

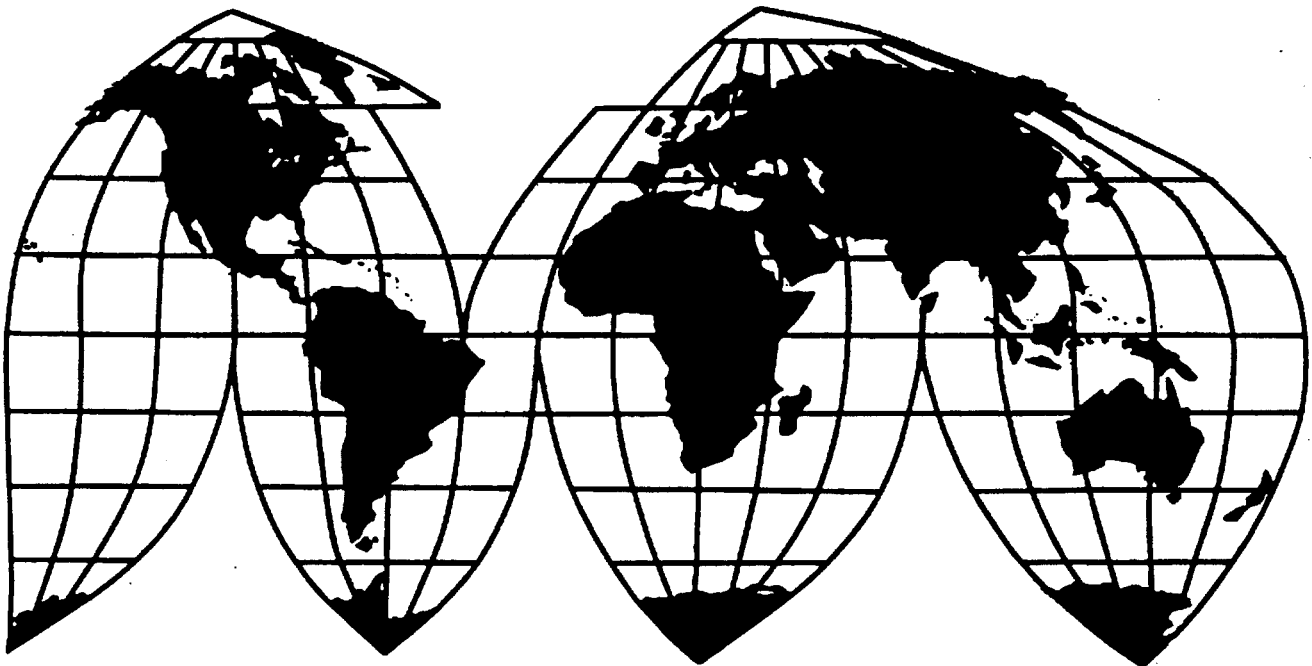
Certain Steel Wire Garment Hangers From China

Investigation No. TA-421-2

Publication 3575

February 2003

U.S. International Trade Commission



Washington, DC 20436

U.S. International Trade Commission

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Note.--Information that would reveal confidential operations of individual concerns may not be published and therefore has been identified by the use of *.**

GLOSSARY

***	***
CHC	CHC Industries, Inc.
COGS	Cost of goods sold
CSWG	Certain steel wire garment
Commission/USITC	U.S. International Trade Commission
***	***
***	***
EOP	End-of-period
EPA	Environmental Protection Agency
East West	East West Enterprise
***	***
***	***
FR	<i>Federal Register</i>
Fabricare Choice	Fabricare Choice Distributors Group
***	***
GAAP	Generally accepted accounting principles
***	***
HTS	Harmonized Tariff Schedule of the United States
***	***
***	***
***	***
***	***
Laidlaw	Laidlaw Corp.
M&B	M&B Metal Products Co., Inc.
***	***
***	***
Midwest	Midwest Hanger Co.
Nagel	Nagel/U.S. Hanger Co., Inc.
***	***
Navisa	Navisa, Inc.
***	***
Ningbo	Ningbo Xiang Shan Foreign Trade Co., Ltd./Ningbo Wood Craft Products Co., Ltd.
***	***
***	***
OEM	Original equipment manufacturer
***	***
R&D	Research and development
Rocky Mountain	Rocky Mountain Hanger Manufacturing Co.
SG&A	Selling, general, and administrative
***	***

Continued on next page.

GLOSSARY—*Continued*

***	***	
***	***	
Shaoxing Dingli	Shaoxing Dingli Metal Clothes Horse Co., Ltd.	
***	***	
***	***	
***	***	
TR	Transcript of the Commission's hearing	
***	***	
United Wire	United Wire Hanger Corp.	
***	***	
***	***	
***	***	
***	***	
***	***	
***	***	
***	***	

UNITED STATES INTERNATIONAL TRADE COMMISSION

Investigation No. TA-421-2

CERTAIN STEEL WIRE GARMENT HANGERS FROM CHINA

DETERMINATION

On the basis of information developed in the subject investigation, the United States International Trade Commission determines, pursuant to section 421(b)(1) of the Trade Act of 1974,¹ that certain steel wire garment hangers² from the People's Republic of China are being imported into the United States in such increased quantities or under such conditions as to cause market disruption to the domestic producers of like or directly competitive products.

RECOMMENDATIONS ON PROPOSED REMEDIES

Chairman Deanna Tanner Okun, Vice Chairman Jennifer A. Hillman, and Commissioner Marcia E. Miller propose that the President impose a duty, in addition to the current rate of duty, for a three-year period, on imports of the subject steel wire garment hangers from China as follows: 25 percent ad valorem in the first year, 20 percent ad valorem in the second year, and 15 percent ad valorem in the third year of relief. They further recommend that, if applications are filed, the President direct the U.S. Department of Commerce and the U.S. Department of Labor to provide expedited consideration of trade adjustment assistance for firms and/or workers affected by the subject imports.

Commissioner Lynn M. Bragg proposes that the President impose a duty, in addition to the current rate of duty, for a two-year period, on imports of the subject steel wire garment hangers from China as follows: 20 percent ad valorem in the first year, and 15 percent ad valorem in the second year of relief.

Commissioner Stephen Koplán proposes that the President impose a duty of 30 percent ad valorem, in addition to the current rate of duty, for a three-year period, on imports of the subject steel wire garment hangers from China. He further recommends that, if applications are filed, the President

¹ 19 U.S.C. § 2451(b)(1).

² For purposes of this investigation, certain steel wire garment hangers consist of garment hangers, fabricated from steel wire in gauges from 9 to 17, inclusive (3.77 to 1.37 millimeters, inclusive), whether or not galvanized or painted, whether or not coated with latex or epoxy or other similar gripping materials, and whether or not fashioned with paper covers or capes (with or without printing) and/or nonslip features such as saddles, tubes, or struts. After fabrication, such hangers are in lengths from 7 to 20 inches, inclusive (177.8 to 508 millimeters, inclusive), and the hanger's length or bottom bar is composed of steel wire and/or saddles, tubes or struts. The product may also be identified by its commercial designation, referring to the shape and/or style of the hanger or the garment for which it is intended, including but not limited to Shirt, Suit, Strut, and Caped hangers. Specifically excluded are wooden, plastic, aluminum, and other garment hangers that are covered under separate subheadings of the *HTS*. The products subject to this investigation are classified in subheading 7326.20.00 of the *HTS* and reported under statistical reporting number 7326.20.0020. Although the *HTS* subheading is provided for convenience and Customs purposes, the written description of the merchandise is dispositive.

direct the U.S. Department of Commerce and the U.S. Department of Labor to provide expedited consideration of trade adjustment assistance for firms and/or workers affected by the subject imports.

The Commissioners each find that the respective actions that they propose are necessary to remedy the market disruption found to exist.

BACKGROUND

Following receipt of a petition filed on November 27, 2002 on behalf of CHC Industries, Inc.; M&B Metal Products Co., Inc.; and United Wire Hanger Corp., the Commission instituted investigation No. TA-421-2, *Certain Steel Wire Garment Hangers From China*, under section 421 of the Trade Act of 1974 to determine whether certain steel wire garment hangers from China are being imported into the United States in such increased quantities or under such conditions as to cause or threaten to cause market disruption to the domestic producers of like or directly competitive products.

Notice of the institution of the Commission's investigation and of the scheduling of a public hearing to be held in connection therewith was given by posting a copy of the notice on the Commission's website (www.usitc.gov) and by publishing the notice in the *Federal Register* of December 6, 2002 (67 FR 72700). The hearing was held on January 9, 2003 in Washington, DC; all persons who requested the opportunity were permitted to appear in person or by counsel.

The views of the Commission are contained in USITC Publication 3575 (February 2003), entitled *Certain Steel Wire Garment Hangers from China: Investigation No. TA-421-2*.

IEWS OF THE COMMISSION ON MARKET DISRUPTION

I. INTRODUCTION

1. Determination

Pursuant to section 421(b)(1) of the Trade Act of 1974 (19 U.S.C. § 2451(b)(1)) and on the basis of the information in this investigation, the Commission determines that certain steel wire garment (CSWG) hangers from the People's Republic of China (China) are being imported into the United States in such increased quantities or under such conditions as to cause market disruption to the domestic producers of CSWG hangers.¹

2. Background and scope of investigation

The Commission instituted this investigation effective November 27, 2002, following receipt of a petition filed by three domestic producers of CSWG hangers.² The petition alleged that CSWG hangers from China are being imported into the United States in such increased quantities or under such conditions as to cause or threaten to cause market disruption to the domestic producers of like or directly competitive products.

The imported CSWG hangers from China that are the subject of this investigation consist of:

hangers fabricated from steel wire in gauges from 9 to 17, inclusive, whether or not galvanized or painted, whether or not coated with latex or epoxy or other similar gripping materials, and whether or not fashioned with paper covers or capes (with or without printing) and/or nonslip features such as saddles, tubes or struts. Specifically excluded are wooden, plastic, aluminum and other garment hangers that are covered under separate subheadings of the Harmonized Tariff Schedule of the United States (HTS).³

CSWG hangers are designed to drape and transport clothing and other textiles.⁴ They are produced in the United States primarily for use by the dry cleaning, uniform rental (industrial laundry), and textile industries.⁵ CSWG hangers are manufactured in numerous styles, shapes, and gauges; the gauge of wire used depends on the weight of the garment for which the hanger is intended.⁶ General categories of CSWG hangers used by dry cleaners include the basic shirt hanger (made from light gauge wire and generally painted white), caped hangers (which are covered by a paper cape that adds stability to the hanger), strut hangers (which include a paper tube along the bottom of the hanger that is often

¹ The Commission reached a unanimous affirmative determination.

² CHC Industries, Inc., M&B Metal Products Co., Inc., and United Wire Hanger Corp. *** Laidlaw Corp. (Laidlaw) expressed opposition to the petition.

³ Confidential Staff Report (CR) at I-1, n. 2; Public Report (PR) at I-1, n. 2.

⁴ CR at I-2; PR at I-2.

⁵ CR at I-2-3; PR at I-2-3.

⁶ CR at I-3; PR at I-2.

coated with a nonslip material to keep the garment from sliding off), and suit hangers (made from a wire gauge that can support a suit).⁷ Hangers sold to industrial/ uniform rental companies are similar to those sold to dry cleaners, and generally can be used interchangeably.⁸ CSWG hangers generally are viewed as a disposable product for temporary storage of garments.⁹

3. Statutory framework¹⁰

The determination that the Commission must make is set out in section 421(b)(1)¹¹ of the Trade Act, which states in part that the Commission, upon the filing of a petition or receipt of a request or resolution, shall promptly conduct an investigation –

to determine whether products of the People’s Republic of China are being imported into the United States in such increased quantities or under such conditions as to cause or threaten to cause market disruption to the domestic producers of like or directly competitive products.

This standard is satisfied if the following conditions are met –

- (1) there is market disruption or the threat of market disruption to domestic producers of the like or directly competitive products; and
- (2) imports from China are in such increased quantities or under such conditions as to cause or threaten to cause such market disruption.

The term “market disruption” is defined in section 421(c)(1)¹² to exist –

whenever imports of an article like or directly competitive with an article produced by a domestic industry are increasing rapidly, either absolutely or relatively, so as to be a significant cause of material injury, or threat of material injury, to the domestic industry.

Thus, in order to determine that market disruption exists, the Commission must find that each of three conditions is satisfied –

⁷ CR at I-3-4; PR at I-3.

⁸ CR at I-5; PR at I-4.

⁹ CR at I-11; PR at I-8.

¹⁰ In reaching her affirmative determination in this investigation, Commissioner Bragg employed the same analytical framework that she developed in the Commission’s first investigation conducted pursuant to section 421. See Dissenting Views of Commissioner Lynn M. Bragg, *Pedestal Actuators from China*, Inv. No. TA-421-1, USITC Pub. 3557 (November 2002) at 45-48. Commissioner Bragg does not join section I.3 of these Views.

¹¹ 19 U.S.C. § 2451(b)(1). Section 421 was added to the Trade Act of 1974 in 2000 by the U.S.-China Relations Act of 2000, P.L. 106-286 (2000).

¹² 19 U.S.C. § 2451(c)(1).

- (1) imports of the subject product from China are increasing rapidly, either absolutely or relatively;
- (2) the domestic industry is materially injured, or threatened with material injury; and
- (3) such rapidly increasing imports are a significant cause of the material injury or the threat of material injury.

Section 421(c)(2) further states that the term “significant cause” refers “to a cause which contributes significantly to the material injury of the domestic industry, but need not be equal to or greater than any other cause.”¹³

Section 421(d)¹⁴ provides that the Commission, in determining whether market disruption exists, “shall consider objective factors, including –

- (1) the volume of imports of the product which is the subject of the investigation;
- (2) the effect of imports of such product on prices in the United States for like or directly competitive articles; and
- (3) the effect of imports of such product on the domestic industry producing like or directly competitive articles.”

Section 421(d) further provides that the presence or absence of any of these three factors “is not necessarily dispositive of whether market disruption exists.”

II. WHETHER MARKET DISRUPTION EXISTS

1. Domestic industry

Section 421(c) defines the domestic industry in terms of the producers of “like or directly competitive” products. In making determinations under section 421(c), the Commission follows a two-step practice of first determining what constitutes the product like or directly competitive with the imports subject to the investigation, and then identifying who produces it (the domestic industry).^{15 16}

¹³ 19 U.S.C. § 2451(c)(2).

¹⁴ 19 U.S.C. § 2451(d).

¹⁵ See *Pedestal Actuators from China*, Inv. No. TA-421-1, USITC Pub. 3557 (November 2002) at 5. In *Pedestal Actuators*, the Commission noted that it follows this practice in making determinations under section 202 of the Trade Act of 1974 (19 U.S.C. § 2252), which also defines the domestic industry in terms of the producers of “like or directly competitive” products. In the absence of instruction to the contrary in either section 421 or its legislative history, the Commission found it appropriate to follow this practice in section 421 investigations.

¹⁶ Commissioner Bragg does not join the preceding footnote and does not join section II.1.a. of these Views. In defining the domestic like product in a 421 investigation, Commissioner Bragg is guided by the traditional criteria (continued...)

a. Like or directly competitive domestic article

(i) The statutory framework and Commission practice

When assessing what constitutes the like or directly competitive product, the Commission applies the definition of "like or directly competitive" in the legislative history of what is now section 202 of the Trade Act¹⁷ and considers such factors as (1) the physical properties of the article, (2) its customs treatment, (3) its manufacturing process (i.e., where and how it is made), (4) its uses, and (5) the marketing channels through which the product is sold.¹⁸ If the Commission finds that there is domestic production of a like product, it has not found it necessary to look further and determine whether there are also domestic producers of directly competitive products.¹⁹ The Commission considers the decision regarding like or directly competitive product to be a factual determination.²⁰ Once the Commission has identified the like or directly competitive domestic goods, it then determines whether there are clear dividing lines between the domestic goods, and thus whether there are one or several domestic products like (or directly competitive with) the imported goods.²¹

(ii) Arguments of the parties

The parties in this investigation are in agreement that there is one like domestic product consisting of the various types of CSWG hangers that is like the imported steel wire garment hangers

¹⁶(...continued)

evaluated by the Commission in antidumping and countervailing duty investigations, *i.e.* (1) physical characteristics and uses; (2) interchangeability; (3) channels of distribution; (4) customer and producer perceptions of the products; and (5) common manufacturing facilities, production processes, and production employees. *See* Dissenting Views of Commissioner Lynn M. Bragg, *Pedestal Actuators from China*, Inv. No. TA-421-1, USITC Pub. 3557 (November 2002) at 46-47 & n.12. Commissioner Bragg concurs that there is a single domestic like product comprised of certain steel wire garment hangers, coterminous with the description of subject imports contained in the Commission's Notice of Investigation.

¹⁷ *Pedestal Actuators from China*, Inv. No. TA-421-1, USITC Pub. 3557 (November 2002) at 5-6, referencing the definition in the legislative history of what is now section 202 of the Trade Act of 1974 in H.R. Rep. No. 571, 93rd Cong., 1st Sess. 45 (1973); S. Rep. No. 1298, 93rd Cong., 2d Sess., at 121-122 (1974).

¹⁸ *Pedestal Actuators from China*, Inv. No. TA-421-1, USITC Pub. 3557 (November 2002) at 6. *See also, e.g., Extruded Rubber Thread*, Inv. No. TA-201-72, USITC Pub. 3375 (Dec. 2000) at I-5-6; *Circular Welded Carbon Quality Line Pipe*, Inv. No. TA-201-70, USITC Pub. 3261 (Dec. 1999) at I-10; *Wheat Gluten*, Inv. No. TA-201-67, USITC Pub. 3088 (March 1998) at I-9.

¹⁹ *Pedestal Actuators from China*, Inv. No. TA-421-1, USITC Pub. 3557 (November 2002) at 6. *See also, e.g., Lamb Meat*, Inv. No. TA-201-68, USITC Pub. 3176 (April 1999) at I-10; and *Wheat Gluten*, Inv. No. TA-201-67, USITC Pub. 3088 (March 1998) at I-9.

²⁰ *Pedestal Actuators from China*, Inv. No. TA-421-1, USITC Pub. 3557 (November 2002) at 6. The Commission found it appropriate to apply the factors it traditionally has applied in safeguard investigations under section 202 of the Trade Act. *Id.* at 8.

²¹ *Pedestal Actuators from China*, Inv. No. TA-421-1, USITC Pub. 3557 (November 2002) at 6. *See also, e.g.,* the Commission's like product findings in *Circular Welded Carbon Quality Line Pipe*, Inv. No. TA-201-70, USITC Pub. 3261 (December 1999) at I-11; and *Certain Steel Wire Rod*, Inv. No. TA-201-69, USITC Pub. 3207 (July 1999) at I-9-10, 35.

described in the Notice of Investigation.²² Petitioners argued against a broadening of the like product definition (such as to include other types of hangers such as wood, plastic, and aluminum), while respondents argued against sub-dividing the like goods (to consider particular “sub-types” such as shirt, strut, suit, caped as separate like products).²³

(iii) *Analysis*

Applying the factors the Commission traditionally applies (i.e., physical properties, customs treatment, production processes and facilities, uses, and marketing channels), we find that the domestically produced CSWG hangers are like the imported CSWG hangers described in the Notice of Investigation. We further find that the various types and styles of domestic CSWG hangers are part of a continuum, with no clear dividing line between the types and styles of hangers in the continuum, and that there is one domestic product “like” the imported CSWG hangers.

We begin our like or directly competitive product analysis with the imported product or products described in our Notice of Investigation. That notice describes the imported product as follows:

Certain steel wire garment hangers, fabricated from steel wire in gauges from 9 to 17, inclusive (3.77 to 1.37 millimeters, inclusive), whether or not galvanized or painted, whether or not coated with latex or epoxy or other similar gripping materials, and whether or not fashioned with paper covers or capes (with or without printing) and/or nonslip features such as saddles, tubes or struts. After fabrication, such hangers are in lengths from 7 to 20 inches, inclusive (177.8 to 508 millimeters, inclusive), and the hanger’s length or bottom bar is composed of steel wire and/or saddles, tubes or struts. This product may also be identified by its commercial designation, referring to the shape and/or style of the hanger or the garment for which it is intended, including but not limited to Shirt, Suit, Strut and Caped hangers. Specifically excluded are wooden, plastic, aluminum and other garment hangers that are covered under separate subheadings of the Harmonized Tariff Schedule of the United States (HTS). The products subject to this investigation are classified in subheading 7326.20.00 of the HTS and reported under statistical reporting number 7326.20.00.20.

Physical properties. We find that domestic CSWG hangers have the same physical properties as the imported CSWG hangers from China. The domestic CSWG hangers are virtually indistinguishable in appearance and directly interchangeable with the imported Chinese hangers. Both are made from drawn steel wire of varying gauges and coated with a paint finish; and both are often fitted with paper accessories, such as capes or struts, depending upon the end use.²⁴ Some of the imported Chinese hangers are painted by the powder-coating method, which reportedly provides a smoother, more durable finish, and the capes on imported Chinese hangers use heavier paper and may be hand-fitted, which

²² The Notice of Investigation was published in the *Federal Register* of Dec. 6, 2002 (67 F.R. 72700). Petitioners’ Prehearing Brief at 8-12; Petitioners’ Posthearing Brief at Appendix 2, G-1-6; Chinese Respondents’ Posthearing Brief at 5-6; Laidlaw Posthearing Brief at 11.

²³ *Id.*

²⁴ Petitioners’ Posthearing Brief at Appendix 2, G-3.

allegedly results in a sturdier hanger and better fit.²⁵ However, the U.S. producers and a majority of importers surveyed by the Commission found the domestic and imported hangers to be interchangeable,²⁶ and two purchasers stated that they co-mingled the imported and domestic hangers in their warehouses.²⁷

Production processes. The domestic hangers are made by substantially the same manufacturing process as the imported hangers. Both are made from drawn steel wire of varying gauges, which is formed into hangers and then coated with a paint finish. The principal difference is in the painting process, with a portion of the Chinese product painted through a powder coating process, while the domestic hangers are dipped.²⁸ In addition, the Chinese caped hangers involve more hand labor, with the capes typically installed by hand, while the capes on domestic hangers are installed by machine.²⁹

Uses. The imported and domestic CSWG hangers generally are used in the same applications,³⁰ primarily as a disposable product for short-term hanging or draping of garments and other textile products.³¹ CSWG hangers have two primary end use markets: dry cleaning (accounting for more than two thirds of all hangers sold in the United States) and industrial/uniform rental.³² U.S. producers and a majority of importers reported that U.S. and Chinese CSWG hangers are used interchangeably,³³ although U.S. hangers are available in a wider range of gauges and shapes.³⁴

Marketing channels. The domestic and imported CSWG hangers are sold through the same marketing channels, primarily to distributors.³⁵ Distributors typically maintain several different sources and may co-mingle the various boxes of the same type of hangers they purchase from different sources.³⁶

Customs treatment. The record shows that the various types of CSWG hangers are provided for under the same HTS statistical reporting number.³⁷

We find that there is a clear dividing line between CSWG hangers and other types of hangers, such as wooden, plastic, and aluminum hangers. Such other hangers have different physical properties in terms of appearance and materials from which they are made (including a different shape and lack of a steel hook), are produced by different firms in different plants and on different equipment, have a somewhat different use (are designed to be reusable and also for longer-term hanging of garments), are

²⁵ CR at I-7-8; PR at I-6.

²⁶ CR at I-61; PR at I-38-39.

²⁷ CR at I-64, n. 144; PR at I-42, n. 144.

²⁸ CR at I-9, n. 30, I-48; PR at I-6, n. 30, I-31.

²⁹ CR at I-8, I-48; PR at I-6, I-31.

³⁰ CR at I-62; PR at I-39.

³¹ CR at I-2-8, I-11; PR at I-2-4, I-8.

³² CR at I-57; PR at I-36.

³³ CR at I-61; PR at I-38-39.

³⁴ CR at I-60; PR at I-38.

³⁵ CR at I-20-21; PR at I-13.

³⁶ CR at I-21, I-64, n. 144; PR at I-13, I-42, n. 144.

³⁷ CR at I-10; PR at I-7.

sold to different users (e.g., retailers as opposed to dry cleaners), have a much higher cost, and are provided for under different HTS subheadings.³⁸

We find that the various types and styles of CSWG hangers are part of a continuum of hanger products and are one like product. The various types and styles of domestic CSWG hangers all have the same physical attributes in terms of appearance and materials (although there are some differences in paper accessories), are largely made by the same firms, in the same plants, and on the same equipment using the same production processes, are used for the same end uses and by the same end users, and are sold through the same marketing channels.

In conclusion, we find that the domestic like product is CSWG hangers.

b. The domestic industry

Neither section 421 nor its legislative history defines the term “domestic industry.” However, the term is defined in other statutory authorities, and wording in the legislative history of section 421 suggests that the Commission should look to the definition in section 202 of the Trade Act.³⁹ ⁴⁰ Section 202(c)(6)(A)(i) of the Trade Act defines the term “domestic industry” to mean –

with respect to an article, the domestic producers as a whole of the like or directly competitive article or those producers whose collective production of the like or directly competitive article constitutes a major proportion of the total domestic production of such article.⁴¹

In *Pedestal Actuators* and in recent investigations under section 202 of the Trade Act of 1974, if the Commission found domestic production of a like product, it found the domestic industry to consist of the domestic firms and workers producing that product.⁴² We find that practice instructive here.

In the current case, the Commission identified eight domestic producers of steel wire garment hangers and obtained financial and other data from six of them.⁴³ We find the domestic operations of these eight firms to comprise the domestic industry.⁴⁴

³⁸ CR at I-60; PR at I-38; Petitioners’ Posthearing Brief, Appendix 2 at G-2-6.

³⁹ The House Report states that the section 421 safeguard would provide relief to domestic industries when imports cause or threaten to cause market disruption “to the domestic producers as a whole of like or directly competitive products.” H.R. Rep. No. 106-632, 106th Cong., 2d Sess. (2000) at 16.

⁴⁰ Commissioner Bragg does not join the preceding sentence. Commissioner Bragg concurs in defining the domestic industry as the domestic producers as a whole of the domestic like product, or those producers whose collective output of a domestic like product constitutes a major proportion of the total domestic production of the product. See Dissenting Views of Commissioner Lynn M. Bragg, *Pedestal Actuators from China*, Inv. No. TA-421-1, USITC Pub. 3557 (November 2002) at 47.

⁴¹ 19 U.S.C. § 2252(c)(6)(A)(i).

⁴² *Pedestal Actuators from China*, Inv. No. TA-421-1, USITC Pub. 3557 (November 2002) at 11. See also, e.g., *Extruded Rubber Thread*, Inv. No. TA-201-72, USITC Pub. 3375 (December 2000) at I-8.

⁴³ The other two domestic producers are believed to account for relatively small shares of U.S. production. CR at I-12, n. 44; PR at I-9, n. 44.

⁴⁴ Several of the domestic producers are also importers of steel wire garment hangers from China. None of the parties asserted that domestic producers that also import should be excluded from the definition of domestic

(continued...)

In view of the above, we find that the domestic industry consists of the domestic steel wire garment hanger operations of the domestic producers of CSWG hangers.⁴⁵

2. Rapidly increasing imports⁴⁶

Statutory framework. The first of the three statutory criteria for finding whether market disruption exists concerns whether imports of the subject product from China “are increasing rapidly, either absolutely or relatively.” Thus, under the statute the increase must be occurring “rapidly,” in either absolute or relative terms. The statute suggests that the rapid increase should be recent or continuing, as opposed to in the distant past. Section 421 does not otherwise define “rapidly increasing” or the timing or circumstances of the increase.

Arguments of the parties. The parties disagree with respect to whether hangers imported by domestic producers should be counted as imports, and whether imports are increasing rapidly. Petitioners argue that the Commission’s questionnaire responses show that imports from China have increased rapidly in both absolute and relative terms.⁴⁷ Petitioners also dispute respondents’ claim that there is a legal basis for the Commission to differentiate between imports by U.S. producers and other imports in determining whether imports are increasing rapidly.⁴⁸

Respondent domestic producer Laidlaw asserts that the Commission should count domestic producers’ imports “as part of the domestic industry” and conclude that imports are not increasing rapidly.⁴⁹ Laidlaw argues that when domestic producer imports are subtracted from the import data, the

⁴⁴ (...continued)

industry, and we are unaware of any basis in the statute for doing so. Unlike Title VII of the Tariff Act of 1930 (19 U.S.C. § 1677(4)(B)), section 421 does not contain a “related parties” provision. Therefore, there is no statutory basis to exclude the data from any particular company based on the fact that it may or may not have been insulated from the effect of import competition due to its own imports. Under Title VII, this provision allows for the exclusion of certain domestic producers from the domestic industry for the purposes of an injury determination. The rationale for the related parties provision is that domestic producers who are related parties may be shielded from any injury that might be caused by the subject imports. See *USEC, Inc. v. United States*, 132 F. Supp. 2d 1, 12 (Ct. Int’l Trade 2001), *aff’d*, Slip Op. 01-1421 (Fed. Cir. April 22, 2002).

⁴⁵ Commissioner Bragg concurs in this definition of the domestic industry.

⁴⁶ Commissioner Bragg evaluated the record with respect to rapidly increasing imports in the context of her analysis of the significance of subject imports in causing material injury to the domestic industry. Cf. Dissenting Views of Commissioner Lynn M. Bragg, *Pedestal Actuators from China*, Inv. No. TA-421-1, USITC Pub. 3557 (November 2002) at 51. Commissioner Bragg concurs in the analysis and findings contained in section II.2 of these Views.

⁴⁷ Petitioners’ Posthearing Brief at 4-5. Petitioners initially argued, employing their own methodology, that the early Commission questionnaire responses significantly understated the actual level of imports. However, petitioners subsequently reassessed their methodology and indicated that the final Commission import data based on questionnaire responses were “very similar” to their own. Petitioners’ Final Comments at 1 and at 1, n. 2.

⁴⁸ Petitioners’ Posthearing Brief at Appendix I, at 5.

⁴⁹ Laidlaw cites in support the Commission’s 1978 determination in investigation No. TA-406-1, *Work Gloves from China*, under section 406 of the Trade Act of 1974. Laidlaw states that the Commission in that case “treated the imports for domestic producers differently from other imports.” Laidlaw Posthearing Brief at Attachment 1, at

(continued...)

resulting data show that import penetration increased “only slightly” during the investigation period, not rapidly.⁵⁰ Laidlaw states that it ***.⁵¹ The Chinese respondents assert that overall imports from China account for only a small share of the U.S. market, that imports of Chinese hangers have increased “gradually, not rapidly,” that a *** percent, of the new imports in the most recent period have been U.S. producer imports, and that the combined U.S. market share of domestic producer and producer-controlled imports is *** percent by volume and *** percent by value.

Analysis. We find that the best available import data are those compiled from Commission questionnaire responses. These data are based on actual imports reported in responses to the Commission’s questionnaires, represent a consistent series, and are likely to include imports not counted by Customs under the new statistical reporting number introduced at the start of 2002.⁵²

The statute provides no authority for the Commission to adjust import data to exclude imports by domestic producers, and we are unaware of any Commission precedent for doing so, including under sections 201 and 406 of the Trade Act. Rather, section 421(c) of the Trade Act defines market disruption to exist whenever “imports” of products from China are increasing rapidly so as to be a significant cause of material injury or threat to the domestic industry. Under U.S. law, the term “imports” generally refers to imports entering the Customs Territory of the United States.⁵³ The Chinese goods enter the Customs Territory of the United States. Therefore, they are “imports” under the statute regardless of whether the importer of record is a distributor or a domestic producer of similar goods. We conclude that the more appropriate place for the Commission to consider the circumstances of producer imports, including whether they are injurious, is in the causation part of our analysis.⁵⁴

Finding. The facts in this case show that imports of CSWG hangers from China are increasing rapidly, in absolute terms as well as relative to domestic production and consumption. In absolute terms,

⁴⁹ (...continued)

1. Laidlaw asserts that Congress, by not including a requirement similar to that in sections 202 and 406 of the Trade Act that the Commission “treat as part of such domestic industry only its domestic production,” freed the Commission to consider all of a domestic producers’ shipments, including its import shipments, as part of its production. Laidlaw Posthearing Brief at 11-13.

