does not perform well in their systems, you have no chance at selling to them, no matter what your price.

Let me illustrate this with tests that we ran within the last few days, in order to make this point clear to the Commission. The tests are laid out on the boards in front of you. We will include reprints in the post-conference brief.

Test one shows the performance of competing wax-resin ribbons from several manufacturers when used in the industry standard thermal printing device, a Zebra 140X53. Zebra, as you've heard, is the number one producer of bar code printers in the world. Then, we printed the same bar code, 33456789, on a flat colored label.

On the far left is our wax-resin, the N260. Next to it is IIMAK's competing was resin, which they call

PrimeMark. You can see the difference in the resulting bar code with the naked eye. When you test the two using standard verification machines, to determine if they actually work, the IIMAK PrimeMark ribbon produces a "does not scan" result.

The other five test format labels show how the other manufacturers' competing ribbons performed. Some of them scan well. They appear to be a rating on the industry bar code verification scale, which runs from "A" to "F." Some of them rated "F." Look at the two on the right side. A "does not scan" means that the bar code doesn't even rate an "F."

Now, that does not mean that the "F" rates or does the "does not scan" products are no good. It just means they do not work well in this Zebra model. And it, also, means that a user with this type of Zebra printer is not likely to switch from the "C"-rated Ricoh product to another product regardless of price, given the impact on their printing application.

Test number two and number three further illustrate this point.

In test number two, we tested the competing wax-resin ribbons on the same industry-standard Zebra printer, this time using a Flexcon label, a very commonly used substrate, or label material. For this use, the DNP M260

rates a "D." The IIMAK PrimeMark does not scan. The Richo ribbon, the B110A, has the best performance.

However, in test three, using a Valeron label, the same Ricoh ribbon does very poorly, with an "F" rating. One of our ribbons, the M260, gets the best rating of an "A." Yet, another one of our ribbons, the M250, does not scan.

Now, look at test four. Here, we tested for how well the printed bar code resists abrasion on the most commonly used labels used in bar coding, the Fasson 1C. This test was done on the standard device used for testing abrasion, the Crockmeter.

Petitioner says that the wax and wax-resin are fungible and only price matters. Compare one of the less-expensive was ribbon, the Fast Wax product that IIMAK makes, on the left side, with the ITW wax-resin right below it, the M-95. The IIMAK Fast Wax will not scan after this abrasion, and alphanumeric characters would be unrecognizable and unreadable. For user, who needs a durable, abrasion-resistant label, this difference is night versus day.

Now, let me show you graphically why all of this matters centrally to your injury analysis.

I'm sure that the single biggest item Petitioner complains about is our success in getting the business from one particularly important OEM in 2002. Of course, I do not know this, as the confidential version of the petition says,

but the public version leaves no doubt that this customer's 2002 RFP, request for product, figures prominently in Petitioner's case. And there is, also, no doubt that Petitioner did not fail to win that RFP because of underpricing by imports. It failed, because it did not have a qualified competing product that met the customer's standards.

To begin with, as of 2002, this customer's business belonged to a different producer, not to IIMAK. IIMAK lost this customer several years before and was hoping in the 2002 RFP to get it back.

In 2002, the customer began a long RFP process for its worldwide sales, not just U.S. sales, in several products: wax, wax-resin, and resin. The wax-resin product was the most important, as we saw it. The customer made clear that it was looking for a plug-and-play substitute for the incumbent's ribbon, a high end and very profitable wax-resin product.

We spent an intense eight to 10 weeks preparing our response. We created a modified version of our W160 product, to match the properties of the incumbent. We submitted seven binders filled with test results, to demonstrate that our new product met the exacting performance standards and could be substituted without a hiccup. We did not lead on price; our objective was to show

the customer that they could switch to our ribbon without fear.

We won. And we did not win on price, contrary to what IIMAK surely is telling you. We were told that our final price was among the highest submitted. To be blunt, IIMAK never had a chance, because their known or existing products did not meet the customer's standards. I have no doubt that the customer will confirm our account when the staff contacts them. For IIMAK to characterize its failure to win back this business, and to accuse DNP of beating it on price, is simply disingenuous.

This leads to my last point. You already know that Sony has been the declared price undercutter in our business. And you know that Sony launched its 2002-2003 price war with the explicit aim of knocking off IIMAK, whose financial weakness is widely known in the industry. The Commission is now being asked by IIMAK to rescue it from its own financial miscues, and from its own inability to compete for major accounts on quality and product standards, and from the effects of the Sony price war. It is not the imports that have caused the problems IIMAK is complaining about, and the Commission should not let this case intrude on the legitimate competition in this industry by permitting this case to continue. I thank you and I'll be happy to answer questions.

MR. LOEB: And now, Drew Wechsler.

MR. WECHSLER: Good morning. My name is Andrew Wechsler. I am a professional economist.

Three key points for you this morning. The relevant subject imports are not credible sources of material injury in this case. The imports of jumbo TTR rolls cannot, do not, and will not compete with domestic jumbo rolls and slit products. And for that reason, for analytical purposes, jumbo roll should be excluded from import penetration calculation.

Second, one domestic jumbo roll producer, Sony, has proclaimed its own health.

Third, the other, IIMAK, suffers because Sony has declared a price war to drive IIMAK and others from the market, and IIMAK's inconsistent, poorly executed strategy was responsible for self-inflicted injury and extreme exposure to Sony's cutthroat domestic competition.

I want to get into the background on these. Internally consumed will not compete with the slit product. The largest U.S. converters are related to foreign producers. ITW, DNP, Armor will never use significant quantities of domestic jumbo feedstock, dumping duty or no dumping duty. Their commercial and technical relationships are dedicated to their parent foreign producer. They cannot rely on their major U.S. competitors, IIMAK and Sony, to

sell them their key input, because it will entail commercial suicide. It's typically out of the question. Imports of subject finished TTR products are not significant.

The relevant import penetration calculation should exclude captive jumbo imports. Why? TTRs do not present the normal captive import issue that the Commission has encountered previously. There are key differences from other captive importations.

First, there are only two domestic alternatives, IIMAK and Sony, for jumbo roll.

Second, both of these are major competitors of the foreign-owned U.S. converters, ITW, DNP, and Armor, for sales of the finished product. Appropriately measured to exclude internal jumbo roll, the import penetration of finished TTR product is simply not significant. The major foreign producers all convert in U.S. subsidiaries. They export little, if any, slit product to the United States.

Now what about Petitioner's import data, which we have not had the benefit of looking at yet? They base it on tiers. This is a unique event, in my 25 years of associating with antidumping cases.

Tiers data are simply never used for import penetration calculation. They're unacceptable, because the bills of lading, which the Journal of Commerce sums them on, or sends you to do what they did with them, are

inconsistent, incomplete, and often barely readable. The selection process for what goes in and what goes out is totally subjective. Mr. Cunningham, if he relies on this and wants the Commission to consider it, should file every single one of those bills of lading with labels as to which ones were excluded from his calculations and why, so that we can all see the quality of this data source.

U.S. splitting of imported jumbo rolls results in domestic product. It's very important. Conversion is a significant transformation of the jumbo roll inputs, into usable, domestic TTRs. Conversion requires exacting procedures pooh-poohed this morning.

First, it's optimal yield and optimal changeover management by highly skilled workers. In addition, programming for run length speed, type of field, core type. Furthermore, startup of the run. Finally, processing that includes rotating the shaft, packaging, recording the tracking information, et cetera.

You asked what the value added was. You've got a disquisition on this point this morning, but you never got a number. Conversion accounts for no less than 35 to 40 percent of the value of finished slit product and clearly results in slit TTRs that are made in the USA, fully domestic product. Any complaints about ITW, DNP, and Armor sales of finished TTRs are complaints about fellow domestic

competitors.

Black and white TTRs in our market is mature. Growth in printer numbers does not mean growth in TTR demand. Why? Printer growth reflects the declining cost of printers and the added convenience of having multiple printers on the shop floor, because they now are so cheap. But, TTR demand depends on what is being printed, not the number of printers. IIMAK apparently misunderstood this, when they formulated their expansion plan.

Growth in demand for bar code TTRs depends on the overall growth in U.S. demand of groceries, retail items, and manufacturers. These end-use sectors are mature and this is precisely what IIMAK concentrated and its CEO confirmed in its testimony this morning.

IIMAK chose to terminate an important exclusive marketing relationship. You heard about it. IIMAK, not Fujicopian, terminated a key exclusive marketing provision. IIMAK got greedy, hoping to save on licensing fees. But, Fujicopian was easily able to directly serve IIMAK's customers, relieved of this agreement, with literally identical products, after any customer changeover costs and with even better service. IIMAK made its bed.

IIMAK's strategy has been poorly conceived and executed. With shortsighted hopes of cost savings, they terminated the beneficial exclusive with Fujicopian in

January 2000. The result was a failure, by any outside observer, significant revenue and profit loss opportunities. IIMAK's October 2001 expansion announcement was immediately followed, within two months, by a significant layoff that IIMAK, itself, attributed --

AUDIENCE MEMBER: I'm sorry for interrupting, but could we have a time check? I think this panel might be running --

MR. CARPENTER: Yes, you're at the end of your 45-minute allocation. Unless the other panels want to yield time to you, we'll have to cut this off.

