

# UNITED STATES INTERNATIONAL TRADE COMMISSION

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In the Matter of: )  
METAL CALENDAR SLIDES ) Investigation No.:  
FROM JAPAN ) 731-TA-1094 (Preliminary)

Pages: 1 through 191  
Place: Washington, D.C.  
Date: July 20, 2005

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Washington, D.C. 20005  
(202) 628-4888

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 ) Investigation No.:  
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 FROM JAPAN )

Wednesday,  
 July 20, 2005

Room No. 101  
 U.S. International  
 Trade Commission  
 500 E Street, S.W.  
 Washington, D.C.

The preliminary conference commenced, pursuant to Notice, at 9:30 a.m., at the United States International Trade Commission, ROBERT CARPENTER, Director of Investigations, presiding.

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P R O C E E D I N G S

(9:30 a.m.)

1  
2  
3 MR. CARPENTER: Good morning, and welcome to  
4 the United States International Trade Commission's  
5 conference in connection with the preliminary phase of  
6 Antidumping Investigation No. 731-TA-1094 concerning  
7 imports of Metal Calendar Slides From Japan.

8 My name is Robert Carpenter. I'm the  
9 Commission's Director of Investigations, and I will  
10 preside at this conference. Among those present from  
11 the Commission staff are, from my right, Joanna Lo,  
12 the investigator; on my left, David Goldfine, the  
13 attorney/advisor; Kelly Clark, the economist; David  
14 Boyland, the auditor; and Karl Tsuji, the industry  
15 analyst.

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

22 Are there any questions?

23 (No response.)

24 MR. CARPENTER: If not, welcome, Mr.  
25 Goldberg. Please proceed at your convenience.

26 MR. GOLDBERG: Thank you very much, Mr.

1 Carpenter.

2 Good morning. My name is Roy Goldberg. I'm  
3 a partner in the law firm of Sheppard, Mullin, Richter  
4 & Hampton, which is counsel to the Petitioner,  
5 Stuebing Automatic Machine Company. With me today  
6 from Sheppard Mullin is Cammie Mazard and Andre  
7 Barlow.

8 Representatives of Stuebing with us today  
9 include Mr. Murray Blumberg, who is the director of  
10 Stuebing;, Mr. Allan Gavronsky, the president of the  
11 company; and Ms. Pamela Ramp, the accounts sales  
12 manager for Stuebing. Mr. Blumberg and Mr. Gavronsky  
13 will be making oral presentations. Ms. Ramp will be  
14 available to answer questions, as will the entire  
15 panel. We've brought copies of the prepared remarks  
16 for Mr. Gavronsky and Mr. Blumberg.

17 As set forth in the petition, the  
18 questionnaire responses and, as you will hear today,  
19 the domestic industry that manufactures metal calendar  
20 slides is currently experiencing and is threatened  
21 with material injury by reason of the less than fair  
22 value imports of the slides from Japan. Most  
23 certainly there's a reasonable indication of the  
24 existence of such injury and the cause of the injury.

25 The domestic industry consists of a single  
26 company, Stuebing. Between 2002, which was the year

1 before the imports entered the market, and 2004,  
2 between those two years operating income for  
3 Stuebing's calendar slides operation decreased by 48  
4 percent. During the same period, net income before  
5 taxes went down 60 percent. Moreover, there's a huge  
6 operating loss and a corresponding net loss for year-  
7 to-date 2005.

8           Despite the lack of any evidence that  
9 there's been a decrease in demand for this product,  
10 the shipments, the U.S. shipments, have steadily  
11 declined since the imports entered the scene. Between  
12 2002 and 2004, total U.S. shipments of the Petitioner  
13 decreased 25 percent. The products that are listed,  
14 for example, in the response have declines of 43  
15 percent, 46 percent, 32 percent, and the fourth  
16 product isn't as significant, but there's still a  
17 decrease.

18           Now, Petitioner has been forced to lay off  
19 most of its U.S. based workforce because of this  
20 issue. Between 2002 and 2004, the number of workers  
21 decreased 21 percent, and in 2005 the decrease is 62  
22 percent from where it was in 2002. They were  
23 necessitated by the downturn because of the loss of  
24 the biggest customer.

25           Now, Norwood is the customer that was lost,  
26 and it is a roll-up, the result of mergers of various



1 companies, so it's really in many ways more than just  
2 one customer that perhaps Stuebing would have had in  
3 the 1990s. It is the big player in the market. It's  
4 the WalMart, if you will, of what they do, and it's  
5 already a niche market kind of like a WalMart to begin  
6 with.

7 The Petitioner was forced to go smaller, to  
8 sell what they owned in Cincinnati, to start renting  
9 space and then shift a lot -- most -- of its machines  
10 to Mexico where the labor is much cheaper. These are  
11 the kinds of things obviously that dumping orders are  
12 in place to try to prevent.

13 According to the data submitted with the  
14 petition, the volume of imports has been significant.  
15 It has gone from 57.1 metric tons in 2003 to 158.5  
16 metric tons in 2004, an increase of 178 percent.  
17 There's no sign that they will be letting up in 2005.

18 The evidence submitted to the Commission  
19 clearly shows that the lost sales to Norwood have  
20 taken place here. The volume of slides sold to  
21 Norwood by Petitioner decreased 62 percent between  
22 2002 and 2003. When you look at historically where  
23 Norwood was for this customer and where they are now,  
24 you can see that every year this injury is continuing  
25 here.

26 Petitioner's attempt to raise prices to

1 Norwood in January 2003 for the first time in three  
2 years failed. Two months later they made a tender to  
3 Norwood that rolled back that announced price  
4 increase. You will hear the representatives from  
5 Stuebing tell you that they were specifically told by  
6 a Norwood representative that the calendar slides from  
7 Japan were much less expensive than the Stuebing  
8 slides.

9           Given the clear evidence of both injury and  
10 causation, we can only expect, as is typical in a case  
11 like this, that you would have the importer and the  
12 consumer argue the purchaser that somehow the foreign  
13 product is not price sensitive, that they make their  
14 decisions based on something other than price, but you  
15 will hear this is a commodity product.

16           You will hear that the relationship with  
17 Norwood goes back decades, if not even longer than  
18 that, and that throughout these years there was no  
19 problem with the relationship. They continued to  
20 provide slides. Stuebing is a preeminent maker in the  
21 industry not only in the U.S., but in the world, and  
22 this continued for decades.

23           You will hear this morning that a Norwood  
24 representative again on two separate occasions said  
25 the foreign imports were considerably less expensive.  
26 You will also hear that in 2003 Norwood decided to

1 shift to a different type of slide, a Japanese type of  
2 slide, and that in order to keep its valued customer  
3 Stuebing shifted its manufacturing process to produce  
4 that identical slide, which is what they did. It was  
5 as good as, if not better than, the Japan slide that  
6 Norwood was buying from Nishiyama.

7 Stuebing witnessed this firsthand in March  
8 of 2004 when they went to the Norwood facility and saw  
9 how well their Japanese style slide was performing.  
10 On May 6, 2004, Norwood sent an email to Stuebing  
11 which said their runability of the Stuebing slide was  
12 the same as that of the Japanese slide, the box weight  
13 of the Stuebing slide was superior to that of the  
14 Japanese slide and that the Stuebing calendars stacked  
15 better than those with the Japanese slide.

16 The following month, June of 2004, Norwood  
17 invited Stuebing to submit a new tender of pricing for  
18 its slides after having disclosed what the competing  
19 prices were from Japan. Stuebing matched those  
20 prices, but was unable to undercut those prices  
21 because the prices were already way too low to begin  
22 with. As a result of that, they were not able to  
23 capture back the business from what had been their  
24 most valuable and valued client.

25 Finally, it's worth noting that for customer  
26 spot orders Norwood continues to use the Japanese spec

1 slide that Stuebing does produce, so there is still  
2 the customer relationship there, but the large blanket  
3 order, the preorder that comes early in the year for  
4 what's going to happen for the slides around Christmas  
5 and the new year, that is something that remains with  
6 the Japanese low-priced competitive product.

7           What is an issue is that the leading seller  
8 of calendars in the U.S. that uses metal calendar  
9 slides found a foreign source that was wiling to sell  
10 slides at prices considerably less expensive than the  
11 prices offered by the U.S. producer. The unfortunate  
12 result is material injury being inflicted upon the  
13 domestic producer by reason of the less than fair  
14 value imports.

15           All the relevant factors that this  
16 Commission always considers in making the  
17 determination it needs to make here support the  
18 affirmative finding at this stage of the case. The  
19 volume of imports is highly significant. The impact  
20 is highly significant.

21           The negative impact on the U.S. industry,  
22 how much more dramatic can it be than moving most of  
23 your production to a foreign place for cheaper labor  
24 because you can't compete with the Japanese product?  
25 All the other factors are there too.

26           I thank the members of the staff for your

1 attention, and following what I understand will be the  
2 opening statement of opposing parties we will come  
3 back with your panel to make a presentation. Thank  
4 you.

5 MR. CARPENTER: Thank you, Mr. Goldberg.

6 Mr. Thomas, if you would please come forward  
7 at this point?

8 MR. THOMAS: I brought my own sign. As  
9 you'll hear, it's probably appropriate that we're  
10 sitting on the domestic industry side of the room.

11 Good morning, I am Ritchie Thomas of the law  
12 firm Squire, Sanders & Dempsey, counsel to the  
13 importer, Norwood Promotional Products. I will  
14 introduce our witnesses when we come forward with our  
15 testimony later in the morning.

16 This is a very unusual case. There are only  
17 three questionnaire responses, one from Stuebing, the  
18 Petitioner and the other domestic producer of the like  
19 product as defined by Petitioner; one from Norwood,  
20 the sole importer and domestic consumer of the subject  
21 merchandise; and one from Nishiyama, the only foreign  
22 producer involved.

23 These are the only parties with information  
24 directly relevant to the Commission's investigation.  
25 More unusual, the petition rests entirely on the  
26 decision of Norwood to buy metal slides from Nishiyama

1       rather than from Stuebing.

2               The Petitioner claims to have lost sales to  
3       Nishiyama. In fact, the Petitioner has lost a single  
4       customer, and that was not for the reason of price.  
5       The Petitioner has not reduced prices in response to  
6       foreign competition. The Petitioner reduced its price  
7       to Norwood, but only in an effort to win back the  
8       business after Norwood had decided to purchase the  
9       subject merchandise from Nishiyama.

10              The physical and performance characteristics  
11       of the subject merchandise and the presumption of  
12       domestic like product are in fact so very different  
13       there is no competition in metal calendar slides  
14       between the Petitioner and Nishiyama as far as Norwood  
15       is concerned.

16              Competition among products is based not only  
17       on prices, product characteristics and customer  
18       service. It is also a question of market information.  
19       When Norwood thought Petitioner was its only available  
20       source of calendar slides it bought from Petitioner.

21              The representatives of Norwood will explain  
22       that when Norwood succeeded in identifying an  
23       alternative source on its own initiative Norwood  
24       switched suppliers because the physical  
25       characteristics of Petitioner's metal slides were  
26       adversely affecting Norwood's calendar production.

1           The fact is that Petitioner lost the  
2 customer to Nishiyama for the simple reason that the  
3 Petitioner produced a poorly made and poorly  
4 performing product and was unresponsive to the  
5 customer's difficulties using Petitioner's product.

6           The Petitioner forced its U.S. competitors  
7 out of business in the 1980s, buying their businesses  
8 or their assets, and is now the sole domestic producer  
9 of metal calendar slides. Without competition in the  
10 United States, Petitioner became unresponsive to  
11 customer needs and did not make investments in  
12 improving its slides to meet customer requirements.

13           To the contrary, it allowed its slides'  
14 performance characteristics to decline. For years  
15 Norwood tried to get the Petitioner to address the  
16 problems that Norwood was having with Petitioner's  
17 slides, and we will document that.

18           The problems were not corrected by the  
19 Petitioner, and Norwood began searching for an  
20 alternative supplier, which it ultimately found in  
21 Nishiyama. Norwood then discovered that Nishiyama's  
22 metal slides sharply improved its calendar production  
23 rates and substantially reduced Norwood's cost of  
24 goods sold.

25           The representatives of Norwood will fully  
26 explain the purchasing decision and are prepared to

1 answer the staff's questions. No further information  
2 will be developed by continuing the investigation, and  
3 Norwood's testimony will demonstrate there's no  
4 reasonable indication of material injury to the  
5 domestic industry by reason of the subject imports.

6 While Petitioner has lost one customer to a  
7 far superior product offered by Nishiyama, the  
8 evidence before the Commission will clearly and  
9 convincingly show that Petitioner is not injured in  
10 any event.

11 I urge the Commission carefully to review  
12 page 30 of the petition, which shows the production  
13 and profitability of the Petitioner, and to calculate  
14 the average sales prices for metal slides sold in the  
15 United States and the total sale quantity sold U.S.  
16 and export, both of which can be derived from the data  
17 on that page.

18 The Petitioner claims that it is injured  
19 because its net income declined. If its net income  
20 declined, it was due to such factors as Petitioner's  
21 activities in its export markets producing inferior  
22 products and not addressing customer concerns. These  
23 facts will be self-evident from the evidence supplied  
24 to the Commission. Nevertheless, Petitioner continues  
25 to be profitable in the metal slide market that the  
26 Petitioner describes in the petition as healthy and



1 growing.

2           There's also no evidence of a reasonable  
3 indication of threat of injury from the subject  
4 imports. Nishiyama does not have presence in the  
5 United States, does not market or promote its products  
6 in the United States and has only one customer in the  
7 United States, namely Norwood.

8           Moreover, Norwood became a customer of  
9 Nishiyama only as a result of Norwood seeking and  
10 finding an alternative supplier because of continuing  
11 productivity problems with the Petitioner's product.

12           Petitioner has no evidence that Nishiyama  
13 intends to expand its customer base in the United  
14 States. Mere speculation as to Nishiyama's intent is  
15 not enough to avert a negative determination.

16           Thank you very much.

17           MR. CARPENTER: Thank you, Mr. Thomas.

18           Mr. Goldberg, would you please bring your  
19 panel forward at this time?

20           MR. GOLDBERG: Petitioners will first hear  
21 from Murray Blumberg, the director of Stuebing.

22           MR. BLUMBERG: Good morning. I'm Murray  
23 Blumberg, the director of the Stuebing Automatic  
24 Machine Company, and I appreciate the opportunity to  
25 appear before you today to testify on behalf of  
26 Stuebing Automatic Machine Company, which is the sole

1 domestic manufacturer of metal calendar slides. As  
2 the Petitioner in this case, we seek the imposition of  
3 antidumping duties on imports of metal calendar slides  
4 from Japan.

5 I am the director of Stuebing, and I've been  
6 involved in the metal calendar slide business for 31  
7 years. I have firsthand knowledge of the significant  
8 injury that Stuebing has faced and continues to  
9 confront by reason of unfairly priced imports of metal  
10 calendar slides from Japan.

11 Stuebing. Stuebing has been in business in  
12 the United States since 1894. Today it is the only  
13 remaining manufacturer of metal calendar slides in  
14 this country. This industry used to have several  
15 domestic members, but over time they were all forced  
16 out of business or consolidated into other companies,  
17 leaving Stuebing the sole remaining firm in the  
18 domestic industry.

19 A company called E.W. Wobbe started  
20 manufacturing metal calendar slides in Springfield,  
21 Ohio, during the 1940s, and another company called  
22 Carpenters of Allentown in Pennsylvania began  
23 manufacturing these slides in the 1950s.

24 I'd like to just deviate for a second from  
25 my prepared statement if I may to answer some of the  
26 points that counsel for Norwood made earlier. He

1 mentioned that we forced -- he suggested that we  
2 forced -- the other people out of business. I'm not  
3 sure where he gets that information from, but it's  
4 entirely incorrect.

5 Paul Wobbe, who was well known to my family,  
6 approached my late father and offered to sell his  
7 business, which had become quite run down, during the  
8 early 1980s, the early to mid 1980s. A similar thing  
9 happened with Carpenters. They were effectively not  
10 operating at all and asked if we would be interested  
11 in taking their machines over, which we did simply to  
12 use as spare parts.

13 In 2002, the operations of Wobbe were  
14 physically merged with Stuebing's to contain costs.  
15 Now, however, this domestic industry faces extinction  
16 unless protection is granted against unfair imports  
17 from Japan.

18 Preserving the domestic industry. One of  
19 our purposes in pursuing the relief we seek is to  
20 preserve United States jobs. We value our U.S.  
21 workforce and want to continue to invest substantial  
22 money and effort to help ensure that we continue to  
23 provide high paying, high quality jobs for American  
24 workers, yet we cannot do so unless antidumping duties  
25 are assessed on Japanese imports.

26 Furthermore, we want to resume investments

1 and development and production efforts we have been  
2 forced to abandon as a result of these imports.

3 Injury. I can tell you with absolute  
4 certainty that our domestic industry has experienced  
5 significant negative downward pressure on both  
6 revenues and earnings since the Japanese started to  
7 sell metal calendar slides in the United States.  
8 Stuebing's net income before taxes related to its U.S.  
9 metal calendar slide operations decreased by  
10 approximately 60 percent from 2002 to 2004.

11 Furthermore, Stuebing's operating income  
12 pertaining to U.S. calendar slide operations decreased  
13 by about 48 percent between 2002 and 2004. Moreover,  
14 we are experiencing a dramatic operating loss and net  
15 loss for the year to date 2005.

16 Stuebing has also been forced to lay off a  
17 substantial number of workers in the United States in  
18 connection with its metal calendar slide operations.  
19 Specifically between 2002 and 2004 the number of  
20 workers in the domestic industry decreased by over 20  
21 percent. The reduction in 2005 was even more  
22 dramatic, resulting in a decrease of over 60 percent  
23 of our employees from 2002.

24 These layoffs were in connection with our  
25 need to transfer machines that manufactured calendar  
26 slides to Stuebing's sister company in Mexico. In

1 2004, we began to set up this lower cost manufacturing  
2 facility in Mexico. By the end of last year, Stuebing  
3 moved over 50 percent of its machines that produce  
4 metal calendar slides to this facility in an attempt  
5 to compete against the unfair imports from Japan.

6 Also in 2004, Petitioner moved its U.S.  
7 operations to a smaller premises in Cincinnati, Ohio.  
8 As a result, Stuebing has slightly more than 10  
9 employees working in the smaller domestic facility  
10 that it rents. This production facility is about five  
11 times smaller than the larger production facility it  
12 owned before the domestic industry was decimated by  
13 these less than fair value imports from Japan.

14 Decrease in U.S. shipments. Although there  
15 has been no indication that the United States demand  
16 for metal calendar slides has decreased, U.S.  
17 shipments of metal calendar slides have steadily  
18 declined since the Japanese imports entered the United  
19 States market.

20 In fact, between 2002 and 2004, Petitioner's  
21 total U.S. shipments decreased 25 percent. In 2002,  
22 Stuebing sold an overwhelming majority of its metal  
23 calendar slides in the United States and exported the  
24 rest. However, by the end of last year the balance  
25 shifted as Stuebing exported more metal calendar  
26 slides than it sold domestically in order to survive

1 against the barrage of low-cost imports from Japan.

2 Causation. Japan imports have negatively  
3 impacted our U.S. shipment levels of metal calendar  
4 slides to the point that we have lost a significant  
5 number of sales to the company that used to be our  
6 largest customer, Norwood Promotional Products, Inc.  
7 Norwood is the leading United States seller of  
8 calendars that use metal calendar slides. From a  
9 volume perspective, they are the most important  
10 customer for any seller of metal calendar slides.

11 Petitioner lost these sales to Norwood as a  
12 result of the less than fair value imports from Japan.  
13 The reason for the decline of shipments to Norwood was  
14 the ability to Norwood to use metal calendar slides  
15 from Nishiyama as a replacement for the products that  
16 Norwood used to purchase from Petitioner before  
17 Nishiyama entered the U.S. market with its less than  
18 fair value prices.

19 As a result, from 2002 to 2003 the quantity  
20 of slides that Norwood purchased from Stuebing  
21 decreased by over 60 percent for a decrease in  
22 revenues of about 60 percent as well. These lost  
23 sales in 2003 include the cancellation by Norwood of a  
24 blanket or bulk order placed by Norwood at the  
25 beginning of the year in four separate purchase  
26 orders.

1                   Norwood. The relationship between Stuebing  
2 and Norwood goes back multiple decades. Stuebing  
3 supplied metal calendar slides to Norwood for all  
4 those years without any significant quality issues  
5 ever arising. Minor issues that arose from time to  
6 time were quickly resolved by Stuebing.

7                   When 2003 opened, we assumed that based on  
8 the long, positive relationship between the two  
9 companies and the experiences we had to date that  
10 Norwood would continue to remain our largest customer.  
11 We even received from Norwood the customary large  
12 blanket order at the beginning of the year.

13                   However, in the fall of 2003, Norwood  
14 without warning canceled the balance of its blanket  
15 purchase orders of metal calendar slides from Stuebing  
16 that had been placed earlier that year. At that point  
17 in time Norwood told us that it was only going to  
18 purchase custom or special orders from us going  
19 forward.