⁵⁰ Laidlaw Posthearing Brief at 15.

⁵¹ Laidlaw Posthearing Brief at 15-16.

⁵² The questionnaire data may slightly underreport the total volume of imports given that the Commission did not receive complete questionnaires from all importers or all foreign producers, but the data do represent the substantial majority of known imports.

⁵³ See 19 U.S.C. §§ 1401(h), 1484; and General Notes 1 and 2 of the HTS.

⁵⁴ Laidlaw’s suggestion that the Commission in *Work Gloves* adjusted the import numbers to exclude producer imports does not comport with the Commission’s findings in that case. The Commission did not adjust the numbers, or even refer to producer imports in the sections of their views in which they addressed the issue of whether imports were increasing rapidly. In *Work Gloves* the Commission made a negative determination by a vote of 4-2, based on a finding that the causation criterion was not satisfied. Three of the Commissioners who made a negative determination, in the *causation* section of their joint views, referenced producer imports in the context of finding that producers likely would import such work gloves from another country if the Chinese product were no longer available. They noted that China accounted for only 20 percent of total imports, whereas Hong Kong accounted for 40 percent. *Certain Gloves from the People’s Republic of China*, Inv. No. TA-406-1, USITC Pub. 867 (March 1978) at 5-8. In this case, the vast majority of imports of CSWG hangers is from China.

CSWG imports from China increased in each year of the period examined, from 28.8 million units in 1997, to 85.0 million units in 1998, 130.7 million units in 1999, 217.9 million units in 2000, and 288.7 million units in 2001. Imports were 197.3 million units in January-September 2001 (interim 2001), and more than doubled to 405.7 million units in January-September 2002 (interim 2002).⁵⁵

The ratio of imports of CSWG hangers from China to domestic production of CSWG hangers similarly increased in each year, from 0.7 percent in 1997, to 2.2 percent in 1998, 3.3 percent in 1999, 5.6 percent in 2000, and 8.4 percent in 2001. The ratio was 7.1 percent in interim 2001 and 15.5 percent in interim 2002.⁵⁶ The ratio of imports of CSWG hangers from China to apparent U.S. consumption of CSWG hangers similarly increased each year, from 0.7 percent in 1997, to 1.9 percent in 1998, 3.0 percent in 1999, 5.1 percent in 2000, and 7.0 percent in 2001. The ratio was 6.5 percent in interim 2001 and 12.9 percent in interim 2002.⁵⁷

In sum, shipments of imports from China increased by more than 800 percent from 1997 to 2001. These shipments more than doubled between interim 2001 and interim 2002 to capture more than 12 percent of the U.S. market. On the basis of this information, we find that imports of CSWG hangers from China are increasing rapidly, and that the first statutory criterion is satisfied.

3. The domestic industry is materially injured⁵⁸

Statutory framework. The second criterion concerns whether the domestic industry is materially injured or threatened with material injury. The criterion is satisfied if we find either material injury or the threat of material injury.

Neither section 421 nor its legislative history defines the terms “material injury” or “threat,” identifies economic factors to be considered, or cross-references any definitions, factors, or Commission practice under other statutory authorities to which the Commission might look for instruction. However, the term “material injury” appears in both section 406 of the Trade Act of 1974⁵⁹ and Title VII of the Tariff Act of 1930. Title VII of the Tariff Act defines “material injury” to mean “harm which is not inconsequential, immaterial, or unimportant.”⁶⁰ Section 406 does not define “material injury,” but its legislative history contrasts the term with “serious” injury used in section 201 –

⁵⁵ CR and PR at Table 7.

⁵⁶ CR at I-27; PR at I-19.

⁵⁷ CR and PR at Table 21.

⁵⁸ Commissioner Bragg evaluated the record with respect to whether the domestic industry is materially injured in the context of her analysis of whether subject imports are a significant cause of material injury to the domestic industry. *Cf.* Dissenting Views of Commissioner Lynn M. Bragg, *Pedestal Actuators from China*, Inv. No. TA-421-1, USITC Pub. 3557 (November 2002) at 50-52. Based upon her analytical framework, Commissioner Bragg concurs in finding that the domestic industry is materially injured. Commissioner Bragg joins the factual analysis contained in section II.3 of these Views.

⁵⁹ Section 406 of the Trade Act of 1974 (19 U.S.C. § 2436) provides a remedy in the case of market disruption from Communist countries. China previously has been regarded as a Communist country. The legislative history of section 421 states that section 406 will no longer apply to imports from China.

⁶⁰ Section 771(7)(A); 19 U.S.C. § 1677(7)(A).

the market disruption test is intended to be more easily met than the serious injury tests in section 201. . . . the term ‘material injury’ in section 406 is intended to represent a lesser degree of injury than the term ‘serious injury’ standard employed in section 201.⁶¹

In the absence of express direction in section 421, the Commission has found that “material injury” in section 421 represents a lesser degree of injury than “serious” injury under section 202 of the Trade Act.⁶² The Commission also has found it appropriate to consider all relevant economic factors that have a bearing on the state of the industry, including the three broad factors in section 202(c)(1)(A) relating to idling of productive facilities, inability of firms to operate at a reasonable level of profitability, and unemployment or underemployment. It also has considered other relevant economic factors, such as production, sales, inventories, capacity and capacity utilization, market share, employment, wages, productivity, profits, capital expenditures, and research and development expenditures.⁶³ We do not view any single factor as necessarily dispositive, and consider all relevant factors within the context of the relevant business cycle and conditions of competition that are distinctive to the affected industry.

Finding. For the reasons set forth below, we find that the domestic industry is materially injured.

– *Overview of the domestic industry*

As indicated above, the domestic industry consists of the domestic producers of CSWG hangers. The Commission gathered financial and other relevant data from six firms, although ***.⁶⁴ Domestically produced CSWG hangers are sold mainly to domestic dry cleaning establishments, and also to industrial/uniform rental users.⁶⁵ The demand for hangers depends on professional dress trends and the health of the overall economy.⁶⁶ Apparent U.S. consumption of CSWG hangers rose initially during the period examined, by 1.1 percent between 1997 and 1998 and by 3.3 percent between 1998 and 1999, and then fell by 2.4 percent in 2000 and by 8.6 percent in 2001; apparent U.S. consumption was 1.0 percent higher in interim 2002 than in interim 2001.⁶⁷

– *Analysis of factors*

For the most part, the indicators relating to the condition of the domestic industry remained steady during the period 1997 to 2000, and then sharply deteriorated in 2001. Most of the indicators

⁶¹ Trade Act of 1974, Senate Report No. 93-1298, 93rd Cong., 2nd Sess., at 212, *reprinted in* 1974 U.S.C.A.A.N. 7186, 7343-44.

⁶² *Pedestal Actuators from China*, Inv. No. TA-421-1, USITC Pub. 3557 (November 2002) at 13; *see also* Views of Chairman Okun at 34.

⁶³ *Pedestal Actuators from China*, Inv. No. TA-421-1, USITC Pub. 3557 (November 2002) at 13; *see also* Views of Chairman Okun at 34.

⁶⁴ CR at I-29; PR at I-20.

⁶⁵ CR and PR at Table 1; CR at I-57 and n. 121; PR at I-36 and n. 121.

⁶⁶ CR at I-59; PR at I-37-38.

⁶⁷ CR and PR at Table C-1.

were sharply lower in interim 2002 as compared to interim 2001. The sharpest decline was in financial performance, but domestic capacity utilization, production, net sales, market share, employment, and wages also fell, particularly toward the end of the period examined.

Domestic capacity rose slightly each year from 4.68 billion units in 1997 to 4.76 billion units in 2000 and then declined slightly to 4.73 billion units in 2001; nine-month capacity was 3.74 billion units in interim 2001 and a lower 3.39 billion units in interim 2002. The capacity utilization rate fluctuated within a narrow range between 1997 and 2000, from 83.2 percent in 1997, falling to 82.9 percent in 1998, rising to 83.9 percent in 1999 and then falling to 81.4 percent in 2000. However, capacity utilization then fell sharply to 72.2 percent in 2001. The rate was 74.3 percent in interim 2001, and then rose to 77.1 percent in interim 2002.⁶⁸ The sharp decline in capacity utilization in 2001 and interim 2002 reflected the closure of *** and a number of consolidations in the industry, including the opening of Laidlaw's new plant in Metropolis, IL, and ***.⁶⁹ The plant closure, declines in both 2001 and interim 2002 capacity, and decline in capacity utilization in 2001 are indicative of an idling of domestic production facilities.

Domestic production and net sales fluctuated within a narrow range between 1997 and 2000, and then fell sharply in 2001, and both were lower in interim 2002 than in interim 2001.⁷⁰ U.S. producers' inventories showed no discernible trend, alternately rising and falling during the period examined. Inventories were about 10 percent lower in interim 2002 than in interim 2001.⁷¹ U.S. producers' share of the U.S. market fell each year during the period examined, with the largest decline occurring at the end of the period. U.S. producers' market share fell from 99.3 percent in 1997 to 98.1 percent in 1998, 96.9 percent in 1999, 94.8 percent in 2000, and 92.8 percent in 2001. U.S. producers' share was 93.4 percent in interim 2001 and 86.4 percent in interim 2002.⁷²

Employment remained virtually unchanged between 1997 and 2000, ranging from a low of 1,345 production and related workers (PRWs) in 1997 and a high of 1,366 PRWs in 1998. The number of PRWs then fell sharply in 2001 to 1,210. In interim 2001, the number was 1,365 PRWs and fell to 1,235 PRWs in interim 2002.⁷³ Hours worked followed the same trend, remaining steady between 1997 and 2000, and then falling in 2001; hours worked were lower in interim 2002 than in interim 2001.⁷⁴ Wages paid to PRWs rose each year through 2000, and then fell in 2001; wages paid were lower in interim 2002

⁶⁸ CR and PR at Table 9. This increase in interim 2002 capacity utilization is entirely attributable to the 9.4 percent decline in capacity that occurred between interim 2001 and 2002; but for this decline in capacity, the capacity utilization rate in interim 2002 would have been below the interim 2001 level, at 69.9 percent. *Id.*

⁶⁹ CR at I-14, n. 47, 48; PR at I-9, n. 47, 48. In addition, CHC has indicated that, as part of its integration of Midwest Hanger Co. in August 2002, it will close a plant in Kansas City, MO and upgrade and expand a facility in Cameron, MO. *Id.* at I-14, n. 47; PR at I-9, n. 47.

⁷⁰ Domestic production was 3.89 billion units in both 1997 and 1998, and then rose to 3.98 billion units in 1999, and fell to 3.88 billion units in 2000. It then fell sharply to 3.42 billion units in 2001. Production was 2.78 billion units in interim 2001, and then fell to 2.61 billion units in interim 2002. CR and PR at Table 9. U.S. producers' net sales were 3.90 billion units in 1997, rose to 3.94 billion units in 1998 and 3.98 billion units in 1999, and then fell to 3.84 billion units in 2000. Producers' net sales fell sharply to 3.61 billion units in 2001. Net sales were 2.74 billion units in interim 2001, and 2.56 billion units in interim 2002. CR and PR at Table 12.

⁷¹ CR and PR at Table 12.

⁷² CR and PR at Table 21.

⁷³ CR and PR at Table 11.

⁷⁴ CR and PR at Table 11.

than in interim 2001.⁷⁵ Productivity also remained steady between 1997 and 2000, ranging from a low of 1,258 units per hour in 2000 to a high of 1,280 units per hour in 1999, and then fell to 1,190 units per hour in 2001; productivity was 1,128 units per hour in interim 2001, and then rose to 1,225 units per hour in interim 2002.⁷⁶

Operating income reported by U.S. producers on their CSWG hanger operations during the period examined shows that the industry was reasonably profitable during 1997-2000, but that its financial condition deteriorated sharply in 2001 and the industry operated at a loss; the industry also operated at a loss for interim 2002 as compared to a profit for interim 2001. Operating income rose from \$4.8 million in 1997 to \$5.8 million in 1998, and then fell to \$4.9 million in 1999, \$3.6 million in 2000, and a loss of \$2.3 million in 2001; operating income was a positive \$741,000 in interim 2001, and fell to a loss of \$2.8 million in interim 2002.⁷⁷ ***.⁷⁸ Industry capital expenditures and R&D expenses fluctuated during the period examined and did not show a clear trend.⁷⁹

In view of the above declines in production, net sales, capacity utilization, market share, financial performance, employment, and wages, we find that the domestic industry is materially injured.

4. Rapidly increasing imports from China are a significant cause of material injury⁸⁰

Statutory framework. The third criterion concerns whether the rapidly increasing imports from China are a “significant cause” of material injury to the domestic industry.

The term “significant cause” is defined in section 421(c)(2) to mean “a cause which contributes significantly to the material injury of the domestic industry, but need not be equal to or greater than any other cause.”⁸¹ Section 406 uses the same causation test and definition.⁸² The legislative history of section 406 describes the causation test as follows –

⁷⁵ CR and PR at Table 11.

⁷⁶ CR and PR at Table 11.

⁷⁷ CR and PR at Table 12.

⁷⁸ CR and PR at Table 12.

⁷⁹ Capital expenditures were \$5.6 million in 1997, rose to \$9.0 million in 1998, fell to \$4.7 million in 1999 and \$3.1 million in 2000, and then rose to \$5.3 million in 2001. Capital expenditures were \$2.4 million in interim 2001, and rose to \$4.3 million in interim 2002. R&D expenses remained relatively constant between 1997 and 1999, rising from *** to ***, and then *** in 2000 before declining to *** in 2001. R&D expenses in interim 2001 were *** and then rose to *** in interim 2002. CR and PR at Table 15.

⁸⁰ In reaching her affirmative determination in this investigation, Commissioner Bragg employed the same analytical framework that she developed in the Commission’s first investigation conducted pursuant to section 421. See Dissenting Views of Commissioner Lynn M. Bragg, *Pedestal Actuators from China*, Inv. No. TA-421-1, USITC Pub. 3557 (November 2002) at 45-48. Based upon her analytical framework, Commissioner Bragg concurs in finding that rapidly increasing imports from China are a significant cause of material injury to the domestic industry. Commissioner Bragg joins the factual analysis contained in section II.4 of these Views. For a discussion of the relevant conditions of competition, Commissioner Bragg refers to her separate views. See Separate Views of Commissioner Lynn M. Bragg Regarding Remedy.

⁸¹ 19 U.S.C. § 2451(c)(2).

⁸² Section 406(e)(2)(B)(ii), 19 U.S.C. § 2436(e)(2)(B)(ii).

Under this standard, the imports subject to investigation need not be the leading or most important cause of injury or more important (or even equal to) any other cause, so long as a direct and significant causal link exists. Thus, if the ITC finds that there are several causes of the material injury, it should seek to determine whether the imports subject to investigation are a significant contributing cause of the injury or are such a subordinate, subsidiary or unimportant cause as to eliminate a direct and significant causal relationship. . . .⁸³

Section 421(d) includes a list of three factors that the Commission is required to consider in determining whether market disruption exists and that relate to the Commission's causation analysis –

- (1) the volume of imports of the product which is the subject of the investigation;
- (2) the effect of imports of such product on prices in the United States for like or directly competitive articles; and
- (3) the effect of imports of such product on the domestic industry producing like or directly competitive articles.⁸⁴

The presence or absence of any of these factors is not necessarily dispositive of whether market disruption exists. The three factors are similar to a list of factors in section 406(e)(2)(C) of the Trade Act⁸⁵ and parallel the criteria in Title VII of the Tariff Act that the Commission must consider in determining whether a domestic industry is injured by reason of dumped imports.⁸⁶

Arguments of the parties. Petitioners assert that increased imports of CSWG hangers from China are a significant cause of material injury to the domestic industry, and claim that there is a direct causal link between the rapid increase in imports and the decline in domestic prices and deterioration in the condition of the domestic industry. They assert that imports from China “are the most important cause by far” of the material injury to the domestic industry, and that “no other factor – not the overall state of the economy or changing consumer patterns, or alleged differences in quality – has even remotely impacted on the financial performance of the domestic industry as has the flood of low-priced Chinese imports.”⁸⁷

Respondent Laidlaw asserts that the volume of imports is not increasing rapidly and does not otherwise indicate causation. Laidlaw asserts that imports have had a limited overall effect on prices in the United States, and imports have had a negligible overall effect on the domestic industry. It asserts that imports by non-producers from China are limited to discrete product types and geographical areas, and have grown only modestly; that Commission pricing data covered only a few of petitioners’

⁸³ Omnibus Trade and Competitiveness Act of 1988, House Conf. Report No. 100-576, 100th Cong., 2nd Sess., reprinted in 1988 U.S.C.A.A.N. 1547, 1724.

⁸⁴ 19 U.S.C. § 2451(d).

⁸⁵ 19 U.S.C. § 2451(e)(2)(C). The fourth factor in section 406 list is omitted.

⁸⁶ Section 771(7)(B)(i) of the Tariff Act of 1930, 19 U.S.C. § 1677(7)(B)(i). However, the three factors do not include any of the more specific factors that the Commission must consider in order to assess causation under title VII.

⁸⁷ Petitioners’ Posthearing Brief at 16-17.

products, and Commission data suggest that price declines were the result of factors other than import competition; and that lost sales and revenues reported were a very small portion of total sales and revenues, and likely confined to coastal regions.⁸⁸

The Chinese respondents similarly argue that the causation test is not met. They also argue that most of the increase in imports since late 2001 is attributable to U.S. producers, while “non-captive” imports remained relatively steady.⁸⁹ They also assert that U.S. producer imports do not undersell the domestic product, but rather are commingled with domestically produced hangers and all are sold at the same price.⁹⁰ They assert that the Commission should treat U.S. producer imports as a “separate cause” of injury; they claim that the Commission has a long history of doing so.⁹¹ The Chinese respondents assert that factors other than imports from China are the only significant cause of the current condition of the domestic industry, and cite a decline in demand for hangers, and increased costs.⁹²

Finding. We find that imports of CSWG hangers from China are increasing rapidly so as to be a significant cause of material injury to the domestic CSWG hangers industry.

– *Conditions of competition*

As indicated above, CSWG hangers are sold primarily to dry cleaner establishments and to the industrial/ rental market for use in hanging garments. There are no comparably priced substitutes.⁹³ CSWG hangers are a small part of the overall cost of dry cleaning,⁹⁴ and many customers regard them as a disposable product.⁹⁵ Distributors regard CSWG hangers as a commodity product, and may commingle boxes of similar types of hangers regardless of source. Price and quality are important factors for most purchasers.⁹⁶

Demand for CSWG hangers depends on both professional dress trends and the health of the overall economy.⁹⁷ Although there is evidence of some shift in demand among hanger types, with an increase in demand for shirt and strut hangers, and a decrease in demand for suit and dress hangers,⁹⁸ domestic producers indicate that overall demand for CSWG hangers has been relatively steady since 1997. However, they note a recent slowdown, particularly since mid-2000, due to a slowing national economy.⁹⁹ Data compiled by the Commission generally confirm those observations. They indicate that

⁸⁸ Laidlaw Posthearing Brief at 24-31.

⁸⁹ Chinese Respondents’ Posthearing Brief at 19-20.

⁹⁰ Chinese Respondents’ Posthearing Brief at 20-21.

⁹¹ Chinese Respondents’ Posthearing Brief at 27-28.

⁹² Chinese Respondents’ Posthearing Brief at 32.

⁹³ CR at I-60; PR at I-37.

⁹⁴ CR at I-59; PR at I-37.

⁹⁵ CR at I-11; PR at I-8.

⁹⁶ CR and PR at Table 22.

⁹⁷ CR at I-59; PR at I-37.

⁹⁸ CR at I-59; PR at I-37.

⁹⁹ CR at I-59; PR at I-38. At the hearing, several market participants agreed that the sluggish economy had had an impact on demand for hangers, but disagreed over whether the trend toward casual dress was a factor in reduced

(continued...)

U.S. apparent consumption of CSWG hangers increased during the early years of the period examined and peaked in 1999, and then declined in 2000 and 2001 by 2.4 percent and 8.6 percent respectively; they show that consumption was slightly higher, by 1.0 percent, in interim 2002 than in interim 2001.¹⁰⁰

Reported domestic CSWG hanger capacity exceeded U.S. apparent consumption throughout the period examined.¹⁰¹ China was the primary source of U.S. imports of CSWG hangers throughout the period examined, accounting for more than 95 percent of U.S. imports in each year of the period examined, and in both interim 2001 and interim 2002. *** accounted for most of the rest.¹⁰²

Several domestic producers of CSWG hangers also import hangers or purchase and re-sell imported hangers, primarily from China, but Laidlaw is *** among those firms. Laidlaw has negotiated an exclusive “distribution agreement” with Shanghai Wells in Shanghai, China, granting it the “***.”¹⁰³ Laidlaw accounted for *** of the increase in imports from China between interim 2001 and interim 2002.¹⁰⁴

– *Analysis*

In performing our analysis, first we considered information relevant to the three statutory factors that relate to our causation analysis – the volume of imports, the effect of imports on prices, and the effect of imports on the domestic industry. As the data cited earlier show, imports of CSWG hangers from China increased in each year of the period examined, with most of the absolute increase occurring at the end of the period. Imports, which were 28.8 million units in 1997 and had risen to 130.7 million units by 1999, nearly doubled to 217.9 million units in 2000 and surged further to 288.7 million units in 2001. Imports during the first nine months of 2002, at 405.7 million units, were more than double the amount reported for the same period of 2001 (197.3 million units), and had, with three months to go, already exceeded by 40.5 percent the amount reported for all of 2001.¹⁰⁵

Imports of CSWG hangers from China have captured a rapidly increasing share of the U.S. market. As a share of U.S. apparent consumption, shipments of imports from China increased in each year of the period examined, from less than 1.0 percent in 1997 to 7.0 percent in 2001. In interim 2002, the share of consumption was 12.9 percent as compared with 6.5 percent in interim 2001.¹⁰⁶ This increase in market share came almost entirely at the expense of U.S. producers, as U.S. imports from other sources were less than 1.0 percent of U.S. apparent consumption throughout the period

⁹⁹ (...continued)

demand. *Compare* tr. at 38, 93-96, 123-24 (testimony of distributor representatives that poor economy affected sales somewhat, but that casual dress affected the mix but not the overall volume of hangers sold), *with* tr. at 160 (testimony of representative of domestic producer Laidlaw, and letter from distributor, expressing the view that the industry was harmed by economic conditions and increased casual dress at the office), Chinese Respondents’ Final Comments, Exh. 2

¹⁰⁰ CR and PR at Table C-1.

¹⁰¹ CR and PR at Tables 9 and C-1.

¹⁰² CR and PR at Table 7.

¹⁰³ CR at I-14-15; PR at I-11. *See also* Laidlaw’s Final Comments, Attachment 4. Laidlaw also has an ***. *Id.*

¹⁰⁴ CR and PR at Table 8.

¹⁰⁵ CR and PR at Table 7.

¹⁰⁶ CR and PR at Table 21.

examined.¹⁰⁷ Thus, not only did imports from China increase rapidly from year to year in percentage terms, but the volume of the annual increase grew by large and increasing amounts, and the low-priced subject imports became a significant presence in the U.S. market.

The surge in low-priced imports from China coincided with a sharp decline in domestic prices. The Commission requested and obtained quarterly pricing data on six CSWG hanger products from U.S. producers and importers for January -March 1997 to July-September 2002.¹⁰⁸ The data show significant declines – in the range of 20 percent to 35 percent – in U.S. producer prices for five of the six products during the period examined, with this decline beginning in 1999 and continuing virtually unabated through the third quarter of 2002. Prices for five of the six domestically produced products were at or near their lowest level of the period examined in the third quarter (July-September) of 2002, the most recent quarter for which the Commission received data. The one exception was the sixth product category, 16-inch strut hangers, in which Chinese hangers have the lowest market penetration.¹⁰⁹ The data show that imports from China undersold the domestic product in every quarterly period for which data were reported for each of the six products. Margins of underselling in many quarters exceeded 30 percent and in some instances exceeded 50 percent.

Domestic and Chinese CSWG hangers are largely substitutable and price is an important purchase factor.¹¹⁰ Distributors confirmed numerous instances in which domestic hanger producers were forced to reduce prices in direct competition with lower-priced imports from China.¹¹¹ Accordingly, we find that the rising volume of imports, sold at prices well below domestic prices for comparable products, depressed domestic prices of CSWG hangers to a significant degree.

Respondents assert that the underselling by imports from China is exaggerated by regional differences in the price of hangers. Specifically, respondents assert that prices in Southern California for both domestic and imported hangers are lower than prices elsewhere in the United States; according to respondents, a comparison of overall imported and domestic prices nationwide would naturally show higher underselling because a much higher percentage of Chinese hangers, as compared to domestic hangers, are sold in the low-priced Southern California market.¹¹²

¹⁰⁷ CR and PR at Table 21.

¹⁰⁸ The six products included a standard shirt hanger, four types of caped hangers, and one type of strut hanger. These hangers accounted for 35.8 percent of domestically produced commercial CSWG hanger shipments in 2001 and 94.3 percent imports of CSWG hangers from China in 2001. CR at I-69-70; PR at I-45.

¹⁰⁹ CR and PR at Tables 25-30. The first imports of 16-inch strut hangers from China were not reported until the second quarter of 1998, and did not exceed *** percent of reported domestic sales of such hangers until the third quarter of 2000, and *** percent of domestic sales until the *** quarter of 2001. Nevertheless, the same pattern as appeared earlier for the five other products have appeared for 16-inch strut hangers in the most recent data. The price of domestically produced shipments of 16-inch strut hangers is declining (it has fallen in *** of the last *** quarters and was *** percent lower in the *** quarter of 2002 than in the *** quarter of 2001), compared to a *** percent decline in the price of Chinese 16-inch strut hanger imports during the same period. For data, *see* CR and PR at Table 30.

¹¹⁰ CR at I-64 at Tables 22-24; PR at I-40 at Tables 22-24.

¹¹¹ CR at I-87-92; PR at I-48. ***. These lost revenues accounted for an estimated 2.6 percent of subject import volume during interim 2002. CR and PR at Table 32 and Table C-1.

¹¹² Chinese Respondents' Posthearing Brief at 39-40.

We find that the information on regional price differences is mixed.¹¹³ To the extent the information may indicate that prices in Southern California are lower than elsewhere, the differences are small and do not account for the large gap – on the order of 10 percent to 50 percent – between prices for Chinese and domestic hangers shown by the Commission pricing data. Moreover, other record information confirms that Chinese hangers consistently are priced below the prices for domestic hangers.¹¹⁴ ¹¹⁵ In addition, while the port of entry of most subject imports is Los Angeles, their presence is felt on a nearly nationwide basis.¹¹⁶

The rapidly increasing imports have had a significant adverse effect on the domestic industry. The surge in imports mirrors the decline in market share held by domestic producers and the decline in economic indicators relating to the health of the industry. The surge in imports occurred in combination with continued low and decreasing prices for the Chinese product and a consistent pattern of underpricing by the Chinese hangers, which in turn depressed prices of domestically produced hangers and caused economic indicators relating to the health of the domestic industry to decline. The loss in domestic market share caused by imports is reflected directly in the reduced production, shipments, sales, and employment of the domestic industry. Similarly, the price depression caused by imports reduced the industry's revenues, particularly in interim 2002, resulting in operating losses for *** of six domestic producers.

We considered the arguments of Laidlaw and the Chinese producers that imports from China were not injurious because a substantial percentage of the recent increase in imports were by domestic producers themselves. Respondents assert that these producer imports are priced the same as the domestic product and thus could not have negatively affected domestic prices.

Producer imports (including subject purchases) accounted for at least one-half of the increase in imports from China between interim 2001 and interim 2002. However, at their peak these imports

¹¹³ Compare Laidlaw Prehearing Brief, Attachment 6 (***), with Petitioners Posthearing Brief, App. 2, Exh. C-4 (***). Customs data on average unit value of imports from China in 2002 entering in Los Angeles or New York show lower values in Los Angeles in some months and comparable values in others. Compiled (as of Jan. 23, 2003) from official statistics, U.S. Department of Commerce, average unit values, steel wire hanger imports during 2002 entered in Los Angeles and New York.

¹¹⁴ See, e.g., CR and PR at Table 24 (22 of 29 purchasers indicate that prices of Chinese hangers are lower than domestic prices); CR at I-89-92; PR at I-48 (purchasers confirmed numerous lost sales and revenues allegations with respect to Chinese hangers). Laidlaw acknowledged that it ***. Laidlaw Prehearing Brief at 11-13.

¹¹⁵ We are not persuaded by Laidlaw's argument that aggressive pricing by the domestic producer ***, rather than by imports from China, is responsible for any low pricing environment in Southern California. Laidlaw Prehearing Brief at 10. *** is a *** small producer: its production accounted for under *** percent of domestic production in 2001, and ***. CR and PR at Tables 2, 9. By contrast, imports from China were in an amount equivalent to 8.4 percent of domestic production in 2001, and 15.5 percent in interim 2002. CR at I-27; PR at I-19.

¹¹⁶ See, e.g., CR at I-84; PR at I-48 (confirmed allegations of lost sales and revenues include instances in ***); Petitioners Posthearing Brief at App. 2, p. B-3 (major customers of companies importing from China include distributors in Missouri, Colorado, and Oklahoma); id. at App. 2, Exh. B-1(b) (nearly 90 percent of dry cleaning establishments are in regions bordering on an ocean, the Gulf of Mexico, or the Great Lakes, and thus can be reached without excessive inland transport).

represented no more than about one third of total imports from China in any given year.¹¹⁷ Thus, respondents' arguments are inapplicable to a significant majority of the imports.

We have considered the circumstances of the producer imports in our causation analysis, including whether the producer imports complement or compete with domestic production, and whether they meet a shortage in domestic supply. First, there is no evidence that the Chinese hangers imported by domestic producers differ in any significant way either from Chinese hangers imported by non-producers or domestically produced hangers. In fact, the *** domestic producers (other than Laidlaw) that imported all cited competition from low-priced imports as their reason for importing.¹¹⁸ Second, there is no evidence of a domestic supply shortage. As noted above, demand declined in 2000 and 2001, domestic capacity utilization has declined on an annual basis, and there is more than sufficient domestic production capacity to meet current domestic demand. Accordingly, like any other imports, the producer imports at issue in this case represent sales that could otherwise have been made via domestic production; thus these imports have the same negative effects on domestic production, shipments, and employment indicators as other imports.

Petitioners argue that imports by domestic producers undersell domestic prices, but to a lesser degree than other imports do.¹¹⁹ Respondent Laidlaw submitted invoices showing instances of identical prices charged for its imports and its sales of domestic product, but submitted other data that indicate ***.¹²⁰ Also, other producers priced subject imports both above and below their domestic equivalents.¹²¹ In any event, similar prices for domestic producers' sales of domestic production and imports would not mean that imports had no price effect in a market where prices are declining. The interjection of increasing amounts of low-cost imports into a producer's product mix would allow the company to lower its costs (and prices) through cost averaging.¹²² Nevertheless, this still would have the effect of lowering domestic prices.