AUDIENCE MEMBER: We would prefer to have our panel.

MR. CARPENTER: Okay. If you could summarize in a minute?

MR. WECHSLER: My summary is based on five quotes from Sony, Oliverio Oliverio, Director and Executive Vice President. "The TTR market is over saturated. There are far too many players for the available business. Through aggressive the pricing, we, Sony, believe we can cut our competitor numbers from 19 to 20, down to five. The only way to correct the problems in this industry are for the stronger players to drive out the smaller, that is weaker ones." And Sony, Mr. Oliverio predicts an 11 percent price decline, led by his own firm this year. "You can lead or

you can follow; we, Sony, are going to lead." And the most telling of all, "IIMAK is going to be a casualty of these wars." Thank you, very much.

MR. CARPENTER: Before we switch panels, Mr. Levine, I have a few questions. The exhibit of Peter Gallette, would you mind submitting that as an attachment to your post-conference brief?

MR. LEVINE: I was going to suggest we enter them as exhibits here; but, I will do whatever it is --

MR. CUNNINGHAM: Can I ask that we do it that way, because we'll have them to take a look at, when we're doing our brief.

MR. LEVINE: Well, they're all here. We have plenty of them.

MR. CUNNINGHAM: Okay, that's fine. Whatever way you want to do them.

MR. CARPENTER: Well, the only reason I was going to suggest this is that these three are in color and when they are reproduced as part of the transcript, they're not going to be in color. So, we're going to lose some of the distinction. Plus, the original of one slide, I think, the color is not true in here, compared to what is in the slide. It's your call.

MR. LEVINE: Okay.

MR. CARPENTER: Something may be lost, if we make

it --

MR. LEVINE: At the risk of overburdening everybody, we'll enter those as exhibits and we'll make sure that our brief covers them, as well, if that's okay.

MR. CARPENTER: Okay.

MR. LEVINE: The samples, as well, if we could enter them as exhibits for the Commission staff.

MR. CARPENTER: Well, those, I thought you said you were going to reduce to make --

MR. LEVINE: The physical samples. You're welcome to keep them and pass them around, if you don't accept them as a formal exhibit.

MR. CARPENTER: We won't accept them as exhibits. We'll talk about whether we want to --

MR. MALASHEVICH: Keep them as a souvenir.

(Pause.)

MR. CARPENTER: Mr. Pickard, whenever you're ready.

MR. PICKARD: Good afternoon. I'm Daniel Pickard from Wiley, Rein & Fielding, appearing on behalf of Armor S.A., the French producer of subject merchandise. I'm joined this morning by Bradley Kaplan, counsel to Armor USA.

We believe that the data collected by the Commission will likely show that subject imports from France are negligible and that this investigation should be

terminated, as a matter of law. Should these imports appear to be about three percent, then we submit that Armor's acceptance in the U.S. market is negligible, as a factual matter.

Armor produces specialty products, which it sells in a distinct channel of distribution, and, therefore, should be decumulated for the purposes of the Commission's injury determination. Armor exports from the United States, a large percentage of its U.S. select product. These sales, obviously, do not compete with the domestically-produced product in the United States.

Similarly, Armor sells a majority of its product directly to OEMs and they, also, do not directly compete against the majority of the domestically-produced product in the open market. Furthermore, Armor competes primarily on the basis of technical quality and service. Consequently, there can be no causal connection between Armor's operations and an impact on the domestic industry.

With me this morning are Chris Walker, Vice President and General Manager of Armor USA; Dave Landry and James Cox, two TTR customers. Chris?

MR. WALKER: Good afternoon. My name is Chris Walker. I am the Vice President and General Manager or Armor USA Inc. I joined the Armor group in April 1990. In 1998, I accepted my current position as Vice President and

General Manager of Armor USA, Inc.

Armor is a small participant in the U.S. market. The overwhelming majority of our TTR sales are of specialty products for niche applications that are not covered by the current investigation. Most of our subject products is either exported outside the United States or sold directly to OEMs, and does not directly compete against the standard mass-produced products sold by IIMAK, the Petitioner, or other U.S. producers.

Armor's basis for competing in the U.S. market is completely different from other domestic and foreign producers. Armor focuses on unique technologies and market niches. We have worked with several OEMs, including Avery Dennison and MARKEM Corporation, to develop proprietary products. These products combine special printing technologies and ribbons that are interdependent on one another. These are unique and highly specialized products.

The heart of Armor's business is involved in global contracts. First and foremost, we sell service. We supply global solutions that are, also, tailored to meet local logistical needs. Armor focuses its sales to OEM's, a distinct channel of distribution that makes our company unique. This business approach of Armor in selling TTR has been consistent as long as I have been in the Armor group. Today, over half of our global output is sold to OEMs and

this percentage is even higher in the U.S. This is the area where Armor is most respected by our customers and competitors alike.

OEM strategies are extremely demanding to follow. We excel at establishing centralized global account management covering commercial, technical aspects. Then, through a small team, we manage to roll these out globally, adapting to the local market needs. To complement our global approach, we have several internal sophisticated computerized support tools for commercial and communication matters, together with strict, centrally controlled, locally applied, product specifications, covering all physical aspects of the product and packaging.

In other words, Armor is a global provider of specialty products and prides itself on competing primarily as to quality and service. The OEM sales channel is in stark contrast to the badly fragmented and disorganized distribution channel for standard TTR. Armor remains a small player on the U.S. market, with a light structure and small operation, adjusted from time to time to meet our OEM partners' business evolution. And to satisfy our OEM partner needs for single-sourcing, we are obliged to sell the more standard certain TTR products at the prevailing market price set by the price leader, Sony.

In short, mass market distribution of standard

products is not the basis of Armor's success. We principally sell in niche markets, where other domestic and foreign producers do not compete.

Also, in evaluating Armor's very small role in the U.S. market, it's important to note the high percentage of subject TTR that we export from the United States. This information is included in our confidential questionnaire response. These export sales, like our OEM sales, do not compete with domestic product or other imports. Consequently, the minor role that Armor has in the mainstream standard TTR U.S. market is insignificant.

We fully understand the issue IIMAK is facing today. Unlike Armor, they have not historically addressed the challenges facing them in quality and higher added value technical applications. IIMAK has abandoned its traditional OEM customers and have consequently lost major volumes. These large OEM consumers of certain TTR switched to other U.S. producers to meet their technical, logistical, and service needs. IIMAK appears to have made this miscalculated move away from the OEMs, in an attempt to increase its short-term margins.

IIMAK more recently came into serious conflict with Sony. The result was a strengthening of Sony's publicly announced resole to gain market share at any price. IIMAK, also, sells jumbos actively in the market. This has

caused price erosion in the marketplace. Armor does not sell jumbos into this distribution channel, respecting our OEM sales policy control, our own product distribution, and, most importantly, our profitability.

In conclusion, Armor is a relatively minor participant in the market, who could not be responsible for the ills alleged by Petitioner. Our focus is on specialty products and OEMs, globally and nationally, as our clients. Additionally, we export a major portion of our TTR that is slit in the United States. The remaining portion of Armor product that is sold in the open standard TTR market is very, very small. While IIMAK may be suffering, Armor is not and cannot be responsible for its problems.

Thank you. I'll be happy to answer any questions.

MR. PICKARD: Next will be Dave Landry, MARKEM Corporation.

MR. LANDRY: Good afternoon. My name is Dave Landry and I'm the Director of Materials for MARKEM Corporation. With MARKEM for nearly 20 years, I've held positions in marketing, international business development, finance and manufacturing operations. I have over 12 years of experience in the thermal transfer industry.

MARKEM Corporation, operating in more than 35 countries, is 92 years old and one of the world's leading providers of marketing and coding systems. MARKEM coding

and marking systems incorporate the latest digital to print technologies into products we all know. Can you imagine buying yogurt, bread, or perishable product without a date or freshness code? MARKEM provides manufacturers with that kind of capability.

MARKEM relies upon Armor to provide, on an OEM basis, an integral part of our total coding solution to the customer. That integral part is the thermal transfer ribbon.

I'm here this morning to make clear that Armor sales to MARKEM are in no way responsible for the current situation or any problems that may be affecting the domestic producers of certain thermal transfer ribbon.

In 1998, Armor and MARKET formalized a near two decade long partnership, which now operates under the terms of a global OEM agreement. Three key elements of that partnership MARKEM values with Armor can be identified as follows.

First and foremost is Armor's competence in the development of consistent, high quality product. For example, in 199, when MARKEM and Armor formalized their partnership, MARKEM demanded a smudge resistant, quality thermal transfer ribbon able to print on near edge technology, at speeds necessary to maintain customer production needs. MARKEM's prior supplier was not able to

meet the customer needs.

Here's a sample, which incorporates the need for "no smudge/no smear resistant." Just focus on the monochrome black print in the front here. It's a high quality durable image and this is not the typical bar code or tag label application, which we've heard much about today, but rather a high quality durable print.