20                   In December of the same year I traveled to  
21 Norwood's Sleepy Eye facility in Minnesota, along with  
22 Mr. Allan Gavronsky, the president of Stuebing, and  
23 Mr. Bill Pierman, our machine shop foreman. At  
24 Norwood we met with Mr. Paul Smyth, Norwood's director  
25 of supply chain management and purchasing at the time,  
26 to discuss the status of Stuebing's account.

1           At my request, Mr. Smyth allowed me into  
2           Norwood's factories, and I observed Japanese metal  
3           calendar slides running on Norwood's machines. At  
4           this point in time Mr. Smyth told me that his company  
5           was changing its specifications to the Japanese style  
6           slide and was able to purchase such slides at prices  
7           that were considerably less expensive than Stuebing's  
8           slides.

9           After this visit, Stuebing decided to  
10          manufacture its own Japanese style slides, and we  
11          incurred significant expense and trouble to convert a  
12          number of our metal calendar slide machines to produce  
13          slides that were identical to the metal calendar slide  
14          that Norwood was importing from Japan.

15          This conversion meant that Stuebing began to  
16          produce slides with hangers from the metal body of the  
17          slide itself, as opposed to slides provided with a  
18          plastic attached hanger or eyelet. By early 2004, we  
19          had perfected the Stuebing version of the Japanese  
20          type specification for a metal calendar slide which  
21          performed as well as and indeed better than the  
22          imported slides.

23          In March 2004, I traveled for a second time  
24          to Norwood's facility and brought samples of these  
25          Japanese type of slides Stuebing had manufactured so  
26          Norwood could test them at its facility. We ran a



1 significant number of these slides on Norwood's  
2 binding machines in the presence of Mr. Smyth, Ms.  
3 Shelley Shoen, Norwood's assistant buyer, and other  
4 members of Norwood's staff. These new types of slides  
5 ran perfectly on Norwood's machines, and this was  
6 confirmed by Norwood's staff.

7 Later that same morning we were told again  
8 by Norwood at its offices that the imported Japanese  
9 metal calendar slides were much less expensive than  
10 the domestic slides being produced and sold to them by  
11 Stuebing. Furthermore, they told us that these  
12 Japanese slides were less expensive despite the fact  
13 that shipping costs added 40 percent to the FOB price  
14 of the Japanese product.

15 This statement was very surprising to me  
16 given the numerous considerable additional freight and  
17 related costs involved in importing these products  
18 from Japan, all of which must be considered to  
19 determine the true cost of shipping these products to  
20 Norwood via container from Japan.

21 However, Norwood represented that it would  
22 give preference to a U.S. supplier if possible, and  
23 therefore Stuebing would have a chance to compete with  
24 the Japanese supplier for the Norwood business.

25 We subsequently supplied the Japanese type  
26 of slide to Norwood over a period of time, and on a

1 number of occasions when we inquired about the quality  
2 and productivity of the Japanese spec slide Norwood  
3 confirmed that there were no problems with either  
4 quality or productivity, yet months passed in 2004 and  
5 Stuebing never received a response from Norwood about  
6 Stuebing's efforts to supply Norwood's with its  
7 requirement for blanket orders of metal calendar  
8 slides that year instead of purchasing its  
9 requirements for these types of slides from the  
10 Japanese company.

11 Hence, that summer I called Mr. Smyth at  
12 Norwood to inquire about the outcome of our tender and  
13 subsequent retender and was advised by him that he was  
14 negotiating the bulk of Norwood's metal calendar slide  
15 requirements, approximately 80 percent, from the lower  
16 priced Vendor B in Japan.

17 Even with Norwood's preference for the  
18 Japanese spec slide, it was always clear to me that  
19 the lower price of the imported slide was a material  
20 factor in Norwood's decision to use a new supplier.

21 As mentioned previously, on at least two  
22 separate occasions in December 2003 and March 2004  
23 Paul Smyth of Norwood told us that the slides for what  
24 he called Vendor B were considerably less expensive  
25 than Stuebing's slides, even factoring in freight  
26 costs that were 40 percent of the price to Norwood.

1           In May 2004, Norwood informed us in writing  
2           that the Japanese spec slide produced by Stuebing was  
3           acceptable and equal to the imported slide. Norwood  
4           concluded that runability is the same between the  
5           imported and Stuebing slides, but that the box weight  
6           of the Stuebing slide was superior and that Stuebing  
7           calendars stacked better.

8           Moreover, in June 2004 Norwood continued to  
9           express interest in our Japanese spec slide and  
10          invited us to submit a retender for business. As part  
11          of that process, Norwood told Stuebing the imported  
12          prices for four products and invited Stuebing to  
13          submit a retender.

14          We then offered to sell the Japanese spec  
15          slides at the same price. It was not financially  
16          feasible to try to undercut the already too low  
17          imported price. Even with our willingness to match  
18          the imported price, we were not able to win back the  
19          blanket purchase business.

20          Finally, to this day Norwood continues to  
21          use custom slides from Stuebing manufactured to the  
22          Japanese specifications without any operational  
23          issues.

24          Nishiyama. I had in the meantime learned  
25          that the Japanese supplier from which Norwood had been  
26          importing metal calendar slides was Nishiyama Kinzoku

1 Company of Japan.

2 In fact, in 2003, at a meeting in Cincinnati  
3 with Mr. Kazahiro Nishiyama, the senior executive  
4 managing director of Nishiyama, and Mr. Masao Akamatsu  
5 of BSI Corporation, Nishiyama's agent in Japan, I had  
6 been told by them that they had taken Norwood as a  
7 customer and that they were looking to expand  
8 internationally.

9 The following year, while in Osaka, I  
10 confronted these two gentlemen with the price I  
11 thought that Norwood was paying for a 17 inch slide,  
12 and although they were surprised that I knew the  
13 price, they confirmed that my assertion was correct.

14 During the summer of 2004, I learned from  
15 Mr. Gavronsky the prices that Nishiyama was offering  
16 to Norwood. I was shocked to receive additional  
17 confirmation as to the actual prices because they were  
18 so much lower than what Stuebing could economically  
19 charge and so much lower than what I thought the  
20 Japanese supplier could charge and still have a  
21 profit.

22 Conclusion. We are requesting antidumping  
23 relief in the best interests of our employees, our  
24 consumers and the domestic industry as a whole. We at  
25 Stuebing have made the investments needed to remain  
26 competitive if there is a level playing field.

1       However, unless tariffs are imposed this industry, its  
2       employees and the American consumers will not survive  
3       in the long term.

4               The Petitioner in this case simply seeks a  
5       level playing field with respect to imports from  
6       Japan. Hence, I respectfully request that the  
7       International Trade Commission enter a finding that  
8       there has been and that there is a threat of material  
9       injury to our domestic injury by means of dumped  
10      imports from Japan so that we can get on with the  
11      business of producing metal calendar slides for the  
12      domestic industry.

13              I would be pleased to respond to any  
14      questions you may have. Thank you.

15              MR. GOLDBERG: Mr. Gavronsky, the president  
16      of Stuebing, will speak next. Mr. Gavronsky, do you  
17      want to make sure you have a microphone by you and  
18      turned on?

19              MR. GAVRONSKY: My name is Allan Gavronsky.  
20      I'm president of Stuebing Automatic Machine Company.  
21      Thank you for giving me the opportunity to testify on  
22      behalf of the domestic industry about the recent  
23      injury that has occurred as a result of illegal  
24      imports.

25              As you're aware, we filed an antidumping  
26      petition with the U.S. Department of Commerce and the

1 U.S. International Trade Commission seeking duties on  
2 metal calendar slides imported from Japan. I am here  
3 to request that you support the domestic industry's  
4 request filed in this antidumping duty petition.

5 I am the president of Stuebing Automatic  
6 Machine Company and have been involved in the metal  
7 calendar slide industry for approximately 22 years.  
8 In 1983, I began my career in the metal calendar slide  
9 industry at E.W. Wobbe, a domestic metal calendar  
10 slide manufacturer that used to be based on  
11 Springfield, Ohio.

12 I began working at Wobbe shortly after the  
13 company was purchased by Stuebing in the early 1980s.  
14 While at Wobbe, I served as the operations manager and  
15 eventually as president. In 2002, however, the  
16 operations of Stuebing and Wobbe were merged to  
17 contain costs. At that point I became the vice  
18 president of operations at Stuebing where I oversaw  
19 all the operational functions for the company  
20 worldwide.

21 I served in that capacity for one year and  
22 became the president of Stuebing in 2003. As such,  
23 I'm currently responsible for the production, planning  
24 and sales of metal calendar slides in the United  
25 States and overseas. I also oversee all other  
26 operations and management functions, which include,

1 among other things, analyzing our supplies for the  
2 quality of finished parts and ensuring the proper  
3 delivery of our products.

4 We sell our metal calendar slides to various  
5 calendar assembly companies like Norwood Promotional  
6 Products that are located both in the United States  
7 and overseas. These calendar assembly companies,  
8 which are usually either calendar manufacturers,  
9 printing companies or publishers, use these metal  
10 calendar slides to bind calendars, posters, maps or  
11 charts and then sell these products to planning  
12 companies and retailers which are then sold to end  
13 user customers.

14 In 2002, Stuebing's largest customer for  
15 metal calendar slides was Norwood, a large supplier of  
16 calendars, diaries and other promotional gift items.  
17 In the fall of 2003, however, Norwood canceled the  
18 balance of its blanket purchase order of metal  
19 calendar slides that had been placed earlier in the  
20 year. At that point in time, Norwood told us that it  
21 was only going to purchase custom orders from us going  
22 forward.

23 In December of that year, representatives  
24 from Nishiyama Kinzoku, Ltd. of Japan visited us at  
25 our facility in Cincinnati and told us they had taken  
26 Norwood as a customer. They also intimated that

1 Nishiyama was planning to increase its market presence  
2 in the United States.

3 Later that month I visited Mr. Paul Smyth,  
4 Norwood's director of supply chain management and  
5 purchasing at that time, at the facility in Sleepy  
6 Eye, Minnesota, along with Mr. Murray Blumberg, the  
7 director of Stuebing, and Mr. Bill Pierman, Stuebing's  
8 machine shop foreman, to discuss the status of  
9 Stuebing's account.

10 During that visit I saw the Japanese slides  
11 running on Norwood's machines. At this visit,  
12 however, Mr. Smyth did not comment at length about the  
13 price of the Japanese slides at the time except to  
14 indicate that landed price in Minnesota was much  
15 cheaper than Stuebing's slides.

16 Metal calendar slides in both the United  
17 States and Japan are made from cold-rolled steel  
18 within a similar range of specification, including  
19 material thickness and temper, and are applied to  
20 calendars in exactly the same type of tinning machine.

21 Other than a small difference in hangers,  
22 the U.S. slides that Stuebing has been providing  
23 Norwood were 100 percent substitutable with the ones  
24 it was now purchasing from Nishiyama. In other words,  
25 Stuebing's metal calendar slides were exactly  
26 equivalent in function and application to the Japanese



1 slides.

2           However, beginning in January 2004 Stuebing  
3 spent a considerable amount of labor, time and money  
4 to convert some of its metal calendar slide machines  
5 to duplicate exactly the Japanese slides we saw  
6 running on Norwood's machines. This conversion meant  
7 that we began to manufacture slides for Norwood with  
8 hangers bent from the body of the slide itself, as  
9 opposed to providing slides that had plastic attached  
10 hangers.

11           A couple of months later we brought samples  
12 of the Japanese style slides that Stuebing had  
13 manufactured to test at Norwood's facility and was  
14 told by Mr. Paul Smyth and other members of his staff  
15 that they ran perfectly. At the same visit Mr. Smyth  
16 reiterated however that the Japanese metal calendar  
17 slides were much less expensive than the domestic  
18 slides produced and sold by Stuebing.

19           He then told us that the Japanese slides  
20 were much less expensive despite the fact that the  
21 shipping costs add 40 percent to the FOB price of the  
22 Japanese products. Mr. Smyth assured us, however,  
23 that preference would be given to a U.S. supplier and  
24 promised us that he would give Stuebing a chance to  
25 compete for the Norwood business.

26           On March 11, 2004, Stuebing submitted its

1 tender to Norwood with new and lower prices than it  
2 had announced the year before. Despite cutting its  
3 prices to Norwood in this tender in order to retain  
4 Norwood's business and requesting the right of first  
5 refusal, Stuebing still did not receive Norwood's  
6 blanket order for stock, nor did it receive any  
7 indication of a custom order.

8 Hence, yet again I visited Mr. Smyth at  
9 Norwood, along with another director of Stuebing, Mr.  
10 E. Rodney deBeer. At this meeting I was told one more  
11 time that the Japanese slides were substantially  
12 cheaper than the prices offered in our tender.

13 After this visit Stuebing decreased its  
14 price yet again to Norwood for both blanket sizes and  
15 custom orders. Despite doing so, Stuebing still does  
16 not have any commitment from Norwood at this time for  
17 blanket purchase orders, although Norwood has  
18 purchased small quantities of custom slides from  
19 Stuebing.

20 Because Norwood placed no blanket orders in  
21 2004 Petitioner lost all of these sales to Japanese  
22 imports. Norwood also has not placed any blanket  
23 orders with Petitioner for 2005. Unfortunately,  
24 Petitioner does not expect any such order to be placed  
25 this year because of the less than fair value imports  
26 from Japan.

1           As set forth above, Petitioner has been  
2 forced to reduce prices and roll back announced price  
3 increases as a result of the less than fair value  
4 imports. On January 6, 2003, Petitioner attempted to  
5 raise its price to Norwood for the first time in three  
6 years only to have that attempt fail.

7           In order to retain any of Norwood's slide  
8 business in 2004, Petitioner in its tender dated  
9 March 11, 2004, rolled back the price increase it  
10 announced in 2003. Following that, Stuebing decreased  
11 its prices yet again in June 2004 in an attempt to  
12 match the price of Japanese imports to which Norwood  
13 never responded. Had Norwood accepted these  
14 retendered prices, Petitioner would have lost even  
15 more money on its sales of slides.

16           Hence, as you can see, Stuebing's prices and  
17 profits have been suppressed because of Japanese  
18 imports. Furthermore, even though we have not lost  
19 sales to other customers as of yet, we have had to  
20 suppress our prices to them to avoid further imports  
21 from Japan.

22           Stuebing's existence today is very  
23 surprising given the imports being dumped on our  
24 domestic market. It is surviving in the United States  
25 today only because of its foresight in dealing with  
26 issues of U.S. consumer demand and U.S. production

1 costs by making investments overseas that were  
2 necessary to deal with both in an effective and an  
3 efficient manner. As a consequence, we have been able  
4 to hang on over the past year.

5 The antidumping petition is an effort on our  
6 part to ensure that we continue to exist in the  
7 future. The American metal calendar industry which is  
8 currently comprised of only one company, Stuebing, is  
9 being devastated by the surge of unfairly priced  
10 imports from Japan. The result? Substantial job  
11 losses in the United States.

12 In fact, over the past few years we have  
13 reduced our domestic workforce by approximately 70  
14 percent in an attempt to compete against imports of  
15 metal calendar slides from Japan. Furthermore, we  
16 transferred the majority of the machines that produced  
17 these metal calendar slides overseas.

18 If tariffs are not imposed on Japanese based  
19 manufacturing we will likely shift the rest of our  
20 machines overseas. Although I believe in free trade,  
21 I also believe in fair trade. It is not in the best  
22 interests of the domestic industry or its customers  
23 for us to close down completely in the United States.

24 Our U.S. customers need to have the choice  
25 of buying from domestic metal calendar slide  
26 manufacturers, and as such their long-term and

1 continued health is in our best interest. The loss of  
2 any more U.S. metal calendar slide employees would  
3 limit the buying options available to our customers as  
4 we would be forced to close our doors in the United  
5 States, which would in turn limit the choices  
6 available to the end user.

7 I am not seeking any protection against  
8 imports. I am simply seeking an end to the illegal  
9 pricing and restoration of free market conditions by  
10 requesting the imposition of antidumping duties as  
11 provided for us under U.S. law.

12 My company has proven that it can compete  
13 with anyone given a level playing field. As such, I  
14 respectfully request the ITC to ensure a fair playing  
15 field by finding in favor of the Petitioner.

16 Thank you for your attention to this  
17 important issue.

18 MR. GOLDBERG: Just a couple more items.  
19 The members of the panel can add light on these if  
20 necessary. They are somewhat self-explanatory.

21 Somewhat anticipating the argument we've  
22 heard so far this morning, I've got three documents  
23 I'd like to put into the record. I'll ask Mr.  
24 Gavronsky to describe what they are for the first two  
25 anyway.

26 MR. GAVRONSKY: This is a document that I

1 received from our second largest customer, a domestic  
2 customer, Tru-Art located in Iowa City. The letter is  
3 self-explanatory. They've been a customer of ours for  
4 50 years, find no problem with our product or anything  
5 else. A letter of recommendation.

6 MR. GOLDBERG: That's a slide customer.  
7 Now, this seems to go to the service and the quality  
8 issue.

9 This appears to be a machine customer, so  
10 you can maybe explain the difference on that.

11 MR. GAVRONSKY: Yes. This is a customer we  
12 sold one of our domestic made tinning machines, an  
13 automatic machine. It goes back to 2003, and we've  
14 had no problems. We've served them, and it's just a  
15 letter of recommendation.

16 MR. GOLDBERG: We would submit both  
17 documents belying the theory that somehow Stuebing got  
18 fat and happy and just stopped servicing the  
19 customers, thinking they were the only game in town.

20 MR. CARPENTER: Mr. Goldberg, if I could  
21 interrupt you?

22 MR. GOLDBERG: Sure.

23 MR. CARPENTER: Are you requesting  
24 confidential treatment for those documents?

25 MR. GOLDBERG: No.

26 MR. CARPENTER: Okay. Do you have extra

1 copies available?

2 MR. GOLDBERG: We do. We have 25 copies.

3 MR. CARPENTER: Okay. As long as you could  
4 put some extra copies on the table over there --

5 MR. GOLDBERG: I'll do that right now.

6 MR. CARPENTER: -- so that the other side  
7 could see it as well.

8 MR. GOLDBERG: I think that one of the  
9 comments that was made by counsel for Norwood was, you  
10 know, we could streamline the whole case. Obviously  
11 one of the standards for reasonable indication is not  
12 only -- and, by the way, we believe we met the  
13 standard, and certainly they will not and cannot show  
14 clear and convincing evidence that there is no injury  
15 or causation.

16 Of course, the other factor would be what  
17 may be developed in the record. I think part of that  
18 would be the involvement of these other customers who,  
19 you know, if we got to the final perhaps would be  
20 actually saying the same thing under testimony too.

21 I mean, there is the timeframe. I don't  
22 know the story as to what questionnaires they received  
23 or didn't receive or what they did, but certainly they  
24 have a piece in this too because if Norwood just goes  
25 with Nishiyama Norwood may feel comfortable that they  
26 can get rid of the U.S. competitor, but then that

1 substantially increases what Norwood could do to some  
2 of these others, their competitors who have not signed  
3 up with Nishiyama.

4 I don't know the relationship between  
5 Norwood and Nishiyama when it comes to any type of,  
6 you know, sourcing issues. We believe at this point  
7 as long as Stuebing is around Nishiyama has every  
8 inclination and interest in picking up more customers  
9 with lower prices. This is a stage process. They've  
10 gone and they've obtained the biggest, and they can  
11 move on.

12 Norwood may feel comfortable that with  
13 Stuebing gone maybe they've made their choice, as  
14 improper as that is to the extent it's based on the  
15 prices, and we believe it is, but what does that do to  
16 the other customers. I think that is something that  
17 is a part of the record that would need to be  
18 developed.

19 I was struck by counsel's statement, which I  
20 accept on its face value, that when Norwood sources  
21 through Nishiyama they will result in a lower cost of  
22 goods sold. We don't dispute that. You know, I made  
23 a note of that. Of course that's exactly what's going  
24 on here. They get a lower cost of goods sold because  
25 they have a lower price of the metal component of  
26 these calendars.



1           The last document, which we have copies for,  
2           was an email which both witnesses have referred to and  
3           I referred to dated May 6, 2004, so pretty late in  
4           this period. This is after the slides have already  
5           come. The Japanese slides have been converted. This  
6           was after Mr. Blumberg had already been to the  
7           facility.

8           This is not confidential. It's from Ms.  
9           Shelley Shoen to Ms. Pam Ramp who is here, so it is  
10          from Norwood to the Petitioner.

11          MALE VOICE: Excuse me. Excuse me. This is  
12          a document that confidential treatment was requested  
13          by Petitioner.

14          MR. GOLDBERG: We're rescinding that. We're  
15          rescinding that because of the nature of what we  
16          anticipated would be a quality issue.

17          MALE VOICE: I'm simply asking for a  
18          clarification because there's a Commission rule about  
19          that submission of confidential information in these  
20          proceedings.

21          MR. GOLDBERG: No, I understand that. When  
22          the petition was filed, certain things were done as  
23          confidential to protect, but this is our confidential  
24          information, nobody else's.