In sum, while producer imports may have had a price effect somewhat less than other imports, they had a volume effect comparable to other imports. Overall, we find that producer imports, together with the other imports, are a significant cause of market disruption.¹²³

We considered other possible causes of injury, including the decline in demand for CSWG hangers in 2000 and 2001, changes in production costs, product quality, and domestic competition. We find none of these other possible causes of injury to have contributed to the deterioration in the condition of the domestic industry in a sufficiently significant way as to preclude a finding that the rapidly

¹¹⁷ CR and PR at Table 7. *** of the increase in domestic producer imports is attributable to one domestic producer, Laidlaw, which accounted for about *** percent of such imports in interim 2002. Although a majority of the remaining domestic producers also reported imports and/or purchases of the subject hangers in interim 2002, their quantities were *** than those reported by Laidlaw. CR and PR at Table 3.

¹¹⁸ CR and PR at Table 3; and importer questionnaire response of ***.

¹¹⁹ Petitioners Posthearing Brief at App. 1, Exh. I.

¹²⁰ Laidlaw Prehearing Brief at Att. 8; Laidlaw Posthearing Brief at Att. 4; Commission staff table "Percentage Margins of Underselling by Laidlaw of Imports of Laidlaw Domestic Production."

¹²¹ Questionnaire responses of ***; Chinese Respondents' Posthearing Brief, Exh. 4, Table 18.

¹²² Prices of Laidlaw, United, and M&B ***. Laidlaw Prehearing Brief at Attachment 4; CR and PR at Table 3.

¹²³ Chairman Okun provides additional views because Laidlaw hindered her ability to evaluate one of the central issues in this investigation: the reason why a domestic producer began to import significant quantities of subject merchandise and whether those imports negatively affected the domestic industry. See Additional Views of Chairman Deanna Tanner Okun.

increasing imports are a significant cause of the material injury. Hence, we have concluded that the rapidly increasing imports are a significant cause of the material injury.

We considered the decline in demand for CSWG hangers in 2000 and 2001 allegedly due to the softening of the economy and the continued trend toward more casual dress.¹²⁴ In light of reduced demand, we would have expected the increase in imports from China to have leveled off and possibly declined to reflect reduced demand. Instead, shipments of imports continued to rise and did so rapidly. While U.S. apparent consumption fell by 2.4 percent in 2000 from the 1999 level, shipments of imports from China increased by 69.5 percent, and similarly, in 2001, when consumption fell by a further 8.6 percent, shipments of imports increased by another 24.9 percent. Consumption in interim 2002 was 1.0 percent above the level of interim 2001, but imports from China were virtually double the interim 2001 level.¹²⁵

We would expect a decline in demand to have some adverse effect on prices; it did contribute to the price decline as well as to the reduced domestic production, shipments, sales, and employment. However, the magnitude of the price declines far exceeded the impact of the decline in consumption. Since the first quarter of 1999, prices for the five domestically produced products in the Commission's price series for which import penetration was high fell by a (non-weighted) average of 25.8 percent,¹²⁶ compared to an 10.8 percent decline in consumption between 1999 and 2001, followed by a 1.0 percent rise in consumption between interim 2001 and interim 2002. Had prices for the five products facing the most intense import competition fallen by 10 percent or even 15 percent instead of the actual sharp decline, the industry still would have been profitable.¹²⁷

Moreover, the decline in demand does not explain why prices fell for the five products for which import penetration was high, but were relatively stable for the sixth domestically produced product in the pricing series, 16-inch strut hangers, for which import penetration was low for most of the period. Nor does the demand decline explain why prices for hangers facing import competition fell, but prices for other dry cleaning supplies were stable or increasing.¹²⁸ As hangers are sold primarily to dry cleaners, one would expect more similar trends if demand were the key factor affecting prices.¹²⁹

¹²⁴ We viewed this decline in demand to be more related to the softening of the economy than the continuation of the trend toward casual dress. The trend toward casual dress was underway during the entire period examined, including in 1998 and 1999 when demand for CSWG hangers was expanding.

¹²⁵ CR and PR at Table 6.

¹²⁶ CR and PR at Tables 25-29.

¹²⁷ Commission staff estimated that industry operating profits in interim 2002 would have been \$*** and \$*** under a 10 percent or 15 percent price reduction, respectively. The staff calculation is based on price and company financial data in the report. This analysis also disproves respondents' claim that imports from China affected too small a share of overall domestic hanger production to have had a significant negative impact on the domestic industry as a whole. See Chinese Respondents Posthearing Brief at 47-48; Laidlaw Posthearing Brief at 29-30.

¹²⁸ Testimony at hearing, tr. at 38, 45-46; Petitioners' Posthearing Brief at App. 2, Exh. D-5(a).

¹²⁹ We have examined the econometric analysis of Gary Shilling submitted by respondent Laidlaw. See Laidlaw Prehearing Brief, Attachment 9, Laidlaw Final Comments, Attachment 1. Shilling's model purports to show that the effect of Chinese prices on U.S. prices is moderate to insignificant once demand and supply factors have been taken into account. Shilling's model does not adequately take into account effects of rising Chinese import volumes sold at lower prices. Moreover, it is not clear that the product-aggregated Chinese hanger prices used by Shilling are appropriate, as they do not show the same general trend as the Commission's pricing data show when examined on a product-by-product basis. Compare Laidlaw Prehearing Brief, Attachment 9, Chart 13 with CR and PR at Tables

(continued...)

We examined whether rising costs, such as for raw materials,¹³⁰ might explain the decline in the financial health of the industry, or whether falling costs might explain the fall in prices. However, the cost of goods sold per hanger (unit COGS) was relatively stable during the period investigated. After falling between 1998 and 1999 to its lowest level of the period, the industry's unit COGS increased by 3.0 percent between 1999 and 2000, and by 4.2 percent between 2000 and 2001. Although these increases did have a negative impact on industry profits, they are relatively modest and do not mean that imports are not a significant cause of material injury to the domestic industry. As indicated above, the industry would have been profitable were it not for the steep price declines caused by imports from China. Moreover, the limited ability of cost changes to explain the industry's declining performance is shown by the fact that, although unit COGS dropped by 3.3 percent between interim 2001 and interim 2002, the industry recorded its worst operating loss of the period reviewed in interim 2002.¹³¹ Thus, the change in cost of goods sold was modest and gradual, and does not explain either the sharp decline in the condition of the industry or the equally sharp decline in prices of the domestically produced hangers.

We considered the issue of product quality, including representations concerning superior paint quality and cape fit for the Chinese product as compared to the domestically produced hangers. The information in the record, including the pricing data, anecdotal answers, and lost sales/revenues information, was mixed. In any event, better quality products typically can command a higher price. On balance, the record appears to show that purchasers generally are not willing to pay more for Chinese hangers.¹³² A slight majority of purchasers rated U.S. and Chinese hangers comparable in quality; of those indicating a quality difference, most preferred the quality of Chinese hangers.¹³³ While some importers reported that hangers from China painted by the powder-coated method are a superior product, distributors appearing with petitioners at the Commission's hearing testified that their customers do not specifically request powder-coated hangers, and that powder-coated hangers do not command a price premium.¹³⁴ As noted above, two distributors testified that they co-mingle domestic and imported hangers of the same type. Moreover, only a relatively small number of the Chinese hangers for which data were available were powder-coated during the period reviewed.¹³⁵ Thus, any quality advantage enjoyed by Chinese hangers would make the fact that Chinese hangers were uniformly and substantially priced below domestic hangers even more significant in explaining the domestic industry's falling sales and prices. We find that to the extent there are quality differences, such differences do not preclude a

¹²⁹ (...continued)

25-30. *See also* tr. at 53-54 (petitioners' economist offered several criticisms of the Shilling model).

¹³⁰ Laidlaw, for example, alleged that higher wire rod prices in 2002 as compared to early 2001 increased hanger units costs by *** percent, and stated that ***. CR at I-39, n. 96; PR at I-27, n. 96.

¹³¹ The cost of raw materials, which makes up about half of the total cost of goods sold, trended downward during the period examined, while the cost of direct labor and other factory costs trended upward and offset the decline in raw materials cost. CR and PR at Table 12.

¹³² CR at I-60-62, I-64; PR at I-38-39, I-40-41.

¹³³ CR and PR at Table 24.

¹³⁴ CR at I-7; PR at I-5-6.

¹³⁵ ***. CR at I-7-8; PR at I-6. Shanghai Wells was the ***. CR and PR at Table 18. The powder-coating method found in at least some Chinese factories currently is not used in the United States due to environmental concerns. Information also indicates that it would be more costly than the dip method used by domestic producers. CR at I-9, n. 30; PR at I-6, n. 30.

finding that the rapidly increasing imports are a significant cause of material injury to the domestic industry.

We also considered the issue of domestic competition, and in particular the argument advanced by Laidlaw that the domestic producer Nagel drove down prices when it emerged from bankruptcy in 2001. However, Nagel is the *** of the six reporting producers, and its production and sales are too small, both relative to other larger domestic producers and subject imports, to have had a significant impact on prices. Moreover, no purchasers mentioned Nagel as a company leading prices in the market.

In view of the above, we find that rapidly increasing imports are a significant cause of material injury to the domestic industry and that market disruption exists.

III. CONCLUSION

As explained above, we find that market disruption exists in that rapidly increasing imports from China are a significant cause of material injury to the domestic industry producing CSWG hangers. We find, as noted above, that the subject CSWG hanger imports from China are “in such increased quantities” as to cause market disruption to domestic producers.¹³⁶ The greatest increase in volume of such imports coincided with the downturn in indicators of the domestic industry’s condition during 2001 and the first nine months of 2002. Moreover, the increase in imports from China and the decline in production and sales for the domestic industry show a significant displacement of the domestically produced CSWG hangers by Chinese hangers. Imports from China depressed domestic prices, leading to industry financial losses in 2001 and interim 2002.

We therefore make an affirmative determination that certain steel wire garment hangers from China are being imported into the United States in such increased quantities or under such conditions as to cause market disruption to the domestic producers of CSWG hangers.

¹³⁶ For purposes of this determination we consider the “domestic producers” to be the domestic industry as defined earlier in these views. CR and PR at Table 30.

VIEWS OF THE COMMISSION ON REMEDY

Remedy Proposal

For the reasons set forth below, we propose the following action to remedy the market disruption we find to exist –

We propose that the President impose an additional duty, for a three-year period, on imports of the subject steel wire garment hangers from China as follows: 25 percent *ad valorem* in the first year, 20 percent *ad valorem* in the second year, and 15 percent *ad valorem* in the third year.¹

We find that this action is the relief that will remedy the market disruption we have found to exist.

We also propose that the President direct the U.S. Department of Commerce and U.S. Department of Labor to provide expedited consideration of petitions for trade adjustment assistance filed by domestic firms or workers producing certain steel wire garment hangers (CSWG).

Statutory Framework

Section 421(f) of the Trade Act of 1974 (19 U.S.C. § 2451(f)) provides that the Commission, upon making an affirmative determination, “shall propose the amount of increase in, or imposition of, any duty or other import restrictions necessary to prevent or remedy the market disruption.” It provides that only those Commissioners who agreed in the affirmative determination are eligible to vote on remedy. Neither the statute nor its legislative history provides any further guidance or instruction on remedy.

Section 421(f) thus authorizes the Commission to propose as a remedy any import restriction. The Commission’s proposed remedy could take the form of increased duties, a tariff-rate quota, a quantitative restriction, or other import restriction.²

Section 421(g)(2)(D)³ requires that the Commission’s report to the President and the U.S. Trade Representative include a description of–

- (i) the short- and long-term effects that implementation of the action recommended . . . is likely to have on the petitioning domestic industry, on other domestic industries, and on consumers; and
- (ii) the short- and long-term effects of not taking the recommended action on the petitioning domestic industry, its workers, and the communities where

¹ Chairman Okun, Vice Chairman Hillman, and Commissioner Miller. Commissioner Koplan proposes that the President impose an additional duty of 30 percent *ad valorem*, for a three-year period, on imports of the subject steel wire garment hangers from China. See Separate and Additional Views of Commissioner Koplan on Remedy.

² 19 U.S.C. § 2481.

³ 19 U.S.C. § 2451(g)(2)(D).

production facilities of such industry are located, and on other domestic industries.

Conditions of Competition

In evaluating the various remedy options, we considered the conditions of competition in the domestic market and likely developments affecting such conditions during the next several years. CSWG hangers are sold into two primary markets: dry-cleaning (the larger of the two) and uniform rental market (primarily served by U.S. production). Imported CSWG hangers are highly substitutable and compete in the dry-cleaning segment of the market where a network of many distributors sell to dry-cleaning establishments. There may be a slight quality gradation, with some purchasers indicating a preference for Chinese hangers over U.S. hangers, and a preference for both Chinese and U.S. hangers over Mexican hangers. However, there is no indication that purchasers generally are willing to pay more for hangers from one source than from another.

Demand Conditions

Demand for CSWG hangers comes primarily from many small dry cleaning establishments nationwide, whose demand depends on both professional dress trends and the health of the overall economy. CSWG hangers are a small part of the overall cost of dry cleaning, and there are no comparably priced substitutes for CSWG hangers. As a small part of the overall cost of dry cleaning, CSWG hanger demand is not likely to change significantly in response to changes in price.

Apparent consumption of CSWG hangers rose from 4.2 billion units in 1997 to 4.4 billion units in 1999, then decreased to 3.9 billion units in 2001. Consumption was roughly similar for the first nine months of 2002 as compared to the first nine months of 2001. Parties differed as to whether demand had been significantly affected by the declining economy and casual dress trends (respondents) or whether these demand factors had mitigating or even positive implications for CSWG hanger demand (petitioners). As the casual dress trend has been a factor since before 2001, and as the U.S. consumption data shows no significant drop before then, it seems likely that economy-wide factors are more important for overall CSWG hanger demand than casual dress trends.

Domestic Supply Conditions

Domestic producers showed significant unused capacity from January 1997 through September 2002, and inventories remained a small percentage of total shipments during 1997-2001. Domestic producers reported that there are no production substitutes for CSWG hangers, and they export a minute percentage of their total production. Thus, low inventories, a lack of export markets, and no production substitutes constrain U.S. producers' supply response; however, U.S. producers have moderate ability to respond to changes in price with increased production because of the availability of some unused capacity.

Import Supply Conditions

Imports of Chinese CSWG hangers grew significantly during January 1997-September 2002. China is the largest source of imported CSWG hangers in the U.S. market. Chinese producers who responded to Commission questionnaires reported capacity utilization levels roughly comparable to U.S.

producers, with low inventories and few exports to countries other than the United States.⁴ While Chinese respondents state that there is a growing Chinese home market for their CSWG hangers, home market shipments reported to the Commission are currently only a *** small part of Chinese producers' shipments. Although home market shipments are projected to rise, we expect that such shipments would continue to remain a relatively small part of overall Chinese shipments. Our ability to make projections with respect to future Chinese production is somewhat limited by the data and information before us.⁵ However, the recent large rise in U.S. imports of Chinese CSWG hangers, which has accelerated in terms of volume during the most recent period and shows no sign of abating, would indicate that Chinese CSWG hanger producers have the ability to continue to increase shipments of CSWG hangers to the United States.

The primary source of non-subject imports is ***, although its volumes are only a *** fraction of Chinese import volumes. Other foreign sources include Honduras, Canada, and Taiwan, but these sources all account for very small import quantities.

Proposed Relief

As indicated above, the statute authorizes the Commission to “propose the amount of increase in, or imposition of, any duty or other import restrictions necessary to prevent or remedy the market disruption.” We find that imposition of an additional tariff on imports of the subject steel wire hangers from China, in the amount and for the duration proposed, is necessary to remedy the market disruption we find to exist.⁶

In determining what remedy to propose, we took into account the submissions of the parties. Petitioners ask that the Commission propose a tariff in the form of a specific rate of duty in the amount of 1.85 cents per hanger, for a five-year period. Petitioners state that this tariff would be approximately equivalent to 50 percent of the imported price of Chinese hangers in 1999; they chose 1999 as the base year because it was the last year in which the domestic industry experienced a “reasonable” level of profit. They assert that the value of an *ad valorem* tariff could be “dramatically reduced” if foreign producers or exporters lower their prices. Petitioners state that they did not recommend a quota because a quota would provide importers “with extra incentive to circumvent Customs accounting” and encourage them to rush to fill the quota, further disrupting the market. They recommended a five-year remedy so that the industry could complete and implement a number of measures to help it compete more effectively.⁷ Petitioners contest Chinese respondents' argument that manufacturing operations could easily be moved to a non-subject country to avoid a remedy on Chinese imports.⁸

Respondents oppose a remedy and assert that none is needed. Laidlaw states that if the Commission decides to propose a remedy, the most appropriate remedy would be a tariff rate quota, with

⁴ CR and PR at Table 19.

⁵ For example, the data in Table C-1 show U.S. imports of Chinese hangers to exceed reported Chinese capacity to produce such hangers; and data indicating that Chinese capacity will rise significantly in 2003 are not corroborated by information that indicates the firms or plants in which the increases will occur. CR at I-51, n. 116; PR at I-33, n. 116.

⁶ Commissioner Koplán does not agree that the tariff recommended by Chairman Okun, Vice Chairman Hillman, and Commissioner Miller will be sufficient to remedy the market disruption that exists.

⁷ Petitioners' Final Comments on Remedy at 1-4.

⁸ *Id.* at 6.

the in-quota amount dutiable at the exiting rate of duty and based on calendar year 2002 imports. Laidlaw states that this would address petitioners' concern about the prospect of increasing imports, including into segments of the uniform rental market in which imports have not competed. It also would avoid "undue prejudice" to Laidlaw, which "represents a substantial portion" of U.S. production and "uses imports pro-actively in certain product areas to improve profit margins."⁹ Laidlaw asserts that a tariff remedy in the form of a specific tariff is at odds with modern trade practice and the Commission's own precedent,¹⁰ and that the level proposed by petitioners exceeds the amount necessary to offset any market disruption and would preclude Laidlaw from importing any hangers from China.¹¹

Chinese respondents make similar arguments, asserting that the remedy petitioners propose "is flatly illegal" because it would drive Chinese imports below their *** percent share of the market before the alleged disruption occurred, and therefore cannot qualify as "necessary" to remedy the disruption. They state that if the Commission wishes to recommend a remedy, it should be in the form either of trade adjustment assistance or a recommendation to the Secretary of Commerce to self-initiate an antidumping investigation. They assert that any remedy in the form of a tariff or quota will simply cause Chinese imports to be displaced by imports from other sources.¹²

The Commission is authorized to propose any of a number of possible remedies, including a simple tariff increase, a tariff-rate quota, and a quantitative restriction. In general, a simple *ad valorem* tariff is preferred over other remedy options because it tends to be less trade distorting. We believe that a simple tariff increase will provide an appropriate remedy in this investigation.

We considered the specific tariff remedy proposed by petitioners, but did not find a remedy in this form to be appropriate in this case. Such a remedy would have the effect of imposing a relatively higher tariff (in terms of *ad valorem* equivalent) on lower priced CSWG hangers, such as shirt hangers, than on other types of subject hangers. Neither import volumes nor underselling margins are greatest with respect to low priced hangers such that our remedy should target lower priced hangers to a greater degree than other types of hangers. In addition, we are concerned that a specific tariff might distort existing trade patterns by encouraging importers to shift toward higher priced types of hangers where the *ad valorem* equivalent tariff would be lower.^{13 14}

In proposing tariff levels of 25, 20, and 15 percent *ad valorem*, we sought to address the market disruption caused by rapidly increasing imports from China. We believe that the tariffs we recommend will significantly improve the industry's sales and pricing environment, and return the industry to modest profitability.¹⁵ We have not sought to return the industry to a level of performance experienced earlier in

⁹ Laidlaw's Final Comments on Remedy at 2-3.

¹⁰ Id. at 5-6.

¹¹ Id. at 5.

¹² Chinese Respondents' Final Comments on Remedy at 2-6.

¹³ Commissioner Koplán does not join in the remainder of the views of the Commission. See Separate and Additional Views of Commissioner Koplán on Remedy.

¹⁴ We also considered Laidlaw's proposal that we recommend a tariff-rate quota. Laidlaw recommended that the action be for a two-year period and that the in-quota amount be set at the level of Chinese hanger imports in 2002; the in-quota imports would be subject to the current rate of duty and the above-quota imports would be subject to a higher, unspecified rate of duty. We do not find that leaving unaffected the injurious 2002 level of imports from China would remedy the market disruption.

¹⁵ The predicted effects of a given tariff can vary significantly depending on which assumptions regarding market (continued...)

the investigation period, because less favorable recent demand conditions make such a goal unrealistic. Rather we have sought to address the harm attributable to the imports from China. At the same time, the remedy should have no more than a minimal impact on downstream users of steel wire garment hangers (mainly dry cleaners) as this product makes up only a small percentage of their overall costs. Also, we do not view the time-limited tariffs we are recommending as likely to cause importers to shift from Chinese sources to other foreign sources for hangers, as less than 1 percent of current hanger imports are from other sources.

We recognize that domestic producer Laidlaw does not support relief in part because it has chosen a business model that includes the importation of some of its product line from China. While our recommended tariff should provide assistance to the entire domestic industry by strengthening prices and increasing shipments, it is not so high as to preclude imports from China. We do expect at least some shift from imports to domestic producers, as Laidlaw indicates it will likely do if a remedy is imposed.¹⁶

In addition, we believe that the tariff increase should take into account the fact that the remedy is temporary in nature. Although not required by section 421, we propose to reduce the degree of protection over the three-year period, to encourage the domestic industry to take the necessary steps to adjust to import competition once the relief terminates. Thus, we recommend that the tariff be reduced by 5 percent *ad valorem* in the second and third years of relief.

We propose that the additional tariff remain in effect for a three year period, which should provide sufficient time to remedy the market disruption and allow producers to implement the adjustment measures they have identified.¹⁷ We note that domestic producers already have plans to restructure and consolidate, and they indicated throughout the proceeding that these plans could be accomplished in a short period of time.¹⁸ Our proposed three-year remedy should allow the companies to obtain lending based on these plans.

Short and Long-Term Effects

Short- and Long-Term Effects of the Recommended Remedy

We believe that the additional tariff proposed will address the market disruption found to exist in the domestic CSWG hanger industry and does not exceed the amount necessary to remedy the injury to domestic producers. The remedy is likely to restore domestic sales and profitability to reasonable levels given that the CSWG hanger industry has gone through other changes (besides an influx of Chinese CSWG hangers) in the last three years.

¹⁵ (...continued)

characteristics are employed. Our assessment is based on the mid-point of the range of various possible scenarios.

¹⁶ Hearing tr. at 253.

¹⁷ CR and PR at Table 17. As indicated above, the Chinese respondents state that the Commission, if it wishes to recommend a remedy, should recommend that U.S. Department of Commerce self-initiate an antidumping investigation. We note that section 202(c)(5) of the Trade Act requires the Commission to notify the appropriate agency whenever in the course of its investigation the Commission has “reason to believe that the increased imports are attributable in part” to circumstances that come within the purview of certain trade remedy laws, including the antidumping law. Section 421 does not include a similar provision or cross-reference the provision in section 202.

¹⁸ CR and PR at Table 17; and Petitioners’ Posthearing Brief at App. 2, Exh. E-1.

Based on available data, it is likely that Chinese imports will be reduced between *** percent and *** percent.¹⁹ While there will be some negative effect for U.S. purchasers, especially any distributors of primarily Chinese CSWG hangers, CSWG hangers are a small part of the ultimate end users' costs,²⁰ and distributors of U.S. hangers should experience increased prices on their sales of U.S. CSWG hangers. This remedy also should provide a modest protection or benefit to domestic industries that supply raw materials to the hanger industry, particularly the wire rod producers, as a result of the expected increase in domestic hanger production. Finally, while allegations were made that Chinese producers will move their plants and equipment to other countries if a remedy is imposed, we find no basis to conclude that a temporary remedy will be sufficient to induce producers in China to move facilities to another country.

It is not possible to predict market effects with precision following the initial year of relief. In general, we would expect that as prices increase, the domestic industry will be able to respond better to new market demands and to increase production as necessary. In addition, we would expect the domestic industry to be able to increase its ability to compete with imported hangers as it modernizes and consolidates its production facilities. Under this tariff-based remedy, imports would continue to supply a share of the U.S. market and would continue to be an important competitive force in the U.S. market. In addition, if demand rises to 2000 levels again with an economic recovery, U.S. producers may be able to approach or return to their previous levels of profitability.

Short and Long-Term Effects of Not Taking the Recommended Action

In the absence of appropriate relief, we are convinced that the recent operating losses experienced by the domestic industry will continue and likely worsen. Chinese CSWG hangers have significantly increased their share of the domestic market even at a time of lower demand for CSWG hangers. Purchasers have reported continuing attempts by Chinese CSWG hanger sellers to penetrate new markets with lower priced CSWG hangers,²¹ and at least three "significant" distributors of U.S. CSWG hangers went out of business in 2002.²² Contrary to respondents' arguments, there currently is no large Chinese home market for CSWG hangers, and even the increased Chinese home market demand projected by respondents would be insufficient to absorb the increased production that would result from the projected increase in capacity.²³ Thus, there is every reason to believe that imports of Chinese CSWG hangers will increase further. The domestic industry would be unable to implement proposed investments and improvements. Coming at the same time as a continued decline in demand, this would mean mounting losses and eventual plant closures for the domestic industry, without time to re-train workers and undertake other adjustment efforts. The absence of appropriate relief will likely have a small benefit to dry cleaners, but hangers are a small part of their operating cost, and so it is doubtful that any benefit would outweigh the long-term benefit to the U.S. industry of three years of relief.

¹⁹ EC-AA-007, at Table 1.

²⁰ CR at I-59; PR at I-37, and Commission staff remedy memorandum at I-2. The average selling price of imported 18-inch white shirt hangers in interim 2002 was 2.18 cents per hanger. A remedy of 25 percent *ad valorem* applied to this price would marginally increase the cost of each hanger, but this increase would be very small even in the context of a relatively low priced dry cleaning item such as a shirt.

²¹ See, e.g., CR at I-60, n. 132; PR at I-38, n. 132.

²² CR at I-63, n. 137; PR at I-40, n. 137.

²³ CR and PR at Table 19.

In particular, the continuing surge in import volumes of Chinese hangers will continue to depress and suppress or undersell domestic prices and further diminish market share. Thus, without appropriate relief, the hanger industry remains vulnerable to continued price underselling and revenue losses. If operating losses continue, the domestic industry will not be able to consolidate and restructure, thereby leaving it less viable and less able to compete with imports. Over the longer term, a significant portion of the industry would be forced to shut down. This assessment is based on the recent surge in imports of Chinese hangers, a surge which has captured significant market share from U.S. production during a period of declining demand. Such closings and partial closings will lead to increased layoffs of workers in the industry, resulting in a negative impact on the local communities in which the production facilities are located.

**SEPARATE VIEWS OF COMMISSIONER LYNN M. BRAGG
REGARDING REMEDY**

*Certain Steel Wire Garment Hangers from China
Inv. No. TA-421-2*

Pursuant to section 421(b)(1) of the Trade Act of 1974 (“Trade Act”),¹ and based upon the record in this investigation, I have determined that certain steel wire garment (“CSWG”) hangers from the People’s Republic of China (“China”) are being imported into the United States in such increased quantities or under such conditions as to cause market disruption to the domestic producers of CSWG hangers.² Pursuant to section 421(f) of the Trade Act,³ I provide below my recommendation and analysis with respect to the increase in duty that I believe is necessary to remedy the market disruption that I have found to exist.

Overview

This is the second investigation conducted by the Commission pursuant to section 421 and, much like the first,⁴ the focus is on a small number of market participants and their individual business decisions taken in response to the availability of merchandise produced in China for export to the United States. In contrast to the first investigation, however, this case presents an unexpected scenario in that about half of the recent rapid increase in subject import volume is attributable to the domestic industry itself.⁵ Notwithstanding this fact, I have found that rapidly increasing imports of lower-priced CSWG hangers from China are a significant cause of material injury to the domestic industry as a whole. Importantly, in gauging the corresponding remedy, I note that the recent surge in subject imports has served to disrupt an ongoing process of consolidation and rationalization of resources by the domestic industry. Although I find that a remedy is warranted in this case, based upon the specific adjustment efforts of the domestic industry and the conditions of competition within this industry, as set forth more fully below, I conclude that an increase in duty of limited magnitude and duration is sufficient to remedy the market disruption that I have identified.

¹ 19 U.S.C. § 2451(b)(1).

² See Views of the Commission on Market Disruption.

³ 19 U.S.C. § 2451(f) (Recommendations of Commission on proposed remedies).

⁴ Pedestal Actuators from China, Inv. No. TA-421-1, USITC Pub. 3557 (November 2002). I note that in Pedestal Actuators, I determined that subject imports were not being imported into the United States in such increased quantities or under such conditions as to cause or threaten to cause market disruption to the domestic industry. See *Dissenting Views of Commissioner Lynn M. Bragg*, USITC Pub. 3557 at 45-54.

⁵ The total volume of subject imports increased by 208.4 million units between interim (*i.e.* January through September) 2001 and interim 2002. See CR at Table C-1; PR at Table C-1. In particular, U.S. producers increased their volume of purchases of subject imports by *** units between interim 2001 and interim 2002. *Calculated from CR/PR at Table 3.*

Remedy Recommendation

I propose that the President impose a duty, in addition to the current rate of duty, for a two-year period, on imports of the subject steel wire garment hangers from China, as follows: 20 percent *ad valorem* in the first year of the relief period, and 15 percent *ad valorem* in the second year of the relief period. I find that such action is necessary to remedy the market disruption that I have found to exist.

Conditions of Competition

Demand. CSWG hangers are used to hang garments, and are sold primarily to dry cleaner establishments and purchasers in the industrial/uniform rental market; sales to the dry cleaning segment of the market are made primarily via distributors, though the major dry-cleaning chains may purchase directly from a U.S. producer.⁶ To date, the industrial/uniform rental market has been served *** by domestic producers, apparently due to the high service requirements demanded by that segment of the market.⁷

Since the early 1990s, there has been a shift toward casual business attire that has resulted in a shift in the types of CSWG hangers demanded by dry cleaners for their customers; this trend does not appear to have had an appreciable impact on overall demand during the period of investigation (“POI”), which extends from 1997 through September 2002.⁸ Total apparent U.S. consumption fluctuated in a narrow range from 1999 through 2000, before declining by 8.6 percent between 2000 and 2001; between interim (*i.e.* January through September) 2001 and interim 2002, total apparent U.S. consumption increased by 1.0 percent.⁹

CSWG hangers, whether domestic or imported, are viewed as a commodity product and distributors may commingle boxes of similar types of hangers regardless of source.¹⁰ CSWG hangers are often painted. At least a portion of the subject imports from China are painted via a powder-coating process, whereas U.S. producers utilize an electric-coating paint process; the type of paint process employed does not appear to impact the demand for product from a particular source.¹¹

Supply. The primary U.S. producers of CSWG hangers include the three Petitioners (*i.e.* CHC, M&B, and United Wire), as well as Laidlaw and Nagel; a sixth U.S. producer (*i.e.* Midwest), was acquired by CHC in August 2002.¹² CHC will close one of two Midwest plants and expand and upgrade the other. CHC also closed one of its plants located in California in November 2001, as well as another plant in Ohio in ***. As a result of these consolidation efforts, CHC has reduced the annual production capacity of the domestic industry by over one billion hangers.¹³ Still, the domestic industry appears

⁶ See CR at I-2 to I-5 and I-20 to I-21; PR at I-13.

⁷ CR at I-6 to I-7; PR at I-4 to I-5.

⁸ See, e.g., Hearing Tr. at 38 (Goldenberg); at 96 (Hericks); see also CR/PR at Table C-1.

⁹ CR/PR at Table C-1.