A second important element to this partnership with Armor is their capability to best serve MARKEM via a true OEM channel, with local technical and sales support. MARKEM tailored logistic solutions include conversion, dedicated MARKEM product inventory, and replenishment to meet our U.S. customer needs. Representative of the partnership strength is the fact that Armor and MARKEM do not compete in any channel of distribution served by MARKEM.

The third fundamental factor in our partnership is the global reach with local customization capability by Armor and MARKEM. The synergy is fundamental to our business strategy in serving customers, such as Proctor and Gamble, for example.

These competitive advantages allow MARKEM to compete and offer a total solution offering for MARKEM customers. Growth in our thermal transfer business is primarily driven by a total solutions offering, customer service, and a collaborative product development effort with

Armor in direct response to customer need and application. Therefore, MARKEM chooses not to purchase thermal transfer ribbon primarily based on price, but rather on the total solution that Armor brings to MARKEM.

In conclusion, MARKEM buys TTR from Armor based on a global contract that, first and foremost, focuses on technical quality and service. Armor is a small player in the U.S. market and primarily provides specialty niche products, optimized to perform well on MARKEM thermal transfer printers or coders, and in a distinct channel of distribution. Based on MARKEM's experience, Armor is not and cannot be the cause of IIMAK'S problems today.

Thank you, very much, and I would be happy to take any questions you may have.

MR. PICKARD: Next will be Bill Cox, Perfection Packaging.

MR. COX: Good afternoon. I'm Bill Cox, President of Perfection Packaging, a wholesale and reseller company. I've been in the business of buying and reselling thermal transfer ribbons, labels, printers, and code dating equipment for over 15 years, and have been in sales and marketing since my graduation from the University of Kentucky in 1957.

Over the years, I have produced -- I'm sorry, purchased TTR products directly from Fujicopian, Dynic,

Armor, and IIMAK, as well as nearly every other major manufacturer, Dai Nippon, ITW, NCR. All of these companies, with the exception of Armor, will sell jumbo rolls to some converters for slitting and reselling. Based upon my experience, Sony is the price leader in this industry and the most active in offering and lowering prices. They do this to large end users, as well as resellers. They will reduce the price of finished rolls.

For example, in December 2002, Mr. Michael Oliverio, the Executive VP of Sales and Marketing for Sony, was quoted in SCAN, the Data Capture Report, a trade publication, "the market is over saturated. There are too many players for the amount of available business. Through aggressive pricing strategies, we believe we can cut our competition from 19 or 20, down to five." He further stated, "every morning, people in the industry wake up realizing they are not making money, but nobody leaves. The only way to correct the problem is for the stronger companies to drive some of the smaller plyers from the market." Mr. Oliverio went on to say, "Sony has reduced prices by 11 percent in 2002 and will reduce its prices by another 11 percent in the first six months of 2003."

I do a lot of business with the Armor Company, because of the excellent product quality and their "snap finger service" that I get from them. Their technical and

customer staff are excellent by any standard you would measure them by. As an example, for sizes of product not stocked, special orders will be shipped in two days or less. IIMAK, for instance, has a two-week lead-time for items not normally stocked.

I, also, like doing business with Armor, because they have always been up front and honest in their dealings with me. This is not always the case with some of the other suppliers.

It is my opinion that IIMAK has taken this action to regain part of their market share they have lost; but, this loss of market share has occurred for several reasons . First, having been sold twice over the past few years, there has been a revolving door of managers and policies. Most importantly, though, IIMAK has lost market share because of its mismanagement of both sales and marketing. For example, as I mentioned before, IIMAK will not work with me on lead times for low-volume items, and, as a distributor, lead times are critical even for low volume items. Similarly, IIMAK will sell jumbo rolls or slitters at low prices and, thus, undercut my prices.

In conclusion, I buy TTR from many suppliers, but I work with Armor because of its quality and service. Thank you.

MR. PICKARD: This is Dan Pickard. That concludes

our direct testimony.

MR. CARPENTER: Thank you, very much, for your testimony. If we could have all three Respondent panels come around the table, to see if there is questions.

(Pause.)

MR. CARPENTER: Thank you for your indulgence squeezing around the table. I appreciate it.

MR. CASSISE: Good afternoon, everyone. Thank you for your testimony. I'd like to start the questions with the issue of quality, which this morning, I did with the Petitioners downplay as a way of distinguishing different products. Basically, arguing that this is not a product, the product really isn't an issue. I'd like to hear from some of the industry people about what they believe -- how quality plays in their decision to purchase specific products, especially from Mr. Landry and Mr. Cox, who actually purchase the product. I would like to hear from them, specifically, and anyone else that would like to jump in. Why don't we start with Mr. Landry on the issue of quality for purchasing TTR.

MR. LANDRY: Sure. My name is David Landry with MARKEM Corporation. Quality is a very important part of our strategy, in providing solutions to customers. And by "solutions," I'm talking about the printer or the coder, which we manufacture, and a software solution, as well as a

thermal transfer ribbon consumable, that goes into this printer.

Quality is in everything that we do. And if you look at this package, for example, you've got some graphics on the front of the package. Any manufacturer is very interested in how that product looks. And while we compete in a number of areas of the market, we pride ourselves from these kind of applications, which focus on quality of the print. And behind that quality, are important traits like consistency in the product, smudge resistant, quality of print, how it works with our particular technology, our particular printer.

MR. CASSISE: Just out of curiosity, did you print the bar code on that, as well?

MR. LANDRY: On the side?

MR. CASSISE: Yes.

MR. LANDRY: Yes.

MR. CASSISE: Now, you purchase products from Armor. Now from the other -- from Armor, you've held yourself out as an inter-player, who -- well, like Mr. Landry had explained, you're in a long-term type of global partnership, as you described it, with Armor. So, you're under contract to purchase from Armor for a set finite amount of time; is that correct?

MR. LANDRY: Well, we contract our terms and

conditions.

MR. CASSISE: Right.

MR. LANDRY: And, again, you know, quality and service are very important. And should either party violate any contract, there are, obviously, channels that you can take. But, you know, that contract is as good as the performance of the products in the company.

MR. CASSISE: As compared to the spot market, which we were discussing this morning, is everyone buying TTR on the spot market. Putting Armor aside, is that what the other industry players see, as more of a commodity spot market; or these global partnerships, where you work with a customers, in order to get a formulation that works for their specific purposes? Any comment on that?

MR. PICKARD: I think what some said, kind of more standard, high volume item, the importance of quality in their purchasing position.

MR. COX: Yes. My name is Bill Cox, Perfection Packaging. We have to have the quality, 90 to 95 percent of the sales that are made. Price is a consideration, but only just a consideration. Here, you hear about products at the store or a new car or whatever, price is not the end thing. If we don't have the quality, if the quality is not there, and the price they can give it to you, and it really wouldn't make any difference. But, quality, I think,

quality is first; service is second; and then probably the personality of the guy that's selling is third. If you don't like the guy, you're not going to buy it from here.

MR. CASSISE: On that second point on service, what would you describe as important services for a TTR producer to provide to you?

MR. COX: The services that I get from Armor, if I call an order in by 2:00 p.m. in the afternoon, it is shipped the same day. Most of the time, it's shipped, if I called it in up until 4:00. The only time we go beyond them, is if the customer is in trouble, then we do whatever is necessary to get him out of trouble. If we have to take the thing by hand and drive it over by car to the airport and get the next fleet out, we do that.

MR. WECHSLER: Yes, Mr. Cassise, my name is Andrew Wechsler. I think you're exploring quality in a general sense, including product differentiation, whether it's really a commodity.

MR. CASSISE: Right.

MR. WECHSLER: Okay. Well, in that context, it's more doubt that it's -- it was revealed evidence from this morning directly presented to you by the Petitioner's own testimony, where they contradicted themselves in their presentation on this very point. I'll point to two things.

They've made a claim of fungible fully

interchangeable commodity products. And at the same time, they, also, claimed that there was rampant underselling.

Economic theory and consumer behavior is absolutely clear on this point. In a block, in which you have a perfect commodity, interchangeable, and you get a difference in price, you lost your entire market share. The fact is that IIMAK has a very substantial market share. They have suffered due to certain of the problems we're concentrating on. With the very durability of its market share, is testimony, itself, to the fact that they're not selling an undifferentiated commodity product.

The second point I would point out is -- I couldn't hear the oral testimony, but the written testimony of IIMAK's CEO, on page three, he makes much, as well as should, of the consequences of the termination of the exclusive marketing aspects of their arrangement, IIMAK's with Fujicopian, and points out that there were a lot of sales lost afterwards; that it was a bad event. And he's very passionate about attributing who decided to terminate that aspect of the arrangement.

Putting that aside, it's very interesting, you have only two choices here. If there were the undifferentiated, completely interchangeable, fungible commodity product, the termination of that agreement would have had no affect or very little affect. Why? Because,

they were already 20 other sellers in the marketplace unconstrained by the agreement, who could have, if you believe them, sold exactly the same material to IIMAK's customers and weren't covered by the exclusive. The exclusive would have had no value in that environment. It had a value precisely because Fujicopian was the exception to the rule and was the only maker out there with merchandise, as least across the large part of the product spectrum, identical to IIMAK's, because they were working off the very same formulation to the agreement.