25          Getting wind of what this possible defense  
26          would be, we had to go back and decide whether we

1 wanted to have something that was our own information  
2 as confidential to defend basically. We think this is  
3 a critical document.

4 It wasn't until I would say late yesterday  
5 in going through that we decided that given the  
6 situation when the petition as filed we believed that  
7 that was the kind of thing that was an issue as to  
8 whether that was the kind of thing they wanted to put  
9 out there.

10 Given the defense that we've heard this  
11 morning and that we anticipated in preparing  
12 yesterday, we think it's a critical document because  
13 it goes against everything they're going to be saying  
14 today with respect to quality being an issue.

15 We would like to withdraw any prior request  
16 for confidential treatment if we may do so.

17 MALE VOICE: We have no objection.

18 MR. GOLDBERG: Thank you.

19 MR. CARPENTER: Okay. Thank you. Mr.  
20 Goldberg, if you could give the staff copies of each  
21 of those three documents?

22 MR. GOLDBERG: Sure.

23 MR. CARPENTER: We'd appreciate that.

24 MR. GOLDBERG: That's the only other  
25 document that we wanted to make sure was put into the  
26 record on that issue. It's a document that's been

1 referred to in testimony today. We believe it shows  
2 that quality is not an issue. The only thing that's  
3 left is price, and that's why we're here today.

4 Thank you.

5 MR. CARPENTER: Thank you. At this point  
6 we'll begin the staff questions with Ms. Lo.

7 MS. LO: Hello. My question is to either  
8 Mr. Blumberg or Mr. Gavronsky on the production side  
9 of the Japanese style slides.

10 Can you elaborate a little bit on whether  
11 the Japanese style slides, what percentage of that is  
12 of your production and if Norwood is the only customer  
13 that you sell that slide to now?

14 MR. BLUMBERG: Okay. The answer to that is  
15 that Norwood is the only customer that has requested  
16 that specification, so they are the only United States  
17 customer that we supply that specification to. The  
18 custom slides that they buy from us are almost all to  
19 that specification.

20 MS. LO: What's the percentage of  
21 production?

22 MR. BLUMBERG: Of our total production or  
23 our production to Norwood?

24 MS. LO: Total, just to give me an idea.

25 MR. BLUMBERG: Maybe approaching 10 percent.

26 MS. LO: Thank you. Both of you mentioned

1 relocating a lot of your machines outside of the  
2 United States. Can you elaborate a little bit more on  
3 what you're hoping to do with that facility?

4 MR. BLUMBERG: Well, the primary purpose of  
5 that relocation was to keep Stuebing alive because  
6 Stuebing is certainly not able to compete with the  
7 pricing of these what we believe to be unfairly priced  
8 imports from Japan, and the only chance that we may  
9 have of competing against such low prices would be to  
10 manufacture those bulk orders in a less expensive  
11 country, so its primary purpose is to support the  
12 remaining operation in Cincinnati.

13 MS. LO: Thank you. I'm finished. Thanks.

14 MR. CARPENTER: Before we move on, I'd just  
15 like to incorporate the three one-page documents that  
16 you've submitted as exhibits. We will attach those to  
17 the transcript of this proceeding.

18 At this point I'll turn to Mr. Goldfine.

19 MR. GOLDFINE: Good morning. Thank you all  
20 for coming. I'm David Goldfine with the General  
21 Counsel's Office.

22 Before I begin my questions I'll just let  
23 you know if you believe that any of the responses to  
24 any of my questions call for BPI or confidential  
25 information, of course let me know that and you may  
26 include that in any postconference submission.

1           I guess I'll start with like product. This  
2 is for you, Mr. Goldberg. Just to be clear, I think I  
3 understand your view, but it's correct that you're  
4 arguing for a single domestic like product coextensive  
5 with Commerce's scope, which would be all metal  
6 calendar slides?

7           MR. GOLDBERG: Yes. It's limited to metal  
8 calendar slides. There's no other slides of a  
9 different type of material.

10           I would be happy to let, you know, the  
11 industry folks explain why, or maybe you have a more  
12 specific as to why something is not included. I will  
13 let them defer to that.

14           MR. GOLDFINE: Sure. I guess we haven't  
15 heard from the other side. I don't know what their  
16 position is on like product, but since you did address  
17 it in your petition in terms of the plastic/paper  
18 slides I guess particularly on uses and  
19 interchangeability why are they not used for the same  
20 purpose as metal slides, and why are they not  
21 interchangeable with metal slides?

22           MR. BLUMBERG: The metal slides, first of  
23 all, are manufactured from the same material with the  
24 same specifications and according to substantially the  
25 same manufacturing methods.

26           Secondly, the metal slides are used in

1 identical or, if not identical, very similar binding  
2 machines to apply the metal slides to the calendar,  
3 and they're also distributed through the same  
4 channels.

5 Paper slides are not used, to the best of my  
6 knowledge, in the United States. Of course, the  
7 material is different. The method of manufacture is  
8 different, and it's also my understanding that the  
9 channels of distribution are different because it's my  
10 understanding that the paper slides are actually made  
11 during the binding process, that there's a machine  
12 that folds the paper slide and staples it to the  
13 calendar.

14 There are other obvious differences in  
15 functionality. The steel slide, the metal slide, is  
16 more rigid whereas the paper slide is not as rigid and  
17 so on.

18 MR. GOLDFINE: So to your knowledge there's  
19 no paper slide used for calendars in the U.S. that are  
20 produced for calendars?

21 MR. BLUMBERG: No.

22 MR. GOLDFINE: What about if you could run  
23 through the same points about the plastic slides?

24 MR. BLUMBERG: Plastic, yes.

25 MR. GOLDFINE: I mean, probably the same  
26 kind of analysis I guess.

1           MR. BLUMBERG: Yes. I've only rarely come  
2 across plastic slides in some European countries, and  
3 those slides would be either injection molded or  
4 extruded. I have never come across any automatic  
5 machinery for attaching plastic slides to calendars.

6           Those that I've seen are necessary to be  
7 applied manually so it's a very slow and laborious  
8 process, and they are, to the best of my knowledge,  
9 not extensively used anywhere in the world.

10          MR. GOLDFINE: And again to your knowledge,  
11 plastic slides aren't used for calendars in the U.S.,  
12 aren't produced to be used for calendars in the U.S.?

13          MR. BLUMBERG: I've never come across any  
14 plastic calendar slides in the States.

15          MR. GOLDFINE: Okay. I don't know if you  
16 have anything to add. If not, that's fine.

17          MR. BLUMBERG: Mr. Gavronsky says he thinks  
18 the metal slide looks better. I agree.

19          MR. GOLDFINE: Okay. On domestic industry  
20 definition, again I think I understand your position,  
21 but it's the domestic producer of metal slides,  
22 Stuebing, and that's who's in the domestic industry.

23          MR. GOLDBERG: It makes the case pretty  
24 simple. Yes, we believe that's the case.

25          MR. GOLDFINE: And you're not, of course,  
26 contesting that I guess it's 17 machines that are used

1 at your -- maybe the number may be confidential, but  
2 the number of machines that are used at the Mexico  
3 facility, they're not in the domestic industry  
4 definition?

5 MR. GOLDBERG: No, although I would follow  
6 up on a question I think Ms. Lo said, and the  
7 witnesses could testify to this. I think that if  
8 relief is obtained I'm not aware that they wouldn't be  
9 bringing those machines back.

10 MR. GOLDFINE: Okay.

11 MR. GOLDBERG: Do you want to refer to that?

12 MR. BLUMBERG: Yes. We would certainly  
13 welcome the opportunity to bring them back to the  
14 United States if conditions allowed.

15 MR. GOLDFINE: Why is Stuebing the only  
16 producer of the metal slides in the U.S.? Is it  
17 because it's a small, niche market and Stuebing can  
18 meet the demand, or are there any other reasons?

19 MR. BLUMBERG: That's exactly the reason.  
20 It's a very small, niche market, and even though there  
21 were originally three manufacturers there just wasn't  
22 enough room in the market for three. The other two  
23 fell by the wayside, and we're fighting for our very  
24 existence at the moment.

25 MR. GOLDFINE: Okay. On injury, just so  
26 we're clear, I think the petition indicates there were



1 no subject imports coming in in 2002, so I'm trying to  
2 get a start date for the injury. I guess you're  
3 saying the injury is continuing up to now, but when  
4 did the injury begin? What was the date for that?

5 MR. GOLDBERG: In 2003, the blanket orders  
6 were done in early 2003 as has been testified to, and  
7 then they were canceled in September completely out of  
8 the blue. Norwood notified Stuebing that they were  
9 canceling.

10 Now, because this is a seasonal product and  
11 you can imagine -- it's in the papers too. I mean,  
12 these calendars really go on sale in a big way near  
13 the end of the year. It's impossible that Norwood  
14 would have all of a sudden decided to get rid of their  
15 big supplier in the U.S. in September and then start  
16 looking for somebody else.

17 I mean, clearly Nishiyama was already  
18 presumably negotiating with them, had already taken  
19 the business. They had already agreed on price or  
20 whatever the case may be and had that lined up before  
21 they let us go, so that process started in 2003.

22 The impact is continuing because those sales  
23 were lost, and then in 2004 it's a little different  
24 because you do have --

25 MR. GOLDFINE: Wait one second.

26 MR. GOLDBERG: Sure.

1           MR. GOLDFINE: Was there any injury prior to  
2           September of 2003? Are you claiming any injury prior  
3           to that time?

4           MR. GOLDBERG: Let me ask Mr. Blumberg  
5           because it becomes an accounting issue. If you mean  
6           in 2002 was there injury, the answer is no.

7           MR. GOLDFINE: Well, I'm talking about 2003.  
8           When did it start in 2003?

9           MR. GOLDBERG: Go ahead. Why don't you say  
10          when in 2003 the financial harm started.

11          MR. BLUMBERG: Yes. The injury started, to  
12          the best of my knowledge, in 2003, and that happened  
13          in September when Norwood canceled their blanket  
14          order.

15          MR. GOLDFINE: Okay. How much of Norwood's  
16          business have you retained percentage-wise, if you  
17          can?

18          MR. BLUMBERG: Maybe between 20 and 30  
19          percent.

20          MR. GOLDFINE: Why have you been able to do  
21          that? Why have you been able to retain some of their  
22          business?

23          MR. BLUMBERG: Well, it's the custom orders,  
24          and I suppose that it's difficult for them to get the  
25          specials or customs from Japan in time, so they're  
26          buying them from us.

1                   MR. GAVRONSKY: Can I just mention in 2002  
2 we had another customer that was pretty large, which  
3 was acquired by Norwood I guess somehow in 2003 or  
4 2004 -- it was JRI Sales Promotion -- so we actually  
5 lost additional business.

6                   MR. GOLDFINE: You lost additional business  
7 in 2003?

8                   MR. GAVRONSKY: Well, it wasn't just  
9 Norwood. In 2003, I think to the latter half of 2003  
10 and 2004, Norwood acquired the business from our  
11 second largest customer, which was JRI Sales  
12 Promotion, so they had that business as well.

13                   I haven't seen to this day that work, so if  
14 we're looking in total it could be a lot more that  
15 we're losing.

16                   MR. GOLDBERG: And just so the point is  
17 clear on the customs, these goods we believe come by  
18 ocean so it's easy for a blanket order to try to get  
19 the lowest price you can, but if you have a custom  
20 order within a very short amount of time and it needs  
21 to be filled, and I'm talking if you're Norwood, then,  
22 you know, they were still using Stuebing.

23                   There's no quality issue there. It's the  
24 same slide. It just happens to be an issue of  
25 logistics and timing.

26                   MR. GOLDFINE: Just so that I'm clear about

1 the lost sales, I thought I heard earlier that there  
2 was just one lost sale to Norwood, and now I'm hearing  
3 maybe you're claiming another lost sale. I just want  
4 to get the record clear on that.

5 MR. GOLDBERG: Yes. The only verification  
6 is the company that stopped buying at this point, and  
7 that's Norwood.

8 I think what Mr. Gavronsky was saying is  
9 that they had acquired another company right around  
10 the same time that this injury started occurring, and  
11 because they were now in the Norwood family then those  
12 sales were lost too.

13 It really goes to the point I think I made  
14 early on that says --

15 MR. GOLDFINE: It's still Norwood? I mean,  
16 it is Norwood?

17 MR. GOLDBERG: It is Norwood --

18 MR. GOLDFINE: Okay.

19 MR. GOLDBERG: -- because they bought that  
20 company. That's correct.

21 I mean, I think there's the injury that  
22 occurs in 2003 when the blanket order is canceled and  
23 they've switched to Nishiyama, and then there's the  
24 same impact of injury in 2004, but I think to be clear  
25 it's a little different because in 2003, as Mr.  
26 Blumberg testified, after the cancellation which

1 really to them came out of nowhere, they did  
2 everything they could to get this business back. They  
3 traveled to the facility. They met with this Mr.  
4 Smyth, who had made the decision apparently.

5 They learned later in the year that Norwood  
6 had gone to a different style with the Japanese style.  
7 The metal part is very similar. There's actually I  
8 think a little more metal in the Japanese style, but  
9 it's the plastic eyelet that is no longer there.  
10 We've submitted samples to the ITC I believe of both.

11 That's when Stuebing took the time and  
12 effort and expense to convert what had a plastic  
13 eyelet into a slide that didn't have a plastic eyelet  
14 and then tried to compete on that basis in 2004 and  
15 was unable to get the business back, so I would think  
16 there's a nuance of the injury difference.

17 The injury is the same in that they didn't  
18 get the sale, but I think the facts are a little  
19 different in 2003 and 2004.

20 MR. GOLDFINE: I want to ask Mr. Blumberg  
21 just a question or two about what you said this  
22 morning, or actually either of you can answer this.

23 I'm reading now from I guess Mr. Blumberg's  
24 affidavit in paragraph 11. It says, "After this  
25 visit, Stuebing incurred significant expense and  
26 trouble to convert a number of its metal calendar

1 slide machines to produce the Japanese type of metal  
2 calendar slide that Norwood was importing from Japan."

3 I guess my question is I understand your  
4 point that there are no quality differences. Are you  
5 saying there are no quality differences between the  
6 Japanese slide and what you are producing?

7 MR. BLUMBERG: Correct.

8 MR. GOLDFINE: But there were quality  
9 differences. I guess my question is why did you  
10 switch producing from one method to another? Why  
11 didn't you just insist and stick with your prior  
12 method of producing slides --

13 MR. BLUMBERG: Okay.

14 MR. GOLDFINE: -- if there were no quality  
15 differences?

16 MR. BLUMBERG: Yes. Well, I think that's a  
17 very interesting question because perhaps one should  
18 just stop and distinguish between quality and  
19 specification.

20 The situation was that for decades we  
21 supplied tens of millions of slides of the old, the  
22 American specification with the plastic eyelet, to  
23 Norwood, and they were okay with that for decades.  
24 I'm not saying that there were never quality issues.  
25 There were occasionally quality issues which were  
26 dealt with, but they were not significant in relation

1 to the total production that we supplied.

2           However, they then switched to the Japanese  
3 specification, and it's the specification in my  
4 submission. It's a specification difference rather  
5 than a quality difference. Once we switched to the  
6 Japanese specification for Norwood, which was what  
7 they requested, they were happy with the quality or  
8 specification.

9           MR. GOLDFINE: Okay.

10          MR. BLUMBERG: I'm sorry. Just to finish  
11 that --

12          MR. GOLDFINE: Sure.

13          MR. BLUMBERG: -- the main point, and you  
14 asked why we did that. The main point was that that's  
15 what the customer wanted, so we decided to give them  
16 what they wanted.

17          MR. GOLDFINE: And then I think you were  
18 reading from your prepared statement this morning or  
19 at least part of it. You said even with our  
20 willingness to match the imported price we were not  
21 able to win back the blanket purchase business.

22                 I guess my question is why do you think that  
23 was when you were competitive on price that even then  
24 you didn't get the business?

25          MR. BLUMBERG: That's a very difficult  
26 question to answer, and I'm almost reluctant to say

1 what may have been in Mr. Paul Smyth's mind.

2 MR. GOLDFINE: Well, the thrust I was  
3 getting at, and you can tell me if I'm wrong, but the  
4 email that you submitted to us that was May 6, 2004,  
5 that Norwood essentially there acknowledged at least  
6 that your slides were competitive in terms of quality  
7 with the Japanese slides, and now they're coming  
8 around and saying no, they're not competitive.

9 I gather you're saying, you know, the May 17  
10 email is what was their true view, and now they may be  
11 offering up a pretextual view. Is that what you're  
12 saying or not?

13 MR. BLUMBERG: I'm not quite sure that I'm  
14 following the question.

15 MR. GOLDFINE: I guess my question is do you  
16 believe they're being truthful now when they're  
17 telling you that your slides are lesser quality than  
18 the Japanese slides, or is that not a true reason for  
19 their actions?

20 MR. BLUMBERG: No, I believe it is.

21 MR. GOLDFINE: What is the reason then?

22 MR. BLUMBERG: Price. Price, and I think  
23 that price is the only reason.

24 MR. GOLDFINE: But even when you could match  
25 them on price you couldn't get the business, so that  
26 seems to suggest maybe there's something other than



1 price. I don't know. I don't want to put any words  
2 in your mouth.

3 MR. BLUMBERG: The only logical explanation  
4 that I can come up with is that someone at Norwood had  
5 it in his mind that it may be in Norwood's interest  
6 for there not to be a United States manufacturer  
7 because they had tied up an arrangement with a  
8 Japanese manufacturer.

9 Their supply had been taken care of, and if  
10 they suddenly took the last remaining metal  
11 manufacturing out of the market their competitors, the  
12 rest of the industry, would be in a world of hurt.

13 I can substantiate that a little further if  
14 you want me to.

15 MR. GOLDFINE: Sure.

16 MR. BLUMBERG: At I guess it was the last  
17 meeting that I had with Paul Smyth he asked me a  
18 question. He said what would happen to Stuebing if  
19 you lost all of Norwood's business? My answer to him  
20 was that if we didn't get at least 50 percent of  
21 Norwood's business there may not be a Stuebing the  
22 next year. He made copious notes about that.

23 It was almost as though he had an intention  
24 to give us as little business as possible, and that's  
25 the only reason that I can think of why he would do  
26 that.

1                   MR. GOLDBERG: Mr. Goldfine, obviously we  
2 don't know what the relationship is from a contractual  
3 or other purpose between Nishiyama and Norwood as of  
4 June of 2004, but I think it is fair to say we had  
5 lost the incumbency, and now the Japanese supplier was  
6 the incumbent. Therefore, why would they change if  
7 they could just get the same price from us?

8                   In other words, I'm sure that they were  
9 using the lower price to try to get an even lower  
10 price from us and then keep going, but we weren't  
11 willing to do that so where we matched we matched the  
12 incumbent. We couldn't go lower then to actually  
13 undercut the incumbent, which had already undercut us.

14                   I think that's a little different than a  
15 situation where we are the incumbent and we're willing  
16 to match before letting somebody else in the door.

17                   MS. MAZARD: Mr. Goldfine, can I sort of  
18 clarify?

19                   MR. GOLDFINE: Sure.

20                   MS. MAZARD: If you look at this industry  
21 and you go back to 2003, Norwood priced their blanket  
22 purchase order in January of that year. We got the  
23 cancellation in September, okay, so they canceled our  
24 blanket purchase order what we think is in preference  
25 to Nishiyama's.

26                   The following year we assumed that they then

1 went and, you know, put their blanket purchase order  
2 with Nishiyama that year. In March we submit our  
3 tender. We're already too late in the game. In May  
4 we learn the prices.

5 By June, by the time we retender they've  
6 already put in a contract with somebody else, so  
7 although we match on price there's already issues that  
8 have been -- you know, other factors have come into  
9 play where we've lost this business.

10 When you say it's just one lost sale, we  
11 want to reiterate that it's multiple lost sales, just  
12 one customer. Under the timeline by the time we  
13 matched -- we don't know what had happened, but we  
14 matched too late in the game, you know, we feel.  
15 That's our point of view.

16 MR. GOLDFINE: I have nothing further.

17 MR. CARPENTER: Go ahead. Ms. Clark?

18 MS. CLARK: Thank you. I'm Kelly Clark with  
19 the Office of Economics. I just wanted to start with  
20 a clarification. I believe that this is in relation  
21 to the price increase and then the rollback.

22 I believe that, Mr. Goldberg, you said that  
23 price rollback, the starting date for the price  
24 increase, was January 2003, and I believe you had said  
25 the rollback was two months later, but then in later  
26 testimony it appeared to be in 2004, so I just wanted

1 to see about the timing of the increase and then the  
2 rollback.

3 MR. GOLDBERG: When did you first roll back  
4 prices when you tried to increase them? Was it in  
5 2003 or 2004?

6 MS. RAMP: The actual tender was done in the  
7 spring of 2004.

8 MR. GOLDBERG: So I stand corrected. I'm  
9 sorry for that.

10 MS. CLARK: Okay. That's okay.

11 MR. GOLDBERG: I did hear that, and I  
12 obviously had it wrong.

13 MS. CLARK: Okay. My other question about  
14 that is were the increase in rollbacks specifically  
15 for some customers, or were they across the board for  
16 all of your customers?