¹⁰ See, e.g., Hearing Tr. at 88 (Mindich); 100 (Goldenberg); 112 (Hericks).

¹¹ See Hearing Tr. at 88 (Mindich).

¹² CR at I-12 to I-14; PR at I-9 to I-10. There are also a few firms that produce relatively small volumes of CSWG hangers for local markets. CR at I-12 & n.44; PR at I-9 & n.44.

¹³ Hearing Tr. at 29-30 (Roby).

characterized by chronic overcapacity, with total capacity exceeding U.S. demand throughout the POI.¹⁴ Historically, regardless of source, imports of CSWG hangers have had a minimal presence in the U.S. market; more recently, however, the domestic industry experienced a progressive decline in U.S. market share, from 99.3 percent in 1997 to 86.4 percent in interim 2002.¹⁵

CHC is the largest domestic producer, accounting for *** of U.S. production in 2001, and both CHC and Laidlaw indicate that they sell throughout the United States; in contrast, M&B and United Wire serve the eastern half of the United States while Nagel serves ***.¹⁶ Although subject imports entered into the U.S. market primarily through the ports of Los Angeles and New York City during interim 2002, subject merchandise competes with the domestic like product throughout the U.S. market.¹⁷

In addition to their U.S. production operations, M&B opened a production facility in Mexico in ***, and Laidlaw owns a production facility in Canada. In 2001, Laidlaw also negotiated an exclusive supply agreement with Shanghai Wells Hanger Company, which was intended in part to improve Laidlaw's margins on sales of CSWG hangers via access to lower-cost imports from China.¹⁸ Laidlaw alone accounted for almost *** percent of the 208.4 million unit increase in subject import volume between interim 2001 and interim 2002.¹⁹ Other U.S. producers that imported or purchased subject merchandise during interim 2002 include ***, whose increased purchases of subject imports accounted for *** percent of the increase in subject import volume between interim periods; ***, which accounted for *** percent of the increase in subject import volume between interim periods; ***, whose purchases of subject imports accounted for *** percent of the increase in subject import volume between interim periods; and ***, which accounted for *** percent of the increase in subject import volume between interim periods.²⁰

With respect to ***, ***; in absolute volume, however, nonsubject imports maintained only a minor presence in the U.S. market over the POI.²¹ Apart from M&B's facility, there appears to be little production capacity for CSWG hangers in Mexico.²²

Market Competition. CSWG hangers contribute only minimally to the overall cost of dry cleaning services.²³ Nevertheless, competition for sales to the dry cleaning segment of the CSWG hanger market is driven mainly by price; confronted with significant and rapidly increasing volumes of perfectly substitutable lower-priced imports, U.S. producers were forced to choose between accepting price concessions or sacrificing sales volumes.²⁴ Significant price-based competition from subject imports appears concentrated in six products (referred to as Products 1 through 6 in the Commission's Report);

¹⁴ CR/PR at Table C-1.

¹⁵ See CR/PR at Table C-1.

¹⁶ CR at I-12 & I-14; PR at I-9.

¹⁷ See Official Import Statistics (2002), U.S. Department of Commerce; see also Hearing Tr. at 68-69 (Roby).

¹⁸ Hearing Tr. at 161 (Livermore).

¹⁹ Calculated from CR/PR at Table 8.

²⁰ Calculated from CR/PR at Table 3 & Table 8.

²¹ See CR/PR at Table 3 & Table C-1. The share of the U.S. market held by nonsubject imports during the POI peaked at a mere 0.7 percent during interim 2002. CR/PR at Table C-1.

²² See Hearing Tr. at 150 (Malashevich).

²³ See, e.g., Hearing Tr. at 111 (Mindich); Petitioners' Posthearing Brief, Appendix 2 at E-2 (response to questions from Commissioner Bragg).

²⁴ See, e.g., Hearing Tr. at 97-98 (Roby); 148-149 (Mindich, Goldenberg, Hericks).

these six products accounted for *** percent of U.S. shipments by the domestic industry in 2001, as well as *** percent of the volume of subject imports that year.²⁵ During interim 2002, these six products accounted for *** percent of U.S. shipments by the domestic industry, and *** percent of volume of subject imports during that period.²⁶ Notably, U.S. shipments of the first five of these products by the domestic industry experienced price declines ranging from *** percent to *** percent over the period 1999 through 2001, while shipments of the sixth product experienced a price increase of *** percent.²⁷ Importantly, subject imports uniformly undersold the domestic like product throughout the POI and by substantial margins; in particular, from January 1999 through September 2002, the margins of underselling for these six products almost always fell in a range of between *** percent and *** percent.²⁸ Given the significant degree of underselling by subject imports and the price-based nature of competition for sales of CSWG hangers, a commodity product regardless of source, it is evident that the purchase of subject merchandise afforded a competitive advantage to distributors who sourced Chinese imports, rather than the domestic like product.

Import Relief

Magnitude of Remedy. The Commission's Report states that the \$3.6 million decline in operating income for the domestic industry between interim 2001 and interim 2002 is attributable to an unfavorable price variance of about \$7.0 million that outweighed a favorable variance of about \$3.5 million for net cost/expense.²⁹ I find this indicative of the need for a price-based remedy in this case, as opposed to a quantitative restriction. In addition, I note that both Petitioners and Respondents have referred to 1999 as an appropriate base year, though for different reasons.³⁰

I also find 1999 to be an appropriate base year for formulating a remedy recommendation.³¹ In particular, I note that the unit net sales for shipments by the domestic industry (equivalent to average unit COGS plus average unit SG&A plus average unit operating income) averaged \$39.12 in 1999.³² In comparison, the weighted average unit value for subject imports of the six products for which pricing data was collected was \$32.79 during interim 2002.³³ An increase of 19.3 percent in the weighted average unit value for subject imports would roughly equal the \$39.12 average unit net sales for the domestic industry in 1999. I further note, however, that the unit cost of goods sold for the domestic industry during interim 2002 was \$1.25 higher than the unit cost of goods sold in 1999; adding this amount to the average unit net sales for U.S. shipments by the domestic industry in 1999 results in a figure of \$40.37. An increase of 23.1 percent in the weighted average unit value for subject imports would roughly equal \$40.37. Based upon the foregoing, I find it appropriate to recommend an initial

²⁵ Calculated from CR/PR at Tables 25 through 30 & Table C-1.

²⁶ *Id.*

²⁷ Calculated from CR/PR Tables 25 through 30.

²⁸ See CR/PR Tables 25 through 30.

²⁹ CR at I-40; PR at I-27.

³⁰ See Hearing Tr. at 59 (Malashevich); 175 (Reilly).

³¹ According to Petitioners, "1999 was the last year during which the domestic industry experienced a reasonable level of profit and was not otherwise being substantially injured by imports from China." Hearing Tr. at 59 (Malashevich).

³² CR/PR at Table C-1.

³³ Calculated from CR/PR Tables 25 through 30.

additional duty of 20 percent *ad valorem*.³⁴ In addition, based upon the restructuring efforts of the domestic industry outlined below, I believe that liberalization of this additional duty is appropriate over the course of the relief period, to a level of 15 percent *ad valorem*. An increase of 15 percent in the weighted average unit value for subject imports would slightly exceed the \$37.46 average unit net sales for the domestic industry in interim 2002; this should prove sufficient for an aggressively restructuring industry that is increasingly able to compete with subject imports.

Duration of remedy. With respect to the appropriate duration of a remedy, I note that the Petitioners have provided specific information regarding additional restructuring efforts planned by certain U.S. producers. In addition to the recent steps taken by CHC, I note the following: ***.

Based upon my review, I believe that each of these efforts may be substantially or entirely completed within the next two years; at a minimum, in light of the price stabilization that will result from the imposition of an appropriate increase in duty on subject imports, I believe that any financing necessary to complete these efforts can be secured by the domestic industry within the next two years.

Conclusion. Based upon all the foregoing, I find that a two-year remedy is appropriate in this case. I propose that the remedy be comprised of a duty, in addition to the current rate of duty on subject imports from China, set at 20 percent *ad valorem* in the first year of the relief period, and 15 percent *ad valorem* in the second year of the relief period. I believe that this proposal will be effective in remedying the market disruption experienced by the domestic industry, as it will apply to substantially all imports of CSWG imports into the U.S. market.³⁵ I also believe that this remedy is of sufficient magnitude and duration to permit the domestic industry to successfully complete its intended restructuring efforts so that the industry as a whole (as opposed to individual producers) can adequately adjust to the availability of CSWG hangers from China.

Finally, I note my reservation with respect to the results of the Commission's modeling exercises in this investigation. I base this reservation upon my understanding of the dynamics of this industry developed through my review of the empirical evidence on the record regarding the commodity nature of CSWG hangers and the strength of price-based competition in the U.S. market. On balance, I believe that an increase in duty on subject imports, whether 15 percent or 20 percent *ad valorem*, will result in price effects greater than those depicted by the model results, as well as volume effects that are less than those depicted by the model results.³⁶

Short-Term and Long-Term Effects

Section 421(g)(2)(D) of the Trade Act³⁷ requires that the Commission include in its report to the President and the U.S. Trade Representative a description of:

³⁴ The weighted average unit value of U.S. shipments by the domestic industry of the six products for which pricing data was collected was \$47.57 in 1999. *Calculated from* CR/PR Tables 25 through 30. I find that unit value to constitute an excessive reference point in this case, particularly in light of the more recent favorable net cost/expense variance for the domestic industry between interim periods referenced above.

³⁵ During interim 2002, subject imports from China accounted for 92.6 percent of total imports into the U.S. market. *Calculated from* CR/PR at Table C-1.

³⁶ See Memorandum EC-AA-006 (January 31, 2003) at I-6.

³⁷ 19 U.S.C. § 2451(g)(2)(D).

- (i) the short- and long-term effects that implementation of the action recommended . . . is likely to have on the petitioning domestic industry, on other domestic industries, and on consumers; and
- (ii) the short- and long-term effects of not taking the recommended action on the petitioning domestic industry, its workers, and the communities where production facilities of such industry are located, and on other domestic industries.

Short-Term and Long-Term Effects of the Recommended Remedy—

I anticipate that the short-term effects of my recommended remedy will include the stabilization of price levels in the U.S. market for CSWG hangers, the return of the domestic CSWG hanger industry as a whole to a reasonable level of profit and the concomitant ability of U.S. producers to either complete their restructuring efforts or, at a minimum, to secure the financing necessary to complete such efforts. While the short-term effects also will include an increase in the cost structure of distributors of CSWG hangers and dry cleaning establishments, I believe that these increased costs can be passed on fully to purchasers of dry cleaning services and thus the impact on these downstream industries will be minimal. Finally, although consumers ultimately will pay these increased costs, I believe that the impact on consumers will be minimal because the cost of a CSWG hanger is a minuscule component of the overall cost of dry cleaning services; as a result, I also believe that these increased costs will not result in an appreciable decline in demand for CSWG hangers.

I anticipate that the long-term effects of my recommended remedy will include the consolidation and rationalization of the productive resources of the domestic CSWG hangers industry, and in particular, the realignment of domestic production capacity to better reflect demand conditions in the U.S. market. I further anticipate that these steps will enable the restructured domestic industry as a whole to better compete in the U.S. market, notwithstanding the availability of CSWG hangers from China. Other than ensuring a ready supply of domestically-produced CSWG hangers, I do not anticipate any appreciable long-term effects on other industries or on consumers.

Short-Term and Long-Term Effects of Not Taking the Recommended Action—

I anticipate that the short-term effects of not taking my recommended action will include increasing price volatility in the U.S. market, further deterioration in the profitability of the domestic industry, further loss of market share to subject imports and increasing inefficiency in the production efforts of U.S. producers, as well as the postponement of restructuring efforts that are necessary to allow the domestic industry to better compete and/or the inability of U.S. producers to secure the financing necessary to effectuate these restructuring efforts.

I anticipate that the long-term effects of not taking my recommended action will include an abandonment of production capacity by the domestic industry that could otherwise be utilized, coupled with reductions in employment levels that could otherwise have been averted or diminished and a concomitant adverse impact on the communities where these workers are located. In sum, absent my recommended relief, I believe there is reason to question the long-term viability of much of the domestic industry.

SEPARATE AND ADDITIONAL VIEWS OF COMMISSIONER STEPHEN KOPLAN ON REMEDY

While I join with the Commission in proposing a tariff as the appropriate import restriction to remedy the market disruption we have found to exist, I do not agree with their tariff levels or with the appropriateness of any liberalization of the tariff levels over the period. Rather, I recommend that the President impose an additional 30 percent *ad valorem* tariff on imports of certain steel wire garment (“CSWG”) hangers and that such tariff remain in place at that level for three years. I also recommend that if petitions for trade adjustment assistance are filed by domestic firms or workers producing CSWG hangers, that the President direct the U.S. Department of Commerce and the U.S. Department of Labor to expedite consideration of such petitions.

Initially, I note that I agree with the Commission’s assessment of the statutory framework and conditions of competition in this investigation set forth in the Views of the Commission on Remedy, *supra*. I also note that the statute authorizes the Commission to “propose the amount of increase in, or imposition of, any duty or other import restrictions necessary to prevent or remedy the market disruption”, and like my colleagues, I find that an additional tariff on imports of the subject imports is necessary to remedy the market disruption the Commission found to exist.

In making my proposal, I considered such factors as domestic consumption, domestic and foreign capacity, capacity utilization, projected demand, substitutability of the imported and domestic like products, pricing and in particular material injury to the domestic industry. While I agree that the remedy proposed does not seek to address all the other factors that may be adversely affecting the domestic industry, nevertheless, my recommended remedy is intended to return the quantity of subject imports to their year 2000 level. I also find that applying my proposed remedy should result in returning the Chinese market share ratio to apparent U.S. consumption to about what it was in 2000. I note that such market share rose from 5.1 percent in 2000 to 12.9 percent in the first nine months of 2002. Accordingly, I selected the year 2000 as the base year as I found that it preceded the recent rapid increase in subject imports. Although my recommended relief is temporary in nature, I am convinced that it must remain in effect for three years at my recommended additional level of 30 percent in order to give the domestic industry an opportunity to undertake and complete the initiatives it has identified as necessary to remedy the injury caused by the market disruption.¹

Finally, as noted above, additional assistance over and above the tariff remedy proposed may be available to firms and workers in the domestic industry under the trade adjustment assistance programs administered by the U.S. Departments of Labor and Commerce (*see* 19 U.S.C. sec. 2271 et seq.). Such assistance may provide additional help to firms and workers in modernizing plant and equipment, retraining workers and making other adjustments both during the period the increased tariff is in place and after it terminates. It is up to the domestic firms and their workers to decide whether to file applications for such assistance. If such applications are filed, I recommend that the President direct the Labor and Commerce Departments to provide expedited consideration to petitions filed by firms and/or workers affected by the subject imports.

I also recognize that domestic producer Laidlaw does not support relief in part because it has chosen a business model that includes the importation of some of its product line from China. While an *ad valorem* tariff at my recommended level should provide assistance to the entire domestic industry by stabilizing prices and increasing shipments, it is not so high as to preclude imports from China. As the Commission notes, we do expect at least some shift to domestic sources.

¹ CR and PR at Table 17; and petitioners’ post-hearing brief at App. 2, Exh. E-1.

Short and Long-Term Effects

Short- and Long-Term Effects of the Recommended Remedy

I believe that the tariff I recommend will address the market disruption found to exist in the domestic CSWG hanger industry and does not exceed the amount necessary to remedy the injury to domestic producers.

The remedy is intended to restore domestic sales and profitability to reasonable levels given that the CSWG hanger industry has gone through other changes (besides an influx of Chinese CSWG hangers) in the last three years. The remedy is not designed to restore levels of profitability achieved during earlier, pre-recession years of higher demand.

Based on available estimates, I anticipate that my recommended tariff will reduce imports of CSWG hangers to the levels in 2000. I also expect this tariff will result in modest increases in domestic prices and sales volumes and somewhat larger increases in domestic producer revenue. I note that this proposed tariff will have a much larger impact on subject import prices than on the prices of the domestic like product, and it will have a significant effect on subject import volumes.² While there will be some negative effect for U.S. purchasers, especially any distributors of primarily Chinese CSWG hangers, CSWG hangers are a small part of the ultimate end users' costs,³ and distributors of domestic hangers should enjoy some increased prices on their sales of domestic CSWG hangers. This remedy also should provide a modest protection or benefit to domestic industries that supply raw materials to the domestic hanger industry, particularly the wire rod producers, as a result of the expected increase in domestic hanger production. There is insufficient indication that Chinese producers will move their plants and equipment to other countries as respondents allege, as few other countries have shown any significant interest in exporting CSWG hangers to the United States.

It is not possible to predict market effects with precision following the initial year of relief. In general, I expect that as prices increase, the domestic industry will be able to respond better to new market demands and to increase production as necessary. In addition, I expect the domestic industry will be able to increase its ability to compete with imported hangers as it modernizes and consolidates its production facilities. Under this tariff-based remedy, imports would continue to supply a share of the U.S. market and would continue to be an important competitive force in the U.S. market.

Short and Long-Term Effects of Not Taking the Recommended Action

In the absence of appropriate relief, I am convinced that the recent operating losses experienced by the domestic industry will continue and even worsen. Chinese CSWG hangers have significantly increased their share of the domestic market even at a time of lower demand for CSWG hangers. Purchasers have reported continuing attempts by Chinese CSWG hanger sellers to penetrate new markets

² The COMPAS model estimates that in the first year of relief, the volume of imports would decrease by between *** and *** percent. The model also estimates that subject import prices will increase by between *** and *** percent, domestic prices will increase by *** to *** percent, domestic sales quantity will increase by *** to *** percent and the domestic industry's revenue will increase by *** to *** percent. EC-AA-007 at Table 2.

³ Report at I-59, and Commission staff remedy memorandum at I-2. The average selling price of an imported 18-inch white shirt hanger in interim 2002 was *** cents per hanger. The COMPAS model estimates that a remedy of an additional 30 percent *ad valorem* tariff would likely increase the cost of each hanger by at most only ***. This is very small even in the context of a relatively low priced dry cleaning item, such as a shirt. EC-AA-007 at Table 2.

with lower priced CSWG hangers,⁴ and at least three “significant” distributors of domestic CSWG hangers went out of business in 2002.⁵ Contrary to respondents’ arguments, there currently is no large Chinese home market for CSWG hangers, and even the increased Chinese home market demand projected by respondents would be insufficient to absorb the increased production that might result from the projected increase in capacity in China.⁶ Thus, there is every reason to believe that imports of Chinese CSWG hangers will increase further. The domestic industry would be unable to implement its proposed investments and improvements. Coming at the same time as a continued decline in demand, this will probably mean mounting losses and eventual plant closures for the domestic industry, without time to re-train workers and undertake other adjustment efforts. The absence of such relief as I recommend will likely have a small benefit to dry cleaners, but hangers are a small part of their operating cost, and so it is not likely that any benefit to dry cleaners would outweigh the long-term benefit to the domestic industry of three years of relief at the additional *ad valorem* tariff level of 30 percent.

In particular, the continuing rapid increase in import volumes of Chinese hangers will continue to depress and suppress or undersell domestic prices and further diminish domestic market share. Thus, without appropriate relief, the domestic hanger industry remains vulnerable to continued Chinese price underselling and resultant revenue losses. If operating losses continue, the domestic industry will not be able to consolidate and restructure, thereby leaving it more vulnerable, less viable and less able to compete with subject imports. Over the longer term, a significant portion of the domestic industry would be forced to shut down. This assessment is based on the rapid increase in imports of Chinese hangers, an increase which has captured significant market share from domestic production during a period of declining demand. Such closings and partial closings will lead to increased layoffs of workers in the domestic industry, resulting in a negative impact on the local economies near the production facilities.

⁴ See, e.g., CR at I-60, n. 132; PR at I-38, n. 132.

⁵ CR at I-63, n. 137; PR at I-40, n. 137.

⁶ CR and PR at Table 19.

ADDITIONAL VIEWS OF CHAIRMAN DEANNA TANNER OKUN

I provide these additional views because an interested party to this proceeding hindered my ability to evaluate one of the central issues in this investigation: the reason why a domestic producer revised its business plan and began to import significant quantities of subject merchandise and whether those imports negatively affected the domestic industry. Under the statute, the Commission is charged with conducting an investigation. It does so by collecting information that may be relevant to the determination that each Commissioner must make. The importance of a complete record cannot be over emphasized as this is a record proceeding and the Commission makes its determination based solely on the record. Accordingly, the Commission's governing statute and its rules authorize the Commission to protect confidential business information in order to encourage parties to submit sensitive information in confidence. Over its history, the Commission has gone to extraordinary lengths to protect confidential business information so that it can inspire confidence in submitters as to the security of their confidential information so that they will file voluntarily the information relevant to the investigation.

Laidlaw Corporation's pre-hearing brief contained an attachment that had two documents that had been submitted with large portions of the documents' text redacted. During the course of this investigation, I requested Laidlaw, a domestic producer of steel wire garment hangers and an importer of subject product, to submit in their entirety the documents in Attachment 7 of its pre-hearing brief. I sought the unredacted versions of these documents because they may have been relevant to the Commission's determination concerning market disruption in that one of the arguments raised by Laidlaw was that its imports of subject product were not negatively affecting other producers. At the hearing, Laidlaw's counsel stated that the documents relate to correspondence between the Wells Company, acting on behalf of Shanghai Wells (a Chinese hanger producer), and Laidlaw.¹ Later, Laidlaw's counsel described the documents in general terms as relating ***.²

I requested these documents on three occasions.

I made my first request at the January 9, 2003 Commission hearing. Laidlaw's counsel stated that the documents were not relevant to the proceeding and raised a concern that the documents contained sensitive business information.³ Laidlaw did not submit the documents in its post-hearing brief. In a January 14, 2003 filing, Laidlaw's counsel stated that Laidlaw has decided to withdraw Attachment 7 in light of the Chairman's request at the hearing that Laidlaw either "re-submit the documents in their entirety under APO or withdraw the attachment." Again, Laidlaw's counsel stated that the redacted portions of the two documents contained information that was "not directly relevant to the facts in this proceeding" and was "highly sensitive business information."⁴

I made my second request in a January 21, 2003 information request where I corrected the record concerning Laidlaw's counsel's characterization of my original request. At the hearing, I did not offer Laidlaw the choice of either submitting the relevant documents in their entirety or withdrawing the attachment. Rather, I instructed counsel to consult with Commission Staff in terms of how to submit sensitive business information.⁵ Laidlaw's counsel never consulted with Staff before announcing its intention to withdraw Attachment 7. In this second request, I informed Laidlaw's counsel that as the

¹ Hearing Transcript at 264 (Jan. 9, 2003).

² *Ex Parte* Communication Memorandum of Dominic L. Bianchi to the Secretary (Jan. 21, 2003).

³ Hearing Transcript at 263-4.

⁴ Letter from Tighe Patton Armstrong Teasdale, PLLC to the Secretary (Jan. 14, 2003).

⁵ Hearing Transcript at 264.

Commission goes to great lengths to protect confidential business information, parties cannot use this as a justification not to provide such information during the investigative process. Finally, I counseled Laidlaw that if it did not submit these documents by January 22, 2003, each Commissioner would be left to decide how to take the absence of this information into account in evaluating the record.⁶

After receiving my second request, Laidlaw's counsel contacted my staff to discuss the information request and to determine whether there was information that Laidlaw could provide, other than the documents, that would satisfy my inquiry.⁷ Several hours before Laidlaw filed its response, the Secretary to the Commission informed Laidlaw's counsel that the Commission's rules do not provide parties with the right to withdraw documents from the record once they have been accepted. The Secretary also informed Laidlaw's counsel that section 206.17(g) of the Commission's rules addresses treatment of sensitive business information and invited counsel to consult with the Office of the Secretary about this section.⁸ Again, Laidlaw's counsel chose not to consult with Commission Staff.

In its January 22, 2003 filing, Laidlaw's counsel once again did not provide the documents and requested that Laidlaw be permitted to withdraw Attachment 7 of Laidlaw's pre-hearing brief from the record of this investigation because it "does not rely upon any part of the documents" and it is not "seeking or obtaining any advantage – evidentiary or otherwise – from the inconsequential inclusion of these documents." Laidlaw and its counsel apologized about misunderstanding my original request at the January 9, 2003 hearing, but they decided once again not to submit the documents in Attachment 7 without redacting any text.⁹

I made my third request in a January 23, 2003 information request further explaining my interest in evaluating the relevancy of the documents contained in Attachment 7. Again, I counseled Laidlaw that if it did not submit these documents by noon on Friday, January 24, 2003, each Commissioner would be left to decide how to take the absence of this information into account in evaluating the record.¹⁰ By statute, the Commission had until Monday, January 27, 2003, to make its determination on market disruption.

After taking cognizance of the fact that Laidlaw refused to submit these documents, counsel to the respondent Chinese producers submitted on Monday morning, January 27, 2003, an unredacted copy of one of the two documents in Attachment 7 of Laidlaw's pre-hearing brief. As this document originated from one of the Chinese producers, Shanghai Wells, the Chinese respondent searched its files over the weekend and provided it for submission.^{11 12}

⁶ Information Request of Laidlaw by Chairman Deanna Tanner Okun (Jan. 21, 2003).

⁷ *Ex Parte* Communication Memorandum of Dominic L. Bianchi to the Secretary.

⁸ I also note that familiarity with the Commission's rules is presumed.

⁹ Letter from Tighe Patton Armstrong Teasdale, PLLC to the Secretary (Jan. 22, 2003).

¹⁰ Information Request of Laidlaw by Chairman Deanna Tanner Okun (Jan. 23, 2003).

¹¹ Counsel for the Chinese respondents noted that neither the Chinese producer that provided the first document nor the Chinese respondents had access to the other document in Attachment 7. Letter from Paul, Hastings, Janofsky & Walker LLP to the Secretary (Jan. 27, 2003).

¹² I note for the record that I appreciate the efforts made by counsel to the respondent Chinese producers and Shanghai Wells to be responsive to an information request of another party, and that I do not take adverse inferences against the respondent Chinese parties with regard to the missing information.

The first document, the one Shanghai Wells submitted, consists of a proposal from Wells Mfg. (USA) Inc. to Laidlaw in March 2000.¹³ The document reflects ***.¹⁴ While Laidlaw and Wells ***, they eventually agreed to an exclusive distribution agreement for Chinese hangers in the United States.¹⁵ According to Laidlaw's consolidated financial statements as of September 30, 2001 and 2000, ***.^{16 17 18}

The second document, the one the Commission never received in a completely unredacted form, was an internal Laidlaw document. The unredacted portion of this second document refers to the ***. The only remaining unredacted portion of this document refers to ***.¹⁹

It is clear that this document pertains to Laidlaw's relationship with ***. In this context, it appears that the redacted portions may have discussed the *** in the United States.

Under the statute, the Commission is charged with conducting an investigation and Commissioners fulfill this obligation by collecting information that may be relevant to the determination that each Commissioner must make. While Laidlaw's counsel has stated that the redacted portions of the two documents contained information that was "not directly relevant to the facts in this proceeding,"²⁰ the Commission, not the parties, controls the investigative process and decides whether a document is relevant. After reviewing the first document in its entirety, I found it to be relevant to the investigation as it detailed the evolving relationship between a domestic hanger producer and importer of Chinese hangers, Laidlaw, and the *** Chinese hanger producer, Shanghai Wells. As to the second document, as detailed above, the unredacted information relates to ***. It appears that the redacted information also relates to Laidlaw's ***.²¹ Accordingly, I believe that this information would have been relevant to my evaluation of Laidlaw's argument concerning why it was importing subject merchandise.

I provide these additional views because I thought it would be instructive to parties and counsel to understand that this was not merely a procedural argument regarding Commission rules, but rather this relates to a substantive issue that hindered my ability to evaluate the arguments of the parties.

Finally, while I could take adverse inferences against Laidlaw because of its refusal to submit those documents, I note that I reached an affirmative determination concerning market disruption based on my consideration of the entire record.

¹³ *Id.*, Exhibit 1.

¹⁴ *Id.*, Exhibit 1, p. 3.

¹⁵ *Id.* at 2.

¹⁶ Laidlaw's Final Comments, Attachment 4 (Jan. 23, 2003).

¹⁷ I note that the producers' questionnaire in this investigation specifically requested copies of audited financial statements and/or internal statements that show the revenues and costs of production. Laidlaw provided neither audited financial statements nor internal cost statements with its questionnaire response. Producer Questionnaire Response of Laidlaw. It never provided audited financial statements. Such statements would have assisted Commission Staff in this investigation.

¹⁸ As a separate matter, Laidlaw's aforementioned consolidated financial statements indicate that Laidlaw *** Laidlaw's Final Comments, Attachment 4. During the investigation, Laidlaw argued that regional pricing existed and attributed the lower West Coast prices not to subject imports but rather to domestic competition between East West and other producers. Laidlaw ***, which is relevant to assessing the validity of Laidlaw's argument. After discovering the existence of this ***, Staff contacted ***.

¹⁹ Laidlaw's Pre-hearing Brief, Attachment 7.

²⁰ Letter from Tighe Patton Armstrong Teasdale, PLLC to the Secretary (Jan. 14, 2003).

²¹ Laidlaw ***.

INTRODUCTION

BACKGROUND

On November 27, 2002, a petition was filed on behalf of CHC, M&B, and United Wire requesting that the Commission institute an investigation under section 421(b) of the Trade Act of 1974, as amended,¹ to determine whether CSWG hangers² from China are being imported into the United States in such increased quantities or under such conditions as to cause or threaten to cause market disruption to the domestic producers of like or directly competitive products. As defined in section 421(c) of the Act, market disruption exists whenever imports of an article like or directly competitive with an article produced by a domestic industry are increasing rapidly, either absolutely or relatively, so as to be a significant cause of material injury, or threat of material injury, to the domestic industry. Further, as defined in section 421(d), the Commission is instructed to consider the following objective factors in determining whether market disruption exists:

- (1) the volume of imports of the product which is the subject of the investigation;
- (2) the effect of imports of such product on prices in the United States for like or directly competitive articles; and
- (3) the effect of imports of such product on the domestic industry producing like or directly competitive articles.

Effective November 27, 2002, the Commission instituted investigation No. TA-421-2. Information relating to the background of the investigation is provided on the following page.

¹ 19 U.S.C. § 2451(b).

² For purposes of this investigation, CSWG hangers consist of garment hangers, fabricated from steel wire in gauges from 9 to 17, inclusive (3.77 to 1.37 millimeters, inclusive), whether or not galvanized or painted, whether or not coated with latex or epoxy or other similar gripping materials, and whether or not fashioned with paper covers or capes (with or without printing) and/or nonslip features such as saddles, tubes, or struts. After fabrication, such hangers are in lengths from 7 to 20 inches, inclusive (177.8 to 508 millimeters, inclusive), and the hanger's length or bottom bar is composed of steel wire and/or saddles, tubes or struts. The product may also be identified by its commercial designation, referring to the shape and/or style of the hanger or the garment for which it is intended, including but not limited to Shirt, Suit, Strut, and Caped hangers. Specifically excluded are wooden, plastic, aluminum, and other garment hangers that are covered under separate subheadings of the *HTS*. The products subject to this investigation are classified in subheading 7326.20.00 of the *HTS* and reported under statistical reporting number 7326.20.0020. Although the *HTS* subheading is provided for convenience and Customs purposes, the written description of the merchandise is dispositive. Chinese manufacturers state that they do not "disagree" that CSWG garments, as defined above, constitutes the "like product" for this investigation. Chinese manufacturers' *posthearing brief*, p. 5.