So, I think those are two important pieces of evidence provided by the Petitioner, that their claim of undifferentiated commodity products, where there's no difference in quality, services, and other things, just don't bear the first test of scrutiny.

MR. CASSISE: Thank you, Mr. Wechsler. Anybody else want to comment? Mr. Walker?

MR. WALKER: This is Chris Walker of Armor (USA). On the subject of quality, I assume it encompasses the technical aspect of the ribbon. And I would like to point out that a significant part of our niche product range is completely non-interchangeable with other print technologies of a name of a Zebra machine today.

I work with Mr. Landry's company, MARKEM, is absolutely not the sort of product that anyone in the room

can bring and an alternative product to switch into. That is completely depended on its technical characteristics, its performance, speed, capable beyond the dreams of an average Zebra printer or ever will be an average Zebra printer. It's not the same quality, make the same thing, same time, again and again, no matter what it does. And so, this is corrected. And that's the role that Armor plays with our specialty range. And our niche products fit very specific applications.

MR. CASSISE: Thank you.

MR. GALLETTE: It's, also, I think, important to note -- this is Pete Gallette, ITW. There are many circumstances in our day-to-day selling that price is not the determinant factor. It is where a customer may say, can you ship 40 cases a day by the end of the day to me and we can. We provide a service of being able to ship on time. And so, we aren't the low price, but we'll get the order.

There are many circumstances where the field selling organization that we have adds tremendous value to the distributor they're working with and training the sales reps. And so with that relationship, the value -- the relationship with ITW or many of the other manufacturers here, and provide sales to our organizations, we are not the low price to that distributor, that they can get out in the marketplace.

MR. CASSISE: Okay, thanks.

MR. CAMERON: Brett Cameron from DNP. I think I can add probably a different perspective, having come from the printer side of the marketplace. I can tell you when technical support reported to me at Datamix Corporation, when you make a swap or a switch of a TTR product and let's say that it does not work or there's a difference between what you had and what you now have today, rarely ever is the ribbon company called first. More than likely, it's the printer company that is called first. So, when you look at our database, the technical problems in the field, one of our top ones is, I just made a switch and the copy is darker than it used to be, or I just made a switch and it doesn't scan like it used to, can you help me. Funny enough, we get to a sophistication level of the user, which I'm sure we'll discuss at some point, regarding being able to change certain things.

Another top technical problem is, I switched ribbons and I no longer get a print; I'm no longer printing. Question, are you loading the ribbon the right way. Ribbon is either coded side up or coded side down. If you load it backwards, you're intentionally going to adhere your ink to your print head. So, here is a relatively mature marketplace of supposedly sophisticated end users that are readily available to make changes to firmware and software

in these $5,000 to $7,000 machines, can't load the ribbons the right way.

So, we take heart in that -- I'm sorry, I used to take a large part in that. And part of the development of printers is to make them easier to use; therefore, more likely that they will be using thermal transfer printers, because printer OEMs generate a sizeable amount of business and profits from the selling of TTR.

MR. CASSISE: Thank you. Another issue -- I wanted to switch gears a little bit. Mr. Wechsler, I think that you were discussing, during your testimony, about the substantial transformation taking place in thermal operations here in the U.S. and how you disagreed with the Petitioners today on how there was not much value added. I would like you to expand on that, either here or in a brief, tell me what you -- how much value you think is added, and anyone else -- I'm sorry, anyone else, who works in the converting industry.

MR. WECHSLER: I think the individual firms will be able to tell you, because all the producers, who have come here, are all, also --. So, they have some sense in the U.S. operation of what the costs are coming in and what the prices are going out.

I did very -- I mean, we only had one week to coordinate this. I haven't done precise calculations. What

I did was I asked -- and I won't name them today, because it is confidential specific to each company, but I asked the same question to three different firms doing conversions and independently got the same -- virtually the same answer, at least one-third, if not 40 percent, 35 to 40 percent. All three of them came in, in the figure in that range. So, that seems to me to be a good place to start.

I think if you want more explication of actual sets going on there, the companies can be specific. But, I was interested this morning, the Executive Vice President, I believe, of IIMAK was dismissive of what goes on in conversions, because it wasn't as capital intensive as coding. He just said, it's all labor. There is a lot of labor in conversion and labor counts in value added and labor counts in terms of production workers in the United States. And some of that labor is highly skilled.

For instance, what I started off was the first step in the process of making a jumbo roll, it's analogous to an old-fashioned dress cutters taking some bolts of material and trying to get the most product and the least waste out of what's coming in. There are two complicated things to trade off. One is maximizing yield and the other is minimizing changeover. And sometimes, you have to pick between. The person doing that, and the one company I explored that with in detail, is paid well into the six

figures to do that. So, these are highly skilled people.

But, in terms of the details, I think you have other people around the table, who can provide more about that.

MR. CASSISE: There's, also a legal issue here, which we intend to explore, and it is addressed somewhat in the petition, and that is whether or not from a U.S. Customs perspective and other legal factors, there is a substantial transformation when jumbos are converted into finished slit TTR. We will address that. Mr. Malashevich, also, I think, has focused significantly on the qualification of U.S. slitters converters as domestic producers.

MR. MALASHEVICH: Thank you. This is Bruce Malashevich, Economic Consulting Services. I have the pleasure of touring a process facility and examining what goes on there, in great detail. We will be elaborating on that in the brief, including a number of quantitative measures.

But, I think the most important thing is to address what Petitioners did not talk about this morning. Not only was there no testimony addressing the Commission's usual six-factor test, concerning whether or not to include processors in the industry, there was not even any mention of the six-factor test. So, what you heard basically was rhetoric. And in the post-conference filings of all the

parties, we will address in detail and I think you will find the evidence overwhelming that the processors belong, as far as the domestic industry.

MR. LEVINE: One point of clarification before I forget. This clarifies the statement earlier by Mr. Wechsler, which we agree with, except in one respect, and that is ITW is a U.S. company; it's a U.S. producer; it's an importer; it's a converter; and it is a U.S.-owned company.

MR. PICKARD: And I would just follow up -- I'm sorry, Dan Pickard, follow up to say there certainly is an issue as to the six-factor test generally applied by the Commission, whether these should be considered U.S. producers. For Armor, we don't believe it's particularly crucial to our issue, because ours is very easily resolved, we believe, due to the lack of causal connection. But, obviously, we'll be happy to address that in our post-conference brief.

MR. WECHSLER: Economists love to ask fact permission I just want to be sure there were a couple of things going on simultaneously here of equal importance -- sort of large importance, maybe not equal. One is the domestic industry definition, whose in, whose out. And that value-added consideration is very important to them.

It's, also, separately important, in terms of analyzing causation. Regardless of where you draw the

boundary line, my testimony was suggesting that TTR product produced in U.S. slitting operations was fully domestic and, therefore, if you had a dedicated relationship with an overseas supplier for the roll, those rolls, the reason I elaborated on, are not in competition with domestically-produced rolls. They will never buy them, regardless of the outcome of the case.

So, since there's no competition, it doesn't make sense to look at those rolls as injuring the production of domestic rolls. Regardless of the volume, they can't do it, because they go into an operation for which there is no competition between them. And if you look at the far side coming out, you have a transformed domestic product.

MR. WECHSLER: I'd say by traditional Commission standards. I mean, one quick reference is, we had a lot of trouble recently, a year or so ago, well, what do you to do with steel slabs? Those slabs are converted into U.S. Steel flat rolled products in U.S. Mills.

You can't say that the imported slabs are injuring another industry in the U.S., or a different product, and then get to an injury determination on it. It doesn't work that way. It has to be the competition of slabs with slabs, or finished product with finished product. I think the Petitioners really sort of slapped that together.

MR. CASSISE: Thank you, and I know everyone will

address that in more detail in the briefs, so I'll anxiously await your responses there.

We'll shift gears a little bit. On the issue of cumulation, I'd like to know if any kind of U.S. geographical market segmentation is taking place with imports. You know, are the Japanese imports all coming in on the West Coast and staying in that West Coast market? Is there any of that geographic segmentation, or are all of the imports competing in the entire U.S. Market?

MR. PICKARD: As for Armor, we've primarily focused on lack of inter-changeability in the six channels of distribution, as to the cumulation issue. But as to the geographic presence and simultaneous presence in the market, we'll probably flesh that out in our press conference.

MR. CASSISE: Okay, we'll just save that one for the brief. Actually, I have a couple of quick ones that a lot of these are probably going to be for the briefs, anyway.

One thing I'd like probably addressed in the briefs is this trans-shipment issue that came up earlier; whether any of your firms have slitting operations in non-subject countries, that ultimately export here to the U.S. If we could kind of detail those transactions and get some volume information on what comes into the U.S., that would be helpful.