17 MS. RAMP: The tender was specifically for  
18 Norwood.

19 MS. CLARK: Okay.

20 MR. GOLDBERG: Was there any other examples?  
21 You mentioned that you did not --

22 MR. GAVRONSKY: We did not raise.

23 MR. GOLDBERG: And is there a reason why you  
24 didn't raise? Why don't you let them know?

25 MR. GAVRONSKY: We suppressed prices just in  
26 case the Japanese had come in contact with our price.

1 We didn't want to add more fuel to the fire.

2 MS. CLARK: Okay. But this was in 2004?

3 MR. GAVRONSKY: 2004.

4 MS. CLARK: Okay. That's fine. I'd like to  
5 move to a discussion of export markets and prices in  
6 other markets.

7 Mr. Blumberg, you had mentioned in your  
8 testimony that Stuebing's export shipments have  
9 increased, and I would just like to ask maybe for some  
10 details about where your big markets are in the world  
11 and what the conditions of competition are in those  
12 markets in terms of who are the big players.

13 MR. BLUMBERG: Is any of this proprietary?

14 MR. GOLDBERG: If it is proprietary, then  
15 we'll do it in a posthearing submission.

16 MS. CLARK: That's fine.

17 MR. GOLDBERG: If you can comment on what is  
18 not proprietary, then I'll leave it to your  
19 discretion.

20 MR. BLUMBERG: Okay. Well, we're exporting  
21 to Mexico, other Latin American countries and all  
22 other manufacturers in those areas. Is there anything  
23 else that you --

24 MS. CLARK: In terms of you said that there  
25 are other manufacturers. I guess this is probably all  
26 BPI, but I was just wondering in terms of just your

1 market shares in these companies and just sort of your  
2 business conditions of competition in these markets.

3 MR. BLUMBERG: Yes. Yes. We do compete  
4 with other local manufacturers. We compete  
5 successfully --

6 MS. CLARK: Okay.

7 MR. BLUMBERG: -- with other local  
8 manufacturers in those areas.

9 MS. CLARK: And can you give me some idea of  
10 how the price in these other markets compares to the  
11 U.S. price?

12 MR. BLUMBERG: Both the pricing and the  
13 specifications in some of those countries is  
14 significantly lower than it is in the United States.

15 MS. CLARK: Okay. I'd also like to ask. In  
16 the petition you indicate that all or mostly all of  
17 imports into the U.S. market of metal calendar slides  
18 are from Japan.

19 Seeing as how there are other manufacturers  
20 of these products, have there even been other  
21 competitors in the U.S. market from different  
22 countries that make these products, or is this  
23 something that just happened recently with Japan?

24 MR. BLUMBERG: I believe that other  
25 manufacturers have tried to export to the United  
26 States and for whatever reason didn't succeed.

1 Usually probably quality.

2 MS. CLARK: Okay. I think my final question  
3 would be mostly about the seasonality and timing in  
4 terms of these blanket purchase orders that you  
5 receive.

6 When do you typically receive them, and when  
7 do you start manufacturing the product and when the  
8 delivery occurs just to give me an idea of the  
9 seasonality of this?

10 MR. BLUMBERG: Okay. Very roughly, a number  
11 of the blanket orders, the large blanket orders, would  
12 be received in the early part of the year, the first  
13 quarter, and we would start manufacturing  
14 progressively throughout the year so that everything  
15 was on hand at the time that it was required to be  
16 shipped.

17 MS. CLARK: And then they're usually shipped  
18 in the second or third quarter?

19 MR. BLUMBERG: Starting the second, third  
20 and fourth quarter.

21 MS. CLARK: Okay. I think that's all I  
22 have. Thank you.

23 MR. CARPENTER: Mr. Boyland?

24 MR. BOYLAND: David Boyland, Office of  
25 Investigations. I've already asked some detailed  
26 questions of the company that they've responded to. I

1 have no further questions.

2 MR. CARPENTER: Mr. Boyland, have you  
3 received responses to those questions yet?

4 MR. BOYLAND: Yes, sir.

5 MS. CLARK: Okay. Thank you.

6 Mr. Tsuji?

7 MR. TSUJI: Karl Tsuji, Office of  
8 Industries. I have several questions about the  
9 product, as well as the manufacturing process for this  
10 product.

11 First of all on the product, are there other  
12 types? Are there metal calendar slides made of other  
13 types of metal in addition to cold-rolled steel?

14 MR. BLUMBERG: No, sir.

15 MR. TSUJI: No aluminum slides?

16 MR. BLUMBERG: Not in the United States or  
17 Japan. I've seen occasionally very small quantities  
18 of aluminum slides made in other countries, but  
19 they're not very satisfactory. The strength of the  
20 material is not adequate.

21 MR. TSUJI: Okay. How about copper alloy  
22 slides or --

23 MR. BLUMBERG: Excuse me?

24 MR. TSUJI: Copper alloy slides? Brass?  
25 Bronze?

26 MR. BLUMBERG: No. Too expensive.



1 MR. TSUJI: Too expensive? Okay. You  
2 mentioned that the slides are made from cold-rolled  
3 steel. What type of steel is it? Is it just a carbon  
4 steel?

5 MR. BLUMBERG: I'm not a metallurgist so I  
6 don't know. We could certainly get from the steel  
7 mills the actual chemical makeup, but it's steel of  
8 commercial grade.

9 MR. TSUJI: Okay. And you purchase the  
10 steel from the mills or from a steel distributor or  
11 service center?

12 MR. BLUMBERG: A service center.

13 MR. TSUJI: A service center. Okay. I  
14 presume it's stripped and would be a narrower steel  
15 rather than a long or wide sheet?

16 MR. BLUMBERG: Actually sheet.

17 MR. TSUJI: Sheet? Okay.

18 MR. BLUMBERG: It comes in a wide coil.

19 MR. TSUJI: A wide coil? Okay.

20 MR. BLUMBERG: And then it's sheeted.

21 MR. TSUJI: Okay. So you would cut it to  
22 width before feeding the --

23 MR. BLUMBERG: Exactly.

24 MR. TSUJI: -- pieces into the machine?

25 MR. BLUMBERG: Exactly.

26 MR. TSUJI: The machines for producing the

1 metal calendar strips, are they pretty much automated,  
2 all-in-one, that will cut the strip to length, then  
3 fold it and then if necessary punch the tab on the  
4 strip as well? Is it one feed? One process?

5 MR. BLUMBERG: Exactly. Exactly.

6 MR. TSUJI: Okay. For strips that are  
7 coated, is that coating done after the production of  
8 the slide?

9 MR. BLUMBERG: The sheet is coated prior to  
10 any forming or cutting or bending.

11 MR. TSUJI: Okay. And do you do that  
12 in-house, or is that ---

13 MR. BLUMBERG: No. It's done by a  
14 specialist coater.

15 MR. TSUJI: Okay. So you purchase from  
16 those coaters?

17 MR. BLUMBERG: Not necessarily. We could  
18 purchase steel from a coater, or we could purchase  
19 steel from the vendor, and it could go to a specialist  
20 coater for coating.

21 MR. TSUJI: Okay. To your knowledge, is the  
22 production process for metal calendar slides similar  
23 in Japan as in the United States?

24 MR. BLUMBERG: Yes. Yes, sir, it is  
25 similar. The design of their production machines is a  
26 little different from ours, but the same processes.

1 Other than the fact that they do not add a plastic  
2 hanger, essentially the same.

3 MR. TSUJI: Okay. In the United States the  
4 production machine, will it also automatically attach  
5 the plastic hanger --

6 MR. BLUMBERG: Yes.

7 MR. TSUJI: -- in the same production  
8 process?

9 MR. BLUMBERG: The same process, yes.

10 MR. TSUJI: Okay. I think that's all the  
11 questions I have at this time. Thank you.

12 MR. CARPENTER: Thank you for your  
13 testimony. I do have a few questions myself related  
14 to your testimony.

15 If I could start with Mr. Blumberg? You  
16 indicated that the layoffs that occurred I believe in  
17 2004 were related to the transfer of your machines to  
18 your sister company in Mexico, and of course that was  
19 caused allegedly by the increased imports from Japan.

20 MR. BLUMBERG: Yes.

21 MR. CARPENTER: Again, a number of these  
22 questions relate to what could be considered business  
23 proprietary information, so if you prefer to answer in  
24 your brief feel free to say so.

25 Did you have a preexisting relationship with  
26 the company in Mexico before the imports from Japan

1 began?

2 MR. BLUMBERG: No, sir.

3 MR. CARPENTER: No? Okay. I think the  
4 Commission might be interested in the timing, you  
5 know, the sequence of events here.

6 If you have any sort of documentation like  
7 internal memoranda that might indicate the decision  
8 process from the time that you started to feel  
9 competition from the subject imports from Japan and  
10 what led you to decide that it was in your best  
11 interest to shift production to Mexico, if you have  
12 any documentation like that that you could provide in  
13 your brief I think that might be helpful.

14 MR. BLUMBERG: Okay. We'd have to look for  
15 that. I don't have any such documentation with me.

16 What I can say though was that the sequence  
17 was the Japanese imports, the loss of business from  
18 Norwood, some as you can imagine very deep discussions  
19 how to deal with the situation and then a decision to  
20 set up the plant in Mexico.

21 MR. CARPENTER: Did the company in Mexico  
22 produce either at that facility or another facility?  
23 Did they have any experience in producing --

24 MR. BLUMBERG: No. This was a company that  
25 we started from scratch --

26 MR. CARPENTER: Okay.

1 MR. BLUMBERG: -- just a short while ago  
2 after this whole thing happened.

3 MR. CARPENTER: Okay. Thank you.

4 MR. BLUMBERG: We could get that. Yes.

5 MR. GOLDBERG: We'll get you documents to  
6 show the incorporation or whatever it might be to show  
7 where the establishment of the company is in the  
8 timeline, and if there are any other documents that  
9 show even more direct causation we'll produce those on  
10 a confidential basis.

11 MR. CARPENTER: Thank you. I appreciate  
12 that.

13 Also with respect to you said in your  
14 testimony that in 2004 you moved your U.S. operations  
15 to a smaller premises in Cincinnati. If you have any  
16 documentation that would provide any sort of causal  
17 relationship --

18 MR. BLUMBERG: Sure.

19 MR. CARPENTER: -- between that move and the  
20 imports from Japan that would be helpful.

21 Mr. Gavronsky, in your testimony and others'  
22 I believe too you indicated that in 2003 that Norwood  
23 had placed its blanket purchase order in January and  
24 that they rescinded the order in September.

25 Had you actually started to produce calendar  
26 slides to satisfy that blanket purchase order before

1 it was canceled in September?

2 MR. GAVRONSKY: Yes, sir. We had actually  
3 completed the blanket. It was ready for them because  
4 coincidentally some of the blanket was meant to be  
5 released around about September.

6 MR. CARPENTER: If it's not confidential,  
7 could you tell me what month these slides were  
8 produced, what months of the year?

9 MR. GAVRONSKY: We generally have a slow  
10 period. Obviously the calendar season, everyone has a  
11 new calendar in January at the beginning, so the first  
12 quarter is predominantly slow.

13 At that time we get the blanket orders. We  
14 try and secure metal ahead so we've got metal on hand.  
15 We shop around for the best price of metal. It gives  
16 us time.

17 Because we have a limited supply of  
18 production, we can't produce these all in the last  
19 four or five months of the year so we have to produce  
20 it over and anticipate the production over the total  
21 year. In January and February and March we actually  
22 have started producing.

23 MR. CARPENTER: I believe this was your  
24 testimony, but please correct me if I'm wrong. The  
25 slides that you produced for Norwood and were unable  
26 to deliver to them, did those end up being exported to

1 your overseas customers or were they sold  
2 domestically? How were they disposed of?

3 MR. GAVRONSKY: We sold them domestically.  
4 Not everyone uses the same size, so sometimes a person  
5 has a need if the page is a little bigger or something  
6 and he could use them. We offered those slides.

7 MR. CARPENTER: Okay.

8 MR. BLUMBERG: I just wanted to add, if I  
9 may, that at the end of that year because of all the  
10 slides that we had made for Norwood we ended up having  
11 a much larger inventory at the end of that year than  
12 we normally do.

13 MR. CARPENTER: And I assume that that's  
14 reflected in your questionnaire response. I don't  
15 remember precisely.

16 I believe, Mr. Gavronsky, you mentioned and  
17 maybe others that you were told by Norwood in a number  
18 of meetings that the Japanese slides were  
19 substantially cheaper in price than your offer, but  
20 yet as I understand it from their opening statement  
21 that their argument is that the sale was lost not  
22 because of price, but because of quality  
23 considerations.

24 Is there any written documentation between  
25 you and Norwood that would indicate or where Norwood  
26 indicated that the prices were lower than what you

1 were offering? If you do have that, if you could  
2 provide that information in your brief?

3 MR. GAVRONSKY: It was verbal to me. Mr.  
4 Smyth told me verbally on numerous occasions. He told  
5 Mr. E.R. deBeer, who came with me. He told in front  
6 of Bill Pierman, our shop foreman. He mentioned it to  
7 Mr. Blumberg.

8 MR. CARPENTER: I realize a lot of times  
9 these conversations are just verbal, but if there was  
10 anything in writing if you could submit that?

11 MR. GAVRONSKY: Communication with Mr. Smyth  
12 was nil. I mean written communication. He would  
13 never respond. We've got numerous times where we  
14 tried to communicate with him. No response.

15 MR. CARPENTER: Thank you. Also, Mr.  
16 Gavronsky, in your testimony you stated that you have  
17 not yet lost sales to other customers, but you have  
18 had to suppress your prices to them to avoid further  
19 imports from Japan.

20 First of all, I assume these are U.S.  
21 customers you're talking about?

22 MR. GAVRONSKY: Yes.

23 MR. CARPENTER: Okay. Can you elaborate on  
24 that as far as why did you have to suppress your  
25 prices? Did these other customers find out about the  
26 shift in business or the fact that Norwood was



1 purchasing from Japan at lower prices?

2 MR. GAVRONSKY: Well, all I can say, if I  
3 can explain it this way, Norwood over the past few  
4 years had, like the steel industry, gobbled up the  
5 small individual. It's like U.S. Steel took over a  
6 whole bunch of places and then became this one huge  
7 corporation. That's what happened.

8 That's what's been happening, and that's why  
9 it's imperative when I contacted my other customers  
10 and explained had they been contacted by them, by the  
11 Japanese, that the answer was, you know, that if you  
12 don't do something about this we're all going to  
13 suffer the same way you are. We're going to go down  
14 the toilet. They're going to be the monopoly.

15 However, the point I want to make out is the  
16 slide is different. Our U.S. slide has a plastic  
17 hanger. All our other customers use the U.S. slide.  
18 Norwood has a different hanger, and when they start  
19 marketing their product it's going to be a different  
20 slide.

21 It's the type of industry where people talk,  
22 and they would find out if that slide came from Japan  
23 because we don't make that kind of slide. We  
24 certainly weren't going to promote that kind of slide  
25 to our other customers.

26 MR. CARPENTER: When you made an effort I

1 guess it was in 2004 to duplicate the Japanese slide,  
2 have you tried to market that to your other customers?

3 MR. GAVRONSKY: No. In fact, the other  
4 customers are probably waiting to see the outcome. I  
5 guess that if cheaper imports come in we'll have to  
6 combat it somehow. I mean, we're just waiting to see.  
7 I hope it doesn't come to that.

8 MR. CARPENTER: Do your other customers also  
9 purchase through blanket yearly purchase orders?

10 MR. GAVRONSKY: The larger customers do.

11 MR. CARPENTER: Okay. Are these customers  
12 all similar to Norwood in the sense that they're  
13 taking slides and they're producing finished  
14 calendars?

15 MR. GAVRONSKY: Yes.

16 MR. CARPENTER: Okay. I believe that  
17 concludes my questions.

18 Mr. Boyland has some additional questions.

19 MR. BOYLAND: I guess this question is sort  
20 of a more general one. It related to your other  
21 operations. I mean, the name of your company itself,  
22 you know, Stuebing Automatic Machine Company. There  
23 are other products being sold.

24 Could you discuss those, how they complement  
25 metal slides and how it fits into your business?

26 MR. BLUMBERG: Yes, that is correct. We

1 also produce calendar binding machines also known as  
2 tinning machines in the trade, and those machines,  
3 there's a range of those machines from manually  
4 operated to semi-automatic to more fully automatic,  
5 and those are used to attach the calendar slides to  
6 the calendars in a particular way. The paper comes  
7 into the open slide, it's clamped and then folded with  
8 a second fold to lock the paper into the slide.

9 MR. BOYLAND: The machines that you're  
10 selling, are you building these from scratch? Are you  
11 handling them? How does that work?

12 MR. BLUMBERG: It's a combination. Some  
13 machines we build from scratch and others have been  
14 assembled by us where the machine has been designed by  
15 us and then we assemble. We outsource the parts and  
16 then assemble it.

17 MR. BOYLAND: All right. Thank you very  
18 much.

19 MR. TSUJI: I have one further question  
20 about the production process for metal calendar  
21 slides, and that is the equipment. Is it dedicated  
22 equipment that only is used for producing metal  
23 calendar slides, or can other products be produced on  
24 the same equipment?

25 MR. BLUMBERG: No. They are in fact special  
26 purpose machines. They can only be used for that

1 purpose.

2 MR. CARPENTER: Mr. Goldfine?

3 MR. GOLDFINE: A couple of quick questions.  
4 First, if you can disclose this or put it in your  
5 postconference brief, but on a cost percentage basis  
6 how much are you saving by switching some of the  
7 production overseas?

8 MR. GOLDBERG: Can we maybe confidentially  
9 give you the labor rate differential? That would be a  
10 big part of it. I think we want to do that as a  
11 confidential submission.

12 MR. GOLDFINE: Sure. What would be most  
13 helpful is just an overall number, you know, on a cost  
14 percentage basis how much the company is saving.

15 MR. BLUMBERG: Yes. I don't have the  
16 information here, but we will get it.

17 MR. GOLDBERG: We'll get you the  
18 information.

19 MR. GOLDFINE: Sure. Can you elaborate on  
20 the difference so I understand between the price  
21 depression claim and the price suppression claim?

22 MR. GOLDBERG: Certainly. The price  
23 depression would be when we had to roll back the  
24 prices to try to get the business, and I believe that  
25 would apply then to custom orders as well.

26 MR. BLUMBERG: Yes.

1           MR. GOLDBERG: The prices were rolled back  
2 even on the custom orders that are placed. I would  
3 assume that. Is that correct?

4           MR. BLUMBERG: Let me get this straight.  
5 Prices to Norwood --

6           MR. GOLDBERG: Norwood, right.

7           MR. BLUMBERG: -- were reduced.

8           MR. GOLDBERG: And those apply even to  
9 what's being sold today?

10          MR. BLUMBERG: Yes.

11          MR. GOLDBERG: So that would be a clear  
12 example, for example, of a price depression where the  
13 price went down from where it otherwise was.

14                 The price suppression would be examples of  
15 where you did not increase prices, which I guess it  
16 depends on when you look at the calendar -- not to use  
17 a word that won't confuse people in this context -- as  
18 to when they first tried to increase the prices and  
19 couldn't do so.

20                 There's different tenders, so I suppose one  
21 of the tenders I guess in March of 2004 was a  
22 rollback, so certainly a suppression, unable to raise  
23 prices. Then certainly the tender in June of 2004 was  
24 a depression, a lower price that was not accepted for  
25 the blanket orders, but is in place now with respect  
26 to the custom orders.

1 MR. BLUMBERG: I believe so.

2 MR. GOLDBERG: With the understanding  
3 there's also volume differences, differentials,  
4 discounts with respect to volumes.

5 MR. GOLDFINE: This may be something that  
6 has been asked for already in your postconference  
7 submissions, but there's much information on a  
8 percentage basis, the amount of your total business  
9 that is the metal calendar slide business or total  
10 production and total dollar revenues.

11 That's all I have.

12 MR. CARPENTER: Okay. Ms. Lo?

13 MS. LO: Joanna Lo, Office of  
14 Investigations.

15 I just have a quick question on the  
16 interchangeability of Stuebing's metal calendar slides  
17 and the tinning machines you mentioned you make. Can  
18 any metal calendar slides be used on Stuebing machines  
19 and vice versa?

20 MR. BLUMBERG: Certainly the Japanese slides  
21 can be used on Stuebing's automatic machines, and  
22 Stuebing's slides can be used on the Japanese  
23 machines.

24 MS. LO: So there's no proprietary. I don't  
25 know if you can tell me or not -- if it's proprietary  
26 that's fine -- if you sold to Norwood most of their

1 calendar binding machines; were purchased from  
2 Stuebing or not?

3 MR. BLUMBERG: There were some machines  
4 which were Stuebing machines, and there were other  
5 machines which we had purchased from Nishiyama in the  
6 1980s and had sold to Norwood.