<i>Date</i>	<i>Action</i>
November 27, 2002 .	Petition filed with the Commission; institution of inv. No. TA-421-2 (67 FR 72700, December 6, 2002) ³
January 9, 2003	Commission's hearing
January 27, 2003 . . .	Commission's vote on market disruption
January 27, 2003 . . .	Commission's determination sent to the President
February 5, 2003 . . .	Commission's vote on remedy
February 18, 2003 . .	Commission's report sent to the President

SUMMARY DATA

A summary of data collected in the investigation for CSWG hangers is presented in appendix C, table C-1. Except as noted, U.S. industry data are primarily based on the questionnaire responses of six firms that accounted for almost all U.S. production of CSWG hangers during the period examined (i.e., 1997-2001, January-September 2001, and January-September 2002). U.S. subject imports are derived from questionnaire data reported by firms that are believed to account for the great majority of imported CSWG hangers from China; data on nonsubject U.S. imports are also from questionnaire data.

THE PRODUCT

Description and Uses⁴

The products covered by this investigation are CSWG hangers, as described above, which are designed to drape and transport clothing and other textiles. Steel wire garment hangers within the gauges (i.e., from 9 to 17, inclusive) and lengths (i.e., from 7 to 20 inches, inclusive) included in the petition are produced in the United States primarily for use by the dry cleaning, uniform rental (i.e., industrial laundry), and textile industries.^{5 6} The weight of the garment to be hung determines the gauge needed for a specific application, with heavier garments requiring progressively larger (i.e., lower numbered) gauges. A standard hanger is typically 16 inches across. Larger garments require longer hanger lengths, while hangers for juvenile garments are typically 13 inches in length.

The subject product is manufactured in numerous styles and shapes, with an ever increasing variety of hangers.⁷ General categories of hangers for use by dry cleaners include the basic shirt hanger

³ The *Federal Register* notice is presented in appendix A. A list of witnesses that appeared at the hearing is presented in appendix B.

⁴ Unless otherwise noted, the information in this section is from the petition, pp. 2-3; *www.laidlawcorp.com*; staff conversation with ***, December 13, 2002; and *e-mail*, dated December 19, 2002, from counsel for petitioners.

⁵ *Petition*, p. 3.

⁶ CSWG hangers are not defined to include lengths over 20 inches because most garments are not sized to that length; also, over-sized garment hangers would require the use of non-standard packing boxes. Further, wire garment hangers in gauges smaller than 17 would be too flimsy to support the weight of a garment while wire garment hangers in gauges larger than 9 cannot be handled by the conveyor systems used by dry cleaners. Staff conversation with counsel for petitioner, December 13, 2002.

⁷ Petitioners state that "despite some obvious differences in finishes and paper accessories ... all of these hangers
(continued...)

as well as caped hangers, strut hangers, and suit hangers. (1) Shirt hangers are manufactured using lighter gauge wire (resulting in thinner hangers) and are normally painted white. The finish in a shirt hanger, as in all hangers, should be smooth to prevent garments from snagging, and be sufficiently coated to prevent the formation of rust.⁸ Further, the tip of the hanger hook should have no sharp edges and the wire twist should lay flat against the hanger neck to prevent cuts when the hanger is handled. The hook of a shirt hanger should also be angled slightly for ease in placing the hanger on a rod, and the neck should be formed so that multiple hangers can be bound together using twist ties. (2) Caped hangers are those where a paper “cape” or cover, usually white and often with commercial or custom printing, covers the hanger frame. The paper cover should be of sufficient quality to permit garments to be pinned to it. Further, the top of the cover must lie evenly on the hanger or it will form a ridge that can crease a hung garment. (3) Strut hangers are characterized by a paper tube that runs along the length of the bottom of the hanger. This paper tube, or “strut,” is often coated with a nonslip material (e.g., latex) to prevent the garment from sliding off the hanger; a paper strut also prevents an uncovered bottom bar from creasing the garment. To prevent the strut from catching and tearing a dry cleaning bag, the strut must not extend outside the wire portion of the hanger. Further, the space within the wire hanger must be sufficient to allow a hand to insert a garment onto the strut. In addition, the paper strut must be pinched to prevent it from turning, which could cause a garment to slip from the hanger. Use of the correct amount of latex also prevents slippage. Finally, (4) suit hangers are manufactured from a wire gauge that can support the weight of a suit; most are painted with gold-colored polyurethane.

In addition to length and gauge, hangers used by dry cleaning operators can be differentiated by geometric shape with manufacturers selling hangers with such variations as bell necks, collars, crown necks, and wide necks and non-shift shoulders.⁹ Additional variants include notched hangers and a choice of paint colors with blue or black available as well as the more common white or gold. There are also a number of specialty hangers such as drapery hangers (which are available in lengths of 7 inches and up) and hangers for knit garments.

CSWG hangers also defined include uniform rental hangers, which are referred to by some as industrial hangers. Uniform rental hangers are used in industrial laundries where they hold newly washed uniforms that are run through steam tunnels in a high-speed process where steam vibrates and relaxes the fibers in a “pressing” operation.¹⁰ They are typically manufactured to 13 gauge in a limited number of types. Industrial and uniform rental companies clean and process tens of thousands of garments daily and prefer to use one or two basic hanger styles.^{11 12} Industrial hangers are often manufactured with (1) a long neck to make the bar code on the garment more accessible and readable and/or (2) a latex, gritted epoxy, or other coating that can withstand the steaming process and prevent

⁷ (...continued)

share the same basic configuration, characteristics, and end use.” *Petition*, p. 3.

⁸ Rust can stain garments placed on the hanger, especially during a cleaning process where the garments are not completely dry prior to hanging.

⁹ *** stated in its questionnaire response that the geometric shape of dry cleaning hangers is “not critical due to {the} limited speed conveyer systems used by residential cleaners.” *Producer questionnaire response of ****.

¹⁰ After steaming, the garments are moved into a drying chamber.

¹¹ *** states that due to the speed of the conveying system, industrial launderers “demand a steel hanger with a constant geometric shape.” *Producer questionnaire response of ****.

¹² In contrast, in a typically labor-intensive dry cleaning process, cleaners have the ability to use the specific hanger which is best suited for the garment in question (e.g., shirt, dress, suit, strut, or other type of hanger).

garments from slipping off the hanger or moving from side to side.¹³ Petitioners state, however, that depending on the customer and process, dry cleaner hangers can be used by industrial/uniform rental customers and that “many” do so. Further, according to petitioners, hangers sold to industrial/uniform rental customers and hangers sold to dry cleaning customers are “very similar” and “can generally be used interchangeably.”¹⁴ CHC testified at the Commission’s hearing that, depending on the type of equipment being used, some of their industrial accounts use standard white hangers.¹⁵

As indicated above, CSWG hangers are also used within the textile or apparel industry. Although the apparel industry relies primarily on plastic hangers, wire hangers may also be used to store garments in warehouses and, in some instances, to ship garments to retail stores. The wire hangers used in this manner are not distinguishable from those sold to dry cleaning establishments.

Petitioners indicate that the “commodity nature of this mature product makes the domestic industry particularly vulnerable to the growing volume of imports from China.”¹⁶ Chinese manufacturers disagree, stating that while some categories of hangers (i.e., goldtone finishes) are fungible, other types of hangers (i.e., white and colored shirt hangers and caped hangers) are not.¹⁷

Comparison of Chinese-Produced and Domestically Produced Product

Table 1 lists U.S. shipments of both domestically produced CSWG hangers and product imported from China, by major category, in 2001. As shown, imports of the subject product are primarily concentrated in the shirt and caped hanger categories,¹⁸ although relatively smaller quantities of suit and strut hangers are also imported. There were no reported subject imports of either drapery or uniform rental hangers. While drapery hangers are a relatively small product item for domestic manufacturers (accounting for less than 1 percent of total U.S. shipments in 2001), uniform rental hangers were a somewhat more significant product category (accounting for more than *** percent of total U.S. shipments in 2001). According to ***, the predominance of domestically manufactured hangers in the uniform rental market “is a result of high service requirements {in that market} and specific hanger specified shapes.”¹⁹ ²⁰ Despite its relative isolation from imports, petitioners testified at

¹³ Strut hangers (with paper tubes) do not perform well in a steam environment.

¹⁴ *E-mail*, dated December 19, 2002, from counsel for petitioners.

¹⁵ TR, p. 82 (testimony of John Roby, President of CHC).

¹⁶ Petitioners’ *prehearing brief*, p. 28. *See also id.*, p. 35.

¹⁷ Chinese manufacturers’ *prehearing brief*, p. 43.

¹⁸ Chinese manufacturers state that there is a correlation between the import categories in which the subject imports are concentrated and quality issues, which are discussed below. *E-mail*, dated December 28, 2002, from counsel for Chinese manufacturers.

¹⁹ *Producer questionnaire response* of ***.

²⁰ Petitioners state that the share of import shipments to the uniform rental market segment has, however, “increased sharply” during 2001-2002. Petitioners’ *prehearing brief*, p. 38. Laidlaw argues that “{c}ontrary to petitioners’ assertions, the uniform rental market is likely to remain immune to import competition. The majority of sales are to end users. Foreign exporters have not shown a willingness to invest in the warehousing in the United States that would be necessary to service this market.” Laidlaw’s *prehearing brief*, p. 24, n. 61. Further, the uniform rental segment has “higher service requirements which non-producer importers are not equipped to provide.” *Id.*, pp. 3-4. TR also the testimony of Curt Livermore, President and CEO of Laidlaw (TR, p. 199).

Table 1
CSWG hangers: U.S. shipments by source and type of hangers, 2001

Type of hanger	Domestically manufactured				U.S. imports from China			
	Quantity (1,000 units)	Value (1,000 dollars)	Unit value (per 1,000 units)	Share of quantity (percent)	Quantity (1,000 units)	Value (1,000 dollars)	Unit value (per 1,000 units)	Share of quantity (percent)
Shirt	1,087,501	31,906	\$29.34	29.9	77,531	1,886	\$24.32	28.2
Strut	818,610	47,240	57.71	22.5	***	***	***	***
Caped	487,126	26,447	54.29	13.4	160,199	5,928	37.01	58.3
Suit	***	***	***	***	***	***	***	***
Uniform rental	***	***	***	***	0	0	-	-
Drapery	14,396	1,113	77.31	0.4	0	0	-	-
Other ¹	***	***	***	***	0	0	-	-
Total	3,635,209	148,368	40.81	100.0	274,763	9,618	35.01	100.0

¹ CSWG hangers reported in the "other" category include slack, skirt, junior strut, juvenile, Big Man, square hook suit, dropbar, notched, dress, heavy, non-shift, and bell shape hangers.

Source: Compiled from data submitted in response to Commission questionnaires.

the Commission's hearing that price pressures from subject imports on dry cleaner hangers have also impacted prices in the uniform rental segment.²¹

According to one domestic producer, U.S. firms manufacture a full line of wire hangers while Chinese imports are concentrated in a "small number of very high volume items."²² Certain U.S. importers emphasized in their questionnaire responses that Chinese-manufactured hangers are, at least in part, powder-coated²³ and contrast that coating method with the dip-coating procedures commonly used by U.S. producers. Powder-coated hangers are reported by these U.S. importers to be a superior product due, at least in part, to their (1) resistance to rust, (2) smoother surface that resists chipping, and (3) improved visual appearance.²⁴ However, distributors appearing with petitioners testified at the

²¹ TR, pp. 134-135 (testimony of John Roby, President of CHC; testimony of Joel Goldman, Executive Vice President of United Wire; and testimony of Milton Magnus, President of M&B). Petitioners' present, in exhibit C-1(a) of their posthearing brief, price data for a hanger type sold to the uniform rental market. They state that "{b}etween the third quarter of 1999 and the third quarter of 2002, prices of domestic commercial shipments of this type of uniform rental hanger dropped by *** percent." Petitioners' posthearing brief, appendix 2, p. C-1.

²² *Producer questionnaire response of ***.*

²³ Chinese manufacturers powder coat by electrically charging the metal so that blown powder will adhere to the hangers, resulting in a smooth finish, especially at the end of the hanger.

²⁴ TR, for example, *Importer questionnaire responses of ***.* Chinese manufacturers state that "{d}ry cleaners (continued...)

Commission's hearing that their customers do not specifically request powder-coated hangers and that powder-coated hangers do not command a price premium.²⁵ According to data provided by counsel for Shanghai Wells, *** percent of its U.S. exports of CSWG hangers were powder coated in 2001 and *** percent were powder coated in January-September 2002.²⁶

The paper and printing used in Chinese-manufactured cape hangers is also reported by at least two importers to be of higher quality than that used domestically. In addition, importers stated that the Chinese practice of adding capes by hand results in a better sized and aligned cape that will not cause creases in hung garments.²⁷ According to Chinese manufacturers, "Chinese caped hangers have two additional advantages over U.S. capes, beyond the powder-coated finishes: they use better, heavier gauged paper that stabilizes the hanger, which keeps the wire from bending under the weight of heavier garments; and they are printed using modern color printing processes instead of the dated processes used by U.S. producers."²⁸

A discussion of the substitutability between domestically produced and subject hangers based upon an analysis of all responses to Commission producer, importer, and purchaser questionnaires is presented in the section of this report entitled "Substitutability Issues."

Manufacturing Process²⁹

The manufacturing process for CSWG hangers is reported by petitioners to consist primarily of wire drawing and hanger fabrication. Most U.S. producers purchase low carbon wire rod that is manufactured from recycled steel and draw it into wire in the requisite gauges. The process of drawing the rod into wire reduces the diameter and increases the length of the material. The drawn wire is then straightened and cut to the proper length. Next, some manufacturers form the hangers and then paint them, whereas other producers first paint the cut wire before transferring it to the forming machines which shape the hangers.³⁰

²⁴ (...continued)

won't put garments on a chipped hanger and, as they attempt to keep customers in an economic downturn (where customers are spending less on dry cleaning), they are looking for hangers that are bright and convey a high-end appearance to the cleaned garment." *E-mail*, dated December 28, 2002, from counsel for Chinese manufacturers.

²⁵ TR, p. 41 (testimony of James Hericks, President of Dallas Tailor and Laundry Supply), and p. 88 (testimony of David Mindich, President of Minda Supply Co.).

²⁶ Calculated from data provided in a *FAX*, dated January 17, 2003. Shanghai Wells accounts for *** of U.S. exports of the subject product during the period examined. Counsel for Chinese manufacturers states that during 2002 a number of Chinese suppliers began applying the powder coating process to strut and caped hangers. As a result, the percentage of hangers that were powder coated during the last quarter of 2002 was "considerably higher than at the beginning of 2002. *E-mail*, dated January 14, 2003, from counsel for Chinese manufacturers.

²⁷ *Importer questionnaire response* of *** and staff conversation with ***, December 13, 2002.

²⁸ Chinese manufacturers' *prehearing brief*, p. 45.

²⁹ Unless otherwise noted, the information in this section is from the *petition*, p. 4; http://www.laidlawcorp.com/industrial/hanger_facts.html, retrieved November 25, 2002; staff conversation with counsel for the petitioner, December 13, 2002; staff conversations with CHC (***), M&B (***), and United Wire (***) on December 18, 2002; and *e-mail*, dated December 19, 2002, from counsel for petitioners.

³⁰ The powder-coating method found in at least some Chinese hanger factories currently is not used in the United States due to environmental concerns (specifically, issues concerning air emissions that are regulated by the EPA).

(continued...)

The paint before forming method requires more material transfers to complete the manufacturing process. In the paint before forming method, the lengths of cut wire are transferred to a coating station where they are painted using a system of rollers, and automatically conveyed to an oven for drying. Then, the painted lengths of wire are transferred to a forming machine where they are bent and twisted into final form. The paint before forming method is particularly suitable for the manufacture of strut type hangers, because the cardboard struts can be fitted to the hanger immediately following the forming process. In the paint after forming method, the forming machine is continuously fed from a roll of drawn wire. The forming machine straightens, cuts, bends, and twists the wire into hangers. Then, the hangers are painted using a dipping system, and automatically conveyed to an oven for drying.

After painting and forming³¹ the hangers are either boxed and labeled for shipment³² or transferred to stations for additional processing, such as the application of paper capes. To produce industrial hangers for the textile rental industry, an additional friction coating is applied to the bottom bar. In both the paint before forming and paint after forming manufacturing methods, the friction coating is applied after the painting and drying process. Petitioners state that all of the domestic wire hanger producers have the product lines that support the requirements of the industrial and uniform rental industry. Any company with hanger-producing equipment can modify its equipment to make the types of hangers used by the industrial and uniform rental industry.

U.S. Tariff Treatment

U.S. imports of CSWG hangers are provided for in subheading 7326.20.00 of the *HTS* and reported under a separate statistical reporting number, 7326.20.0020 (“Other articles of iron or steel; Articles of iron or steel; Garment hangers”), at a general rate of duty of 3.9 percent *ad valorem*. Prior to January 1, 2002, however, wire hangers were reported under a residual or “basket” statistical reporting number 7326.20.0050; it is not possible to estimate the amount of wire hangers within this broader classification.³³

³⁰ (...continued)

Staff conversation with counsel for the petitioner, December 13, 2002. Laidlaw states that the process used in China to powder coat is labor intensive and that “{t}he cost to mechanize the process and the labor to load and unload hangers ... would still be required {in any U.S. process and} would still make powder coating in the United States uneconomic.” Laidlaw’s *prehearing brief*, p. 23, n. 59. United Wire testified at the Commission’s hearing that the raw materials to powder coat would cost 50 percent more than current expenditures with a more expensive production process. Further, a powder coated hanger would add “absolutely no value” to justify the cost. TR, p. 146 (testimony of Joel Goldman, Executive Vice President of United Wire). Chinese manufacturers state that issues of costs should not be “credited” and cite ***. See the section of this report entitled “Efforts to Compete” (table 17).

³¹ In all instances, according to petitioners, the forming machines are dedicated to the production of hangers; they are not used and cannot be used to produce other products.

³² Most CSWG hangers are packed 500 per carton with the exception of strut hangers which are packed 250 per carton. *E-mail*, dated December 20, 2002, from counsel for petitioners. This is the case for both domestically produced and imported hangers.

³³ *Petition*, p. 14.

TYPES OF HANGERS

Garment hangers are manufactured from a variety of materials in addition to steel wire; such nonsubject products include hangers of wood, plastic, and aluminum. Also, there are a number of nonsubject steel wire garment hangers such as gripper hangers (some of which are made, in part, from plastic) and metal hangers with a polished steel or a chrome-coated coating as well as such products as satin padded hangers.³⁴ Wood, plastic, and aluminum hangers are specifically excluded from the scope of the petition; the majority of such products as gripper hangers are believed to be excluded since they are constructed with wire in a gauge larger than 9 (i.e., from wire more than 3.77 millimeters in diameter).³⁵ As indicated earlier, wire garment hangers in gauges larger than 9 are not likely to be used by dry cleaners, a major end use, since they cannot be handled by the typical conveyor systems.³⁶

CSWG hangers are considered to be disposable by many consumers and are often not used for the long-term storage of garments since they can leave marks or impressions on clothing items.^{37 38} In contrast, the above-described nonsubject hangers are relatively heavy-duty (and will not tangle) and help clothes maintain their shape by supporting the neck and shoulder areas. Nonsubject hangers are not distributed through the same channels as subject wire hangers. Higher-end nonsubject hangers are typically sold to department stores, garment manufacturers, hotel chains, mail order firms, and specialty stores, while lower-end nonsubject hangers are sold through a variety of retail outlets. According to petitioners, the market price for nonsubject hangers is “significantly more” than the price for CSWG garment hangers.³⁹ None of the responding six domestic manufacturers directly produces wooden, plastic, aluminum or other nonsubject garment hangers.⁴⁰ However, an affiliate of *** does manufacture plastic hangers that are primarily sold to the apparel industry. *** states that “***.”⁴¹

³⁴ See, for example, <http://www.hangersworks.com> and <http://www.hangersdirect.com>.

³⁵ However, any “other” steel wire garment hangers within the gauge and length parameters specified in the petition are believed to fall within the definition of “subject product.” Specifically, chrome-plated steel wire garment hangers are properly classified within the same classification as the subject product (i.e., HTS reporting number 7326.20.0020). Some chrome-plated steel wire garment hangers are of a gauge larger than 9 and, therefore, nonsubject. See, for example, U.S. imports of chrome-plated steel wire garment hangers by ***. Staff conversation with ***, December 9, 2002. Other chrome-plated hangers, however, fall within the subject product, as defined by the petition. See, for example, U.S. imports of this product by American Hanger. American Hanger is seeking an exclusion for “chrome plated wire display garment hangers used for display in stores & showrooms.” Letter, dated December 10, 2002, from American Hanger.

³⁶ Staff conversation with counsel for petitioners, December 13, 2002.

³⁷ See, for example, “Conquering the Closet” at www.newhomemaker.com/cleanorg/closet.html, retrieved December 13, 2002 and “OnlineOrganizing.com” at www.onlineorganizing.com/Product_Hangers.htm, retrieved December 13, 2002.

³⁸ In addition, wire hangers are not typically re-used by dry cleaners or recycled in the form of a hanger. Instead, used wire hangers are melted down by recyclers and the steel content extracted. Staff conversation with counsel for petitioners, December 13, 2002.

³⁹ Petitioners’ *prehearing brief*, p. 12.

⁴⁰ *Producer questionnaire responses* of ***.

⁴¹ *Producer questionnaire response* of ***.

THE U.S. MARKET

U.S. Producers

CSWG hangers are manufactured in the United States by a relatively small number of firms that include the three petitioners (CHC, M&B, and United Wire) as well as Laidlaw and Nagel (also known as U.S. Hanger). A sixth producer, Midwest Hanger Co., with manufacturing plants in Kansas City, MO and Cameron, MO, was acquired by CHC in August 2002.⁴² Other changes to the industry during the period reviewed include the purchase of Nagel's assets ***.⁴³ In addition to the above-listed firms, there are also smaller producers that are reported to manufacture for more localized markets.⁴⁴ Such manufacturers include East West, in Carson, CA; Navisa in Houston, TX; and Rocky Mountain Hanger, in Aurora, CO.⁴⁵

Table 2 lists plant locations for each U.S. producer that responded to the Commission's questionnaires and the quantity of CSWG hangers produced in 2001. As shown, CHC is the largest domestic manufacturer,⁴⁶ accounting for *** of U.S. production of CSWG hangers in 2001. With the two manufacturing plants acquired from Midwest, the firm reported operations at eight locations during the period examined.⁴⁷ Both CHC and Laidlaw, with four wire hanger plants,⁴⁸ indicate that they sell throughout the United States.⁴⁹ In contrast, East West, with a plant in California, sells to ***,⁵⁰ M&B,

⁴² CHC Press Release, dated August 1, 2002; attached as exhibit 3 to the *petition*.

⁴³ *E-mail*, dated December 18, 2002, from Nagel.

⁴⁴ Petitioners characterized these firms as distributors of wire hangers that run relatively small production operations on the side. Staff conversation with counsel for petitioners, December 5, 2002.

⁴⁵ ***. ***. Rocky Mountain states that during the 10 years it has been in business "****."

⁴⁶ The Cleaners Hanger Co. Division of CHC is, in fact, reportedly the largest world manufacturer of wire hangers. *CHC Press Release*, dated August 1, 2002; attached as exhibit 3 to the *petition*.

⁴⁷ As part of its integration of Midwest, CHC will close the Kansas City, MO plant and upgrade and expand the Cameron, MO facility to ***. CHC states that it has been consolidating plants in order to bring the industry to the "right" size capacity-to-demand ratio. In November 2001, CHC closed a plant in Union City, CA. Also, its Cleveland, OH hanger facility is currently being consolidated into several other CHC facilities; the consolidation will be completed by ***. *Producer questionnaire response* of CHC, supplemented by testimony at the Commission's hearing (TR, p. 30) by John Roby, President and CEO of CHC.

⁴⁸ Laidlaw ***; expanded its Kingman, AZ plant in 1997 (***) ; completed construction and began operating a new 200,000 sq. ft. greenfield facility in Metropolis, IL in April 2002; and, ***. *Producer questionnaire response* of Laidlaw, supplemented by testimony at the Commission's hearing (TR, p. 159) by Curt Livermore, President and CEO of Laidlaw.

⁴⁹ *Producer questionnaire responses* of CHC and Laidlaw. Laidlaw, however, argues that it is the only domestic manufacturer that has plants in each major market within the United States "and is able to sell economically on a national basis." Laidlaw's *prehearing brief*, p. 10. CHC states that it supplies the West Coast with product from its Brenham, TX facility; transportation costs from that plant are only minimally higher than they were from its now closed Union City, CA facility. TR, pp. 64-65 (testimony of John Roby, President and CEO of CHC).

⁵⁰ *Producer questionnaire response* of East West.

Table 2

CSWG hangers: U.S. producers, U.S. plant locations, positions on the petition, and U.S. production in 2001, by firm

Firm	U.S. plant location	Position on petition	Production in 2001	
			Quantity (1,000 units)	Share (percent)
Petitioners: CHC ¹	Baltimore, MD; Brenham, TX; Cleveland, OH; Gadsen, AL; Jacksonville, FL; Valley City, OH; Cameron, MO; Kansas City, MO	Support	***	***
M&B ¹	Leeds, AL; South Hill, VA	Support ²	***	***
United Wire ¹	Hasbrouck Heights, NJ	Support ³	***	***
Subtotal	--	--	***	***
Non-petitioners: East West ¹	Carson, CA	**** ⁴	***	***
Laidlaw ¹	Kingman, AZ; Metropolis, IL; Monticello, WI; New Castle, DE	Oppose ⁵	***	***
Nagel ¹	Caldwell, TX	**** ⁶	***	***
Subtotal	--	--	***	***
Total	--	--	*** ⁷	100.0

¹ Firm is not owned, in whole or in part, by any other company.
² M&B supported the petition because "****."
³ United Wire supported the petition because "****."
⁴ East West stated that it *** the petition ***.
⁵ Laidlaw stated that it "****."
⁶ Nagel stated that "****."
⁷ This figure ***.

Source: Compiled from data submitted in response to Commission questionnaires.

with plants in Alabama and Virginia, and United Wire, with a plant in New Jersey, serve the eastern half of the United States;⁵¹ and Nagel distributes wire hangers in ***.⁵²

⁵¹ TR, pp. 62-63 (testimony of Milton Magnus, President of M&B, and testimony of Joel Goldman, Vice President of United Wire).

⁵² *Producer questionnaire response of Nagel.*

In addition to their U.S. manufacturing locations, M&B produces CSWG hangers in Coahuila, Mexico (M&B Hangers de Mexico)⁵³ and Laidlaw owns Laidlaw Wire of Canada Ltd., a hanger plant in Mississauga, Ontario that serves the Canadian market.⁵⁴ In addition, Laidlaw has established an exclusive “distribution agreement” with Shanghai Wells, in Shanghai, China granting it the ***.⁵⁵ Laidlaw stated at the hearing that its agreement is part of a global strategy adopted by the firm in response to the over-supply of hangers in the United States and relatively small rate of growth in the downstream dry cleaning and industrial laundry sectors. According to Laidlaw, the agreement “put us on the ground floor to supply dry cleaning products to China and other Pacific Rim countries as their standards of living improve and the demand for dry cleaning services increases.”⁵⁶

Table 3 lists imports and purchases of CSWG hangers by the domestic manufacturers. As shown, two domestic petitioners, M&B and United Wire, currently import the subject hangers from China.⁵⁷ According to the petitioner, ***.⁵⁸ Prior to its purchase by CHC, Midwest also purchased subject hangers imported from China (table 3 and *petition*, p. 10).⁵⁹ In addition, *** Laidlaw *** imports⁶⁰ *** subject product.

Table 3
CSWG hangers: U.S. producers’ U.S. imports and purchases, 1997-2001, January-September 2001, and January-September 2002, by firm

* * * * *

CHC produces primarily wire garment hangers, although it also sells a portion of the low carbon, bright basic steel wire that it draws in its wire hanger plants.⁶¹ Approximately 75 percent of Laidlaw’s sales are wire coat hangers; the firm also, in contrast to other domestic producers,⁶² manufactures a wide variety of packaging products and dry-cleaning chemicals. In addition, Laidlaw sells flyswatters and now offers a drip-dry “Plastisol” hanger to consumers through retail stores.⁶³ In addition to the subject product, M&B also sells drawn wire and straightened and cut wire of various lengths and gauges as well

⁵³ M&B opened the facility in ***. *Producer questionnaire response* of M&B.

⁵⁴ *E-mail*, dated December 18, 2002, from counsel for Laidlaw.

⁵⁵ *Producer questionnaire response* of Laidlaw and *e-mail*, dated December 20, 2002, from counsel to Laidlaw, supplemented by testimony at the Commission’s hearing (TR, p. 161) by Curt Livermore, President and CEO of Laidlaw.

⁵⁶ TR, p. 161 (testimony by Curt Livermore, President and CEO of Laidlaw).

⁵⁷ *See also* the testimony of Milton Magnus, President of M&B, and Joel Goldman, Executive Vice President of United Wire, at the Commission’s hearing (TR, pp. 26-27 and pp. 65-66, respectively).

⁵⁸ *Petition*, p. 10.

⁵⁹ *See also* the testimony of John Roby, President and CEO of CHC, at the Commission’s hearing (TR, p. 66).

⁶⁰ *See*, however, the footnote concerning Laidlaw’s imports in table 3.

⁶¹ [Http://www.cleanershanger.com](http://www.cleanershanger.com), retrieved November 25, 2002, and *producer questionnaire response* of CHC.

⁶² *See*, however, the comments of East West presented in the section of this report entitled “Efforts to Compete by U.S. Producers.”

⁶³ [Http://www.laidlawcorp.com/summary.html](http://www.laidlawcorp.com/summary.html), retrieved November 25, 2002.

as paper garment covers and paper trouser guards.⁶⁴ Finally, United Wire also manufactures paper garment covers.⁶⁵

U.S. Importers

The subject product is imported by a number of trading companies and distributors. Distributors (including the domestic producers) may buy directly from China or import through a trading company. In some instances, trading companies sold subject hangers to distributors that were themselves importers, resulting in the potential for the double-counting of reported imports. Importer questionnaires were sent to 27 firms⁶⁶ identified in Customs documents as having imported CSWG hangers from any source during the first six months of 2002.⁶⁷ An additional 11 questionnaires were sent to firms only identified in the petition as subject importers; also, 2 domestic manufacturers not previously listed as importers returned importer questionnaires. Of these 41 firms, 22 firms⁶⁸ returned questionnaires included in the import totals within this staff report (table 4).⁶⁹ Six firms did not respond to Commission questionnaires⁷⁰ while 13 firms indicated that they did not, in fact, import CSWG hangers.⁷¹

As shown in table 4, a relatively small number of importers accounted for the majority of subject imports with the market share for *** firms adding to *** percent. Specifically, during January-September 2002, ***.⁷² In addition to the other firms listed in table 4, Customs data also show imports of minimal amounts of hangers by a number of additional sources that include distributors as well as retail outlets. For the January-September 2002 period another (i.e., not including the above totals) 26 firms were reported to import a total of 1.3 million hangers. The amount recorded for each firm was

⁶⁴ [Http://www.metalworld.com/trade/aa009431.html](http://www.metalworld.com/trade/aa009431.html), retrieved November 25, 2002, and *producer questionnaire response* of M&B.

⁶⁵ *Producer questionnaire response* of United Wire.

⁶⁶ An additional importer (i.e., ***) that was identified in Customs documents that became available during the course of the Commission's investigation also provided limited data. Of these 28 firms, 21 firms imported from China, 1 imported from ***, 1 imported from ***, 2 imported from *** (1 of which also imported from China), and 3 imported from ***.

⁶⁷ As indicated earlier, the *HTS* statistical reporting number for steel wire garment hangers was only established on January 1, 2002.