Also for the briefs, from the Petition and then from looking at the Commerce statistics, obviously, there seems to be kind of a lack of consensus about under which HTS number this stuff enters the U.S.

If you guys could tell me in the briefs, under which HTS number you've entered this stuff, maybe we can make some sense out of the Congress or maybe not. But if you have that information, I would appreciate it in the briefs.

Then also, and I think this was asked earlier, does anyone know of any other imports coming from any non-subject countries; or I think in the Petition, it was 95 percent or so comes from France, Korea, and Japan. Does that sound like a reasonable number?

MR. WALKER: I just very recently heard this probably coming in from Indian. But I have no more details; I just heard that.

MR. CASSISE: You have no idea how much?

MR. WALKER: No.

MR. CASSISE: How about the figure that 99 percent comes in the form of jumbo rolls? Is there any reason to bring it in slitted form, economic or otherwise?

MR. LANDRY: I'm Jim Landry with ITW. The Customs rates are higher on slit rolls versus jumbo. So from a economic viewpoint, we would always bring in jumbos.

MR. PICKARD: Are you including slit fax in your question?

MR. CASSISE: No, let's leave out slit fax for this question.

MR. PICKARD: We'll get to it in our press conference.

MR. CASSISE: Actually, I think that's all I have. I want to thank everybody for their testimony.

MR. CARPENTER: Mr. de Winter?

MR. DE WINTER: Good afternoon, and thank you for your testimony. It's very instructive. It's getting pretty late, so I'm going to try and keep these short and sweet for you.

A quick piece of housekeeping for Mr. Gallette, on your chart here, Exhibit 3 and 4, the horizontally "x" access here, is that the amount of resin, and the further right you go on your chart, the more resin and the less wax?

MR. GALLETTE: That is just a continuum of the products from a standpoint. As they go across in performance and pretty much in the resin content, except in the wax color category that you see on Exhibit 4 are called out, fourth from the top. That would be a straight wax product, but they play in a higher MSI category there.

MR. DE WINTER: But generally, if the higher resin content is going right, that's a specialty product.

MR. CASSISE: Correct.

MR. DE WINTER: My second question goes to Mr. Pickard. What is your position on like product?

MR. PICKARD: It's our position that we think even with a narrowed domestic like product definition, or with the more broad domestic like product definition, it really doesn't change the fundamentals as to Armor, because of how they compete in the market.

I would note that Petitioner's suggested domestic like product certainly seems to have some problems. One very brief example, the slitted TTR in certain shapes seems to me to be an argument that comes close to your suggesting a different domestic like product, or an exclusion from domestic like product based almost entirely on packaging, under the traditional Commission six factor test.

That doesn't seem to me that it would probably have carried the day. But I'm sure it's a thing that we will be discussing in the post-comments.

But I think the focus with Armor, and for fear of repeating myself, again, there are several interesting legal issues that come up; none of which do we think fundamentally challenges our position that Armor can't be a cause of material injury, due to the way of their presence in special niche markets and the way they compete in that.

MR. DE WINTER: So I take that your position is,

you don't really take a position in like product?

MR. PICKARD: We certainly don't oppose broadening the domestic like product. But I think we will more accurately state our position in the brief.

MR. DE WINTER: Mr. Walker, I have a question for you. Regarding these niche products, could you explain that a little bit more. You say that you don't compete at all with domestically-produced TTR and those niche markets?

MR. WALKER: No.

MR. DE WINTER: Mr. Landry, when you are purchasing products from Armor, they are basically the only U.S. supplier of the kind of products you are looking for?

MR. LANDRY: Well, in our business, there is, again, a spectrum of applications. But as far as the optimum match for the performance of our equipment and the quality and the performance of the product, they're the preferred supplier.

That's not to say that we wouldn't have an application or a need or a prior screen of a customer who prefers to buy a different product that we would sell. So it's not an all or nothing situation, but a large portion is within that scope.

MR. DE WINTER: So when you're considering purchasing more ribbon from Armor, your consideration isn't possibly sourcing it for Petitioner from another domestic

producer?

MR. LAUNDRY: Could you ask the question one more time?

MR. DE WINTER: When you're considering whether you're going to reorder or order some ribbon from Armor, you are considering also whether you could source that from a domestic producer.

MR. LANDRY: No, because of the application fit and the reach and the testing, and it's pretty clear.

MR. DE WINTER: So for that, there's only one?

MR. LAUNDRY: Yes; my next question is for Mr. Groh,

MR. GROH: Yes, sir.

MR. LAUNDRY: I believe it was you who mentioned the global contract. It was mentioned about an RFP for a global source contract. I don't know if it was you.

MR. DE WINTER: I believe it was.

MR. CAMERON: That was me.

MR. DE WINTER: So Mr. Cameron, could you explain a little more about these global contracts; and from your experience, what percentage of the market is characterized by global contracts, and to what extent are we just seeing spot sales.

MR. CAMERON: An RFP or an RFQ is usually characterized by one of two or both events. One is a large

OEM or a customer that puts their own leader or their own name on the product.

Those are usually larger customers. They have been around for a very, very long time. They have an extremely large installation base and are, therefore, not going to just willy-nilly switch, giving the ramifications of doing so. So they have very, very large.

The other is when you would have a more specific need for a product. For example, I think in the case of a MARKEM-like product, there are only a handful of devices or ribbons that are made, that can actually print on the MARKEM device, on a flexible bag, for example, at the incredibly high speeds that they require. Obviously, those that respond to that will be much, much smaller.

In the case of the OEM that I referenced, they are one of the largest, one of the initials into the marketplace, and were at a stage in which they go through probably, I would say, every two years to three years, in which they try to make sure that their market position is best served by having "best in breed" products in the marketplace, and that they are able to also partner with, for sake of argument, other companies that can also provide them with products that allow them to grow in their own niche markets.

Obviously, if a company only partners with one or

two companies, they are essentially pulling themselves away from other products that could be available to them. So in that OEM case, it was not only to look at their own worldwide purchases, but also to make sure they were aligned strongly going forward with the correct or the right suppliers for them.

MR. DE WINTER: And can you tell us here, or maybe submit it in a post-conference brief, to what extent the market deals in these large global contracts and how many purchasers and what percentage of the market is engaged in these large annual global contracts, and what percent are in this slot market?

My other question is, when it comes to these global contracts, how much testing does the OEM do, and how much weeding out of potential suppliers do they do, just from the quality standpoint?

MR. CAMERON: I'll answer the latter, and then I'll refer to counsel on the first one. With regards to the testing that OEMs do, it's kind of a joke amongst those of us who manufacture products, that the most important people at the OEMs are not the purchasers or the CEOs. It's the guys that are in the lab. Those are the most important people. If you're taking somebody to play golf, you're taking the lab guys.

It's simply because what's going to happen is,

they are going to get thrown a large subset of products that they are going to test, and in their test, they are going to very immediately weed out a certain subset of that which doesn't work. Most of us know, going in, it's not going to work.

From that, it gets into a much, much larger extensive process. In the case of the one OEM that I referenced in my testimony, that process began in early summer, and was finalized in the later part of 2002. Testing did not stop from the beginning of the RFP to the very end, and that testing continues to go on today.

MR. DE WINTER: For the post-conference brief, could you submit some evidence about this, so we can flesh out this issue of OEMs and the way they interact with the market?

MR. LOEB: We certainly can. We will submit in the post-conference brief a more detailed description, which identifies the customer that Mr. Cameron testified about and provide some of the materials that the whole RPF process required to be generated, because that goes right to the question of how much testing, how much is your level of investment.

You know, you are spending a lot up front for the chance to compete in this RFP, knowing that you might be one of the ones that's eliminated relatively early on a

technical basis. Nonetheless, you've sunk a very large figure into your preparation, testing and production of RFP materials, and all of that. So we'll give you more on that.

The other question that you asked was how significant a factor are these large OEM contracts, and in particular, as I understood it, how many instances are there where the OEM will be making a global decision, rather than making just a U.S. market decision, or maybe a North American decision? We certainly can try to sort that out in the post-hearing.

MR. CAMERON: Just a point, and this may be of no value, but in discussions, we've talked about global contracts that exist between a manufacturer and their channel, whatever number that is. But the amount of global contracts that exist between end users and the bar channel is much, much greater.

For example, there is a major global contract going on right now with a pharmaceutical firm. That testing has been going on for about four months at that firm. What has happened is, that has been a set product, a set product sold to that customer for a period of two years.

They are now doing their RFP process. Therefore, they are opening up their investigations into other possible products to make sure they are competitive and have "best in breed," with again very similar constraints, one of which

is, it needs to perform very similarly to what we currently have. We are not going to go around the world to make changes. So I think that's also something that may be an issue.

MR. DE WINTER: I would really appreciate any information for our post-conference that we can gather on this.

MR. WECHSLER: Drew Wechsler -- you may have heard mention the channel of distribution model and changes that have been forced on it or are occurring in it in the margins.

It bring up some very interesting things which, in fact, go to the role of price and the role of service and other quality attributes in this process. Clearly, price gets determined in this market. It's not just dropped out of the sky. The market is not going to pay any price, simply because it needs that ribbon; or it's not going to sell a ribbon that doesn't work in its machine.