7 MS. LO: Thank you.

8 MR. CARPENTER: Okay. I want to thank the  
9 panel for your presentation and for your responses to  
10 our questions and thank the witnesses especially for  
11 coming here today to share your insights with the  
12 Commission.

13 At this point we'll take about a 10 minute  
14 recess, and after that will begin with the  
15 Respondents' panel.

16 (Whereupon, a short recess was taken from  
17 11:15 a.m. to 11:23 a.m.)

18 MR. CARPENTER: Mr. Thomas, please begin  
19 whenever you're ready.

20 MR. THOMAS: Thank you very much. Good  
21 morning again. I am Ritchie Thomas still of Squires,  
22 Sanders & Dempsey, counsel for Norwood Promotional  
23 Products.

24 We appreciate this opportunity to present  
25 Norwood Promotional Products' uniquely significant  
26 views on the injury allegations made by Petitioner in

1 this case. I am joined at the table by Kathleen  
2 Burns, vice president and general counsel of Norwood;  
3 Kevin Haala, Norwood's process manager; and Shelley  
4 Shoen, a buyer for Norwood.

5 The representatives of Norwood will testify  
6 as to Norwood's business, Norwood's experience using  
7 metal slides manufactured by Stuebing and by Nishiyama  
8 and the reason that Norwood switched its supply of  
9 metal slides from Stuebing to Nishiyama.

10 Before we begin our presentation though I  
11 would like to respond to a question raised by Mr.  
12 Blumberg. He wanted to know, as I recall, what the  
13 source was of our information that they had forced  
14 other U.S. suppliers of metal slides out of business.

15 The source is an exhibit, 3-A, to the  
16 petition which purports to be a declaration by Mr.  
17 Murray Blumberg in which he says that, "The domestic  
18 metal calendar slide industry used to have several  
19 members, but over time they were forced out of  
20 business or consolidated, leaving Stuebing as the sole  
21 remaining firm in the domestic industry."

22 As imports were not a factor in the market  
23 at that time, I can only conclude that it was Stuebing  
24 who forced them out.

25 We will turn first to Kathleen Burns, She  
26 is the vice president and general counsel of Norwood.



1 She will testify as to the business of Norwood.

2 Kathleen?

3 MS. BURNS: Good morning. My name is  
4 Kathleen Burns. I'm vice president and general  
5 counsel for Norwood Promotional Products, and I have  
6 served in this role since 2003. On behalf of Norwood,  
7 whose headquarters are in Indianapolis, Indiana, I  
8 wish to thank the Commission for granting Norwood the  
9 opportunity to present testimony at this conference.

10 As Mr. Thomas mentioned, in addition to  
11 myself, Kevin Haala and Shelley Shoen of Norwood's  
12 facility in Sleepy Eye, Minnesota, will also be  
13 offering testimony today. Kevin is the process  
14 manager at the Sleepy Eye facility, and Shelley is one  
15 of the buyers at the facility.

16 I'm here to provide some general background  
17 information about Norwood and its role in the U.S.  
18 promotional products calendar industry. Following my  
19 testimony, Kevin and Shelley each will discuss in more  
20 detail the numerous problems that Norwood has  
21 experienced with Stuebing's metal calendar slides over  
22 the years and how Stuebing failed to take the  
23 necessary actions to correct the problems which  
24 ultimately necessitated that Norwood seek the  
25 procurement of metal calendar slides from an alternate  
26 source.

1           As our testimony will indicate, Stuebing's  
2 metal calendar slides simply cannot compete with those  
3 that Norwood sources from Japan in terms of  
4 suitability for use in our calendar production process  
5 and are used right now only when required by special  
6 circumstances such as an immediate need for a slide of  
7 a dimension that Norwood does not have on hand in its  
8 inventory.

9           Accordingly, since there is attenuated  
10 competition between the domestic product and the  
11 foreign like product and since there is no real  
12 evidence to show that Stuebing is suffering material  
13 injury or that there is any threat of material injury,  
14 Norwood would respectfully request that the Commission  
15 render a negative preliminary injury determination in  
16 this proceeding.

17           I'd like to tell you a little bit about  
18 Norwood and its business operations and history. The  
19 company originated approximately 50 years when a  
20 gentleman by the name of Morris Smith started a  
21 baseball cap manufacturing company under the name  
22 Radio Cap Company.

23           After a number of acquisitions in the 1980s,  
24 which broadened the company's product offerings to  
25 include mugs, sporting/leisure products and wearables,  
26 Radio Cap was recapitalized with a combination of debt

1 and equity and was renamed Norwood Acquisition Company  
2 in 1989.

3 MS. BURNS: In 1993 the company again  
4 changed its name to Norwood Promotional Products and  
5 it was listed on NASDAQ under the ticket NPPI. In  
6 October 1998 Liberty Partners took the company private  
7 and the company remains privately held today.

8 I'd like to make a note that while Norwood's  
9 publishing operations have been in existence for over  
10 100 years, Norwood only acquired its calendar business  
11 five years ago through two significant acquisitions.  
12 Today, Norwood is one of the leading suppliers of  
13 promotional products in the United States.

14 Norwood has 16 core brand names and markets  
15 more than 4,000 products. In 2004, Norwood's revenues  
16 were approximately \$366 million. Calendars by far  
17 represent Norwood's largest product category. Norwood  
18 manufactures a variety of different kinds of  
19 calendars.

20 Some calendars are made using metal calendar  
21 slides while others utilize metal stitching, metal  
22 spiral binding or plastic spiral binding. All of  
23 Norwood's calendars are manufactured at the Sleepy Eye  
24 plant in Minnesota. Product brochures showing our  
25 calendar lines will be handed out and copies of the  
26 brochures will be submitted with Norwood's

1 postconference submission.

2 In 2004, calendars accounted for over 25  
3 percent of Norwood's revenues. Norwood believes that  
4 it has a dominant market share in the U.S. promotional  
5 products calendar industry. That industry is highly  
6 competitive.

7 In order for Norwood to remain competitive  
8 in this market and to keep manufacturing operations in  
9 the United States, Norwood must produce high-quality  
10 products and run its operations in a highly efficient  
11 manner in order to control costs.

12 Both of these objectives require that the  
13 metal counter slides that Norwood uses in its  
14 operations must be of a high-quality and cannot  
15 contribute to delays in operations. Regrettably,  
16 Stuebing slides failed to meet these criteria for  
17 several years.

18 Consequently, Norwood had to seek an  
19 alternative source. At this time, I will conclude my  
20 presentation and will allow Kevin Haala to discuss the  
21 quality problems that Norwood has experienced with  
22 Stuebing slides over the years and why Norwood  
23 ultimately decided to source from Nishiyama.

24 Thank you very much.

25 MR. THOMAS: Thank you, Kathleen. Kevin  
26 Haala is Norwood's Process Manager. He will testify

1 as to the decision to switch from the Petitioner to  
2 Nishiyama, how the change in supply came about and the  
3 advantages realized using the Nishiyama product.

4 MR. HAALA: Thank you. Good morning. My  
5 name is Kevin Haala. I have held the position of  
6 Process Manager at Norwood and its predecessor  
7 company, Advertising Unlimited, for 14 years since  
8 1991.

9 Prior to that I supervised the tinning  
10 department at Norwood's Sleepy Eye, Minnesota, factory  
11 for some four years, 1987 to 1991. The tinning  
12 department is the department responsible for binding  
13 of calendars using metal calendar slides, commonly  
14 called tin, employing specializing binding, sometimes  
15 called tinning equipment.

16 Prior to that I held a number of positions  
17 at Norwood's predecessor company and my total tenure  
18 with the company is over 27 years. As Process Manager  
19 I have a roving assignment to find ways to improve  
20 Norwood's production processes.

21 Those process improvements might include  
22 modification of plant layout, upgrades of equipment,  
23 purchase of new production equipment and worker  
24 training among others. In 2002, I turned to the  
25 tinning operation where Norwood was experiencing  
26 problems with the metal calendar slides being supplied

1 by Stuebing.

2           The problems with the Stuebing slides were  
3 longstanding and were significantly impeding  
4 productivity in the tinning department. In 2002, they  
5 seemed to be growing even worse. To explain those  
6 problems it is first necessary to describe how our  
7 metal slide type calendar binding equipment works.

8           In the tinning department calendars are  
9 stacked on table-like platform at one end of one of  
10 our binders and fed into the binders automatically  
11 functioning binding mechanism.

12           At the binding station the binding positions  
13 a V-shaped metal calendar slide into the binding  
14 mechanism, inserts the calendar into the V of the  
15 slide and then the machine's slide/press mechanism  
16 performs a double bend of the slide that locks the  
17 slide in place on the calendar.

18           The bound calendar is then mechanically  
19 discharged from the machine onto a collection chute  
20 where calendars stack on top of each other ready for  
21 wrapping or removal to another station.

22           In this process the slides are fed  
23 automatically into the binding machine by pointed  
24 separators, sometimes called nails, from a magazine  
25 loaded with stacked slides that is located toward the  
26 rear of the binding machine above the binding

1 mechanism.

2           Obviously, for this equipment to work  
3 properly and efficiently it is necessary for the metal  
4 calendar slides first to feed reliably and  
5 consistently from the magazine into the binding  
6 mechanism, second, when fed from the magazine to the  
7 binding station to lie in the mechanism properly to  
8 receive the calendar and for the binding folds to be  
9 performed, third, to be composed of metal with a  
10 thickness and a hardness that both facilitate  
11 operation of the binder and form a secure binding, and  
12 fourth, to permit the bound calendars to collect  
13 properly and without damage at the conclusion of the  
14 binding operation.

15           Our experience with the Stuebing slides was  
16 that they regularly failed to satisfy one or more of  
17 these requirements and consequently slowed production  
18 rates, caused jams and misfeeds in our binding  
19 equipment and that interrupted production and caused  
20 damage to our products.

21           The problems experienced by Norwood with the  
22 Stuebing slides included the following: significant  
23 variations in the thickness and hardness of the slides  
24 ranging from too hard, to crimp, to so soft that they  
25 could not hold their crimped form; slides prone to  
26 warping and bowing which would cause calendars to

1 misfeed; embedded slides, that is slides stuck fast  
2 together apparently due to Stuebing's slide design and  
3 poor quality paint so that they would not feed  
4 properly, a problem that meant we could not fill our  
5 binders' magazines more than one-third to one-half  
6 full and therefore had to reload frequently; irregular  
7 spacing between slides in a stack causing misfeeds;  
8 slides with a sharpish V-shape that adversely affected  
9 accepted and binding of multi-page products,  
10 particularly those with thicker stock; rectangular  
11 sharper ends on the slides which made them dangerous  
12 to handle and contributed to binder feed problems;  
13 slides stamped with steel sheet in such a way that the  
14 grain of the steel was sometimes oriented  
15 longitudinally with the slide and sometimes oriented  
16 vertically which seemed to lead to longitudinal  
17 bowing, particularly if the tin was thin or soft; and  
18 lastly, before Stuebing modified its product design in  
19 an effort to imitate the design of the Japanese  
20 supplier that we located, plastic eyelets attached to  
21 the slides were sometimes missing and sometimes curled  
22 up or down so that they caught against adjacent slides  
23 and caused misfeeds.

24 Later in 2003, Stuebing claimed to have  
25 addressed the embedded slides problem by stamping  
26 dimples into its slides in an effort to keep them from



1 sticking together. Norwood's subsequent experience  
2 was that the slides it received did not always  
3 consistently have the advertised dimples and that the  
4 problem of embedded slides did not seem to have been  
5 eliminated even when the dimples were present.

6 Norwood's complaints about these problems  
7 and the production issues they caused routinely were  
8 greeted by Stuebing with the response that such  
9 problems never happen anywhere else.

10 I later confirmed that claim was untrue when  
11 Norwood acquired McCleary-Cummings, a calendar  
12 manufacturer in Washington, Iowa, and I discovered the  
13 facility was experiencing the same problems as Sleepy  
14 Eye with the Stuebing slides.

15 Stuebing asserted that the problems recited  
16 by Norwood were not problems with Stuebing slides, but  
17 due to what Stuebing claimed were unqualified  
18 operators of the binding machines; poor binding  
19 machine operator practices; improper loading of slides  
20 in the binder magazines, for example, Stuebing  
21 maintained the magazines should not be filled;  
22 incorrect machine settings; and binding machines that  
23 were worn and in need of replacement.

24 The problems with the variations in the  
25 hardness and thickness of its slides and the  
26 inconsistency of grain orientation Stuebing blamed on

1 its steel suppliers and asserted that nothing could be  
2 done about them.

3 In the lingo of today's teenagers, Norwood  
4 was told by Stuebing to deal. Under that impression  
5 and assuming there was no alternative to Stuebing as a  
6 supplier that is just what Norwood tried to do for  
7 years.

8 In 2002, as the slide problems seemed to be  
9 mounting and nothing was being done about them by  
10 Stuebing, I began a search for a substitute binding  
11 method and alternative metal slide suppliers in the  
12 hope that the tinning department's production rates  
13 could be improved if better performing slides could be  
14 found.

15 I investigated alternatives at trade shows  
16 and among the products of other calendar  
17 manufacturers, looked for alternative suppliers abroad  
18 and even tried to identify U.S. based companies that  
19 might be persuaded to get into the metal calendar  
20 slide business.

21 One of my inquiries was to a U.S.  
22 distributor of foreign calendar binding machines who  
23 identified Nishiyama Kinzoku Company in Japan as a  
24 potential metal calendar slide supplier. I sent  
25 Nishiyama a faxed inquiry on October 22, 2002.

26 I received a response on October 24 from

1 Ackamack's BSI Corporation, which identified itself as  
2 the export sales agent for Nishiyama and reported that  
3 it was sending us catalogs, calendar samples and metal  
4 slide samples.

5 The literature subsequently received from  
6 BSI noted that Nishiyama had been producing calendar  
7 binding machines and metal calendar slides for many  
8 years, since 1958. When I received the slide samples  
9 from BSI it was at once apparent that they were  
10 designed and manufactured very differently from the  
11 Stuebing slides.

12 For one thing, the Nishiyama slides did not  
13 have a plastic hanging eyelet, but an integral eyelet  
14 stamped out of the metal slide. I also noticed that  
15 the Nishiyama slides seemed to nest together more  
16 precisely than the Stuebing slides and that they had  
17 rounded ends which eliminated sharp edges.

18 The product immediately impressed me. I  
19 followed up on November 2 with additional question.  
20 BSI responded on November. In answer to a question I  
21 had asked about Nishiyama's relationship if any with  
22 Stuebing, BSI reported that Nishiyama had exported to  
23 the United States in the 1980s including the sale of  
24 some 30 to 40 Nishiyama binding machines to Stuebing  
25 Automatic Machine Company.

26 It said that Nishiyama had essentially

1 stopped exporting to the United States early in the  
2 1990s when Stuebing started manufacturing and selling  
3 binding machines based on the Nishiyama machine, but  
4 with a different slide/press system.

5 The Stuebing system is one that by the way  
6 is much less effective than the cam-driven Nishiyama  
7 system. The Stuebing built machines rely on weaker  
8 air cylinder operation of the slide/press which is one  
9 of the reasons why Stuebing insists on supplying  
10 softer slides, although five out of our eight binding  
11 machines in this period were original cam operated  
12 Nishiyama built machines.

13 On November 8 and 11 there were further  
14 exchanges of emails in which I asked for larger, 1,000  
15 piece samples of certain standard sized slides from  
16 our exhaustive production tests and raised questions  
17 regarding the thickness and temper of the tin,  
18 production schedules and delivery timeframes. The  
19 samples were shipped in mid-January 2003 and were  
20 tested by us in early February.

21 Our report of the test results contained the  
22 following comments about the Nishiyama slides: very  
23 little machine set-up time; can fill the binding  
24 machine magazine to the top -- Stuebing had told us  
25 that we could not do this, that by doing this it would  
26 cause misfeeds with its slides; do not have to tap tin

1 to keep it feeding -- and this was without any of the  
2 dimples in the slides; tin does not double drop;  
3 eyelet is smooth and does not catch on the next piece;  
4 no sharp edges; can run tin down to the last piece;  
5 runs very well; less refilling of magazine needed; no  
6 eyelet problems; and product runs good.

7 In this same period we also researched  
8 slides produced by an Italian firm. Those had design  
9 features similar to the Nishiyama slides and therefore  
10 were superior to the Stuebing slides in that respect,  
11 but otherwise did not compare favorably to the  
12 Nishiyama slides in overall quality.

13 In early March, therefore, we placed a trial  
14 order with BSI for some 50,000 Nishiyama slides in  
15 order to validate the small sample tests. In the  
16 course of these exchanges with BSI we had asked and  
17 received answers to general questions regarding prices  
18 and delivery costs.

19 It was not until the end of February,  
20 however, that we requested and received price quotes  
21 for specific slides. We were surprised to find that  
22 even net of delivery and other costs the Nishiyama  
23 slides would actually cost us less than the Stuebing  
24 slides.

25 In other words, we had been paying premium  
26 prices for a very inferior product. We had even been

1 paying a special price premium to Stuebing to receive  
2 our slides in cardboard boxes. It was standard for  
3 Nishiyama slides to be shipped in cardboard boxes.

4 As we began to run the Nishiyama slides in  
5 longer production runs in our tinning department it  
6 became clear that we were seeing a major improvement  
7 in production rates and a disappearance of the jams  
8 and interruptions regularly experienced with the  
9 Stuebing slides.

10 This was especially noticeable and  
11 significant because in the same February to March 2003  
12 timeframe in which we had been conducting early trial  
13 runs of Nishiyama slides Norwood had Cinergenics, a  
14 systems analysis and design consultant, conduct an  
15 analysis of production rates in among other areas the  
16 tinning department and identify production targets.

17 Tally boards were set up in each production  
18 cell showing the target rate and how each shift was  
19 performing as measured against the target.

20 The production targets were set based on our  
21 binding machines running with Stuebing slides assuming  
22 optimal operation of the machines and no misfeeds or  
23 other interruptions of the process other than routine  
24 set-ups and changeovers when completing one job and  
25 beginning another.

26 Our experience then, which has continued to

1 be our experience to the extent we have continued to  
2 use Stuebing slides for special orders, is that over  
3 time the tinning operations typically operated at  
4 roughly 60 percent of optimal rates when Stuebing  
5 slides are used.

6 When Nishiyama slides are used the tinning  
7 operations typically run at an average of 100 percent  
8 or more of optimal rates, often running at rates that  
9 are as high as 125 percent of target. We have the  
10 production records to document these statements.

11 In addition, using Nishiyama slides we do  
12 not find it necessary to add a third person to the  
13 binding crew to tap and free up embedded slides and to  
14 handle the more frequent magazine loading necessitated  
15 by slide based limitations on magazine filling as was  
16 often the case when Stuebing slides were used.

17 Consequently, and based on the improved  
18 production rate alone, use of the Nishiyama slides has  
19 yielded large cost savings for Norwood.

20 The production rate based savings is so  
21 great that it is inconceivable to us that we would  
22 return to reliance on Stuebing as a metal slide supply  
23 source assuming virtually any conceivable slide price  
24 difference between the Nishiyama slides and the  
25 Stuebing slides.

26 We will provide the Commission hard numbers

1 to back up that statement. To conclude my part of  
2 Norwood's presentation, in 2003 Stuebing lost its sale  
3 of standard-sized metal calendar slides at Norwood to  
4 BSI not because of any price consideration, but  
5 because BSI offered Nishiyama slides that are so  
6 superior to Stuebing's product in design, materials  
7 and quality and therefore in the calendar production  
8 rates realized from their use that the Stuebing slides  
9 were not competitive except in those relatively few  
10 instances when Norwood needed a supply of slides  
11 delivered in a short time.

12 Continuing problems and low production rates  
13 with even those instances of Stuebing slide usage is  
14 leading Norwood to move to an all standard calendar  
15 line-up so that there will be no need for it to obtain  
16 any part of its metal calendar slide supply from  
17 Stuebing.

18 Thank you, and I would be happy to answer  
19 any questions during the question period.

20 MR. THOMAS: Thank you, Kevin.

21 We will now turn to Shelley Shoen. Shelley  
22 is a Buyer for Norwood. She will testify as to the  
23 problems that Norwood encountered using the  
24 Petitioner's product, the Petitioner's complete  
25 failure to address Norwood's concerns, the production  
26 improvements that Norwood experienced with Nishiyama's



1 product, Norwood's purchasing decisions and the  
2 continuing problems with Petitioner's slides that  
3 Norwood has experienced when circumstances have  
4 required it to use them in recent years.

5 MS. SHOEN: Thank you, Ritchie.

6 Good morning. My name is Shelley Shoen and  
7 I'm a Buyer for Norwood's Sleepy Eye, Minnesota,  
8 calendar publishing operations. I joined Norwood on a  
9 full-time basis in April 2001.

10 My duties at Norwood include arranging  
11 purchases of materials for which Norwood makes its  
12 calendars including the paper stock, film lamination,  
13 prepress and press supplies, wrappers and certain  
14 binding materials including the metal calendar slides  
15 that are the subject of the Stuebing Automatic Machine  
16 Company's petition as well as replacement parts and  
17 other articles needed for manufacturing operations  
18 carried out at the Sleepy Eye facility.