⁶⁸ The import data for two of the "responding firms" was based on information obtained during a staff conversation with the importer (i.e., for ***) or from data obtained from the foreign manufacturer (i.e., for ***).

⁶⁹ Table 4 does not list *** nor ***, U.S. importers of hangers from *** and ***, respectively.

⁷⁰ These firms consisted of (1) 2 firms that were named in the petition as importers (***); (2) 2 firms that were identified in Customs documents (***); and (3) one firm that imports covered chrome coated wire hangers that has requested an exclusion (American Hanger). The last non-responding firm imported only from Taiwan.

⁷¹ These firms either (1) imported other products, such as Christmas tree hooks, decorative hangers, or nonsubject chrome coated wire, plastic or wood hangers; (2) could not find any records of (typically small) reported imports; or (3) were, in fact, purchasers of the subject product from other importers that submitted questionnaires to the Commission.

⁷² As indicated earlier, ***.

Table 4
CSWG hangers: U.S. importers of subject product, locations, U.S. imports and share of total U.S. imports in January-September 2002, and foreign source(s)

* * * * *

considerably less than a full container,⁷³ which is a lot of 1,500 boxes that, at 500 hangers per box, equals 750,000 hangers.⁷⁴

Channels of Distribution

As shown in table 5, CSWG hangers manufactured by U.S. producers are primarily sold to distributors, although end users, in particular the major dry-cleaning chains and the industrial laundry segment, may buy directly from a domestic manufacturer. In contrast, few import sales were direct to end users. Large U.S. distributors may maintain several locations throughout the United States and resell to smaller distributors who service a local area.⁷⁵ Distributors also sell other dry-cleaner products as well as providing production equipment and servicing it. Typically, firms maintain several different sources and, in fact, co-mingle the various boxes of hangers they purchase.⁷⁶ Distributors appearing with the petitioners testified at the Commission's hearing that in most instances their customers request hangers without specifying a brand or a source.⁷⁷

Table 5
CSWG hangers: U.S. shipments, by channels of distribution, 2001

Item	U.S. producers		U.S. importers	
	Quantity (1,000 units)	Share of total quantity (percent)	Quantity (1,000 units)	Share of total quantity (percent)
Distributors	2,634,364	72.5	***	***
End users	1,000,847	27.5	***	***
Total	3,635,211	100.0	268,250 ¹	100.0

¹ Does not exactly match U.S. shipments as reported in table 6 due to incomplete reporting.

Source: Compiled from data submitted in response to Commission questionnaires.

⁷³ Customs documents.

⁷⁴ Staff conversation with ***, January 10, 2003.

⁷⁵ According to the petitioners, domestic manufacturers can also sell directly to local and regional distributors as well as to national distributors.

⁷⁶ *Petition*, p. 3, and staff conversation with counsel for petitioners, December 13, 2002.

⁷⁷ TR, pp. 113-116 (testimony of James Hericks, President of Dallas Tailor and Laundry Supply, and testimony of David Mindich, President of Minda Supply Co.).

Apparent U.S. Consumption

Table 6 presents apparent U.S. consumption of CSWG hangers for the period examined (i.e., 1997-2001, January-September 2001, and January-September 2002).⁷⁸ As shown, the quantity of U.S. consumption increased steadily, albeit by small amounts, from 1997 to 1999 and then decreased by 2.4 percent in 2000 and by 8.6 percent in 2001. Apparent U.S. consumption in interim 2002 was slightly higher than in interim 2001. According to petitioners, demand has been “essentially flat” over the period with hanger consumption increasing from 1997 to 1999 as U.S. economic activity expanded and then falling in 2000 and 2001 with the slowing of the U.S. economy. They attribute the subsequent rise in hanger consumption in 2002 to the current mild recovery in the economy. Laidlaw maintains that the growth in 1997-99 “lagged significantly behind” general economic growth due to other factors (i.e., a long-term change in consumption patterns and rises in raw material costs) affecting the domestic industry.⁷⁹ Both petitioners and respondents concur that the shift to more casual dressing styles has had a negative impact on the use of the subject product in downstream dry cleaning operations.⁸⁰ See the section of this report entitled “Demand Trends” for a more complete analysis of demand.

U.S. IMPORTS

U.S. imports of CSWG hangers reported in responses to the importers’ questionnaire are presented in table 7. Petitioners state that, “based on the experience of U.S. producers,” U.S. imports of CSWG hangers were “inconsequential” prior to 1999. The first commercial shipments known to petitioners were made in 1999 but were believed to account for a very small share of the U.S. market. According to the petition, “{i}mport volume increased somewhat in 2000, but then accelerated dramatically in 2001 and especially in 2002.”⁸¹ East West, which is based in California and sells ***, reports that ***.⁸²

Subject imports from China in January-September 2002 as shown in table 7 (i.e., 405.7 million units) substantially exceed those reported under the HTS statistical reporting number established for steel wire garment hangers on January 1, 2002 (i.e., 187.0 million units). Petitioners state that official Commerce data are believed to understate actual wire hanger imports from China by a “large amount” during the first months of 2002. Petitioners attribute this discrepancy to, at least in part, under-reporting

⁷⁸ According to Laidlaw’s web site, nearly 3 billion wire hangers are consumed annually in the dry cleaning and textile industries while nearly 1 billion wire hangers are consumed annually in the uniform rental industry.” See http://www.laidlawcorp.com/industrial/hanger_facts.html, retrieved November 25, 2002.

⁷⁹ Laidlaw’s *prehearing brief*, p. 6. See the section of this report entitled “Financial Experience of U.S. Producers” for a discussion of raw material costs.

⁸⁰ Petitioners’ *prehearing brief*, pp. 17-18; Laidlaw’s *prehearing brief*, pp. 6-7; and Chinese manufacturers’ *prehearing brief*, p. 26. Petitioners, however, in their posthearing brief, cite the testimony of distributor witnesses that the trend toward casual dress in the workplace “had its effect primarily on the mix of hangers sold, not on their total volume, and had a negative impact on the dry-cleaning industry, not the hanger manufacturing industry.” Petitioners’ *posthearing brief*, appendix 2, p. D-10.

⁸¹ *Petition*, p. 16.

⁸² *Producer questionnaire response* of East West.

Table 6
CSWG hangers: U.S. shipments of domestic product, U.S. import shipments, and apparent U.S. consumption, 1997-2001, January-September 2001, and January-September 2002

Item	Calendar year					January-September	
	1997	1998	1999	2000	2001	2001	2002
Quantity (1,000 units)							
U.S. producers' shipments	4,177,180	4,171,661	4,257,194	4,063,192	3,635,210	2,735,535	2,559,423
U.S. shipments of imports from China (as reported): Producer ¹	***	***	***	***	***	***	***
Non-producer	***	***	***	***	***	***	***
Subtotal	29,921	81,054	129,769	219,909	274,763	191,386	381,113
U.S. shipments of imports from China (as adjusted): ² Producer	***	***	***	***	***	***	***
Non-producer	***	***	***	***	***	***	***
Subtotal	29,921	81,054	129,769	219,909	274,763	191,386	381,113
U.S. shipments of nonsubject imports ³	0	0	4,935	3,738	7,512	3,157	20,085
Total import shipments	29,291	81,054	134,704	223,647	282,275	194,543	401,200
Apparent U.S. consumption	4,207,101	4,252,715	4,391,898	4,286,839	3,917,485	2,930,078	2,960,623
Value (1,000 dollars)⁴							
U.S. producers' shipments	172,259	174,433	172,434	165,197	148,368	111,558	97,341
U.S. shipments of imports from China: Producer ¹	***	***	***	***	***	***	***
Non-producer	***	***	***	***	***	***	***
Subtotal	1,111	3,172	4,915	7,636	9,607	6,659	12,472
U.S. shipments of nonsubject imports ³	0	0	196	127	242	99	723
Total import shipments	1,111	3,172	5,111	7,763	9,849	6,758	13,195
Apparent U.S. consumption	173,370	177,605	177,545	172,960	158,217	118,316	110,536
<i>Notes on next page.</i>							

Table 6—Continued

CSWG hangers: U.S. shipments of domestic product, U.S. import shipments, and apparent U.S. consumption, 1997-2001, January-September 2001, and January-September 2002

Continuation.

¹ Figures do not include the purchases of subject imports by domestic producers that are shown in table 3 and which are included in the non-producer import totals.

² Adjusted to add reported purchases by domestic producers to producer figures and to subtract reported purchases by domestic producers from non-producer figures. The quantity of reported purchases were (in 1,000 units): ***. The adjustment does not include U.S. imports or purchases by ***.

³ Data consist of U.S. shipments of imports of CSWG hangers from *** by *** as well as U.S. imports of hangers from *** and *** in January-September 2002.

⁴ Adjusted values are not presented since "imports" and "purchases" are at a different level of trade (i.e., valuation).

Source: Compiled from data submitted in response to Commission questionnaires.

Table 7
CSWG hangers: U.S. imports, by source, 1997-2001, January-September 2001, and January-September 2002

Source	Calendar year					January-September	
	1997	1998	1999	2000	2001	2001 ¹	2002
Quantity (1,000 units)							
China (as reported): Producer ²	***	***	***	***	***	***	***
Non-producer	***	***	***	***	***	***	***
Subtotal	28,845	85,029	130,711	217,930	288,659	197,313	405,697
China (as adjusted): ³ Producer	***	***	***	***	***	***	***
Non-producer	***	***	***	***	***	***	***
Subtotal	28,845	85,029	130,711	217,930	288,659	197,313	405,697
***	***	***	***	***	***	***	***
Other ⁴	***	***	***	***	***	***	***
Total imports	28,845	85,029	135,646	221,668	296,171	200,470	425,878
Value (1,000 dollars)^{5 6}							
China: Producer ²	***	***	***	***	***	***	***
Non-producer	***	***	***	***	***	***	***
Subtotal	910	2,763	4,069	6,378	8,814	6,045	11,820
***	***	***	***	***	***	***	***
Other ⁴	***	***	***	***	***	***	***
Total imports	910	2,763	4,194	6,459	8,984	6,114	12,314
Unit value (per 1,000 units)⁶							
China: Producer ²	***	***	***	***	***	***	***
Non-producer	***	***	***	***	***	***	***
Subtotal	\$31.56	\$32.49	\$31.13	\$29.27	\$30.53	\$30.64	\$29.14
***	***	***	***	***	***	***	***
Other ⁴	***	***	***	***	***	***	***
Total imports	31.56	32.49	30.92	29.14	30.33	30.50	28.91
<i>Notes on next page.</i>							

Table 7

CSWG hangers: U.S. imports, by source, 1997-2001, January-September 2001, and January-September 2002

Source	Calendar year					January-September	
	1997	1998	1999	2000	2001	2001 ¹	2002
<i>Continuation.</i>							
<p>¹ Does not include interim 2001 imports for a firm (***) that reported imports of *** hangers in interim 2002.</p> <p>² Figures do not include the <u>purchases</u> of subject imports by domestic producers that are shown in table 3 and which are included in the non-producer import totals.</p> <p>³ Adjusted to <u>add</u> reported purchases by domestic producers to producer figures and to <u>subtract</u> reported purchases by domestic producers from non-producer figures. The quantity of reported purchases were (in 1,000 units): ***. The adjustment does <u>not</u> include U.S. imports or purchases by ***.</p> <p>⁴ Consists of U.S. imports from *** and ***.</p> <p>⁵ Values are landed, duty-paid.</p> <p>⁶ Adjusted values and unit values are not presented since "imports" and "purchases" are at a different level of trade (i.e., valuation).</p> <p>Note.—According to official Commerce statistics for HTS statistical reporting number 7326.20.0020, 187.0 million units were imported from China during January-September 2002 along with 29.2 million units from Mexico, 3.0 million units from Colombia, 1.9 million units from the United Kingdom, 914,825 units from Taiwan, 875,897 units from Canada, and 590,245 units from Honduras. All other nonsubject imports were minimal.</p> <p>Source: Compiled from data submitted in response to Commission questionnaires, except as noted.</p>							

by importers still unaware of the new HTS classification;⁸³ as shown in the notes to table 4, a number of importers were, in fact, not using the correct HTS classification during either part or the entire January-September 2002 period. The following tabulation lists the quantity of U.S. imports (*in thousands of units*) from China and Mexico reported under HTS statistical reporting number 7326.20.0020 during January-September 2002:

Source	First quarter	Second quarter	Third quarter	Total
China	14,246 ¹	84,089	88,669	187,004 ¹
Mexico	402	930	27,873	29,206

¹ Does not include revisions made to official Commerce data in response to petitioner requests. Subject imports were revised upward by 12.4 million units in January and February 2002. *Exhibit 5* to the petition.

As shown in table 7, U.S. imports of CSWG hangers from China have increased steadily from 1997 to 2001 and in January-September 2002 compared to January-September 2001. The quantity of subject imports increased three-fold from 1997 to 1998 and then rose at lesser rates during the next three years, increasing by 53.7 percent, 66.7 percent, and 32.4 percent in 1998-99, 1999-2000, and 2000-2001,

⁸³ *Petition*, p. 15.

respectively. During the interim periods, however, the quantity then jumped by 105.6 percent from 197.3 million hangers in January-September 2001 to 405.7 million hangers in January-September 2002. The quantity of U.S. imports from non-subject sources is minimal.

The following tabulation shows the ratio of U.S. imports of CSWG hangers from China to U.S. production:

Item	Calendar year					January-September	
	1997	1998	1999	2000	2001	2001	2002
Subject U.S. imports (1,000 units)	28,845	85,029	130,711	217,930	288,659	197,313	405,697
U.S. production (1,000 units)	3,891,827	3,893,511	3,979,675	3,879,268	3,416,785	2,776,928	2,611,468
Share (in percent)	0.7	2.2	3.3	5.6	8.4	7.1	15.5

As indicated earlier, the domestic manufacturers are themselves, to varying degrees, importers or purchasers of the subject product. Table 7 provides a breakout for U.S. imports of subject hangers by domestic manufacturers and non-manufacturers, both as reported (i.e., direct imports) and adjusted for additional purchases by the domestic industry.⁸⁴ Chinese manufacturers argue that “it is imports by the U.S. producers – not imports that compete with the U.S. producers – that account for the 2001-02 imports ‘accelerati{on}’ that the petition alleges has been injurious.”⁸⁵ Laidlaw concurs and argues that its imports “should not be grouped with those relatively minor levels of non-producer imports that are imported and sold by brokers and targeted at the price driven segments of the West and East Coast markets.”⁸⁶ As shown in table 7 (using adjusted data), the domestic industry accounted for *** percent of the 208.4 million increase in subject imports during the interim periods while non-producers accounted for the remaining *** percent. Table 8 presents U.S. import data for the interim periods, by category of importer. As shown, the increase in imports of CSWG hangers from China in interim 2002 is due to a rise in imports in most of the groupings shown, namely (1) the U.S. producers (as discussed above); (2) firms that had not been importing prior to late 2001 (although some of these firms had been purchasing from the existing trading companies); and (3) the existing trading companies.

Table 8
CSWG hangers: U.S. imports from China, by category of importer, January-September 2001 and January-September 2002

* * * * *

⁸⁴ There is no information on the record as to any distinctions between direct imports and purchases by the domestic industry.

⁸⁵ Chinese manufacturers’ *prehearing brief*, p. 2.

⁸⁶ Laidlaw’s *prehearing brief*, pp. 12-13 (n. 32).

THE QUESTION OF MATERIAL INJURY

U.S. industry data for production, shipments, inventories, and employment are based on questionnaire data reported by six firms (CHC, East West, Laidlaw, M&B, Nagel, and United Wire).
***⁸⁷ ***.

U.S. PRODUCTION, CAPACITY, AND CAPACITY UTILIZATION

Table 9 lists capacity, production, and capacity utilization for domestic manufacturers of CSWG hangers. As shown, production of CSWG hangers was relatively level for 1997 through 2000 and then declined by 11.9 percent from 2000 to 2001 and by 6.0 percent in January-September 2002 compared to January-September 2001. The pattern of stable production quantities during the 1997-2000 period followed by falling production in 2001 was shown for every firm except ***. With respect to the interim periods, ***.⁸⁸

There were minimal changes to the domestic industry's combined capacity to produce CSWG during the period reviewed until interim 2002 when production capacity fell from 3.7 billion hangers to 3.4 billion hangers, a decline which, in large part, resulted from ***.⁸⁹ These reductions in manufacturing capacity resulted in an increase in capacity utilization to 77.1 percent in January-September 2002 compared with 74.3 percent in January-September 2001. The interim 2002 capacity utilization figure of 77.1 percent was still below the 81.4 percent reported in full year 2000 before the previously discussed production declines in 2001 reduced that year's capacity utilization to 72.2 percent. Petitioners state that the increase in the capacity utilization rate in interim 2002 is "due entirely" to the closure of domestic manufacturing facilities.⁹⁰ Laidlaw argues that "excess production capacity has been endemic to this industry due to the lack of restructuring by some producers even when demand was relatively high."⁹¹

U.S. PRODUCERS' DOMESTIC SHIPMENTS, EXPORT SHIPMENTS, AND INVENTORIES

U.S. producers' shipments and inventories of CSWG hangers are presented in table 10. As shown, the quantity of U.S. producers' commercial shipments followed a trend comparable to that shown in table 9 for production. Export shipments were minimal, accounting for less than *** percent of total shipments in 2001. The unit values of commercial shipments fluctuated between \$40.50 and \$41.81 per 1,000 units from 1997 to 2001 then declined by 6.7 percent to \$38.03 in January-September 2002 compared with \$40.78 per 1,000 units in January-September 2001. Inventories remained relatively constant as a percentage of total shipments during the period examined. Petitioners state that producers

⁸⁷ Accordingly, apparent U.S. consumption as calculated in this report and U.S. producers' shipment totals include data for *** for the entire period.

⁸⁸ ***.

⁸⁹ ***. See the earlier discussion of CHC's and Laidlaw's production facilities in the section of this report entitled "U.S. Producers."

⁹⁰ Petitioners' *prehearing brief*, p. 21.

⁹¹ Laidlaw's *prehearing brief*, p. 18.

Table 9
CSWG hangers: U.S. production capacity, production, and capacity utilization, by firm, 1997-2001, January-September 2001, and January-September 2002

Firm	Calendar year					January-September	
	1997	1998	1999	2000	2001	2001	2002
	Capacity (1,000 units)						
CHC	***	***	***	***	***	***	***
East West	***	***	***	***	***	***	***
Laidlaw	***	***	***	***	***	***	***
M&B	***	***	***	***	***	***	***
Nagel	***	***	***	***	***	***	***
United Wire	***	***	***	***	***	***	***
Total	4,679,009	4,699,009	4,744,009	4,764,009	4,734,009	3,738,664	3,389,037
	Production (1,000 units)						
CHC	***	***	***	***	***	***	***
East West	***	***	***	***	***	***	***
Laidlaw	***	***	***	***	***	***	***
M&B	***	***	***	***	***	***	***
Nagel	***	***	***	***	***	***	***
United Wire	***	***	***	***	***	***	***
Total	3,891,827	3,893,511	3,979,675	3,879,268	3,416,785	2,776,928	2,611,468
	Capacity utilization (percent)						
CHC	***	***	***	***	***	***	***
East West	***	***	***	***	***	***	***
Laidlaw	***	***	***	***	***	***	***
M&B	***	***	***	***	***	***	***
Nagel	***	***	***	***	***	***	***
United Wire	***	***	***	***	***	***	***
Average	83.2	82.9	83.9	81.4	72.2	74.3	77.1
<p>Note.--No responding firm indicated that it manufactured other products on the same equipment and machinery used in the production of CSWG hangers. <i>Producer questionnaire responses of ***.</i></p> <p>Source: Compiled from data submitted in response to Commission questionnaires, as revised by <i>letter</i>, dated January 16, 2003, from counsel for petitioners.</p>							

Table 10

CSWG hangers: U.S. producers' shipments, by type, and inventories, 1997-2001, January-September 2001, and January-September 2002

Item	Calendar year					January-September	
	1997	1998	1999	2000	2001	2001	2002
Quantity (1,000 units)							
Commercial shipments ¹	4,177,180	4,171,661	4,257,194	4,063,192	3,635,210	2,735,535	2,559,423
Export shipments ²	***	***	***	***	***	***	***
Total shipments	***	***	***	***	***	***	***
Inventories ²	233,952	238,307	224,182	233,728	178,023	294,879	265,026
Value (1,000 dollars)							
Commercial shipments ¹	172,259	174,433	172,434	165,197	148,368	111,558	97,341
Export shipments ²	***	***	***	***	***	***	***
Total shipments	***	***	***	***	***	***	***
Unit value (per 1,000 units)							
Commercial shipments ¹	\$41.24	\$41.81	\$40.50	\$40.66	\$40.81	\$40.78	\$38.03
Export shipments ²	***	***	***	***	***	***	***
Average	***	***	***	***	***	***	***
Ratios (percent)							
Inventories to total shipments ²	***	***	***	***	***	***	***
¹ No firm reported any internal consumption or transfers to related firms. ² Does not include data for *** for 1997-2001; data for *** are included in the interim 2001 and interim 2002 periods.							
Source: Compiled from data submitted in response to Commission questionnaires.							

“rapidly alter their level of production to react to changes in demand in the market and in shipment orders.”⁹²

U.S. EMPLOYMENT, WAGES, AND PRODUCTIVITY

Employment-related indicators are shown in table 11.

⁹² Petitioners' *prehearing brief*, p. 22.

Table 11
CSWG hangers: Employment-related indicators, 1997-2001, January-September 2001, and
January-September 2002

Item	Calendar year					January-September	
	1997	1998	1999	2000	2001	2001	2002
Production and related workers (PRWs)	1,345	1,366	1,354	1,351	1,210	1,365	1,235
Hours worked by PRWs (1,000 hours):	2,410	2,408	2,415	2,373	2,148	1,884	1,610
Wages paid to PRWs (1,000 dollars)	38,070	39,314	41,508	42,131	38,904	31,096	27,647
Hourly wages	\$12.00	\$12.39	\$13.05	\$13.39	\$13.57	\$12.55	\$12.77
Productivity (units per hour)	1,265	1,262	1,280	1,258	1,190	1,128	1,225
Unit labor costs (per 1,000 units)	\$9.78	\$10.10	\$10.43	\$10.86	\$11.39	\$11.20	\$10.59
<p>¹ Petitioners report that they experienced a decline in productivity in 2001 because "production declines were not fully offset by worker layoffs." <i>Petition</i>, p. 20.</p> <p>Note.—Does not include data for *** for 1997-2001; data for *** <u>are</u> included in the interim 2001 and interim 2002 periods.</p> <p>Source: Compiled from data submitted in response to Commission questionnaires.</p>							

FINANCIAL EXPERIENCE OF U.S. PRODUCERS

Background

Six companies (CHC, East West, Laidlaw, M&B, Nagel, and United) provided usable financial information related to their U.S. CSWG hanger operations.⁹³ Generally, each company draws carbon steel wire rod into wire, the majority of which is used for the production of wire CSWG hangers. Production and sales of CSWG hangers represent the majority of each company's business, which also includes sales of steel wire, garment covers, paper packaging products, and chemical products (in the case of ***). The financial information of four of the six companies was reported using U.S. GAAP. United reported using *** and East West reported on a ***. Each of the companies is privately held.⁹⁴

Operations on CSWG Hangers

Income-and-loss data for operations on CSWG hangers are presented in table 12. Sales are commercial sales only, net of discounts, returns, and allowances, and are generally reported on a delivered basis. Freight or delivery charges included in sales are included as a cost item in COGS or SG&A.

⁹³ Except for ***, these were the same companies that provided shipment data. CHC's fiscal year ends December 31; CHC bought Midwest Hanger on August 1, 2002, and consolidated Midwest's results together with its own questionnaire response, beginning with December 31, 1997. East West's fiscal year ends December 31 and it also reported for periods beginning with December 31, 1997. Laidlaw's fiscal year ends September 30 and the firm provided data for the five fiscal years beginning with October 1, 1998 ***. M&B's fiscal year ends September 30 and the firm provided data for the five fiscal years beginning with October 1, 1997. United Wire's fiscal year ends December 31, and it provided data beginning with December 31, 1997. Nagel's fiscal year ends September 30. Nagel bought the assets of a company in bankruptcy in September 2000, and ***. Differences between sales and shipments are due to one additional company reporting shipments but not sales for most periods, to timing differences, and reporting sales on a delivered basis whereas shipments are reported on an f.o.b. basis.

⁹⁴ Commission staff did not verify the questionnaire response of any producer. Four of the six firms provided consolidated financial statements that had been audited or reviewed by the firm's independent auditor. In addition, these four firms provided internal statements and reconciled their questionnaire response to the financial statements through the internal statements. Neither *** provided financial statements or other documentation, but their results of operations are consistent with those of the other companies. Commission staff adjusted SG&A expenses in each period of *** to allocate such expenses to nonsubject products that are sold together with CSWG hangers. The companies stated that they would incur such expenses with or without the sales of nonsubject products, and that the same sales force and customer base are involved. Nonetheless, such allocation results in a more conservative presentation of revenues and costs, and reflects the benefit derived from these costs; the operating loss for the industry was reduced by *** percent in 2001 due to this adjustment. After the hearing, *** reviewed and adjusted its financial data to eliminate nonsubject product revenues and costs. Although no such adjustment could be made for its ***, due to the lack of detailed financial data for fiscal periods prior to ***, nonsubject product sales and costs are not material to the combined results of ***. For the combined results of *** adjustment resulted in a \$*** in sales and a \$*** in 2001.

Table 12

CSWG hangers: Results of operations, fiscal years 1997-2001, January-September 2001, and January-September 2002

Item	Fiscal year					January-September	
	1997	1998	1999	2000	2001	2001	2002
Quantity (1,000 hangers)							
Net sales	3,899,922	3,938,075	3,983,073	3,839,890	3,609,423	2,738,812	2,563,434
Value (\$1,000)							
Net sales	156,804	159,113	155,817	151,284	141,895	110,115	96,037
COGS	131,177	132,046	130,345	129,356	126,698	96,168	87,067
Gross profit or (loss)	25,627	27,066	25,471	21,928	15,197	13,947	8,970
SG&A expenses	20,818	21,257	20,593	18,363	17,497	13,207	11,794
Operating income or	4,808	5,810	4,878	3,564	(2,300)	741	(2,824)
Interest expense	1,165	1,087	1,634	1,868	1,515	1,146	903
Other expense	1,782	917	1,389	1,030	915	693	750
Other income items	1,279	542	416	581	635	288	280
Net income or (loss)	3,141	4,348	2,271	1,247	(4,095)	(810)	(4,197)
Depreciation	3,265	3,758	4,379	4,749	4,639	3,360	2,895
Cash flow	6,406	8,106	6,650	5,996	544	2,550	(1,302)
Ratio to net sales (percent)							
COGS:							
Raw materials	6.0	44.9	43.5	44.4	44.6	43.6	47.1
Direct labor	12.1	12.4	12.8	13.2	13.9	14.1	14.7
Other factory costs	25.6	25.7	27.3	27.9	30.7	29.6	28.8
Total COGS	83.7	83.0	83.7	85.5	89.3	87.3	90.7
Gross profit or (loss)	16.3	17.0	16.3	14.5	10.7	12.7	9.3
SG&A expenses	13.3	13.4	13.2	12.1	12.3	12.0	12.3
Operating income or	3.1	3.7	3.1	2.4	(1.6)	0.7	(2.9)
Net income or (loss)	2.0	2.7	1.5	0.8	(2.9)	(0.7)	(4.4)
Table continued on following page.							

Table 12—Continued

CSWG hangers: Results of operations, fiscal years 1997-2001, January-September 2001, and January-September 2002

Item	Fiscal year					January-September	
	1997	1998	1999	2000	2001	2001	2002
Unit value of net sales (per 1,000 hangers)							
Net sales	\$40.21	\$40.40	\$39.12	\$39.40	\$39.31	\$40.21	\$37.46
COGS:							
Raw materials	18.50	18.14	17.02	17.51	17.54	17.54	17.66
Direct labor	4.86	5.02	5.01	5.21	5.48	5.65	5.51
Other factory costs	10.27	10.37	10.69	10.98	12.08	11.92	10.79
Total COGS	33.64	33.53	32.72	33.69	35.10	35.11	33.97
Gross profit or (loss)	6.57	6.87	6.39	5.71	4.21	5.09	3.50
SG&A expenses	5.34	5.40	5.17	4.78	4.85	4.82	4.60
Operating income or (loss)	1.23	1.48	1.22	0.93	(0.64)	0.27	(1.10)
Net income or (loss)	0.81	1.10	0.57	0.32	(1.13)	(0.30)	(1.64)
Number of firms reporting							
Operating losses	***	***	***	***	***	***	***
Data	5	5	5	5	6	6	6
Note.—Because of rounding, figures may not add to the totals shown.							
Source: Compiled from data submitted in response to Commission questionnaires.							

Table 13 presents data on a firm-by-firm basis showing salient operating measures of net sales, COGS, and operating income.

Table 13

CSWG hangers: Net sales, COGS, operating income, operating margins, and per-unit values of sales, COGS, and operating income of U.S. producers, by firms, fiscal years 1997-2001, January-September 2001, and January-September 2002

* * * * *

From 1997 through 2000, total sales quantity and value irregularly declined as did sales unit values and operating income. These measures fell again between 2000 and 2001, and the reporting producers collectively recorded a loss on operating income in 2001. The operating loss increased between January-September 2001 and the same period in 2002 as sales quantity and unit values fell. Although the value of COGS and SG&A declined between 1997 and 2001, between 1999 and 2001, as well as between January-September 2001 and the same period in 2002, unit costs of COGS and SG&A

rose because these costs did not fall as fast as sales volume.⁹⁵ ⁹⁶ Although firms testified that they have undertaken efforts to reduce operating costs,⁹⁷ these efforts have not resulted in cost reduction immediately commensurate with the decline in volume. Also, several firms incurred restructuring costs that have partially masked cost reduction efforts.⁹⁸

Changes in the operating income of these firms are further evidenced by a variance analysis that shows the effects of prices and volume on net sales and of costs and volume on their total costs (table 14). Although a variance analysis may be sensitive to changes in product mix, four of the five firms stated that they had not experienced a significant change in product mix.⁹⁹ This analysis indicates that the decrease in operating income between fiscal 1997 and 2001 of \$7.1 million was attributable to combined unfavorable variances of \$3.2 million on price, \$3.5 million on net cost/expense, and \$358,000 on volume.¹⁰⁰ The \$3.6-million decrease in operating income between January-September 2001 and the same period in 2002 was due to an unfavorable price variance of \$7.0 million that outweighed the \$3.5-million favorable variance on net cost/expense.

At the hearing respondents stated that 1999 is the appropriate base year.¹⁰¹ A variance analysis using 1999 as the base period indicates that the decrease in operating income between fiscal 1999 and 2001 of \$7.2 million was attributable to combined unfavorable variances of \$7.4 million on net

⁹⁵ See, for example, e-mail of December 19, 2002 from ***.

⁹⁶ Parties commented on the costs of steel wire rod. Laidlaw stated “we will have paid *** more for our steel rod in 2002 compared to our costs in early 2001 due to several industry-wide steel rod price increases implemented during that time.” Further, Laidlaw estimated that the *** increase in rod costs equated to \$*** in additional raw materials costs, increasing hanger unit costs by *** and stated that ***. *Producers’ questionnaire response* and Laidlaw’s *posthearing brief*, attachment 5. CHC testified that it has not been able to recover the most recent increase in steel rod costs in terms of increased hanger prices, unlike in past years, but petitioners disputed that increased rod costs are the reason for lack of profitability, which they attributed to price depression from imported hangers. Also, other U.S. producers stated that materials other than wire rod are included within the category of raw materials; although rod costs increased between 2001 and 2002, aggregate raw materials costs decreased because of compensating decreased costs of other materials. TR, pp. 33 and 160, and pp. 204-205. Also, see petitioners’ *posthearing brief*, appendix 2, pp. B-5 (and exhibit B-2(a) and B-2(b)), and D-14-15.