One of the services provided by the converters very often and, in fact, almost all the time, they are completely anonymous to the end users. They are not anonymous so the people they make their contracts with, whether they're OEMs or DARs of various kinds -- but they are anonymous to the end users, and they are expected to stay anonymous.

Yet, very often, they are drop shipping directly to these end users, and they have to get straight exactly what company is listed on the return address. The whole documentation has to be just right. You don't step on your customers teeth or undercut him with his end users.

One of the interesting and, in my experience, unique forms of price suppression currently occurring in the market, which affects the choice of supplier much less than it simply affects the price at which everyone is selling, there is one outfit that's doing Internet sales to end users with jumbo rolls it's buying and has been buying at very low prices; otherwise, this wouldn't be a buyable strategy for them. Their success at suppressing prices is far greater than their success in making sales.

At the end of the day, that's there as a reference point. It's out there. Their principle supplier is IIMAK. One of the things that is going on that is forcing prices down is this sort of change at the margin, or corruption of the established channel of distribution model, and it's having pricing effects?

Yet, it's not displacing nearly as much product from one supplier to another. It's just a price reference that's out there and suddenly people selling to these people have to include it in their calculations of things, if they want to continue the conversation.

MR. DE WINTER: I have no further questions; thank you very much.

MR. CARPENTER: Mr. Benedetto?

MR. BENEDETTO: Hello, thank you all very much for coming here today. There was some tough testimony this afternoon about Sony's efforts to reduce the number of producers in the market. I was wondering, what was sort of the timing on this; when did it start; have any of you noticed it, and if you have noticed it, what have sort of been the effects of it?

MR. LOEB: If you'd like, I can begin, and then let the industry witnesses give you more of their experience.

But just so it's clear for the staff, because it will be different here than it is almost every other case that you see, it's going to be very easy to identify when it started, because as one of the witnesses said, there's an article in the industry magazine where the Sony executive declares this price war and declares their objectives.

Certainly, I don't know if it's been submitted, yet, but it certainly will be submitted in the post-conference briefs.

MR. BENEDETTO: And that's when it began?

MR. LOEB: NO, I think that's the question for the witnesses. Is that the beginning; is that a statement that

was made once the Sony pricing effort was already under way; and I think the industry witnesses can respond on that.

MR. GALLETTE: This is Peter Gallette, ITW. I think when you get a copy of the article -- and someone will submit this, as I said -- this came out December 27th of 2002. It is making reference that he started aggressive pricing in 2001, and he plans on continuing it down into 2002, netting out to, I think, roughly a 22 percent price decline in the marketplace.

MR. BENEDETTO: Have you noticed this, though? I guess that's sort of my question

MR. GALLETTE: Yes, without a doubt, we've experienced it in 2001 and in 2002, yes.

MR. WECHSLER: One of the quotes that I unfortunately didn't get into my 30 seconds of final testimony before we switched panels was the conclusion in that article by Mr. Oliverio of Sony. He said, "I believe Sony has what it takes to win this war. The company is making good money, and is not dependent solely on thermal transfer ribbons for its revenues."

That serves as a very good comparison to IIMAK, because IIMAK is much more dependent solely on thermal transfer products, and that's why it's, among other things, particularly exposed to the Sony strategy of knocking people out of the marketplace or knocking them down.

MR. LANDRY: This is Jim Landry with ITW. I would argue that it started, and we will submit this with our brief, back in 2000, where Sony, through their distributor, General Data, announced a 15 percent price reduction, which we would consider to be significant. That was back in October of 2000, during the period of investigation.

MR. BENEDETTO: Thank you; anyone else with an experience to relate to that?

(No response.)

MR. BENEDETTO: Mr. Cameron, in your testimony, you were talking about how a lot of purchasers often have capatability issues, but they are going to purchase, because they want a purchase that is compatible with what they already have.

Is this issue connected to -- you were talking to Mr. de Winter about two segments of the market; about one that buys through distributors and re-sellers, and one that buys on large international contract. Is this connected with that issue? Am I correct in assuming that this large international market that you're talking about is going to be more worried about the compatibility issues?

MR. CAMERON: Brett Cameron, DNP -- no, actually, the concern over compatibility or fungibility, there's more resources put to it at an OEM level. But the reality is that the importance of performance characteristics, quality

and fungibility, or the ability to make that switch is critical at all levels.

I would assume that anyone that has an important customer or even an unimportant customer that generates any sense of revenue for them will not actively swap that customer's products for a nominal gain in percentage of profit by switching those products for the fear of losing that customer. It's a risk that most will not take.

MR. BENEDETTO: Mr. Cox, do you agree with that?

MR. COX: Yes, very much

MR. BENEDETTO: I know that this morning we heard something different. How often in the central competition between issues of price versus issues of compatibility; you're saying that almost always compatibility is the major issue; is that correct?

MR. CAMERON: I think Mr. Cox made the point that quality and service are one and two, and price is third. Obviously, if you have the same quality and you have the same service, price always enters into the value equation at some point; but you do not lead with that.

MR. BENEDETTO: Compatibility, where does that fit in?

MR. CAMERON: That would be in quality. Yes, quality is a difficult word to truly define. But I think for the sake of performance as a way of defining quality,

that's important. As I showed this morning, from a distance or up close, many labels may look quality as if they are the exact same.

However, the performance of that format is not to look good. The performance is that it needs to go from Seattle to New York, and still be scanned. So you cannot just make those changes, given the performance expectations of that particular occupation.

MR. BENEDETTO: Thank you very much. Is there anyone else that has something to add to that?

MR. GROH: I think I can add something to that, that just might give you a bit of perspective. This is Jim Groh from Fujicopian.

One of the practices you can see that many of the OEMs undertake is if they do want to add a new ribbon line, rather than do a wholesale replacement of the products they have, they add it as a new product line that they offer.

If there is a quality advantage or if there is a price advantage or whatever, they allow their customers to evolve away from their current sources. But that drop in replacement is oftentimes amongst the different manufacturers and it is so difficult to get.

You can point out a lot of examples where manufacturers, if they want to bring on another supplier, will do it by offering them as an additional product in

their rate, rather than as a substitute to what they're selling, and they keep both of them in their price list.

MR. BENEDETTO: Anyone else?

(No response.)

MR. BENEDETTO: Staying with you, Mr. Groh, do you disagree with what we heard this morning, that there was real significant growth at the end of the 1990s and in the mid-1990s? I think what you and Mr. Wechsler were arguing was that there was this issue of more printers, but not necessarily using more. Was there demand in the 1990s that has flattened out?

MR. GROH: This is Jim Groh. I believe there was --

MR. PICKARD: If I could interrupt, just for a moment, two of our witnesses are attempting to catch 3:15 flights. If possible, they'd be willing to stay for further questioning. I was just wondering if it would be possible finish up with any questions that might be directed towards them?

MR. BENEDETTO: I don't have any specific questions for them.

MR. CARPENTER: Thank you, it looks like you're free to go.

MR. BENEDETTO: Okay, Mr. Benedetto, I'll repeat the question to make sure we both feel re-directed. The

question is whether it was my opinion that we saw real growth at the end of the 1990s and into 2000.

I'm very firm in an opinion that the slight growth that we may have had, and it may have been one or two or three percent annual types of growth, were far below the original 15 to 20 percent rates that were forecasted, that attracted a lot of industry supply into this industry.

One can debate whether there were declines, whether it flattened, whether it grew slightly. But if you are looking at four phases of a business model, they went from embryonic to high growth, and that's where you were hitting the maturity, and I'm very strong in my opinion on that. The market matured in terms of demand in the late 1990s and early 2000, and caught a lot of people by surprise.

MR. BENEDETTO: So I guess your forecast would probably be that demand is probably going to be pretty stable over the next few years.

MR. GROH: Yes, that would be my forecast.

MR. BENEDETTO: Does anyone else have any other forecast? Maybe it may not be public, but does it sound like everyone has an opinion here, demand has always been stable?

MR. LANDRY: Jim Landry with ITW -- I guess we would concur with Jim Groh's viewpoint, that we do think

there would be positive growth in North America, although it would be single digit growth. We believe the growth rates for TTR demand in Europe and Asia are significantly higher, especially China.

MR. BENEDETTO: Anyone else?

(No response.)

MR. BENEDETTO: One last question that I'm just not clear on, in the U.S. market, how often are distributors distributing TTR from different coders? Are these distributors and resellers always, at any one time, just distributing TTR from one coder?

MR. GALLETTE: I can take a shot at that. This is Peter Gallette, ITW. From our distribution network in the U.S., I can almost say, and I'd have to really think hard, if there's anyone that's single sourcing, they are going to source from a variety of sources.

MR. BENEDETTO: If I call up a distributor and reseller, they could offer me a variety of different brands?

MR. GALLETTE: Yes, and many times, they will carry an EOM brand and a blue leader brand, if it's ours or anybody else's. Many times, there's multiple sources just from just a blue leader; you know, the common blue leader from a variety of sources.