19 Since I joined Norwood, one of my  
20 responsibilities has been working with Stuebing  
21 including arranging the acquisition of metal calendar  
22 slides from the company, forwarding complaints about  
23 its products and dealing with supply and delivery  
24 issues as they arise.

25 Throughout this period Norwood has  
26 experienced problems with Stuebing's product and with

1 the company's service which finally resulted in our  
2 locating an alternative supplier in Japan, BSI Corp.

3 We intend to purchase essentially all  
4 Norwood slide requirements from BSI in the future  
5 because of the great quality and productivity  
6 advantages over the Stuebing slides exhibited by the  
7 BSI supplied Nishiyama slides.

8 When I began acting as Buyer for metal  
9 calendar slides in 2001 I found that Norwood was  
10 experiencing a variety of quality problems with the  
11 Stuebing slides used in their binding operations and  
12 information about these problems was regularly being  
13 communicated to Stuebing.

14 The problems seemed to get worse in 2002 and  
15 at that time Stuebing began to use generally softer  
16 metal in its slides. Its slides also seemed to have  
17 great inconsistencies in their hardness and thickness.  
18 This latter problem was subsequently acknowledged by  
19 Stuebing in a letter dated July 22, 2003.

20 Alan Gavronsky, Stuebing's President,  
21 advised us it would be necessary to follow certain  
22 guidelines in ordering slides for Stuebing built  
23 tinning machines "due to fluctuating thicknesses and  
24 temper of available material from which Stuebing was  
25 making its slides."

26 In response to Norwood's complaint in early

1 2002 Alan Gavronsky and Bill Pierman, Stuebing's  
2 machine shop foreman, visited Sleepy Eye. During that  
3 visit we discussed and demonstrated performance  
4 problems Norwood was experiencing with Stuebing  
5 slides.

6 We requested that Stuebing go back to using  
7 a harder steel in its slides. Stuebing responded that  
8 the softer material was needed to avoid binding  
9 machine wear problems, although we had experienced no  
10 unusual wear problems with the harder material.

11 At the same meeting we provided examples of  
12 slides in which the bend was not correct and as an  
13 example of the variability of Stuebing's product, some  
14 slides that were extremely hard. We discussed  
15 problems with embedded slides which Stuebing said it  
16 could cure by a plan to put dimples in its slides.

17 The dimples actually showed up much later.  
18 In a letter dated September 30, 2003, Stuebing stated  
19 that having been "alerted to some problems with  
20 stacking and scratching" of its slides the problem was  
21 being addressed by the addition of a series of dimples  
22 on the slides, an "innovation for which Stuebing was  
23 seeking a patent."

24 In the 2002 period we also had a problem  
25 with Stuebing's packaging of its slides. Several  
26 years before they decided to change from 200 or so

1 pound wooden boxes of slides to smaller 40 to 50 pound  
2 cardboard boxes.

3           Sometime around 2002 Stuebing changed back  
4 to wooden boxes, although of a smaller size. Our  
5 largely female staff in the tinning department had a  
6 great deal of trouble handling the heavy wooden boxes.  
7 We therefore insisted on having our tin packed in  
8 cardboard boxes.

9           Stuebing ultimately agreed to ship slides to  
10 Norwood in cardboard boxes, but demanded that we pay a  
11 three percent surcharge for the privilege of receiving  
12 it in this form of packaging. When the shipment of  
13 the cardboard boxed products started arriving we found  
14 that Stuebing was shipping the slides in topless  
15 cardboard boxes stacked on each other.

16           As a result of the sloppy packaging we found  
17 slides spilling out of the Stuebing packaging, damaged  
18 slides and slides had become discolored in shipment.  
19 Photographs of examples will be supplied with  
20 Norwood's postconference submission.

21           On several occasions in 2002 I sent samples  
22 with problem slides to Stuebing to demonstrate further  
23 problems Norwood was experiencing with its slides.  
24 Because Stuebing asserted that it frequently tested  
25 its slides on its machines in Cincinnati I also sent  
26 samples of Norwood's paper and calendars to be used in

1 that testing.

2 Packages of said samples were mailed to  
3 Stuebing on April 24, 2002, May 8, 2002, August 9,  
4 2002, September 27, 2002, and November 8, 2002.

5 Also, in June or July 2002 Norwood's  
6 Washington, Iowa, calendar facility found that it  
7 needed to switch to a slide that was seven-eighths  
8 inches rather than a three-quarter inch in width for  
9 its 12-sheet executive calendar hangers because of the  
10 softness of the slides it was receiving from Stuebing.

11 At that time, Norwood was advised by Alan  
12 Gavronsky that the softer material was the slide stack  
13 Norwood would be receiving from then on and Norwood  
14 simply had to make the necessary adjustments.

15 It was at the same time that I received the  
16 previously mentioned letter from Mr. Gavronsky  
17 advising us that we had to follow certain guidelines  
18 in the slides we ordered due to the fluctuating temper  
19 and thickness of the slides Stuebing was supplying.

20 In 2003, we continued to experience problems  
21 with Stuebing slides that adversely affected our  
22 production. We had complained frequently that we  
23 needed slides of sufficient hardness to hold the bind  
24 securely after the binding operation.

25 We needed slides that were a temper of four  
26 to five with a thickness of .19 millimeters, that is

1 7.5 thousandths of an inch. We were not receiving  
2 such material. With manufacturing in place and an  
3 increased emphasis on production rates the problems  
4 with Stuebing tin were simply not acceptable.

5 On June 5, 2003, and August 7, 2003, I sent  
6 additional correspondence and samples of unacceptable  
7 slides to Stuebing including the curly eyelets,  
8 embedded slides and soft metal. No response was  
9 received to the June 5 letter.

10 In the meantime, Kevin Haala had been  
11 corresponding with a potential slide supplier in Japan  
12 and testing small sample lots. In March 2003 we  
13 received a good report from Norwood's Asia office in  
14 Hong Kong about the supplier, BSI, and the Nishiyama  
15 products it supplied.

16 By mid-year 2003 we had started serious  
17 production type runs using Nishiyama manufactured  
18 slides and were getting very good results. By late  
19 2003 we had confirmed that the Nishiyama slides ran  
20 extremely well in our binding machine and that their  
21 use eliminated all our production problems that we had  
22 experienced with Stuebing slides which Stuebing had  
23 largely blamed on us.

24 By late August a decision was made to turn  
25 to BSI for our supplies of standard slides. Paul  
26 Smyth, at the time our Director of Supply Chain

1 Management and Purchasing, advised Alan Gavronsky of  
2 the fact by letter. Early in September, Mr. Gavronsky  
3 and Mr. Pierman visited Sleepy Eye and we again  
4 demonstrated the problems we were having with the  
5 Stuebing slides.

6 We told them that the replacement slides we  
7 had located seemed to run much better and for one  
8 thing we did not have plastic eyelets that had been  
9 giving us so much trouble.

10 Stuebing subsequently sent us a letter dated  
11 September 9, 2003, in which it returned to its  
12 customer practice of denying that there were  
13 substantial problems with its product and blaming  
14 Norwood for the poor production rates we were  
15 experiencing with their slides.

16 Stuebing blamed Norwood's complaints about  
17 the softness of Stuebing's slides on Norwood's binding  
18 machine operators supposedly having gotten used to a  
19 material that was too heavy. It claimed Norwood had  
20 failed to comply with Stuebing's instructions  
21 regarding changes in the sizings of slides  
22 necessitated by the variability in the hardness and  
23 thickness of the steel Stuebing was using.

24 It alleged that wear in parts of Norwood's  
25 machines and operator inefficiencies were responsible  
26 for slide misfeeds, low production rates and other

1 problems recited by Norwood. Incredibly, Stuebing's  
2 advice was to buy newly designed machines from it.

3           On December 8, 2003, Stuebing's owner, Mr.  
4 Blumberg, joined Mr. Gavronsky and Mr. Pierman in a  
5 visit to Norwood's Sleepy Eye plant. The group was  
6 informed that the Japanese calendar slides were far  
7 superior to theirs and were shown Nishiyama slides  
8 running at high production rates without problem and  
9 fully-stacked magazines.

10           They had relatively little to say. They did  
11 claim that consumers would not like the integral  
12 eyelets. During the December 8, 2003, visit, and a  
13 subsequent visit in March 2004 and on several other  
14 occasions since then we were repeatedly asked by  
15 Stuebing for information about the pricing of Japanese  
16 slides.

17           We generally tried to avoid responding or to  
18 respond in terms of percentages. On occasion when  
19 hard-pressed by Gavronsky I gave more detailed  
20 information; however, that was never done in context  
21 of asking for price concessions from Stuebing. Price  
22 was not the issue, performance was.

23           In early 2004, I sent a request for  
24 quotation for Norwood's 2004 slide purchases.  
25 Although we were very satisfied with the slides being  
26 purchased from BSI we sent the RFQ to BSI, Stuebing



1 and another U.S. company that we had determined was  
2 interested in becoming a source of metal calendar  
3 slides for Norwood.

4 We asked for bids for 20 percent, 50  
5 percent, 80 percent and 100 percent of Norwood's  
6 requirements. On March 4, 2004, Mr. Blumberg, Mr.  
7 Gavronsky and Mr. Pierman made another visit to Sleepy  
8 Eye. During that visit they brought out Stuebing's  
9 version of what they called Japanese-type slides.

10 They ran a few samples on a Norwood machine  
11 which remarkably demonstrated no immediate problems;  
12 however, Stuebing's slides remained significantly more  
13 roughly made than the Nishiyama slides. No apparent  
14 effort had been made to address the metal softness and  
15 variability problems or the multiple other problems  
16 that appeared to be responsible for the embedding and  
17 other feeding problems exhibited by Stuebing's slides.

18 On March 11, 2004, Stuebing submitted a bid  
19 for Norwood's 2004 orders. Stuebing's proposal was  
20 complicated. It involved the offer to place three new  
21 Stuebing machines at Norwood's plant at "no cost" to  
22 Norwood, and Stuebing offered a fixed price only for  
23 quantities above 50 percent of Norwood's total slide  
24 business.

25 Moreover, Stuebing's claim to have cut  
26 prices substantially showed it had not gotten to the

1 point. What Stuebing needed to do, but did not was  
2 come up with a product that was as good as the  
3 Nishiyama slides and gave us the high production  
4 rates.

5 In his March 11, 2004, letter Mr. Blumberg  
6 effectively acknowledged the advantages of the  
7 Nishiyama slides by referring to "the runability of  
8 productivity advantages of the Japanese specification  
9 slides."

10 He claimed that Stuebing had under  
11 development a new slide, which together with retrofits  
12 to its machines would reproduce the runability of the  
13 Japanese slides, together with what he asserted are  
14 "the product advantages to the end user of the plastic  
15 eyelet.

16 We do not believe there are any such  
17 advantages to a plastic eyelet. Norwood considered  
18 Stuebing's machine offer, but for a variety of reasons  
19 determined not to accept it. We determined to  
20 continue with BSI as our primary slide source and to  
21 use Stuebing slides only when delivery constraints  
22 made it possible.

23 Subsequently, pressed by Mr. Gavronsky we  
24 said that he could provide a more responsive quotation  
25 without the free machines and that covered a full  
26 range of options we had requested. However, because

1 of the performance problems we experienced with  
2 Stuebing slides we never gave his subsequent offer  
3 serious consideration, except for purposes of sourcing  
4 emergency supplies.

5 In the period since, Norwood has purchased  
6 Stuebing slides only when necessary to fill orders for  
7 calendars on an expedited schedule. From time to time  
8 we will have runs in which the Stuebing slides perform  
9 satisfactorily and meet target production rates;  
10 however, in general we continue to experience the same  
11 old problems with Stuebing slides.

12 Average production rates using Stuebing  
13 slides continue to be well below those we experience  
14 with the Nishiyama slides. As recently as a few weeks  
15 ago we had to purchase 50,000 slides from Stuebing  
16 because ocean shipment delays interrupted our supply  
17 from Japan.

18 Our experience with those slides  
19 demonstrated that the Stuebing slides continue to  
20 cause production rate decreases. With the most  
21 recently obtained Stuebing slides we ran roughly 60  
22 percent of target rate. We are now running at  
23 approximately 110 percent of target rate using  
24 Nishiyama slides.

25 We will provide the Commission staff records  
26 to document this. We did not request a quote from

1 Stuebing or anyone else for our 2005 slide  
2 requirements. We simply negotiated with BSI.

3 We intend to do away with nonstandard sizes,  
4 so that we can source all slide requirements from  
5 inventory on hand, and we will not have to source any  
6 slides from Stuebing and experience the associated  
7 production rate penalties.

8 In summary, the reason we turned to  
9 Nishiyama slides in 2003 and have continued to  
10 purchase them since in preference to the Stuebing  
11 slide is that the Nishiyama product is just far much  
12 better. Its performance advantages make it superior  
13 to Stuebing slides that Stuebing's product is simply  
14 not even remotely equivalent.

15 We would not seriously consider returning to  
16 Stuebing for any circumstance I can imagine. If we  
17 ever considered such a return I don't think that I  
18 could face the staff in the tinning department, which  
19 as a result of years of unhappy experience with  
20 Stuebing slides has come to detest both Stuebing and  
21 its product.

22 Thank you for your attention. I'll be happy  
23 to answer any questions.

24 MR. THOMAS: Thank you, Shelley.

25 That concludes Norwood's presentation and  
26 I'll turn it over to Nishiyama.

1           MR. VANDER SCHAAF: Hello. My name is Lyle  
2 Vander Schaaf from the law firm White & Case and I'm  
3 here with my colleagues, Corey Norton and Dan Murphy.  
4 We're here on behalf of Nishiyama Kinzoku Company,  
5 Ltd. in Japan and BSI corporation.

6           With us today is Shigeo Nishiyama, who is  
7 the Engineering Manager for Nishiyama in Japan, and  
8 Masao Akamatsu. He is the Managing Director of BSI  
9 Corporation. BSI Corporation is an import and export  
10 company in Japan that handles imports and exports for  
11 companies in Japan.

12           They are the export sales agent for  
13 Nishiyama in Japan. I want to make two points about  
14 that. I doubt that Mr. Akamatsu is going to make a  
15 whole lot of money off of Nishiyama as its export  
16 sales agent. They have two export customers as Mr.  
17 Akamatsu will testify.

18           One is a company in Hong Kong that produces  
19 calendars. It produces calendars on account for a  
20 Japanese calendar manufacturer who is a customer of  
21 Nishiyama in Japan. Nishiyama sells slides through  
22 this Japanese calendar manufacturer and at their  
23 request they also supply slides to the Hong Kong  
24 operation that then sells the calendars to this  
25 Japanese customer.

26           The only other customer that Nishiyama has

1 anywhere in the world other than Japan is Norwood and  
2 you heard their testimony this morning. Mr. Akamatsu  
3 speaks English, so he will be presenting the testimony  
4 on behalf of both himself and Mr. Nishiyama.

5 If there are any engineering or technical  
6 questions he will probably have to translate some of  
7 that to Mr. Nishiyama if he can't answer the question  
8 himself, but in any event we'll do our best to get you  
9 answers to your questions if they involve technical  
10 issues.

11 I want to make a comment about his  
12 testimony. We circulated a copy of his testimony and  
13 provided it for the other side. There are five  
14 diagrams in the back of the testimony that Mr.  
15 Nishiyama will be referring to throughout his  
16 presentation.

17 He will generally address Nishiyama's  
18 product, Nishiyama's operations and thread-based  
19 considerations. So on behalf of both he and Mr.  
20 Nishiyama, I'm going to turn it over to Mr. Akamatsu.

21 MR. AKAMATSU: Good morning. My name is  
22 Masao Akamatsu and I am Managing Director of BSI  
23 Corporation. Thank you for giving us the opportunity  
24 to present our testimony. Nishiyama has never looked  
25 for any customer in the United States.

26 However, all the U.S. customers, Norwood

1 chose to buy straight from us because it had problem  
2 with its supplier. Norwood has told us that  
3 Stuebing's slides caused production problems and  
4 Nishiyama's product didn't. Nishiyama's slides helped  
5 Norwood fix its problem because of ways our slides our  
6 different.

7 I'm very familiar with the technical data  
8 and production process of Nishiyama's slides. I'm so  
9 very familiar with the differences between Nishiyama's  
10 slides and Stuebing's slides. Nishiyama's slides are  
11 very different from Stuebing's slides in several  
12 technical ways.

13 First, Nishiyama uses different raw  
14 materials to produce its slides. Nishiyama purchases  
15 its steel in coil. Unlike Stuebing, Nishiyama's steel  
16 slides has consistent strengths and are thicker than  
17 Stuebing's slides. The steel Nishiyama uses bind the  
18 calendar paper consistently.

19 In contrary, we have known the steel slides  
20 do not always hold the paper customer want to bind.  
21 The strong slide also stretches the calendar and keeps  
22 the calendar flat. Due to the strength of the slide  
23 the post needed on the bind and the seam does not  
24 vary.

25 All the steel Nishiyama uses leads to  
26 efficient calendar binding. Second, Nishiyama's

1 production process is different. All of the calendar  
2 slides have a rough edge and a smooth edge. Nishiyama  
3 cuts its slide smooth so that the rough edge of the  
4 slides face to inside of the calendar.

5 The smooth edge faces the other side, the  
6 outside of the calendar. See Diagram 1. In contrast,  
7 the rough edge on Stuebing's slide faces outward.  
8 This leads to large production losses for customers  
9 because of outer rough edge, scratches other slides  
10 and calendar won't stretch.

11 Nishiyama's process includes on its stress  
12 test to smooth the rough right edge. See Diagram 2.  
13 Nishiyama's machines can also bind Stuebing's or  
14 Nishiyama's slides. Stuebing's machine only bind  
15 Stuebing's slides. Third, the result of Nishiyama's  
16 slides are loads. Customers to buy turning them more  
17 effective results to these slides.

18 Nishiyama's slides are bent into a *U*-shape.  
19 Stuebing's slides are bent into a *V*-shape. The degree  
20 of the *U*-shape ensures that the slides pack in their  
21 machine with a uniform difference between each slide.  
22 This uniform difference in the machine is extremely  
23 important if the difference between each slide is not  
24 uniform.

25 The matter of right way is now smoothly.  
26 The slides will jump up and cause production drags.



1 Someone must take time to reset and reroute the mount  
2 of the calendar slides. See Diagram 3. Nishiyama's  
3 runs from corner to corner in the slide and helps  
4 prevent the jump. See Diagram 4.

5 The round corner also do not scratch the  
6 calendar paper and Stuebing's pointed edge do.  
7 However, additional advantage of Nishiyama's slide is  
8 that the calendar bind worker don't hurt themselves as  
9 much on the sharp fried edge.

10 Nishiyama's use a different type of hangar  
11 in its slides than Stuebing. Metal for on the slide  
12 are made in two parts: the body of the slide and the  
13 hangar. Stuebing has attached a plastic eyelet hangar  
14 to the metal body of its slide with rivet.

15 On the other hand, Nishiyama attempts a  
16 metal hangar eyelet directly into the body of its  
17 slide at sometime as it turns the rounded edge. The  
18 difference between slides with a plastic eyelet and  
19 those with metal eyelet is so great that a price  
20 comparison between the two cannot be made.

21 For example, plastic eyelet requires the  
22 extra cost and production test of step of testing the  
23 plastic eyelet. Nishiyama's production process does  
24 not require this test. The rivets needed for plastic  
25 eyelet also called tacking problem. Nishiyama's  
26 slides are processed as sample is through the bind

1 machine.

2 Nishiyama's machines are powered by  
3 motorized press gears. Stuebing machines use weaker  
4 air pressure system for binding. Due to the  
5 differences, Nishiyama's machines bound more slides  
6 than Stuebing's in an hour.

7 Nishiyama's machines bind both Stuebing's  
8 and Nishiyama's slides. Nishiyama's slides don't work  
9 in Stuebing's machine because of the difference in  
10 angle of the bent part of the slides. Nishiyama's  
11 machines provide higher power to consistently bend the  
12 slide to the calendar paper.

13 This high power promptly bends the entire  
14 slide while Stuebing's machine does not consistently  
15 bend the end of the slide completely. The high power  
16 automatic, it's possible to hold the many pieces of  
17 paper firmly in one slide. See Diagram 5.

18 Nishiyama's progress in the United States is  
19 limited to our single customer, Norwood Promotional  
20 Products. Due to our relationship with Norwood we do  
21 not intend to sell metal calendar slides to other  
22 customers in the United States.

23 We didn't seek out Norwood or any other  
24 customer in the United States, instead Norwood came to  
25 us. Under our business philosophy we would not want  
26 to sell slides to a known competitor because it would

1 harm our valued relationship with Norwood.

2 In fact, Nishiyama has been approached by  
3 other U.S. calendar binding companies to supply them  
4 with metal calendar slides. We chose to not supply  
5 them because we don't want to disrupt no business.  
6 Nishiyama's production capital has remained unchanged  
7 since 2002.