⁹⁷ For example, Nagel stated that it has ***. Laidlaw stated it has achieved increased throughput efficiencies by ***. Similarly, M&G described its cost reduction efforts to ***. CHC also described its continuing restructuring efforts that focus on ***. See company *producers’ questionnaire responses* and TR, pp. 35 and 159; also, see petitioners’ *posthearing brief*, appendix 2, exhibit C-7.

⁹⁸ Nagel incurred ***. CHC closed its ***. See company *producers’ questionnaire responses*; also, see TR, p. 30.

⁹⁹ *** stated it had experienced a product mix change, although the change was described as ***. *** stated that its sales of *** while sales of ***; this change was attributed to *** customers buying *** hangers from China.

¹⁰⁰ As noted earlier, aggregate COGS and SG&A declined, but not to the same extent as sales volume, leading to an increase in unit COGS and unit SG&A. The increase in unit costs results in an unfavorable cost/expense variance; likewise, a decrease in unit sales price leads to an unfavorable sales variance.

¹⁰¹ Nathan Associates, Inc. on behalf of Chinese respondents, Hearing Exhibits and Testimony of John G. Reilly, p. 1.

Table 14

CSWG hangers: Variance analysis on results of operations of domestic producers, fiscal years 1997-2001, and January-September 2001 - January-September 2002

Item	Fiscal year					January-September
	1997-2001	1997-1998	1998-1999	1999-2000	2000-2001	2001-2002
Value (1,000 dollars)						
Net sales:						
Price variance	(3,228)	775	(5,114)	1,069	(309)	(7,027)
Volume variance	(11,680)	1,534	1,818	(5,601)	(9,080)	(7,051)
Total net sales variance	(14,908)	2,309	(3,296)	(4,533)	(9,389)	(14,078)
Cost of goods sold:						
Cost variance	(5,292)	414	3,210	(3,697)	(5,106)	2,943
Volume variance	9,771	(1,283)	(1,509)	4,686	7,764	6,158
Total cost of goods	4,479	(869)	1,701	989	2,658	9,101
Gross profit variance	(10,429)	1,440	(1,595)	(3,544)	(6,730)	(4,978)
SG&A expenses:						
Expense variance	1,770	(235)	907	1,489	(236)	567
Volume variance	1,551	(204)	(243)	740	1,102	846
Total SG&A variance	3,321	(439)	664	2,230	866	1,412
Operating income variance	(7,108)	1,001	(931)	(1,314)	(5,864)	(3,565)
Summarized as:						
Price variance	(3,228)	775	(5,114)	1,069	(309)	(7,027)
Net cost/expense variance	(3,522)	179	4,116	(2,207)	(5,342)	3,509
Net volume variance	(358)	47	66	(175)	(214)	(47)
<p>Note.--Unfavorable variances are shown in parenthesis; all others are favorable. The data are comparable to changes in operating income as presented in table 12.</p> <p>Source: Compiled from data submitted in response to Commission questionnaires.</p>						

cost/expense and \$458,000 on volume that overcame a favorable variance of \$696,000 on price.¹⁰² A variance analysis of changes in operating income between the two interim periods is the same as above.

¹⁰² This variance analysis is not shown. The data are consistent with the changes in operating income in table 12. Nathan Associates' updated variance analysis is presented in Chinese respondents' *posthearing brief*, pp. 35-38. As noted earlier, the increase in unit costs (rather than an increase in absolute costs) accounts for the unfavorable variance.

Investment in Productive Facilities, Capital Expenditures, and Research and Development Expenses

Data on capital expenditures, R&D expenses, and the value of property, plant, and equipment are shown in table 15.

Table 15
CSWG hangers: Value of assets, capital expenditures, and R&D expenses, fiscal years 1997-2001, January-September 2001, and January-September 2002

Item	Fiscal year					January-September	
	1997	1998	1999	2000	2001	2001	2002
	Value (\$1,000)						
Capital expenditures:							
CHC	***	***	***	***	***	***	***
East West	***	***	***	***	***	***	***
Laidlaw	***	***	***	***	***	***	***
M&B	***	***	***	***	***	***	***
Nagel	***	***	***	***	***	***	***
United	***	***	***	***	***	***	***
Total	5,603	9,020	4,708	3,094	5,266	2,395	4,253
R&D expenses ³	***	***	***	***	***	***	***
Property, plant, and equipment:							
Original cost ¹	66,510	76,002	80,272	79,037	86,069	82,303	84,535
Book value ¹	24,535	30,523	31,350	30,344	33,908	31,192	34,793
¹ No data reported by ***. ² Not applicable due to ***. ³ Data reported ***.							
Source: Compiled from data submitted in response to Commission questionnaires.							

Capital and Investment

The Commission requested U.S. producers to describe any actual or anticipated negative effects due to imports of CSWG hangers from China on their growth, investment, and ability to raise capital, existing development and production efforts (including efforts to develop a derivative or more advanced version of the product), or the scale of capital investments. With respect to actual negative effects, company comments are shown in the tabulation below:

* * * * *

These companies described anticipated negative effects as follows:

CHC: ***.
 East West: ***.
 Laidlaw: ***.
 M&B: ***.
 Nagel: ***.
 United: ***.

EFFORTS TO COMPETE BY U.S. PRODUCERS

Petitioners state that they have “already taken significant steps to remain competitive in the domestic garment hanger market. They have rationalized their production and sales, they have cut costs and personnel, and they have consolidated their operations.”¹⁰³ Additional information reported in response to Commission questionnaires is presented in tables 16 and 17.

Table 16
CSWG hangers: Responses to question V-2 in the producers’ questionnaire, by firm

Question V-2.—“Since January 1, 1997, has your firm undertaken any efforts to compete more effectively in the U.S. market for certain steel wire garment hangers? Such efforts might include any of the following: investments, cost reductions with existing equipment, diversifications/expansions, new products or new applications for existing products, organizational changes, changes in production practices, marketing changes in U.S. and foreign markets, and/or other efforts?”			
Efforts to compete	Period	Expense	Effectiveness of efforts/competitive advantage acquired
* * * * *	* * * * *	* * * * *	* * * * *
Source: Compiled from data submitted in response to Commission questionnaires.			

¹⁰³ *Petition*, p. 27

Table 17

CSWG hangers: Responses to question V-4 in the producers' questionnaire, by firm

Question V-4.—“If you were to receive import relief as a result of this investigation, would your firm and/or its workers make adjustments in your certain steel wire garment hanger operations ... that will permit you to compete more effectively with imports of certain steel wire garment hangers from China after such relief expires?”						
Efforts to compete		Period		Expense		Competitive advantage to be acquired
*		*		*		*
Source: Compiled from data submitted in response to Commission questionnaires.						

THE QUESTION OF THREAT OF MATERIAL INJURY

THE CHINESE INDUSTRY AND MARKET¹⁰⁴

Chinese manufacturers of the subject product that have responded to Commission questionnaires are shown in table 18. In addition to the eight responding firms, one firm indicated that it did not produce CSWG hangers and another (***).¹⁰⁵ U.S. exports of 348.6 million units by the responding manufacturers accounted for slightly over 85 percent of reported U.S. imports of CSWG hangers in January-September 2002 (table 4).

Additional identified manufacturers of subject product that export to the United States include ***, ***, and ***. ***.¹⁰⁶ ***.¹⁰⁷ ***.

Of the responding manufacturers, Ningbo indicated that CSWG hangers represented *** percent of its total sales in its most recent fiscal year;¹⁰⁸ it is primarily a distributor of handbags and a variety of other consumer and industrial products.¹⁰⁹ ***.¹¹⁰ Shaoxing Dingli specializes in the manufacture of garment hangers; it began producing in July 2002. The firm produces metal clothes hangers and hangers wrapped with paper in five series and two sizes (16 inches and 18 inches). All of its product is

¹⁰⁴ Petitioners indicate state they are “not aware of any restraints on exports of steel wire garment hangers from China to any third country markets, nor of any restraints on imports into such markets.” *Petition*, p. 24. Likewise, none of the firms responding to Commission questionnaires indicated that their exports of CSWG hangers were subject to import restrictions or remedies in any WTO-member countries. *Foreign producer questionnaire responses* of Ningbo, Shanghai Wells, Shaoxing Dingli, ***, and ***.

¹⁰⁵ ***.

¹⁰⁶ *E-mail*, dated January 14, 2003, from counsel for Chinese manufacturers.

¹⁰⁷ ***.

¹⁰⁸ *Foreign producer questionnaire response* of Ningbo.

¹⁰⁹ See www.drhandbags.com.

¹¹⁰ *Foreign producer questionnaire response* of Shanghai Wells.

Table 18

CSWG hangers: Chinese manufacturers, locations, production and U.S. exports in 2001, and period that U.S. exports began

Manufacturer	Location	January-September 2002		Period that U.S. exports began
		Production	U.S. exports	
		Quantity (1,000 units)		
***	***	***	***	***
Ningbo	Ningbo City	***	***	***
***	***	***	***	***
Shanghai Wells	Shanghai	***	***	***
Shaoxing Dingli	Shaoxing	***	***	***
Shaoxing Gang Yuan	Not reported	***	***	***
***	***	***	***	***
Yangzhou Zhongtian	Yangzhou	***	***	***
Total	--	385,496	348,568	--

Source: Compiled from data submitted in response to Commission questionnaires, e-mail, dated January 14, 2003, from counsel for Chinese manufacturers, and e-mail, dated January 21, 2003, from counsel for Chinese manufacturers.

manufactured for export.¹¹¹ CSWG hangers represented *** percent of its total sales in its most recent fiscal year,¹¹² *** at ***.¹¹³ About *** percent of *** total sales in its most recent fiscal year was represented by sales of the subject product. *** indicated that it has any plans to add, expand, curtail, or shut down production capacity and/or production of CSWG hangers in China.¹¹⁴

Table 19 lists data for the five manufacturers that provided a complete response to the Commission’s foreign producer questionnaire. As shown, capacity to produce CSWG hangers increased steadily from *** hangers in 1997 to 266.7 million hangers in 2001. Reported capacity further rose from 182.5 million hangers in January-September 2001 to 305.3 million hangers in January-September 2002 with, ***. An increase in projected capacity in 2003 compared to projected capacity in 2002 is due to higher capacity figures reported by ***.¹¹⁵

¹¹¹ See www.clothrack.com.cn, retrieved November 22, 2002.

¹¹² Foreign producer questionnaire response of Shaoxing Dingli.

¹¹³ Foreign producer questionnaire response of ***.

¹¹⁴ Foreign producer questionnaire responses of ***.

¹¹⁵ ***.

Table 19

CSWG hangers: Chinese producers' production capacity, production, shipments, and inventories, 1997-2001, January-September 2001, January-September 2002, and projected 2002-2003¹

Item	Actual data							Projections	
	1997	1998	1999	2000	2001	Jan.-Sept.		2002	2003
						2001	2002		
	Quantity (in 1,000 units)								
Capacity	***	***	***	***	266,721	182,540	305,340	410,621	511,621
Production	***	***	***	***	225,628	160,850	241,782	357,044	421,599
End-of-period inventories	***	***	***	***	***	***	***	***	***
Shipments: Home market ¹	***	***	***	***	***	***	***	***	***
Exports to- The United States	***	***	***	***	***	***	***	***	***
All other markets	***	***	***	***	***	***	***	***	***
Total exports	***	***	***	***	***	***	***	***	***
Total shipments	***	***	***	***	***	***	***	***	***
	Ratios (percent)								
Capacity utilization	***	***	***	***	84.6	88.1	79.2	87.0	82.4
Share of total shipments to the United States	***	***	***	***	***	***	***	***	***
¹ No firm reported any internal consumption or transfers. All shipments to the home market were reported by ***.									
Source: Compiled from responses to questionnaires of the Commission.									

Chinese manufacturers state that “the leading Chinese hanger producers view hanger production as one step in the building of a deep domestic Chinese dry cleaning industry. Demand for dry cleaning services is growing rapidly in China, due to the influx of foreign business personnel, expansion of the domestic Chinese white collar workforce, growth of service industries, expanding disposable income, and increasing professionalization in Chinese business centers.”¹¹⁶ In their posthearing brief, Chinese respondents cite a report commissioned by the Wells companies in mid-2002. They state that “the scale of the Chinese dry cleaning industry is expected to increase ***. Further, “the study also reports on the meteoric growth of the first major dry cleaning franchise operation in Beijing, which has grown from three outlets in 1997 to 180 outlets in 2002.” According to respondents, “the Shanghai Wells hanger facility in Shanghai is intended to form one anchor of a similar rapidly-growing dry cleaning franchise

¹¹⁶ Chinese manufacturers' *prehearing brief*, p. 48. See also the testimony of Linda Lo, Vice President of Wells USA, at the Commission's hearing, pp. 185-187.

business in the Shanghai area, which will put in place its first wave of outlets and its dry clean processing plant later this year.”¹¹⁷

As indicated earlier, the U.S. export figures in table 5 consist of data only for the five firms that provided complete responses to the Commission’s foreign producer questionnaire. The tabulation below lists aggregate U.S. exports of the subject product (in *1,000 units*) for the eight firms for which at least partial data are available:¹¹⁸

1997	1998	1999	2000	2001	January-September	
					2001	2002
***	***	***	208,453	315,402	217,567	348,568

U.S. IMPORTERS’ INVENTORIES

Inventories of CSWG hangers reported by U.S. importers are shown in table 20. Petitioners state that “{l}arge and increasing importers’ inventories are disruptive to the domestic industry because they provide a ready supply of extremely low-priced hangers for delivery on demand to any U.S. customer, taking away any distributional advantage that the domestic industry may have.”¹¹⁹ Chinese manufacturers point out that the “bulk” of the inventory totals consist of imports by the domestic industry and argue that “{s}uch captive import inventories present no threat.”¹²⁰ In 2001 and interim 2002, *** percent and *** percent, respectively of U.S. importers’ inventories were reported by domestic manufacturers (***).

Table 20

CSWG hangers: U.S. importers’ end-of-period inventories of imports, 1997-2001, January-September 2001, and January-September 2002

* * * * *

THE QUESTION OF THE CAUSAL RELATIONSHIP BETWEEN THE ALLEGED INJURY AND IMPORTS

U.S. MARKET PENETRATION OF IMPORTS

U.S. market shares are shown in table 21.

¹¹⁷ Chinese manufacturers’ *posthearing brief*, p. 54.

¹¹⁸ ***.

¹¹⁹ Petitioners’ *prehearing brief*, pp. 33-34.

¹²⁰ Chinese manufacturers’ *prehearing brief*, p. 47.

Table 21

CSWG hangers: Apparent U.S. consumption and market shares of U.S. shipments of domestic product and U.S. import shipments, 1997-2001, January-September 2001, and January-September 2002

Item	Calendar year					January-September	
	1997	1998	1999	2000	2001	2001	2002
Quantity (1,000 units)							
Apparent consumption	4,207,101	4,252,715	4,391,898	4,286,839	3,917,485	2,930,078	2,960,623
Share of quantity (percent)							
U.S. producers' shipments	99.3	98.1	96.9	94.8	92.8	93.4	86.4
U.S. shipments of imports: China (as reported): Producer ¹	***	***	***	***	***	***	***
Non-producer	***	***	***	***	***	***	***
Subtotal	0.7	1.9	3.0	5.1	7.0	6.5	12.9
U.S. shipments of imports: China (as adjusted): ² Producer	***	***	***	***	***	***	***
Non-producer	***	***	***	***	***	***	***
Subtotal	0.7	1.9	3.0	5.1	7.0	6.5	12.9
Nonsubject imports	0.0	0.0	0.1	0.1	0.2	0.1	0.7
Total import shipments	0.7	1.9	3.1	5.2	7.2	6.6	13.6
Value (1,000 dollars)							
Apparent consumption	173,370	177,605	177,545	172,960	158,217	118,316	110,536
Share of value (percent)							
U.S. producers' shipments	99.4	98.2	97.1	95.5	93.8	94.3	88.1
U.S. shipments of imports: China: Producer ¹	***	***	***	***	***	***	***
Non-producer	***	***	***	***	***	***	***
Subtotal	0.6	1.8	2.8	4.4	6.1	5.6	11.3
Nonsubject imports	0.0	0.0	0.1	0.1	0.2	0.1	0.7
Total import shipments	0.6	1.8	2.9	4.5	6.2	5.7	11.9
Notes on next page.							

Table 21

CSWG hangers: Apparent U.S. consumption and market shares of U.S. shipments of domestic product and U.S. import shipments, 1997-2001, January-September 2001, and January-September 2002

Item	Calendar year					January-September	
	1997	1998	1999	2000	2001	2001	2002
<i>Continuation.</i>							
<p>¹ Shares do not include the <u>purchases</u> of subject imports by domestic producers that are shown in table 3 and which are included in the shares of consumption for non-producer import totals.</p> <p>² Adjusted to <u>add</u> reported purchases by domestic producers to producer figures and to <u>subtract</u> reported purchases by domestic producers from non-producer figures.</p>							
Source: Compiled from data submitted in response to Commission questionnaires.							

PRICES AND RELATED INFORMATION

Market Segments and Channels of Distribution

CSWG hangers have two primary end use markets: dry cleaning (the largest end use market, accounting for over two-thirds of all hangers sold in the United States) and industrial/uniform rental.¹²¹ In the dry cleaning market, producers and importers sell CSWG hangers to a large network of distributors who in turn sell to an even larger group of small dry cleaning establishments. The distributors are usually moderately to small sized (described as “slightly larger than mom and pop” size by one market participant) regional businesses that sell both domestic and imported CSWG hangers.¹²² In the uniform rental market, sales are more likely to be direct sales to large end users, and imported hangers are much less prevalent.¹²³

Domestic producers and importers arrange transportation to distributors.¹²⁴ The six producers all had at least 85 percent of their sales within 1,000 miles of their production, with the majority of that production being shipped between 100 and 1,000 miles.¹²⁵ Importers reported serving slightly more specific regional areas defined by a large metro area or several states; however, large importers like *** reported sales in geographically diverse states. Among importers, seven reported that at least 50 percent

¹²¹ Counsel for *** estimated that 2.7 billion units of a 3.8 billion unit annual market were sold into the dry cleaning market. ***.

¹²² Staff conversation with ***. CSWG hangers distributors are traditionally suppliers of other products to dry cleaners as well (chemicals, ties, etc.). Cleaners Products estimated that his competitors that sell Chinese CSWG hangers concentrate 80 percent of their total sales in CSWG hangers, while it has 32 percent of its sales in CSWG hangers. TR, p. 78 (testimony of Jason Goldenberg).

¹²³ CHC characterized the differences between CSWG hangers for the uniform and dry cleaning markets as “slight,” and elaborated that uniform customers tend to want one general shape that can be used for all their clothing. TR, pp. 81-82 (testimony of John Roby).

¹²⁴ Importer *** stated that U.S. producers sell to large customers to whom they extend more credit, while importers of Chinese CSWG hangers tend to sell to smaller customers with shorter payment terms.

¹²⁵ ***.

of their sales were within 100 miles of their warehouses, with all but *** reporting at least 80 percent of their sales within 1,000 miles.

Supply Considerations

Domestic Producers

Domestic producers showed significant unused capacity from 1997 through September 2002, and inventories remained a small percentage of total shipments during 1997-2001. Domestic producers reported that there are no production substitutes for CSWG hangers, and they export a minute percentage of their total production. Thus, low inventories, a lack of export markets, and no production substitutes constrain U.S. producers' supply response; however, U.S. producers have moderate ability to respond to changes in price with increased production because of the availability of some unused capacity.

Subject Imports

Chinese imports of CSWG hangers grew significantly during 1997-September 2002, but remain a much smaller part of the U.S. market than domestic production. China is the largest import source of CSWG hangers in the U.S. market. Domestic producers Laidlaw, *** import or sell CSWG hangers from China.¹²⁶ *** cited lower production costs and consistent high quality as reasons for importing CSWG hangers from China, while *** stated that price competition with other Chinese imports forces them to import CSWG hangers from China. They stated they could purchase hangers from China at less than their own production costs.¹²⁷

Nonsubject Imports

The major source of nonsubject imports is Mexico, although its volumes are less than a third of Chinese import volumes. Other import sources include Honduras, Canada, and Taiwan, but these sources all account for substantially less import market share than Mexico.

Demand Considerations

Demand for CSWG hangers comes primarily from many small dry cleaning establishments nationwide, whose demand depends on both professional dress trends and the health of the overall economy.¹²⁸ CSWG hangers are a small part of the overall cost of dry cleaning, and there are no comparably priced substitutes for CSWG hangers.

¹²⁶ Laidlaw stated that its sales prices for Chinese and U.S. CSWG hangers were the same in the U.S. market. TR, p. 207 (testimony of Curt Livermore).

¹²⁷ In addition, importer *** said that the prices it receives from domestic producers for re-sale are the same as the prices at which it sells Chinese CSWG hangers to its customers.

¹²⁸ Purchaser *** described the dry cleaning industry as "very squeezed," meaning with tight margins due to low prices that it must charge. It stated that this squeeze made dry cleaners price-conscious to the point where they would not "pay extra for anything." Staff conversation with ***.

Demand Trends

*** reported that demand for CSWG hangers has been steady since 1997, and M&B said that demand has varied slightly but basically remained the same. *** said that demand increased slowly (at about 2 percent per year) from 1997 through early 2000, with a slowdown due to a slowing national economy from mid-2000 on. It estimates that dry cleaning demand is down 15-20 percent from its high in early 2000. *** also reported that the trend toward casual work wear in the late 1990s restrained demand growth somewhat.¹²⁹ *** reported that there has been an increase in demand for shirt and strut hangers, with a decrease in demand for suit and dress hangers. *** stated that product range has increased since 1997, especially for larger style uniforms that require 18-inch hangers.¹³⁰

Among importers, *** cited a strong demand for powder-coated hangers, which it said domestic producers could not produce because of the cost of the equipment necessary to make such hangers.¹³¹ *** described a demand increase due to a rising number of dry cleaners while *** said that demand was slow due to slowing economic conditions. *** also cited the slowing economy as dampening CSWG hanger demand and added that it had started importing caped hangers in 1996, and then added struts in late 1998.¹³²

Substitute Products

Four producers stated that there are no substitutes for CSWG hangers, and two noted that in a few specific applications plastic hangers can be used. However, plastic hangers are not common substitutes for CSWG hangers due to their much higher cost (five to seven times the cost of CSWG hangers), lack of steel hook (required in most dry cleaners), and shape (important for industrial launderers using high speed systems with hanger shape requirements).

Lead Times

Domestic producers reported lead times of one to seven days. With a few exceptions, most importers reported lead times of 30-60 days for Chinese CSWG hangers.

Substitutability Issues

Chinese and U.S. CSWG hangers are basically interchangeable, although U.S. hangers are available in a wider range of gauges and shapes. The major advantage of Chinese CSWG hangers over

¹²⁹ At the hearing, market participants disagreed about the effects of casual wear trends and the slowing economy. Cleaners Supply stated that while the increasing use of casual wear at work since the early 1990s has affected his product mix, it has not affected his overall sales. He added that the dry cleaning industry historically has done better in economic down times until now. Importers disagreed and stated that both the economy and casual wear had had negative effects on CSWG hanger demand. TR, pp. 38, 93-95, and 161 (testimony of Jason Goldenberg of Cleaners Supply and David Mindich of Minda Supply).

¹³⁰ In addition, *** stated that demand had decreased due to increased recycling efforts.

¹³¹ Additionally, ***.

¹³² In addition, two purchasers at the hearing stated that sellers of Chinese CSWG hangers had been sending flyers offering low priced CSWG hangers to dry cleaning customers in an attempt to gain market share. TR, pp. 72-73, 76, and 78-79 (testimony of David Mindich of Minda Supply and James Hericks of Dallas Tailor).

U.S. CSWG hangers is the powder coating of Chinese hangers as opposed to the dip coating of U.S. hangers. Powder coating imparts a paint coating that is less likely to rust or leave chipped paint on garments. While several purchasers named powder coating or quality as an advantage to Chinese CSWG hangers, there is less evidence that powder coating is an attribute for which many purchasers are willing to pay anything more.

Six producers reported that U.S., Chinese, and nonsubject CSWG hangers are used interchangeably. Eight non-producing importers agreed, although *** disagreed, citing the powder coating of Chinese CSWG hangers versus the dip coating of U.S. and nonsubject CSWG hangers. *** stated that U.S. producers cannot powder coat due to environmental regulations; thus, the dip painted U.S. CSWG hangers may have rough surfaces or the paint may not really dry. It added that Chinese CSWG hanger manufacturers put paper coverings on by hand, rather than machine (as U.S. producers do), and it said this labor-intensive process leads to a higher quality hanger.¹³³ *** explained that Chinese powder-coated CSWG hangers are less likely to have their paint fade, chip, rust, or stain garments.¹³⁴

With regard to nonsubject CSWG hangers, *** described Mexican CSWG hangers as the least expensive and also “worst products” in the U.S. CSWG hanger market, with poor shaping and painting. *** described Korean and Indian CSWG hangers as interchangeable with U.S. CSWG hangers (but not Chinese CSWG hangers, because of the lack of powder coating on these non-Chinese CSWG hangers).¹³⁵

When asked about significant differences between U.S. and Chinese CSWG hangers, producers cited multiple differences. *** stated that Chinese pricing is “considerably lower” than U.S. pricing. *** stated that U.S. CSWG hangers had advantages in product range, availability, transportation and distribution, and technical support, but a disadvantage in lacking the powder coating of Chinese CSWG hangers. *** also cited U.S. producers’ advantages in product range and lead time, but added that the CSWG hanger market is “extremely” price sensitive and that the lower cost of Chinese CSWG hangers outweighs any domestic advantage. *** said that U.S. producers have an advantage in serving the industrial (uniform rental) market, because this market has high service requirements and certain hanger specified shapes. It added that access to this market for Chinese imports is only restricted by distribution and expects Chinese inroads in this market soon. *** also stated that it feared Chinese imports penetrating its textile rental market.

U.S. Purchasers

The Commission received responses from 32 purchasers, all of whom are CSWG hanger distributors.¹³⁶ Twenty-seven purchasers expressed enough familiarity with both U.S. and Chinese CSWG hangers to compare them, although only 20 of those had actually purchased both recently. Twenty-six purchasers stated that U.S. and Chinese CSWG hangers are generally used in the same applications, with the others not answering. When asked if they purchased their CSWG hangers from a single source, seven purchasers said they did so because U.S. producers had a wider range of CSWG

¹³³ Five purchasers mentioned powder coating as a distinguishing feature of Chinese CSWG hangers. Only *** mentioned print quality as a distinguishing feature of Chinese CSWG hangers. *See also* staff conversation with ***.

¹³⁴ ***.

¹³⁵ Neither Korea nor India was a significant source of imported CSWG hangers in the first three quarters of 2002.

¹³⁶ In some of the discussions that follow, the number of purchasers responding to a question may add up to less than 32. Not all purchasers gave usable answers to every question. Among the 32 purchasers, ***.

hangers than Chinese imports, and three said that Chinese imports are powder coated while U.S. CSWG hangers are not.¹³⁷

Nineteen purchasers reported decreasing relative purchases of U.S. CSWG hangers in order to increase purchases of Chinese CSWG hangers.¹³⁸ As the reason they had been switching to Chinese CSWG hangers, eight of these purchasers cited price, seven cited quality, seven cited competitors' selling lower-priced Chinese CSWG hangers, and two cited their U.S. supplier switching its supply to China.¹³⁹ (Two purchasers cited increased purchases of Mexican CSWG hangers due to their supplier, M&B, moving production to Mexico). One purchaser reported increased purchases of U.S. CSWG hangers due to volume increases.

Purchasers who had purchased only from U.S. suppliers cited quality, brand loyalty, customer requests, and relationships as the reasons. When asked if they were aware of the country of origin of the CSWG hangers they purchase, four purchasers said that they were always aware, 22 purchasers said that they were usually aware, and six said that they were sometimes aware.¹⁴⁰ When asked if they were aware of the manufacturer of the CSWG hangers they purchase, 13 purchasers said that they were always aware, 16 purchasers said that they were usually aware, and 3 said that they were sometimes aware.¹⁴¹ When asked if their customers were aware of the country of origin of the CSWG hangers they purchased, 4 said always, 6 said usually, 19 said sometimes, and 3 said never.

Factors Affecting Purchasing Decisions

Available data indicate that quality, price, and being a traditional supplier are the most important factors that influence purchasing decisions for CSWG hangers.¹⁴² Purchasers were asked to list the top three factors that they consider when choosing a supplier of CSWG hangers. Table 22 summarizes responses to this question. Purchasers were also asked to describe the importance of various purchasing factors, as summarized in table 23. Price was an important factor for most purchasers, but sometimes

¹³⁷ At the hearing, Cleaners Supply stated that three "significant" distributors have gone out of business recently: Cleaners Sales (New York) in October 2002, Jack Danais (New England area) in September 2002, and USA Clean (East Coast) in October 2002. TR, pp. 102-103 (testimony of Jason Goldenberg).

¹³⁸ Most purchasers were aware of new suppliers in the U.S. wire hanger market since 1997, with Wells USA and Tradenet being cited most often as new suppliers of Chinese CSWG hangers. Some purchasers also mentioned new imports of CSWG hangers from other countries, including India and Mexico. Twenty-three purchasers reported changing suppliers in the last five years, and cited numerous reasons, the most common of which was price. Other reasons included quality, availability, and having an additional supplier.

¹³⁹ These numbers total more than 19 because several purchasers cited more than one reason - usually price and quality in combination.

¹⁴⁰ Purchaser *** explained that CSWG hangers arrive at distributors' locations in boxes marked only with the importers' name printed on the boxes ***, and hence national origin can be difficult to determine sometimes. Staff conversation with ***.

¹⁴¹ To qualify a supplier, purchasers looked at the quality, price, terms, reputation, availability, and delivery time of the potential supplier. Qualification can take one day to six months.

¹⁴² When asked what defines the quality of a wire hanger, purchasers cited the gauge and gauge consistency, paint and coatings, durability, appearance, sufficient adhesive, strength, printing, shape, packaging, texture, and customer acceptance.

Table 22
CSWG hangers: Ranking of purchasing factors by purchasers

Factor	Number of firms reporting		
	Number 1 factor	Number 2 factor	Number 3 factor
Quality/meeting specifications	10	8	6
Price/cost/value	10	6	10
Traditional supplier/past performance/reputation	4	4	2
Availability	2	7	3
Service	2	0	1
Existing contract	1	0	2
Brand preference/customer acceptance	1	0	1
Delivery	0	3	0
Credit extension	0	1	3

Note.--Other factors mentioned include range, consistency, follow-up with customers, and ***. Availability was cited by two purchasers as the most important factor in conjunction with another factor, and by one purchaser as the second most important in conjunction with another factor. Service was cited in conjunction with quality as the second most important factor by another purchaser. These answers were not included above.

Source: Compiled from data submitted in response to Commission questionnaires.

Table 23
CSWG hangers: Importance of purchasing factors

Factor	Average importance score ¹	Factor	Average importance score ¹
Availability	2.8	Product consistency	2.8
Delivery terms	2.8	Product quality	3.0
Delivery time	2.9	Product range	2.5
Discounts offered	2.7	Reliability of supply	2.9
Lowest price	2.5	Technical support	2.2
Minimum quantity requirements	1.9	Transportation network	2.3
Packaging	2.2	U.S. transportation costs	2.0

¹ 3 = very important, 2 = somewhat important, 1 = not important.