So as we work through it, one of the studies that we look, you know, we would say, who is the primary and

secondary sources of the distributors we're calling on, just to try to gain market intelligence. I can't think of any that are single sourced -- truly single, I mean, covering every single purchase that they make.

MR. BENEDETTO: Anyone else?

(No response.)

MR. BENEDETTO: Thank you all very much for your time.

MR. CARPENTER: Ms. Fan?

MS. FAN: Thank you; my first question will be directed at Mr. Landry. You indicated that one of the reasons why -- if I have this correct and correct me if I'm wrong -- the slitting operation is separate from where you do the ink making was for Customs reasons. Are there any other reasons why slitting operations are separate from the rest of the manufacturing process?

MR. LANDRY: Jim Landry with ITW -- what I attempted to answer when the question was, why would we bring in jumbo rolls versus slit rolls, the duty on slit roles in higher than on jumbos. So we would not bring in slit rolls. That was my statement, I believe, with regard to the question that was asked about importing jumbos or slit rolls.

Our argument in ITW for separating our ink making from our slitting facility would be, we are fanatical about

what we call 80/20 business philosophy. What we do is, we separate and focus. In doing so, we are able to maximize the efficiencies in our manufacturing operations; not only in the GTR market, but in all the other business activities that ITW employs.

Part of that is that if you want to become the low cost producer in the industry, you must focus on one thing and do it very, very well. That's why we tend to set up separate slitting facilities, so that our trained technicians and employees are very, very good at slitting.

The same people that we also have making ink and are very focused on making ink can become very, very good and very, very efficient then. That's part of our business philosophy that's from making fasteners to making TTR. It is a corporate philosophy.

MS. FAN: Would anybody else like to comment on this? What I'm trying to get at is why some of your companies have only slitting operations in the U.S., while the rest of the manufacturing process takes place in other countries and factories.

MR. LANDRY: Can I make one other comment, please? Again, this is Jim Landry. This is, again, part of our 80/20 philosophy. We tend to try to set businesses up for the long run and short run.

In Calcaska, Michigan, we manufacture TTR --

certain TTR and non-subject TTR. So we do have in Michigan ink making facilities, coding facilities, and also slitting facilities, but they are focused on very short run niche products.

We do make a small portion of certain TTRs defined in the petition. But for our manufacturing facility in Korea, it's what we call a long-run factory, where we run one product long-run and we don't change over.

MS. FAN: Would anybody else care to comment?

MR. WALKER: I can answer on behalf of Amo. Chris Walker from Amo. From our point, it's to bring the specialty products that we have, on the logistics basis, closer to the point of views for the client, to make sure they have the optimum service level.

MS. FAN: Would anybody else care to comment?

(No response.)

MS. FAN: My second question is, I believe it was Mr. Wechsler that commented that conversion accounted for 35 to 40 percent of the value of the final goods. I'm wondering if the rest of the Respondents agree with this figure.

MR. PICKARD: That's probably pushing or touching on business proprietary information, but I'm sure it's something that we can address in the brief.

MS. FAN: If you can, please, and also regarding

the other steps in the manufacturing process, what you believe the percentage value that accounts for, of the final good.

MR. GALLETTE: This is Peter Gallette, ITW. I believe also that's proprietary, but we will include it.

MS. FAN: Thank you; also in a post-conference brief, if you want to include any more information, other than what the Petitioner has given on the manufacturing processes; or also diagrams of the TTR, if possible, and I believe that's it, thank you.

Ms. Mazur?

MS. MAZUR: Thank you all very much for your testimony, particularly, once again, the industry witnesses. We do like to expand our public records with your expert testimony.

Getting back, once again, to the old girl, the TTR market, can we get a general sense from the industry witnesses today whether the various components of the subject product, the slitted fax, raisin color; and then, if you could, in your post-conference briefs, submit more detailed information? But could you give us just a general sense now of what the various segments consist of, in terms of their market shares?

MR. GALLETTE: This is Peter Gallette, ITW. I believe the segments represent the continuum that I showed

in Exhibit 4.

MS. MAZUR: What percentages, though; what share of the market is represented by the various areas?

MR. GALLETTE: I can include those in our brief.

MS. MAZUR: But do you have a general sense that you can share with us?

MR. GALLETTE: Going back to Jim Landry's 80/20 comment, about 80 percent of the market, we feel is represented in the wax categories, that is represented in the first couple boxes on Exhibit 4. Then you can break down the wax resin, roughly, into a 10 percent category; the resins into a category of anywhere between five and seven, and then the specialty into three percentages. I think that adds up to 100. So it breaks it down that way.

But the majority of the U.S. market, we feel, is about 80 percent, and it's that wax category.

MR. CAMERON: Brett Cameron from DNP -- with regards to the issue of application, you mentioned certain TTR and also slip rolled fax. DNP is in the unique position of those in the room today to be able to answer that question, as we are the world's largest manufacturer of TRR and the world's largest supplier of slip rolled fax to those OEMs.

Our answer today, for the sake of propriety, would be substantial, a slip rolled fax, in that overall TTR, and

then we will be happy in the brief to spell that out exactly.

MS. MAZUR: Thank you, and my last issue is with the question of imports, and what volume we should be using, and what statistics we should be using. To the counsel at the table if you could, in your post-conference submissions, make recommendations as to the quality of the questionnaire responses. Should that be our primary source for import statistics, or some other methodology that you might suggest, as to how we could can an accurate and correct volume, I'd appreciate it.

MR. WECHSLER: If I may ask, if you are considering seriously some kind of peers bill of lading-based methodology, the only comment on it, if the bills of lading that were obtained and chosen among to construct those data are made available under --

MS. MAZUR: No, I'm asking you to come up with your recommendations, based on your own methodology. Those are all the questions I have, thank you.

MR. CARPENTER: Does any other staff have any questions?

(No response.)

MR. CARPENTER: Thank you again very much for your testimony and for your detailed responses.

Mr. Cunningham, are you ready for your closing

statement?

MR. CUMMINGHAM: I am, indeed.

MR. CARPENTER: Do you want to take a few minutes?

MR. CUNNINGHAM: I'm glad to be saying good afternoon this time, instead of good evening, which is what I said last night.

I think it's useful to step back from the somewhat kind of disjointed, throw a lot of stuff up on the wall and see what sticks kind of presentation that was made, and sort of think about what these Respondents seem to see as the overall market picture here.

They see IIMAK, and I think you'll see from the questionnaires as it's true of other U.S. producers, too, as hurting. We certainly agree with that. They don't dispute that. They see IIMAK, in particular, as vulnerable, because of a high debt load.

If so, that sounds like the kind of vulnerability the Commission takes into account in these cases. It's not too different from the vulnerability of the domestic steel industry, in some respects.

They see the U.S. market as, depending on who you listen to and their group, flat or declining. We might disagree a little bit with that. But let's take their portrait of it.

They acknowledge that prices have declined in the

marketplace. Nobody disputed that these Respondents have taken sales from IIMAK.

Now let's overlay on their portrait a few facts that we know from independent evidence. First, Respondent's import volume and market share are increasing; and second, we presented ample evidence, which your staff will confirm, that Respondents are under-selling IIMAK's prices. I might note that with only a few exceptions, Respondents didn't deny this under-selling evidence.

What does that leave you with? Their picture then, of vulnerability of the largest U.S. producer, admitted material injury to the largest U.S. producer, a flat or declining market in which imports, volume, and market share are increasing, and market prices declining at a time of rising imports and import under-selling. That's sounds like the picture I set at the outset of today, that was a classic, affirmative determination picture.

So what do their arguments really boil down to? Well, as an introduction to that, I was really interested to note in Mr. Cameron's testimony that apparently in this industry, there is a measuring device that has the same name as one of the high technology products that we have at Steptoe and Johnson. It's called, apparently, a crock meter.

Ours actually has a different purpose, though.

It's a machine quite technologically advanced that determines when what's being said by the other side is, well, a crock. I'm sorry we didn't bring it today. It would have been buzzing all of the time. But let's use that to take a look at the arguments that they were putting forward.

A lot of it was about quality. Boy, you would think that IIMAK couldn't make -- IIMAK, by the way, remember, has the largest market share of any of these companies -- anything that wouldn't fall apart, gum up the printer, and all of that.

Well, we'll respond to the specific quality allegations. I have to comment on one here. There was an extended diatribe against one of our lost sales allegations claiming it's the heart of our whole case -- of course, that's only one of our lost sales allegations -- and that IIMAK lost because its thermal transfer ribbon just couldn't meet the customer's needs.

Well, the fact is, as they mentioned, that was a global procurement by that customer; and it's true that IIMAK lost the U.S. business, but IIMAK got a large chunk of the world business. How could that have happened if IIMAK was just selling this junk and couldn't meet the customer's needs?

More fundamentally, though, there we have better

quality contention founders on the rock that often demolishes such an argument; namely, if the quality is so much better than IIMAK's why do they undercut IIMAK's prices?