8 Our capital is high and we have no funds to  
9 increase metal calendar slide production capital.  
10 Demand for metal calendar slides remains strong in  
11 Japan. Other than calendar slides, Nishiyama's  
12 revenue comes from production and sale of stacking  
13 machines, path riding machine and the like products  
14 like bird cages.

15 These products are higher value goods than  
16 calendar slides. The production processes and  
17 equipment used for these products are completely  
18 different from those used to produce calendar slides.  
19 They cannot possibly be used in the production of  
20 slides.

21 Nishiyama has no plans to increase its  
22 expose to either the United States or to any other  
23 country. In 2003, we started exporting our metal  
24 calendar slide to the United States market. If you  
25 compare our 2004 exports to those discarded in 2005  
26 you see that we do not plan to increase our exports.

1           Our only other export customer is a company  
2           in Hong Kong. However, Nishiyama customer in Hong  
3           Kong ships the final calendar back to our Japanese  
4           domestic customer. The Japanese customer requires the  
5           binder in Hong Kong to use Nishiyama's slides because  
6           it likes their appearance of the slides.

7           Nishiyama's all export customers are  
8           therefore Norwood and this Hong Kong customer who  
9           sells to a domestic Japanese customer. We are not  
10          aware of any other Japanese producer of metal calendar  
11          slides that exports to other countries.

12          Nishiyama has no inventory for the products  
13          we sell to Norwood. Nishiyama has no problem to  
14          change its inventory levels in the foreseeable future.  
15          All Nishiyama inventory is in metric size. Norwood,  
16          that's not all the metric sizes. Norwood is the only  
17          customer for whom we produced size measured in inches.

18          All of our production for Norwood is made to  
19          order and not sold from inventory. None of our  
20          inventory can be sold in the United States. Thank  
21          you.

22          MR. VANDER SCHAAF: That's all from the  
23          Japanese representatives here today, so I think, Mr.  
24          Thomas, that concludes all that we will be presenting  
25          and I'll just hand it back to you.

26          MR. THOMAS: Thank you very much. Yes.

1 That concludes our presentation. We have brought with  
2 us a number of samples which are over here on the  
3 table, and we can discuss those samples with the staff  
4 at any time.

5 What we have are samples of stacks of the  
6 Stuebing eyelet slides. You can look at those and see  
7 how the eyelets affect the stacking of the slides, you  
8 can also look at the edges of the slides and see how  
9 irregular the spacing is and how narrow the gap is.

10 We have several examples of so-called curled  
11 eyelets, we have a recent example of slides purchased  
12 from Stuebing of the so-called "Japanese type" where  
13 you will see that the metal is so soft it can be  
14 squeezed with your fingers. You will also see that  
15 the general quality of the slide is obviously of a  
16 lower grade, and indeed, if you run your fingers over  
17 it you'll see that it's rough.

18 By the way, be extremely careful with the  
19 Stuebing slides. They are very sharp and very  
20 dangerous. We also have an example of the Nishiyama  
21 slides and the difference is readily apparent. We  
22 don't need to talk about it, but we'll be happy to do  
23 so. Thank you.

24 MR. VANDER SCHAAF: I think all of the  
25 Nishiyama slides have the rounded edge. Does that  
26 mean everything else is a Stuebing slide?

1 MR. THOMAS: That would be correct. Yes.

2 MR. VANDER SCHAAF: Okay. For  
3 identification purposes.

4 MR. CARPENTER: Thank you for bringing those  
5 samples, Mr. Thomas.

6 For the record, we will accept the five  
7 diagrams that are appended in Mr. Akamatsu's testimony  
8 as an exhibit and those will be attached to the  
9 transcript.

10 Again, we'll begin the questions with Ms.  
11 Lo.

12 MS. LO: Hi. Joanna Lo, Office of  
13 Investigations. My first question is to Ms. Shelley  
14 Shoen. You mentioned that in early 2004 you asked for  
15 price quotes from three companies: BSI, Stuebing and  
16 another U.S. company.

17 We heard testimony previously that no other  
18 U.S. company produced metal calendar slides, so is  
19 this a company that's interested in starting to  
20 produce or one that already produced these?

21 MS. SHOEN: It is not a company that  
22 produces them at this current time, but they had come  
23 and looked at our operation and looked at the volumes  
24 and were interested in pursuing the production of the  
25 slides.

26 MS. LO: Can you disclose the status of this

1 company's interest at this point?

2 MS. SHOEN: It hasn't been further  
3 investigated by Norwood at this time being we have  
4 slides from BSI.

5 MS. LO: I have another question that Ms.  
6 Shoen, or Mr. Haala and Mr. Akamatsu may be able to  
7 answer. It's in regard to supply. You had testified  
8 that you don't plan on using Stuebing as a supplier  
9 even for short-term supplies of metal calendar slides,  
10 that you will carry an inventory from now on I  
11 believe.

12 You had said that you will purchase all from  
13 BSI in the future. I was wondering because Mr.  
14 Akamatsu had testified that they're at almost full  
15 capacity and they don't plan on increased capacity how  
16 you guys plan to meet without any kind of other  
17 suppliers?

18 MS. SHOEN: We have done some part number  
19 consolidation and simplified some things through our  
20 production process that really eliminates variations  
21 in sizes. For example, through our processes before  
22 our custom slides could vary from like 17 inches up to  
23 17 1/4, 17 1/2, 17 3/4 and then 18 inches.

24 We have made changes where we have  
25 eliminated the custom sizes of 17 1/4, 17 1/2 and 17  
26 3/4 and tried to drive those custom jobs to specific

1 sizes.

2 MS. LO: Thank you.

3 MR. VANDER SCHAAF: Can I just clarify as  
4 well, Ms. Lo? We did not mean to imply we're at 100  
5 percent capacity utilization levels. Our capacity  
6 utilization levels are high, I don't think I want to  
7 give the exact number publicly, but we're not at 100  
8 percent. So there is room for slight variations, but  
9 not much.

10 MS. LO: I also have a question just for Mr.  
11 Akamatsu. I had asked the Petitioner regarding the  
12 tinning machines that combined the paper to the metal  
13 calendar slide and they had responded that it's  
14 interchangeable whether the slides are Stuebing's or  
15 the ones from Nishiyama.

16 Mr. Akamatsu had said that they're not. Is  
17 that correct?

18 MR. AKAMATSU: You mean our slide?

19 MS. LO: Right. I believe you say that --

20 MR. VANDER SCHAAF: The question is whether  
21 the binding machines for Stuebing and Nishiyama can  
22 both use both companies' slides?

23 MR. AKAMATSU: Yes. I think so, you know.  
24 With the machines they can produce with Stuebing's  
25 slides and also our Nishiyama slides, but I'm aware of  
26 other Stuebing machines. I never saw their factory.



1 I can't say.

2 MR. VANDER SCHAAF: Can I clarify? I think  
3 the confusion is because the question was the machines  
4 that Stuebing supplies Norwood -- Stuebing produces  
5 binding machines and it purchases binding machines  
6 from Nishiyama and resells them.

7 Norwood has purchased from Stuebing,  
8 Stuebing manufactured binding machines and Nishiyama  
9 manufactured binding machines. I think Mr. Haala can  
10 clarify which ones that they buy can run both because  
11 I think the misunderstanding was that Stuebing  
12 supplies a Nishiyama machine that runs both, but they  
13 don't manufacture a machine that runs both.

14 MR. HAALA: Thank you, Lyle.

15 For clarification purposes, the original  
16 machines that we purchased from Stuebing and some from  
17 Nishiyama in the earlier years, in the 1980s and into  
18 the 1990s, that is correct, they are capable of  
19 running the Japan and/or the Stuebing tin.

20 The recent machines that we purchased from  
21 Stuebing which are their version which I indicated in  
22 my testimony that are the air cylinder driven  
23 machines, those are not capable of running Japanese  
24 tin, only the Stuebing tin. That again is because of  
25 the tinsel strings or the hardness of the tin.

26 MR. THOMAS: It's Ritchie Thomas.

1 Kevin, I think you mention that you had  
2 replaced those Stuebing machines.

3 MR. HAALA: That is correct. Ms. Shoen  
4 indicated in her testimony that Stuebing had made us  
5 an offer for equipment early in 2004. We considered  
6 that alternative and we have since replaced their air  
7 driven machines that we had purchased earlier from  
8 them with cam driven machines from Japan.

9 MR. VANDER SCHAAF: I just realized I made  
10 an assumption that I don't know is necessarily correct  
11 and I don't have firsthand knowledge of it and that is  
12 I said that Stuebing sells machines from Nishiyama and  
13 manufactures others. I'm assuming they manufacture  
14 the other machines, but I don't know firsthand.

15 MR. HAALA: Stuebing does.

16 MR. THOMAS: I think Stuebing testified that  
17 they assembled some.

18 MS. LO: I just was trying to see if the  
19 metal calendar slides can be used regardless of its  
20 origin on any machines that are available.

21 MR. THOMAS: Ms. Lo, this is Ritchie Thomas.  
22 Has that now been clarified or not?

23 MS. LO: Yes. Yes, it is. That's the  
24 source of my question. Thank you. Another question  
25 is to like product. Are you guys going to address the  
26 like product descriptions in your postconference brief

1 or do you agree with the Petitioner's like product  
2 descriptions in terms of interchangeability of the  
3 calendar slides?

4 MR. THOMAS: Ms. Lo, for the purpose of this  
5 proceeding it is Norwood's position that we are  
6 prepared to accept Petitioner's designation of its  
7 slides as the like product.

8 *Like* only in that it is the most comparable  
9 product in the United States to the imported metal  
10 calendar slides, although Norwood's experience is that  
11 it in fact is not very comparable at all, therefore,  
12 their definition of themselves is constituting the  
13 domestic industry.

14 However, we would note that if anyone looks  
15 at the catalogs of Norwood or Norwood's competitors it  
16 will be immediately apparent that a metal slide  
17 binding is not the only calendar binding method that  
18 is used or offered in fact by Norwood.

19 Now, it seems to be the case that one does  
20 not find paper slides or plastic slides significantly  
21 used in the United States for calendar binding;  
22 however, there are other calendar binding mechanisms  
23 which indeed are used in the same size calendars.

24 For example, as I think has been mentioned,  
25 metal spiral binding is one fairly common method, one  
26 that I understand is particularly widely used in

1 Europe, but also used in the United States. Plastic  
2 spiral binding is also regularly used and you'll see  
3 many calendars with that kind of binding.

4 As I say, for the purpose of this proceeding  
5 we are prepared to address Petitioner's case on the  
6 ground that is most favorable to them and that is  
7 their definition of like product in industry.

8 MS. LO: Thank you. That's all my  
9 questions.

10 MR. CARPENTER: Mr. Goldfine?

11 MR. GOLDFINE: Following up on like product,  
12 I assume then that Nishiyama would take the same  
13 position on like products, calendar slides?

14 MR. VANDER SCHAAF: Well, you know as well  
15 as I do, Mr. Goldfine, that any questions that are  
16 unresolved in a prelim go to a final. We think it's  
17 completely inappropriate that this investigation go  
18 beyond a prelim.

19 I don't want to comment on whether certain  
20 information should have been put in the petition  
21 because it's so basic and simple that it's always  
22 addressed in every investigation, but we have not been  
23 able to find other producers of, for example, paper or  
24 plastic slides.

25 There are competition, and causation and  
26 substitutability issues. Big issues related to some

1 of the other products that can be used for calendars.  
2 It is unclear to us whether or not those are  
3 manufactured in the United States, but some of these  
4 other alternatives were not even mentioned in the  
5 petition.

6 With that being said, at this point we  
7 haven't been able to find other domestic producers of  
8 those products.

9 There are certainly other products on the  
10 market that are fully interchangeable and  
11 substitutable that cut into the market share and the  
12 aggregate demand in the United States for the subject  
13 merchandise, but we haven't been able to locate  
14 manufacturers, so we're not prepared to take a  
15 position in the prelim that's inconsistent with the  
16 Petitioner's.

17 MR. GOLDFINE: So you're not offering up a  
18 different like product definition?

19 MR. VANDER SCHAAF: That's correct.

20 MR. GOLDFINE: Okay. Or domestic industry?

21 MR. VANDER SCHAAF: That's correct. I'm not  
22 sure what the domestic industry is right now having  
23 heard this morning that they shifted their machines to  
24 Mexico; however, and I have to say we will stress that  
25 it is the domestic U.S. production operations that are  
26 presently operating in the United States that matter.

1           The question to the Commission is present  
2 material injury, it is not past injury or past  
3 operations. Also, the question of threat will be  
4 addressed in the context of what their present  
5 production operations are in the United States.

6           MR. GOLDFINE: How long has Norwood customer  
7 of Stuebing? When did that relationship start?

8           MS. BURNS: Norwood only acquired, through  
9 two major acquisitions in 1999, its calendar  
10 operations from the predecessor company, which was  
11 known as Advertising Unlimited. I'm not sure the  
12 length of the relationship that Stuebing had with  
13 either McClery Cumming, who was the other acquisition,  
14 or Advertising Unlimited, prior to the present day of  
15 Norwood owning them.

16           I don't dispute that they said it was long-  
17 standing. I will say that since 1999 actually, and  
18 particularly in 2002, management changed very  
19 significantly at Norwood. A lot of that history has  
20 been lost.

21           MR. THOMAS: This is Ritchie Thomas. We can  
22 search for that information, as Ms. Burns indicates.  
23 We don't dispute that. As to predecessor companies,  
24 Stuebing has long been used as a supplier for metal  
25 calendar slides by those calendar operations.

26           Ms. Burns made another point with me during

1 the break that I think is of interest, and that is  
2 that after Norwood acquired these companies, it was  
3 only subsequent to that that they ever put in writing  
4 somebody who has addressed the supply chain questions.  
5 This is something that apparently the predecessor  
6 companies had not paid significant attention to  
7 before.

8 And as the testimony before you today has  
9 indicated, it was not until 2003 that they actually  
10 got someone to study their production rates and  
11 production rate problems in the tinning section, thank  
12 you.

13 MS. BURNS: Yes, I would elaborate that  
14 obviously Norwood, like many other companies, is a  
15 roll-out company that grew by acquisition. From those  
16 growth issues is a company that is now made up of what  
17 used to be 12 stand-alone companies. It takes some  
18 time to look at those issues, such as supply chain  
19 savings in all aspects, from your supply of paper to  
20 any kind of operating efficiencies you can achieve.

21 One of those, as Kevin mentioned, was the  
22 consolidation of the calendar facilities that used to  
23 be in Washington, Iowa into the Sleepy Eye facility,  
24 because we were under-utilized in Washington, Iowa.

25 MR. GOLDFINE: When was the alleged problems  
26 with the Stuebing slides first noticed or encountered?

1                   MR. HAALA: This is Kevin Haala. I would  
2 have to say that they have been ongoing. I made note  
3 in my testimony that I was in the Tinning Department  
4 in 1987 to 1991. I do not have the documentation to  
5 support production records from that time period, but  
6 I do know of the issues. As Kathleen mentioned, we  
7 did not have a person in position at that time that  
8 was directly working with the suppliers and trying to  
9 address --

10                   MR. GOLDFINE: I guess I'm talking about,  
11 since 1999.

12                   MR. HAALA: Oh, since 1999, I'm sorry -- I  
13 think it's ongoing. I would have to say it's been  
14 since day one.

15                   MR. THOMAS: This is Ritchie Thomas. Yes,  
16 what we've seen would indicate that it was constant  
17 throughout this period. But what we have seen also  
18 indicates that it appears that in 2002, Stuebing  
19 experienced some change in its raw material supply  
20 situation.

21                   I think we have one piece of correspondence  
22 which indicates that they are going to -- in fact, I  
23 know we do -- they are going to be having a  
24 substantially more variable metal supply.

25                   Because if they were to do otherwise and  
26 have specific, more limited specifications, they would



1 be quoted "the mercy of" their suppliers; meaning, I  
2 suppose, that they'd have to pay more for a high  
3 quality steel supply, so they would take whatever the  
4 steel suppliers gave them, and essentially told their  
5 customers that, you guys just had to do whatever you  
6 had to do to be able to use this stuff. So as I say,  
7 I think there was some degradation around the 2002  
8 period, maybe 2001.

9 MR. GOLDFINE: The problems got worse?

10 MR. HAALA: That is correct. It worsened  
11 after 2002.

12 MR. GOLDFINE: Okay, I think you identified  
13 roughly, and I tried to write them down, about eight  
14 problems. Is there any written documentation of any  
15 of those, the ones that you identified? Because that  
16 would be helpful for us to have.

17 MR. HAALA: Yes, they will be in the written  
18 submission.

19 MR. THOMAS: Yes, we have written  
20 documentation. We have written documentation that  
21 those problems continued. I'm holding here a report,  
22 a production sheet from the Tinning Department of  
23 three of them, dated July of this year. As you know,  
24 we testified that they continued to use some Stuebing  
25 material.

26 MR. GOLDFINE: Yes, I guess I'm talking

1 about, what's the earliest written documentation you  
2 have? How far does it go back?

3 MR. THOMAS: Not as far as we would like --  
4 because unfortunately, they did not keep their records  
5 for more than a few years. But we will give you some  
6 samples of what we have.

7 MR. GOLDFINE: Okay, of the ones you  
8 identify, were there certain problems that were more  
9 common than others; or could you just tick off the  
10 most typical problems?

11 MR. HAALA: Our typical problems were the  
12 tin not following the need for an additional staff,  
13 which obviously increased the labor costs, reduced the  
14 production rate, and then the overall quality of the  
15 tin itself.

16 MR. GOLDFINE: I guess, for Ms. Shoen, the  
17 Petitioners put into the record this e-mail from you  
18 to Pam Stamp, dated May 6, 2004. Do you have a copy  
19 of that e-mail?

20 MS. SHOEN: Yes, I do.

21 MR. GOLDFINE: All of the problems that you  
22 and Mr. Haala have identified, why weren't any of  
23 those mentioned in that e-mail?

24 MS. SHOEN: The product varied from box to  
25 box, to day to day. It seemed that one day we could  
26 have runability that was, you know, somewhat

1 acceptable. The next day we experienced lots of  
2 problems with production rates that were really low.

3 MR. GOLDFINE: So the sentence there that  
4 says, "The runability is the same as the Japanese  
5 product and is acceptable," were you talking about the  
6 runability on May 6th, 2004?

7 MS. SHOEN: Correct.

8 MR. GOLDFINE: Just for that day?

9 MS. SHOEN: Yes.

10 MR. HAALA: Mr. Goldfine, this is Kevin  
11 Haala. I'd just like to add to that, and to clarify  
12 that I would agree it was not when things went bad.  
13 It was all bad from that time forward. There were  
14 periods when things did get better, and then they'd  
15 worsen. So overall, it was the inconsistency in  
16 product.

17 I would also like to point out, in that very  
18 same e-mail, the second paragraph that does identify  
19 some problems that we were having.

20 MR. THOMAS: This is Ritchie Thomas, again.

21 MR. GOLDFINE: One other thing I just wanted  
22 to follow-up on, in the other two sentences there, I  
23 guess the answer is going to be same. But just to get  
24 it on the record, "They noted to me that the weight of  
25 the boxes is acceptable. The Japanese boxes were  
26 heavier. They also commented that after the

1 calendars, tinned Stuebing versus Japanese tinned  
2 Norwood calendars stacked better."

3 Again, are those comments referring to a run  
4 on that day, or just a set of runs on that day?

5 MS. SHOEN: Yes, and if you notice the  
6 subject line, it says 17 inch slides. That doesn't  
7 mean that it was all the slides that we were getting.  
8 So I was specifically talking about one size of slide.

9 MR. GOLDFINE: I guess I also have one other  
10 question, just as I understand it. Before you sent  
11 this e-mail to Stuebing, why didn't you wait to  
12 perform more runs before indicating you were  
13 satisfied, rather than just sending off an e-mail the  
14 day of the actual run?

15 MS. SHOEN: Because I recall there was a  
16 phone call, asking me to send an e-mail. So I went  
17 out on the production floor and specifically watched  
18 the 17 inch slides, and then came back and gave this  
19 report.

20 MR. GOLDFINE: Do you want to add anything?

21 MR. THOMAS: I was just going to suggest  
22 that it is useful to read the entire e-mail, and look  
23 at the second paragraph which is not such a glowing  
24 report. Again, it was a specific run. This run, you  
25 know, it's running all right, but we're getting  
26 product that we think is going mark-up the calendars

1 or what have you.

2 MR. GOLDFINE: Okay, I understand now where  
3 you're coming from. The e-mail doesn't mention that  
4 it's a specific run. So that's why I was asking about  
5 that.

6 MS. SHOEN: Excuse me, it does refer to only  
7 17 inch slides.

8 MR. GOLDFINE: That's right.

9 MS. SHOEN: Okay, thank you.

10 MR. GOLDFINE: I think it was Mr. Haala, you  
11 identified this. How many differences are there --  
12 let me ask you that way -- between the Stuebing  
13 product and the Japanese slides? Are there  
14 differences, four differences, ten differences?