Source: Compiled from data submitted in response to Commission questionnaires.

came after quality in importance.¹⁴³ Whether U.S. CSWG hangers always meet the quality standards needed to compete on price is not clear from summarized purchaser answers to this question; however, other information in this investigation (pricing data, anecdotal answers, lost sales/lost revenues) seems to show that generally purchasers are not willing to pay more for Chinese hangers, although there are possibly some cases where they would.¹⁴⁴

Summaries of purchaser comparisons of domestic, subject, and nonsubject CSWG hangers are presented in table 24. Based on responses, U.S. producers appear to have an advantage over Chinese importers in availability, range, and delivery time, but a disadvantage in price and perhaps quality.

Table 24
CSWG hangers: Number of purchasers' comparisons of U.S. product and imports

Factor	U.S. vs. China ¹			U.S. vs. nonsubject ¹			China vs. nonsubject ¹		
	S	C	I	S	C	I	S	C	I
Availability	18	11	0	3	4	0	0	2	0
Delivery terms	18	11	0	4	3	0	0	1	1
Delivery time	24	5	0	3	4	0	0	0	2
Discounts offered	4	15	9	3	3	1	0	2	0
Lowest price ²	1	6	22	0	2	5	0	2	0
Minimum quantity requirements	16	13	0	2	4	1	0	2	0
Packaging	4	24	1	1	5	1	0	2	0
Product consistency	3	21	5	1	6	0	0	2	0
Product quality	3	15	11	0	7	0	1	1	0
Product range	22	5	2	3	4	0	1	1	0
Reliability of supply	17	9	2	2	4	1	1	0	1
Technical support	19	8	1	2	5	0	0	1	1
Transportation network	19	7	2	3	4	0	0	1	1
U.S. transportation costs	5	16	0	1	3	0	0	1	0

¹ S = first named source superior, C = products comparable, I = first named source inferior.
² A rating of superior means that the price is generally lower. For example, if a firm reports "U.S. superior," it means that the price of the U.S. product is generally lower than the price of the imported product.

Note.— "Nonsubject" is Mexico in every comparison.

Source: Compiled from data submitted in response to Commission questionnaires.

¹⁴³ When asked how often they purchased the lowest priced CSWG hangers available, 1 said always, 9 said usually, 18 said sometimes, and 3 said never or almost never.

¹⁴⁴ At the hearing, two purchasers stated that they co-mingled U.S. and Chinese CSWG hangers in their warehouses, and that their customers generally did not ask for CSWG hangers from a particular source. TR, pp. 42, 88, and 112 (testimony of David Mindich of Minda Supply and James Hericks of Dallas Tailor).

Elasticity Estimates

Elasticity estimates may be used in a remedy phase, if necessary. Parties were encouraged to comment on staff's estimates, and respondents did take issue with two of staff's prehearing estimates. Staff has considered these estimates carefully, but has maintained its estimates for reasons described below.¹⁴⁵

U.S. Supply Elasticity

The domestic supply elasticity for hangers depends on factors such as the level of excess capacity, the ability to shift production to alternate products, and the availability of alternate markets. Producers have low inventories, no alternative production possibilities, and no major exports, but capacity utilization is significantly low. Analysis of these factors indicates that the domestic producers of hangers have the ability to alter domestic shipments in response to a change in the relative price of hangers. An estimate in the range of 1 to 4 was suggested in the prehearing staff report. Economists for the Chinese manufacturers disagreed with this range, and proposed a higher range of 8 to 10.¹⁴⁶ Staff acknowledges respondent arguments, but notes that changes in capacity data since the hearing support the range of 1 to 4.

U.S. Demand Elasticity

The U.S. demand elasticity for hangers depends on the availability of substitute products as well as the share of hangers in the production cost of downstream products. There are no economically viable substitutes for CSWG hangers, and CSWG hangers are a small part of a dry cleaner's cost. Based on the available information, the aggregate demand for CSWG hangers is likely to be relatively inelastic. An estimate in the range of 0.2 to 0.4 is suggested.

Substitution Elasticity

The elasticity of substitution depends on the extent of product differentiation between the domestic and imported products. Product differentiation depends on factors such as the range of

¹⁴⁵ Respondents submitted two economic analyses with their prehearing briefs. One, an antidumping COMPAS model based on 2001 market shares, a "dumping" margin of 20 percent, and respondents' elasticity estimates, shows that the maximum price effects of Chinese CSWG hangers are relatively mild. *See* Chinese manufacturers' prehearing brief, exhibit 4. Staff has confirmed the model results, but would note that the COMPAS antidumping model typically shows lower effects when using low market shares, and that results of respondents' model can be significantly affected by using 2002 market shares and/or different elasticity estimates. Respondents' second economic submission was an econometric model of the prices of U.S. CSWG hangers. This model used Commission pricing data and outside demand and supply data to show that imports of Chinese CSWG hangers had a barely significant and "trivial" effect on the price of U.S. CSWG hangers. The model found that hanger sales, dry cleaning spending, and wire rod prices were much more significant predictors of U.S. CSWG hanger prices. Petitioners objected to the model on the basis of (1) the use of data that understated Chinese imports; (2) the use of sales as an independent variable when it is determined by price; and (3) the mixing of all pricing products when differences in Chinese market penetration varied across pricing products. *See* Laidlaw's prehearing brief, exhibit 9, and hearing transcript, pp. 53-54 (testimony of Peter Kimball for petitioners).

¹⁴⁶ TR, p. 183 (testimony of John Reilly for Chinese manufacturers).

products produced, quality, availability, and the reliability of supply. Based on available information, subject CSWG hangers are substitutable for domestic CSWG hangers, limited by the range of models known to be available from Chinese producers and the importance of powder coating, which is unique to Chinese CSWG hangers. While purchasers have expressed a preference for powder coating, there is much less evidence suggesting they are willing to pay more for it, and they will generally use dip-coated hangers if the price is the same. Based on these factors, staff estimates the substitution elasticity between domestic CSWG hangers and those imported from China to be in the range of 5 to 10. Economists for respondents objected to this range and proposed a range of less than one.¹⁴⁷ While staff has considered respondents' arguments, staff notes that there are purchaser reports of high interchangeability of U.S. and Chinese CSWG hangers, sales of Chinese CSWG hangers in geographically diverse areas of the country, and numerous examples on the record of competition between U.S. and Chinese CSWG hangers. Thus, staff believes that its estimate is appropriate.

Factors Affecting Pricing

Exchange Rates

The nominal value of the Chinese yuan relative to the U.S. dollar has remained virtually unchanged since the first quarter of 1997, at 8.28 yuan per dollar.

Transportation Costs to the U.S. Market

Using only 2002 partial year data (January-October), it is estimated that transportation costs for Chinese CSWG hangers are 20.2 percent.¹⁴⁸

Pricing Practices

Domestic producers and importers reported that pricing is usually based on transaction-by-transaction negotiation off of a price list. (With the questionnaires, the Commission received numerous price lists from producers, importers, and purchasers that show that prices for hangers vary according to gauge and length, with additional premiums coming for capes, stock printing, and custom printing.) *** reported that normal industry practice is a negotiated discount off of a price list, with the discount depending on regional competitive conditions. *** reported distributor-specific or customer-specific price lists. All producers agreed that competitor pricing affects price and/or discount negotiations.

Five producers and 11 importers reported that 100 percent of their sales were on a spot basis, although *** reported that 3 percent of its sales were on contract and importers *** reported that they use some contracts.¹⁴⁹

Hangers are usually priced to distributors on a delivered basis, and U.S. inland transportation accounts for a small share of the cost of hangers, with producers and importers reporting transportation costs generally between 2 and 10 percent.

¹⁴⁷ The objection seems based in part on Chinese CSWG hangers being sold in different geographic locations than U.S. CSWG hangers. TR, pp. 175-176 (testimony of Gary Shilling for Laidlaw).

¹⁴⁸ This estimate is derived from official import data and represents the transportation and other charges on imports valued on a c.i.f. basis, as compared with customs value. ***. Staff conversation with ***.

¹⁴⁹ Three importers did not supply usable answers to the question.

Twenty-two purchasers reported weekly purchases, seven reported daily or more than weekly purchases, and three reported biweekly or monthly purchases. Fourteen purchasers reported contacting only one supplier for a typical order, nine reported contacting two or three suppliers, two reported contacting four suppliers, and one reported "numerous." Eleven purchasers said they frequently, always, or often vary purchase volumes based on price, three said they sometimes or occasionally do, and 11 said they seldom or never do.

Price Data

The Commission requested quarterly data for the total quantity and value of commercial shipments of six wire hanger products. Data were requested for the period January 1997 through September 2002. The products for which pricing data were requested are as follows:¹⁵⁰

- Product 1.—18-inch white shirt hangers**
- Product 2.—13 gauge / 16-inch plain caped hangers**
- Product 3.—13 gauge / 16-inch stock print caped hangers**
- Product 4.—14 ½ gauge / 16-inch plain caped hangers**
- Product 5.—14 ½ gauge / 16-inch stock print caped hangers**
- Product 6.— 16-inch strut hangers**

Five U.S. producers and 11 importers provided usable pricing data for sales of the requested products in the U.S. market, although not all firms reported pricing data for all products for all quarters.¹⁵¹ The reported price data accounted for 35.8 percent of the 2001 quantity of domestically produced commercial shipments of CSWG hangers, as well as 94.3 percent of the 2001 quantity of imports of CSWG hangers from China. Data on reported weighted-average selling prices and quantities for products 1 through 6 are presented in tables 25-30, and figures 1 through 12.¹⁵²

All the pricing products except product 6 show declines in U.S. prices over January 1997 through September 2002, as Chinese volumes rose on lower (but sometimes rising) prices. This result matches anecdotal information gathered in questionnaires and staff conversations with market participants. For example, importers *** stated that prices for CSWG hangers had dropped. Purchasers who described a direction generally also said that prices for CSWG hangers went down during January 1997-September 2002. For most pricing products, margins of Chinese underselling decreased over January 1997-September 2002, and Chinese CSWG hangers captured market share in products 2, 3, 4, and 5. (These characterizations do not change whether *** are included or not.) Chinese hangers have the lowest market penetration in product 6.

Table 25
Weighted-average selling prices and quantities as reported by U.S. producers and importers of product 1 from China, with margins of underselling, January 1997-September 2002

* * * * *

¹⁵⁰ Products 2 and 3 are traditionally used for suits, and products 4 and 5 are used for pinned garments. Product 6 is used for hanging pants and suits with pants. TR, pp. 85 and 86 (testimony of Jason Goldenberg).

¹⁵¹ *** had sales of subject product included in the importer price data.

¹⁵² ***. See staff conversations with ***.

Table 26

Weighted-average selling prices and quantities as reported by U.S. producers and importers of product 2 from China, with margins of underselling, January 1997-September 2002

* * * * *

Table 27

Weighted-average selling prices and quantities as reported by U.S. producers and importers of product 3 from China, with margins of underselling, January 1997-September 2002

* * * * *

Table 28

Weighted-average selling prices and quantities as reported by U.S. producers and importers of product 4 from China, with margins of underselling, January 1997-September 2002

* * * * *

Table 29

Weighted-average selling prices and quantities as reported by U.S. producers and importers of product 5 from China, with margins of underselling, January 1997-September 2002

* * * * *

Table 30

Weighted-average selling prices and quantities as reported by U.S. producers and importers of product 6 from China, with margins of underselling, January 1997-September 2002

* * * * *

Figure 1

Weighted-average selling prices as reported by U.S. producers and importers of product 1 from China, by quarters, January 1997-September 2002

* * * * *

Figure 2

Quantities as reported by U.S. producers and importers of product 1 from China, by quarters, January 1997-September 2002

* * * * *

Figure 3

Weighted-average selling prices as reported by U.S. producers and importers of product 2 from China, by quarters, January 1997-September 2002

* * * * *

Figure 4
Quantities as reported by U.S. producers and importers of product 2 from China, by quarters, January 1997-September 2002

* * * * *

Figure 5
Weighted-average selling prices as reported by U.S. producers and importers of product 3 from China, by quarters, January 1997-September 2002

* * * * *

Figure 6
Quantities as reported by U.S. producers and importers of product 3 from China, by quarters, January 1997-September 2002

* * * * *

Figure 7
Weighted-average selling prices as reported by U.S. producers and importers of product 4 from China, by quarters, January 1997-September 2002

* * * * *

Figure 8
Quantities as reported by U.S. producers and importers of product 4 from China, by quarters, January 1997-September 2002

* * * * *

Figure 9
Weighted-average selling prices as reported by U.S. producers and importers of product 5 from China, by quarters, January 1997-September 2002

* * * * *

Figure 10
Quantities as reported by U.S. producers and importers of product 5 from China, by quarters, January 1997-September 2002

* * * * *

Figure 11
Weighted-average selling prices as reported by U.S. producers and importers of product 6 from China, by quarters, January 1997-September 2002

* * * * *

Figure 12
Quantities as reported by U.S. producers and importers of product 6 from China, by quarters,
January 1997-September 2002

* * * * *

LOST SALES AND LOST REVENUES

The Commission requested U.S. producers of CSWG hangers to report any instances of lost sales or revenues they experienced due to competition from imports of wire hangers from China during 1997-2002. Commission staff contacted many of the purchasers named in the allegations, and the results are summarized in the following tables 31 and 32 and text discussion.¹⁵³ Respondents have alleged that sales of Chinese CSWG hangers are concentrated on the East and West Coasts, but staff notes that some of the confirmed allegations that follow are in ***.

*** 154 155 156 157 158 159 160

Table 31
CSWG hangers: U.S. producers' lost sales allegations

* * * * *

Table 32
CSWG hangers: U.S. producers' lost revenue allegations

* * * * *

¹⁵³ Staff sent lost sales/revenues faxes to purchasers named in allegations by *** but not *** because the latters' allegations did not provide all the necessary information. The following discussion is based on purchasers who responded.

¹⁵⁴ See responses to lost sales/revenues faxes and staff conversation with ***.

¹⁵⁵ Staff conversations with ***.

¹⁵⁶ Staff conversation with ***.

¹⁵⁷ Staff conversation with ***.

¹⁵⁸ Staff conversation with ***.

¹⁵⁹ Staff conversation with ***.

¹⁶⁰ Staff conversation with ***.

APPENDIX A

***FEDERAL REGISTER* NOTICE**

INTERNATIONAL TRADE COMMISSION

[Investigation No. TA-421-2]

Certain Steel Wire Garment Hangers From China

AGENCY: United States International Trade Commission.

ACTION: Institution and scheduling of an investigation under section 421(b) of the Trade Act of 1974 (19 U.S.C. 2451(b)) (the Act).

SUMMARY: Following receipt of a petition properly filed on November 27, 2002, on behalf of CHC Industries, Inc., Palm Harbor, FL; M&B Hangers Co., Leeds, AL; and United Wire Hanger Corp., South Hackensack, NJ, the Commission instituted investigation No. TA-421-2, Certain Steel Wire Garment Hangers from China, under section 421(b) of the Act to determine whether certain steel wire garment hangers¹ from China are being imported into the United States in such increased quantities or under such conditions as to cause or threaten to cause market disruption to the domestic

¹ Certain steel wire garment hangers, fabricated from steel wire in gauges from 9 to 17, inclusive (3.77 to 1.37 millimeters, inclusive), whether or not galvanized or painted, whether or not coated with latex or epoxy or other similar gripping materials, and whether or not fashioned with paper covers or capes (with or without printing) and/or nonslip features such as saddles, tubes or struts. After fabrication, such hangers are in lengths from 7 to 20 inches, inclusive (177.8 to 508 millimeters, inclusive), and the hanger's length or bottom bar is composed of steel wire and/or saddles, tubes or struts. The product may also be identified by its commercial designation, referring to the shape and/or style of the hanger or the garment for which it is intended, including but not limited to Shirt, Suit, Strut and Caped hangers. Specifically excluded are wooden, plastic, aluminum and other garment hangers that are covered under separate subheadings of the Harmonized Tariff Schedule of the United States (HTS). The products subject to this investigation are classified in subheading 7326.20.00 of the HTS and reported under statistical reporting number 7326.20.00.20. Although the HTS subheading is provided for convenience and Customs purposes, the written description of the merchandise is dispositive.

producers of like or directly competitive products.

For further information concerning the conduct of this investigation, hearing procedures, and rules of general application, consult the Commission's rules of practice and procedure, part 201, subparts A through E (19 CFR part 201), and part 206, subparts A and E (19 CFR part 206).

EFFECTIVE DATE: November 27, 2002.

FOR FURTHER INFORMATION CONTACT: Debra Baker (202-205-3180), Office of Investigations, U.S. International Trade Commission, 500 E Street SW., Washington, DC 20436. Hearing-impaired persons can obtain information on this matter by contacting the Commission's TDD terminal on 202-205-1810. Persons with mobility impairments who will need special assistance in gaining access to the Commission should contact the Office of the Secretary at 202-205-2000. General information concerning the Commission may also be obtained by accessing its internet server (<http://www.usitc.gov>). The public record for this investigation may be viewed on the Commission's electronic docket (EDISON-LINE) at <http://dockets.usitc.gov/eol/public>.

SUPPLEMENTARY INFORMATION:

Participation in the investigation and service list.—Persons wishing to participate in the investigation as parties must file an entry of appearance with the Secretary to the Commission, as provided in section 201.11 of the Commission's rules, not later than seven days after publication of this notice in the Federal Register. The Secretary will prepare a service list containing the names and addresses of all persons, or their representatives, who are parties to this investigation upon the expiration of the period for filing entries of appearance.

Limited disclosure of confidential business information (CBI) under an administrative protective order (APO) and CBI service list.—Pursuant to section 206.47 of the Commission's rules, the Secretary will make CBI gathered in this investigation available to authorized applicants under the APO issued in the investigation, provided that the application is made not later than seven days after the publication of this notice in the Federal Register. A separate service list will be maintained by the Secretary for those parties authorized to receive CBI under the APO.

Hearing.—The Commission has scheduled a hearing in connection with this investigation beginning at 9:30 a.m. on January 9, 2003, at the U.S.

International Trade Commission Building. Subjects related to both market disruption or threat thereof and remedy may be addressed at the hearing. Requests to appear at the hearing should be filed in writing with the Secretary to the Commission on or before January 2, 2003. All persons desiring to appear at the hearing and make oral presentations should attend a prehearing conference to be held at 9:30 a.m. on January 6, 2003 at the U.S. International Trade Commission Building. Oral testimony and written materials to be submitted at the hearing are governed by sections 201.6(b)(2) and 201.13(f) of the Commission's rules.

Written submissions.—Each party is encouraged to submit a prehearing brief to the Commission. The deadline for filing prehearing briefs is January 3, 2003. Parties may also file posthearing briefs. The deadline for filing posthearing briefs is January 13, 2003. In addition, any person who has not entered an appearance as a party to the investigation may submit a written statement of information pertinent to the consideration of market disruption or threat thereof and/or remedy on or before January 13, 2003. Parties may submit final comments on market disruption or threat thereof on January 23, 2003 and on remedy, if necessary, on January 29, 2003. All written submissions must conform with the provisions of section 201.8 of the Commission's rules; any submissions that contain CBI must also conform with the requirements of section 201.6 of the Commission's rules. The Commission's rules do not authorize filing of submissions with the Secretary by facsimile or electronic means.

In accordance with section 201.16(c) of the Commission's rules, each document filed by a party to the investigation must be served on all other parties to the investigation (as identified by the service list), and a certificate of service must be timely filed. The Secretary will not accept a document for filing without a certificate of service.

Remedy.—Parties are reminded that no separate hearing on the issue of remedy will be held. Those parties wishing to present arguments on the issue of remedy may do so orally at the hearing or in their prehearing brief, posthearing brief, or final comments on remedy.

Authority: This investigation is being conducted under the authority of section 421 of the Trade Act of 1974; this notice is published pursuant to section 206.3 of the Commission's rules.

By order of the Commission.

Issued: December 2, 2002.

Marilyn R. Abbott,

Secretary to the Commission.

[FR Doc. 02-30881 Filed 12-5-02; 8:45 am]

BILLING CODE 7020-02-P

APPENDIX B
HEARING WITNESSES

CALENDAR OF PUBLIC HEARING

Those listed below appeared as witnesses at the United States International Trade Commission's hearing:

Subject: Certain Steel Wire Garment Hangers from China
Inv. No: TA-421-2
Date and Time: January 9, 2003 - 9:30 a.m.

Sessions were held in connection with this investigation in the Main Hearing Room (room101), 500 E Street, SW, Washington, DC.

OPENING REMARKS:

In Support of Relief (**Frederick P. Waite**, Holland & Knight LLP)
In Opposition to Relief (**Hamilton Loeb**, Paul, Hastings, Janofsky & Walker LLP
and **Patrick B. Fazzone**, Tighe Patton Armstrong Teasdale, PLLC)

In Support of Relief:

Holland & Knight LLP
Washington, DC
on behalf of

CHC Industries, Incorporated
M&B Metal Products Company
United Wire Hanger Corporation

John G. Roby, President and CEO, CHC Industries, Incorporated
Milton M. Magnus III, President, M&B Metal Products Company,
Incorporated

Joel Goldman, Executive Vice President, United Wire Hanger
Corporation

Jason R. Goldenberg, Director of Operations, Cleaners Products
Supply

David Mindich, President, Minda Supply Company

James A. Hericks, President, Dallas Tailor and Laundry Supply

Bruce P. Malashevich, President, Economic Consulting Services, LLC

Peter J. Kimball, Staff Economist, Economic Consulting Services, LLC

Frederick P. Waite)
) – OF COUNSEL
Kimberly R. Young)

In Opposition to Relief:

Paul, Hastings, Janofsky & Walker LLP
Washington, DC
on behalf of

Shanghai Wells Hanger Corporation, Limited
Ningbo Wood Craft Product Corporation, Limited
Shaoxing Dingli Metal Clotheshorse, Limited
Wuhu Economic and Technical Development Zone Import and Export Corporation
China Chamber of Commerce for Import/ Export of Light Industrial Products

Linda Lo, Vice President, Wells Manufacturing USA, Incorporated
John Reilly, Director, International Trade Economics, Nathan Associates,
Incorporated

Hamilton Loeb)
) -- OF COUNSEL
Scott Flicker)

Tighe Patton Armstrong Teasdale, PLLC
Washington, DC
on behalf of

Laidlaw Corporation

Curt Livermore, President and CEO of Laidlaw Corporation
Brent McWilliams, Vice President, Marketing, Laidlaw Corporation
A. Gary Shilling, Economic Consultant and President of
A Gary Shilling & Co, Inc.

Patrick B. Fazzone) – OF COUNSEL

CLOSING REMARKS/REBUTTAL:

In Support of Relief (**Frederick P. Waite**, Holland & Knight LLP)
In Opposition to Relief (**Hamilton Loeb**, Paul, Hastings, Janofsky & Walker LLP
and **Patrick B. Fazzone**, Tighe Patton Armstrong Teasdale, PLLC)

APPENDIX C
SUMMARY DATA

Table C-1
CSW garment hangers: Summary data concerning the U.S. market, 1997-2001, January-September 2001, and January-September 2002

Item	(Quantity=1,000 units, value=1,000 dollars, unit values, unit labor costs, and unit expenses are per 1,000 units; period changes=percent, except where noted)												
	Reported data					January-September		Period changes					
	1997	1998	1999	2000	2001	2001	2002	1997-2001	1997-1998	1998-1999	1999-2000	2000-2001	Jan.-Sept. 2001-2002
U.S. consumption quantity:													
Amount	4,207,101	4,252,715	4,391,898	4,286,839	3,917,485	2,930,078	2,960,623	-6.9	1.1	3.3	-2.4	-8.6	1.0
Producers' share (1)	99.3	98.1	96.9	94.8	92.8	93.4	86.4	-6.5	-1.2	-1.2	-2.1	-2.0	-6.9
Importers' share (1):													
China	0.7	1.9	3.0	5.1	7.0	6.5	12.9	6.3	1.2	1.0	2.2	1.9	6.3
Other sources	0.0	0.0	0.1	0.1	0.2	0.1	0.7	0.2	0.0	0.1	-0.0	0.1	0.6
Total imports	0.7	1.9	3.1	5.2	7.2	6.6	13.6	6.5	1.2	1.2	2.1	2.0	6.9
U.S. consumption value:													
Amount	173,370	177,605	177,545	172,960	158,217	118,316	110,536	-8.7	2.4	-0.0	-2.6	-8.5	-6.6
Producers' share (1)	99.4	98.2	97.1	95.5	93.8	94.3	88.1	-5.6	-1.1	-1.1	-1.6	-1.7	-6.2
Importers' share (1):													
China	0.6	1.8	2.8	4.4	6.1	5.6	11.3	5.4	1.1	1.0	1.6	1.7	5.7
Other sources	0.0	0.0	0.1	0.1	0.2	0.1	0.7	0.2	0.0	0.1	-0.0	0.1	0.6
Total imports	0.6	1.8	2.9	4.5	6.2	5.7	11.9	5.6	1.1	1.1	1.6	1.7	6.2
U.S. shipments of imports from:													
China:													
Quantity	29,921	81,054	129,769	219,909	274,763	191,386	381,115	818.3	170.9	60.1	69.5	24.9	99.1
Value	1,111	3,172	4,915	7,636	9,607	6,659	12,472	764.9	185.5	55.0	55.4	25.8	87.3
Unit value	\$37.12	\$39.13	\$37.88	\$34.73	\$34.96	\$34.80	\$32.72	-5.8	5.4	-3.2	-8.3	0.7	-6.0
Ending inventory quantity	***	***	***	***	***	***	***	***	***	***	***	***	***
All other sources:													
Quantity	0	0	4,935	3,738	7,512	3,157	20,085	(2)	(2)	(2)	-24.3	101.0	536.2
Value	0	0	196	127	242	99	723	(2)	(2)	(2)	-35.2	90.6	630.7
Unit value	(2)	(2)	\$39.72	\$33.98	\$32.22	\$31.36	\$36.02	(2)	(2)	(2)	-14.5	-5.2	14.9
Ending inventory quantity	***	***	***	***	***	***	***	***	***	***	***	***	***
All sources:													
Quantity	29,921	81,054	134,704	223,647	282,275	194,543	401,200	843.4	170.9	66.2	66.0	26.2	106.2
Value	1,111	3,172	5,111	7,763	9,849	6,758	13,195	786.7	185.5	61.2	51.9	26.9	95.2
Unit value	\$37.12	\$39.13	\$37.94	\$34.71	\$34.89	\$34.74	\$32.89	-6.0	5.4	-3.0	-8.5	0.5	-5.3
Ending inventory quantity	***	***	***	***	***	***	***	***	***	***	***	***	***
U.S. producers:													
Average capacity quantity	4,679,009	4,699,009	4,744,009	4,764,009	4,734,009	3,738,664	3,389,037	1.2	0.4	1.0	0.4	-0.6	-9.4
Production quantity	3,891,827	3,893,511	3,979,675	3,879,268	3,416,785	2,776,928	2,611,468	-12.2	0.0	2.2	-2.5	-11.9	-6.0
Capacity utilization (1)	83.2	82.9	83.9	81.4	72.2	74.3	77.1	-11.0	-0.3	1.0	-2.5	-9.3	2.8
U.S. shipments:													
Quantity	4,177,180	4,171,661	4,257,194	4,063,192	3,635,210	2,735,535	2,559,423	-13.0	-0.1	2.1	-4.6	-10.5	-6.4
Value	172,259	174,433	172,434	165,197	148,368	111,558	97,341	-13.9	1.3	-1.1	-4.2	-10.2	-12.7
Unit value	\$41.24	\$41.81	\$40.50	\$40.66	\$40.81	\$40.78	\$38.03	-1.0	1.4	-3.1	0.4	0.4	-6.7
Export shipments:													
Quantity	***	***	***	***	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***	***	***	***	***
Ending inventory quantity	233,952	238,307	224,182	233,728	178,023	294,879	265,026	-23.9	1.9	-5.9	4.3	-23.8	-10.1
Inventories/total shipments (1)	***	***	***	***	***	***	***	***	***	***	***	***	***
Production workers	1,345	1,366	1,354	1,351	1,210	1,365	1,235	-10.0	1.6	-0.9	-0.2	-10.4	-9.5
Hours worked (1,000s)	2,410	2,408	2,415	2,373	2,148	1,884	1,610	-10.9	-0.1	0.3	-1.8	-9.5	-14.5
Wages paid (\$1,000s)	38,070	39,314	41,508	42,131	38,904	31,096	27,647	2.2	3.3	5.6	1.5	-7.7	-11.1
Hourly wages	\$12.00	\$12.39	\$13.05	\$13.39	\$13.57	\$12.55	\$12.77	13.1	3.2	5.4	2.6	1.3	1.8
Productivity (units per hour)	1,265.2	1,262.5	1,280.6	1,257.9	1,189.9	1,127.9	1,225.2	-6.0	-0.2	1.4	-1.8	-5.4	8.6
Unit labor costs	\$9.78	\$10.10	\$10.43	\$10.86	\$11.39	\$11.20	\$10.59	16.4	3.2	3.3	4.1	4.8	-5.5
Net sales:													
Quantity	3,899,922	3,938,075	3,983,073	3,839,890	3,609,423	2,738,812	2,563,434	-7.4	1.0	1.1	-3.6	-6.0	-6.4
Value	156,804	159,113	155,817	151,284	141,895	110,115	96,037	-9.5	1.5	-2.1	-2.9	-6.2	-12.8
Unit value	\$40.21	\$40.40	\$39.12	\$39.40	\$39.31	\$40.21	\$37.46	-2.2	0.5	-3.2	0.7	-0.2	-6.8
Cost of goods sold (COGS)	131,177	132,046	130,345	129,356	126,698	96,168	87,067	-3.4	0.7	-1.3	-0.8	-2.1	-9.5
Gross profit or (loss)	25,627	27,066	25,471	21,928	15,197	13,947	8,970	-40.7	5.6	-5.9	-13.9	-30.7	-35.7
SG&A expenses	20,818	21,257	20,593	18,363	17,497	13,207	11,794	-16.0	2.1	-3.1	-10.8	-4.7	-10.7
Operating income or (loss)	4,808	5,810	4,878	3,564	(2,300)	741	(2,824)	(3)	20.8	-16.0	-26.9	(3)	(3)
Capital expenditures	5,603	9,020	4,708	3,094	5,266	2,395	4,253	-6.0	61.0	-47.8	-34.3	70.2	77.6
Unit COGS	\$33.84	\$33.53	\$32.72	\$33.69	\$35.10	\$35.11	\$33.97	4.4	-0.3	-2.4	2.9	4.2	-3.3
Unit SG&A expenses	\$5.34	\$5.40	\$5.17	\$4.78	\$4.85	\$4.82	\$4.60	-9.2	1.1	-4.2	-7.5	1.4	-4.6
Unit operating income or (loss)	\$1.23	\$1.48	\$1.22	\$0.93	(\$0.64)	\$0.27	(\$1.10)	(3)	19.7	-17.0	-24.2	(3)	(3)
COGS/sales (1)	83.7	83.0	83.7	85.5	89.3	87.3	90.7	5.6	-0.7	0.7	1.9	3.8	3.3
Operating income or (loss)/ sales (1)	3.1	3.7	3.1	2.4	(1.6)	0.7	(2.9)	-4.7	0.6	-0.5	-0.8	-4.0	-3.6

(1) "Reported data" are in percent and "period changes" are in percentage points.
(2) Not applicable.
(3) Undefined.

Note.—Financial data are reported on a fiscal year basis and may not necessarily be comparable to data reported on a calendar year basis. Because of rounding, figures may not add to the totals shown. Unit values and shares are calculated from the unrounded figures.

Source: Compiled from data submitted in response to Commission questionnaires.