Look at the data that you'll get from the customers, talk to the customers, look at the questionnaires. When you find under-selling, I submit, it's hard to believe that these multi-national companies, sophisticated companies, cut their prices below those of the company that has the inferior product. It doesn't wash.

Okay, the second argument they make is really alarming in its implications. It's a two-pronged argument that seeks to persuade the Commission not to look at imports of jumbo rolls.

It has two forms. One form of the argument is that slitters, converters should be considered U.S. producers and, thus, their sales deemed sales of U.S. material. What does that do? It wipes out the imports of the jumbo rolls, whose low prices speed those sales.

Secondly, the other form, advanced by Mr. Wechsler, is that imports of jumbo rolls by a U.S. company that owns the foreign producer should be disregarded as inter-company transfers.

Well, I hope that's not what they did in their questionnaire response when they're talking about imports,

incidentally. If that's what they did, then we really do have an import statistics problem here. We'll put that aside for a moment.

We're going to address each of those two forms of the argument on a strictly legal basis. I'll ask you to step back and understand the game that they're trying to play here.

Here you have a jumbo roll which, as Mr. Wechsler acknowledged, constitutes 70 percent or so of the total value of the finished product. It is also the jumbo roll, an article that has no use whatsoever, but making the finished product.

If the anti-dumping law were to be construed in such a way that you could dump the jumbo rolls into the United States; but just because they are further processed in the United States, there's no way that you can reach them under the anti-dumping law, we would be in a pickle.

The dumping law has not been interpreted that way. The Commission hasn't done it. The Commerce Department hasn't done it. Think about the semi-conductor cases, where you had the wafer fabrication in one country, and without substantial transformation change, you had assembly and test in another country, and then export to the United States.

They looked through that. They focused on the real transaction, which was the real thing that was going

on, with stuff coming the wafer fabrication.

Okay, the issue there was a little different, choosing country of origin, but the point is the same. The anti-dumping law is flexible enough to deal with the economic reality of the situation here; and in particular, in a case where what's being imported has no other purpose but to be slit into the finished product.

They can't hide behind substantial transformation. They can't hide behind different HTS numbers. It's got to be looked at as the imports that are causing the trouble here. As they said, those are the imports. That's what is economical to import, for all sorts of reasons, and that's what they do.

Those are, as the Commerce Department will determine, being done. If that is the case, these people can't hide behind that kind of argumentation. We'll go into the factor tests and all of the other things.

But they will come out the right way, and then the continuous line of production, set of Commission determinations, it will come out the right way. Because the fact is that the anti-dumping law is flexible enough to reach that kind of transaction, and has to be, or it's not a very meaningful law.

Finally, there was an awful lot of stuff here about like product. There again, the name of the game is to

drag into the Commission's analysis material which is not subject to dumped import competition. Indeed, for most of those, it's not subject to significant import competition at all.

That has totally different market circumstances; certainly, in terms of price trends; certainly in terms of the competition between imports and the domestic product, and certainly, as we will show, in terms of the other factors that the Commission considers. We'll go through all of that.

But it's important to step back and look at the reality here. Large multi-national companies, in an industry that is plagued with over-capacity, that have specific impetus, different for each of the companies, to sell into the United States, are in fact selling here, and they're dumping, and they're under-cutting the prices of the U.S. producer. Their market shares are going up and prices in the marketplace are going down, and the U.S. producer is injured. It all hangs together.

One last point, there's an old Russell Long phrase where we talk about how we do tax law here. He says, what you do is, everybody says the same thing which is, don't tax you, don't tax me, tax that guy behind the tree.

Well, they brought in a guy from behind the tree. The guy is Sony, and they quote Mr. Oliverio, who came with

Sony in 2002. This is the occasion when the import problem began in 1997, and it has been continuing since then. But a statement made by Mr. Oliverio in 2002 is supposed to totally change your analysis of this entire period.

You know, if you will look at this, you will see where Sony's prices are, in relation to the importers' prices. You will see that now. You will see it at other stages during the period. You'll see the trend of Sony sales. You'll see the trends of their sales, and I would hope, you will talk to Sony.

That's what you do in this case. You don't just listen to allegations, and what you've had here is an awful lot of allegation. But you don't just listen to allegations; you go get the facts.

That's what we're trying to do for you. That's what we've tried to present. I think our presentation is qualitatively different from the presentation of the other side, in that regard, and we want you to rely on the facts. If you rely on the facts, it's going to come out the way we're going to want it to come out.

MR. CARPENTER: Thank you, Mr. Cunningham.

Whoever among the Respondents' council would like to make a closing statement, please come forward.

MR. PICKARD: Good afternoon, Dan Pickard, Wiley, Rein & Fielding -- I think there were a couple of issues

here today where reasonable minds could probably differ.

But as to my client, in particular, Armor, certain facts, I think, were uncontested -- that they are a rather small player in this market, and the majority of their product, and this will be in the questionnaire response -- the vast majority of their product is either exported outside of the United States, or it's sold directly to the OEM.

As we had commented earlier, because of these factors, we believe that, and it's distinct channel of distribution, that it should be accumulated; and that when viewed by itself, that there's no possibility of a causal connection and no reasonable likelihood of injury, due to domestic producers for threat thereof, due to Armor's presence in the U.S.

The one thing I would particularly like to focus on, all the customers in the room today, which there were precious few of, testified to the same things. IIMAK has had serious problems, due to mismanagement, and raised the likelihood that their problems are self-inflicted.

The customers and other industry witnesses testified to the fact that Sony is the price leader and as a matter-of-fact, in one of their trade journals, Sony admits basically starting a price war.

This intra-industry competition between those to

players should not and legally cannot be attributed to the effect of French producers. Actually, that's our case in a nutshell.

MR. LOEB: Hamilton Loeb for DBP -- I just have two comments to make, to respond to notes that Mr. Cunningham included in his closing.

The first one is to emphasize that I don't think you can characterize Sony as the guy behind the tree here. Sony is the elephant in the room. And the elephant in the room, in this instance, said that they were going to launch a price war aimed at the Petitioner.

It's no coincidence that there are events in the petition and events that you heard described this morning and this afternoon by Petitioners that occurred in 1997; but there was no case filed in 1998, and no case has been filed.

We sit here in the middle of 2003, with a petition in front of us solely because Sony launched a strategy that it is in the middle of attempting to accomplish. Perhaps they've been successful in the sense that they've driven Petitioner to take the step they are taking here.

But that's really an issue of a pricing war between two different domestics; not an issue of import competition.

The second point I want to respond to is just with respect to the lost sale allegation. Mr. Cunningham noted

that the lost sale allegation that we and Mr. Cameron of DNP described in some detail in his testimony was only one of their lost sale allegations.

I'd invite you, when you go back to the office today, just pull out their exhibit that is pull out IIMAK's exhibit, where they summarize their lost sale allegations. See if one of them doesn't jump out at you as being entirely different from the others, in terms of size and importance.

Again, as Mr. Cameron said, when you talk to that customer -- and again, we agree with Dick Cunningham on the importance of doing that -- we think you will hear an account which is quite similar to the one that you heard from Mr. Cameron, and quite different from the one that is described in materials that the Petitioner has filed.

Indeed, for reasons that we will explain in our post-hearing brief, the point that Mr. Cunningham made about IIMAK potentially getting some of the European business simply will reinforce the point we're making about this lost sale allegation; thank you very much.

MR. LEVINE: David Levin, on behalf on ITW -- we believe that the record will speak for itself, and we certainly agree with Mr. Cunningham that you all should focus on the facts, and not simply allegations.

I think that, not to speak on behalf of all the Respondents, but at least on behalf of ITW, we feel

confident that the facts will be borne out by the questionnaire responses.

To the extent that they're not, there are some issues with regard to IIMAK's own self-destruction, so to speak, which may not be addressed in their questionnaire responses. We would simply urge you to collect the information that we've talked about here today, that may not be fully borne out by the questionnaire responses.

One other point with regard to the focus on quality, I think the issue, as several of the producers and maybe some of the customers addressed a little while ago with regard to quality, is that not exclusively does the product do the job; but it's servicing, it's features provided by the company to support their customers, and it's more than just physical product.

We will certainly address, as I know everybody else will at your urging, the six factor test with regard to both who's in the U.S. producer industry and what are the products that are like the subject import; and with that, thank you.

MR. CARPENTER: Thank you, gentleman, I have just a few final comments. The deadline for both the submission of corrections to the transcript and for briefs in the investigation is Wednesday, June 25th.

If briefs contain business proprietary

information, a non-proprietary version is due on June 26th. The Commission has scheduled its vote on the investigation for Friday, July 11th at 2:00 p.m., and will report its determinations to the Secretary of Commerce on July 14th. Commissioners' opinions will be transmitted to Commerce a week later on July 21st.

This conference is adjourned.

(Whereupon, at 2:44 p.m., the conference was adjourned.)

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CERTIFICATION OF TRANSCRIPTION

TITLE: Certain Wax and Wax/Resin

INVESTIGATION NO.: 731-TA-1039-1041

HEARING DATE: June 20, 2003

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 20, 2003

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: Beth Roots
Signature of Court Reporter