15 MR. HAALA: You're talking the differences  
16 in the material itself, or the variability?

17 MR. GOLDFINE: Is there any difference in  
18 the raw material?

19 MR. HAALA: Raw material -- it is difference  
20 in material itself, product fitness, difference in the  
21 eyelet obviously, the plastic eyelet versus the eyelet  
22 that is stamped right out of the metal itself, which  
23 you would see in the samples, the rounded edges versus  
24 the square edges.

25 As Mr. Akamatsu testified, the fact that the  
26 tin is cut in a different manner and does not have the

1 sharp edge; the fact that the product nests together  
2 better and does not have what Stuebing referred to and  
3 added as, excuse the term, a bandaid, to rectify the  
4 problem, so that the product would nest together so  
5 tightly and be locked and then not fall properly in  
6 the binding machine magazine; paint and quality that  
7 allowed, again, the sticking issue, and/or product  
8 quality where it was rubbing off as mentioned in the  
9 previous e-mail we just discussed. The product was  
10 rubbing off onto other products, as they were stacked  
11 other or the operators' hands and then getting onto  
12 products.

13           There was the design of the bend itself, the  
14 U-shape versus the V-shape, which allowed the sheets,  
15 especially when you get into the thicker product of  
16 the multi-sheet product, it allows the product to go  
17 into the slide much further and be locked into  
18 position, versus the V-slide.

19           MR. GOLDFINE: Are there any other things?

20           MR. HAALA: As I mentioned earlier, it was  
21 the temper of the tin, the hardness. Again, as you  
22 see on the samples, you can squeeze out better.  
23 Again, with the design of equipment and Stuebing's  
24 cam-driven machines, it allows that tin in the metal  
25 slide to be formed around the calendar and locked into  
26 position, and hold its form as the customer is tearing

1 off the sheets or hanging it on the wall.

2 MR. GOLDFINE: Okay, that's everything?

3 MR. HAALA: I think so.

4 MR. GOLDFINE: With all the problems you've  
5 identified, how was it that you were able to use and  
6 sell Stuebing's product, prior to Nishiyama entering?

7 MR. HAALA: I don't believe it was as much a  
8 sell question, as much as it was productivity on our  
9 side; that it cost us more in our operation to produce  
10 the product. It was much more frustrating. The  
11 labor, the productivity rates were affected.

12 From the selling standpoint, yes. I don't  
13 have the documentation for this, but there were some  
14 quality issues as to customer returns from sharpness  
15 of metal, from the plastic eyelets not being attached  
16 or not attached properly.

17 MR. GOLDFINE: Is it fair to say you were  
18 satisfied enough with Stuebing to buy from them?

19 MR. HAALA: Until finding an alternate  
20 supplier, yes. As noted in my testimony, we learned  
21 to deal because we thought they were the only supplier  
22 out there.

23 MR. GOLDFINE: I think there was some  
24 testimony in late 2003 that Norwood concluded that the  
25 Nishiyama slides ran well and eliminated all the  
26 production problems that Stuebing slides had. When

1 was the decision made to purchase from Nishiyama?

2 MR. HAALA: Shelley might know this.

3 MR. GOLDFINE: And who made that decision?

4 MR. HAALA: It was a decision by management  
5 staff, along with purchasing, at Norwood. I gave some  
6 brief detail of the steps that were taken to lead to  
7 that decision. Again, we initially obtained samples.  
8 We had various interaction with Nishiyama via e-mail,  
9 fax, et cetera. After testing various samples on  
10 select products and gradually increasing the  
11 production runs to ensure ourselves that yes, they  
12 weren't just sending us a few good samples, this held  
13 consistency very much so; unlike the Stuebing.

14 Again, if I could reflect back to that,  
15 Stuebing would send us some good shipments, too. But  
16 then the next day or next shipment, it might be  
17 totally different.

18 So once we had assumed our comfort level  
19 with the Nishiyama tin, then we made the decision to  
20 obtain select sizes and go further into this  
21 eventually with them.

22 MR. THOMAS: This is Ritchie Thomas. The  
23 evidence we have seen indicates that decision was made  
24 around August 2003. To the extent that the reference  
25 to late 2003 may be misleading you, it was at the same  
26 time or shortly before that, that the decision was



1 made that the Nishiyama tin was running in large  
2 quantities on long production runs very  
3 satisfactorily.

4 MS. BURNS: I think it's important to give  
5 you guys an idea of the context of what was happening  
6 in the company, in its entirety, during this same  
7 timeframe. During this same timeframe, starting in  
8 2003 going through 2004, we closed four facilities.  
9 We consolidated four factories into existing  
10 factories.

11 We had Synergetics out, which was a  
12 consulting company that looks at operations and ways  
13 to achieve production efficiencies at all of our  
14 facilities. So this was the first time in a long time  
15 that anybody from what had been Advertising Unlimited  
16 and McClery, had a chance to voice what are the  
17 problems you're experiencing, not just in tinning, but  
18 in all facets of production.

19 The division president was hired in 2003,  
20 that was specifically charged with going to \_\_\_\_\_.  
21 He spent almost a whole year there, just looking at  
22 publishing the same thing. We hired our VP of supply  
23 chain management.

24 So I think it's a little misleading to  
25 suggesting that there was this eureka moment when we  
26 decided, let's switch our tinning supplier. We

1 reduced our employee base by about 1,100 folks, to  
2 achieve similar efficiencies in production that have  
3 nothing to do with the fact that we found a cheaper  
4 supply source from somewhere else. So I just wanted  
5 to add that to the general context.

6 MR. GOLDFINE: Is price a factor in  
7 Norwood's decision whether to purchase metal slides?

8 MR. THOMAS: They can respond to you, but  
9 let me give you a piece of information that I think  
10 you need. We have talked about differing production  
11 rates. Obviously, differing production rates have an  
12 impact on the cost of production.

13 If one looks at those different production  
14 rates and compares the cost advantages of the higher  
15 production rates using the Nishiyama tin, with the  
16 cost of the lower production rates of using the  
17 Stuebing tin, what one sees is that that difference is  
18 so large that it swamps any price difference which is  
19 being discussed at the conference this morning, and we  
20 will demonstrate that with our post-conference  
21 submission. But this is confidential information, and  
22 we're not going to give you the numbers here today.

23 MR. GOLDFINE: I didn't ask for any numbers.

24 MR. THOMAS: I understand that. But I will  
25 ask Shelley to respond, as the buyer, to your  
26 question.

1 MR. GOLDFINE: Is price a factor? That's my  
2 question.

3 MS. SHOEN: As I testified, I said price is  
4 not the issue; performance was.

5 MR. GOLDFINE: I understand you said that.  
6 I guess what I'm getting at here is, is performance  
7 the only factor that you consider, or do you also  
8 consider price?

9 MS. BURNS: As someone who is on the  
10 management team, I will tell you, of course, price is  
11 a factor. I'm not going to deny that at all. If we  
12 have a like product, exactly the same quality, and one  
13 is 10 cents cheaper, I would have to answer to my  
14 stakeholders as to why we went with the more expensive  
15 supplier.

16 MR. GOLDFINE: There was some reference to  
17 asking price quotes from Stuebing in early 2004. Is  
18 that right?

19 MS. SHOEN: Please restate that.

20 MR. GOLDFINE: I thought I heard some  
21 testimony -- and you can correct me if I'm wrong --  
22 that Norwood had asked Stuebing for a price quote in  
23 early 2004. Is that right?

24 MS. SHOEN: You're talking about the RFP  
25 portion of it; in March of 2003 that was, that I sent  
26 out the RFP. No, I continue to use the same pricing

1 schedule that I have from 2003 from Stuebing, unless  
2 it becomes a slide that is something we have never  
3 used before or of a difference color.

4 MR. GOLDFINE: I'm talking about, at any  
5 time.

6 MR. THOMAS: I'll get this on the record. I  
7 think Shelley was responding in the context of 2005,  
8 where she's indicated they negotiated a purchase  
9 arrangement with BSI.

10 In 2004, as her testimony indicated, Norwood  
11 did send out a Request for Quotations, in which they  
12 did ask for quotes from the three different companies  
13 that she mentioned. My understanding was, that's what  
14 your question was directed to.

15 MR. GOLDFINE: Right, that's right.

16 MR. THOMAS: Shelley?

17 MS. SHOEN: Subsequent in 2004, we did not  
18 request quotes from anyone. We just simply negotiated  
19 with BSI.

20 MR. THOMAS: In 2004.

21 MS. SHOEN: I had my years mixed up. In  
22 2004, I did send out the RFQ, and I have been using  
23 the Stuebing pricing. I had made a phone call to  
24 Pamela Ramp, and asked her in early 2005 if I was  
25 supposed to continue to use that pricing or if they  
26 were going to send a new pricing quotation to me for

1 any 2005 business. She indicated to me to continue to  
2 use the pricing that had been submitted for 2004.

3 MR. GOLDFINE: I think what's been said  
4 here, and correct me if I'm wrong so we can move on,  
5 in 2004, you asked for a price quote from Stuebing.

6 MR. THOMAS: That is correct, yes.

7 MR. GOLDFINE: Did Norwood ever ask Stuebing  
8 to lower or cut its prices?

9 MS. SHOEN: I did not, no.

10 MR. GOLDFINE: Or do you know if anyone at  
11 Norwood ever asked that?

12 MS. SHOEN: I don't know that. I don't know  
13 of anyone that did.

14 MR. GOLDFINE: I'm sorry, Mr. Haala?

15 MR. HAALA: I'll respond to that, but I'm  
16 going to also defer the question to Shelley, just  
17 because she is a buyer. I generally do not get  
18 involved in the pricing. But as I am aware, no one  
19 asked.

20 MR. GOLDFINE: So to your knowledge then,  
21 Stuebing reduced its prices on its own, without any  
22 requests from Norwood.

23 MS. SHOEN: That is correct. I'm the buyer  
24 of that material. So I would have been the only  
25 person of that authority to ask or request that.

26 MR. THOMAS: This is Ritchie Thomas, again.

1 Ms. Shoen has testified that she was frequently asked  
2 about the import prices by Stuebing. So certainly,  
3 there was some information about price which was being  
4 exchanged.

5 In order to make this clear, we should also  
6 mention that there was a Mr. Paul Smith who was at  
7 Norwood at this time, and was involved in these  
8 purchasing decisions and was Shelley's superior. He  
9 is no longer with the company. So we have to leave  
10 open the possibility that there were exchanges between  
11 him and Stuebing representatives, about which we have  
12 no knowledge. So we can't completely answer your  
13 question.

14 MR. GOLDFINE: Could you just amplify a bit  
15 on why Norwood has continued to buy some from  
16 Stuebing? I think there was some reference to an  
17 emergency supply need, or could you just explain that  
18 a little?

19 MS. SHOEN: Are you talking, David, about  
20 the 50,000 slides?

21 MR. GOLDFINE: I'm just talking, anything.

22 MS. SHOEN: Oh, in general, okay, we have  
23 custom slide business, where are customers have a  
24 specific calendar that they have in mind or have  
25 designed, and they want a specific slide color, other  
26 than, you know, possibly the black. As our exhibits

1 show, we do have a custom blue color.

2 So for different various reasons, because of  
3 size, what we don't have on hand, or for color, that  
4 would be the reasons to source from Stuebing.

5 MR. HAALA: Mr. Goldfine, this is Kevin  
6 Haala. I would just add to that the fact that this is  
7 custom business that is ordered in the fall of the  
8 year by customers that don't give us advance notice.

9 They come in, in the fall, and they say, I  
10 would like this calendar, "x" amount, that's this  
11 size. So we are not able to pre-order that and build  
12 up inventory again, because we do not know what size  
13 or what color that would be. So that's why it's so-  
14 called emergency, short-notice.

15 MR. GOLDFINE: I have nothing else.

16 MR. CARPENTER: Ms. Clark?

17 MS. CLARK: Thank you, I'm Kelly Clark with  
18 the Office of Economics. I'd like to start with the  
19 Nishiyama side on the price issue. In looking for  
20 reasons of why the Japanese produce would be lower  
21 priced, I'm basically only from the testimony seeing  
22 that the stamped eyelet may be a reason for a lower  
23 price, because you don't have to go through the extra  
24 cost and process of putting on the plastic eyelet.

25 However, looking at the increased raw  
26 material price, because it's a better quality, maybe

1 the different kinds of cutting the corners to make the  
2 rounded corners and the transportation costs, I'm  
3 seeing sort of reasons for a higher priced product.  
4 Can you discuss this a little bit and explain sort of  
5 other reasons that I'm missing for the price  
6 differential?

7 MR. AKAMATSU: You mean why we could supply  
8 the cheaper price than Stuebing's. So, you know, I  
9 don't know about Stuebing's price. I don't know.  
10 Even though I don't know their prices, I don't know  
11 how much percent it is lower. I don't know honestly  
12 about the price.

13 But this is my guess, that the plastic  
14 hanger would need more cost, more process in the  
15 material, plastic. So their productivity must be  
16 good. I guess their prices are higher than ours. But  
17 this is only my guess. I don't know which one is  
18 cheaper.

19 They say we are cheaper. But you know, we  
20 sell the same goods in domestic to others in Hong  
21 Kong. So what shall I say? This is a very difficult  
22 question to answer. You asked me why are your prices  
23 so high. So now you ask me, my price is cheaper than  
24 some.

25 MS. CLARK: Well, I think I'm just looking  
26 for reasons why there would be a difference. Because



1 with the transportation costs and then your  
2 potentially higher costs for raw materials than  
3 Stuebing, I'm just sort of looking for other reasons  
4 why, you know, I could look at a price differential.

5 MR. AKAMATSU: Okay, let's take  
6 transportation. Well, they say on paper that the  
7 transportation fee is really 40 percent of our selling  
8 price. But it's not correct. It's completely wrong.  
9 It's much smaller, much cheaper for the  
10 transportation. Also, the second point is the plastic  
11 hanger, as I told you.

12 MS. CLARK: Yes.

13 MR. AKAMATSU: So as far as I know, I can't  
14 tell about the raw material costs on this point. So  
15 it is very difficult to answer for that question.

16 MR. VANDER SCHAAF: I think we may have to  
17 look at the confidential cost issues. We only have  
18 one producer, so all of this is going to be  
19 confidential.

20 MS. CLARK: Right.

21 MR. VANDER SCHAAF: But we don't agree that  
22 the transportation costs are 40 percent. They  
23 wouldn't be in the market if that were the case.

24 There may be an answer there. But you know,  
25 it is interesting. We don't necessarily disagree, Mr.  
26 Goldfine. You had mentioned, I think, a question to

1       them this morning about quality, and they said, well,  
2       it's not a quality issue. It's a product  
3       specification issue.

4               We don't necessarily disagree with that.  
5       Their product is a different product, and there are  
6       different production processes involved. It's  
7       interesting that they talk about their price coming  
8       down this morning. I can't remember the exact numbers  
9       that they used, and some of this is probably more  
10      detailed than confidential submissions. But as soon  
11      as they moved to what they call the Japanese-style  
12      product, the price was lower.

13              Well, maybe it had something to do with  
14      that. The products are different, and the specs are  
15      different, and the production process is different,  
16      and that has something to do with that. But there are  
17      a lot of issues that relate to price, not the least of  
18      which is their decision to move machines to Mexico,  
19      and what is going on with any product there. But I  
20      think we're going to have to deal with that in the  
21      confidential submissions in the post-conference brief.

22              MS. CLARK: Okay, thank you.

23              MR. THOMAS: Ms. Clark, Ritchie Thomas, if  
24      you don't mind my putting my oar in, again, we do not  
25      know the answer to your question. But there is one  
26      additional fact that I think may be relevant.

1                   That is that Nishiyama, as they had told  
2 you, has only two export sales; one to a Japanese  
3 customer with a production operation in Hong Kong and  
4 the other to Norwood. Otherwise, they compete wholly  
5 in their home market, where they have two markets,  
6 where they have two other competitors. So they are  
7 used to dealing, apparently, in a competitive market,  
8 and my assumption would be that their pricing reflects  
9 that.

10                   MS. CLARK: Actually, that was going to be  
11 my next question. Could you give me some idea about  
12 the prices of this product in Japan, compared to your  
13 export price? Are they similar or are there any  
14 differences?

15                   MR. AKAMATSU: You know, I have to reduce  
16 the transportation charge from a certain price and,  
17 you know, compare the price with the price in Japan  
18 and to our domestic price. I suppose they are the  
19 same.

20                   MS. CLARK: Okay.

21                   MR. AKAMATSU: Because, you know, we don't  
22 need to have a much cheaper price. Norwood is a very,  
23 very good customer for us. Also, you know, we have  
24 another very good customer in Japan. So we treat them  
25 the same, no differences in pricing.

26                   MS. CLARK: Okay, thank you; for the Norwood

1 side, I was just curious in terms of not the market in  
2 general, but just your production and sales. You had  
3 mentioned the substitute products of the metal and  
4 plastic spiral binding. Can you give me some idea of  
5 what percent the metal calendar slides is, in terms of  
6 your bound calendar business? I just wanted to get an  
7 idea of that.

8 MR. THOMAS: We'll have to supply that  
9 information with the post-conference submission. It  
10 is confidential.

11 MS. CLARK: Okay, that's fine, thank you.  
12 Actually, for Norwood, as well, I believe that I know  
13 the answer to this, but I just wanted to clarify it.  
14 All of the metal calendar slides that you buy, you use  
15 to make the bound calendars. You don't re-sell any of  
16 the slides themselves, correct?

17 MS. SHOEN: Ms. Clark, that is absolutely  
18 correct.

19 MS. CLARK: Okay.

20 MS. SHOEN: We use them at our facility.

21 MS. CLARK: Okay, thank you; one other  
22 question that I have is for Nishiyama. I believe in  
23 the testimony this morning, the Stuebing  
24 representative said that in a meeting with Nishiyama  
25 representatives that there was some discussion of your  
26 interest in finding other clients in the U.S. or

1 increasing your business in the U.S. You know, with  
2 your testimony, it seemed to contradict that. So can  
3 you clear that up for us at all, please?

4 MR. AKAMATSU: Well, as I told you, you  
5 know, our best customer, Norwood, we don't discourage  
6 their business. So, you know, at the present moment,  
7 I have no positive intention to find other customers  
8 in the United States.

9 Because, you know, they are a very good  
10 customer. We want to sell. We don't to sell our  
11 product to their competitor. We don't want to. This  
12 is my personal view that when we export some goods, I  
13 never want to sell the same goods in very, very big  
14 volume. I don't want that market. Stuebing is also  
15 doing their own business, and we are doing our  
16 business. So we don't to push Stuebing out of this  
17 business. We never want such a thing.

18 But we cannot make decisions between  
19 Stuebing's and ours, you know. The most important  
20 party to decide is the customer. If the customer  
21 wants the better quality, then we can sell to them.  
22 So anyway, the first thing I always keep in my mind  
23 is, not to disturb other territory. Now in this case,  
24 it is Stuebing's territory. So I never try to find  
25 out if there are other customers here.

26 Of course, you know, there are two or three

1 inquiries from others, from other users in the States.  
2 But you know, we are not so positive for that inquiry.

3 MS. CLARK: Okay, thank you.

4 MR. VANDER SCHAAF: Can I add, there was one  
5 statement I thought this morning that someone said,  
6 and I don't see it in the prepared testimony that I  
7 looked at very quickly. It may have been in the "Q  
8 and A" session, where someone said they intimated that  
9 they wanted to expand internally. I thought, wow,  
10 that is really a very precise, direct statement. They  
11 intimated they wanted to expand internationally.

12 This statement, this is by Mr. Bloomberg on  
13 page 10, that they met in, I think this was the  
14 Cincinnati meeting, in 2003. "I had been told by them  
15 that they had taken Norwood as a customer, and that  
16 they were looking to expand internally."

17 You were at that meeting, weren't you, Mr.  
18 Akamatsu? Can you please give me your rendition of  
19 you telling them that you're taking Norwood as a  
20 customer, and how that came up? Also, what was  
21 referenced with respect to expanding internally?

22 MR. AKAMATSU: I was in that meeting. I  
23 remember that, at that time, we were talking about  
24 their future cooperation, cooperation with Stuebing.  
25 You know, we talked about the future to Stuebing.

26 MR. VANDER SCHAAF: I want to clarify. The

1 word you are using is cooperation, not corporation.

2 Is that correct, cooperation?

3 MR. AKAMATSU: Cooperation -- so Stuebing,  
4 you know, offers us new machines, a new system, or a  
5 new type of system, an environmentally-friendly  
6 system. I don't know what it is. But you know, we  
7 had a discussion about these matters, on the future  
8 cooperation.

9 MR. VANDER SCHAAF: With respect to any  
10 statements about Nishiyama expanding internally, what  
11 do you think any comments in those regards concerned?

12 MR. AKAMATSU: You know, this means if  
13 Stuebing would be interested in buying our slides from  
14 Japan, it's good for both of us. Stuebing would buy  
15 our slides. They can sell the slides in the United  
16 States. At that point maybe, you know, they say, we  
17 are looking to expand internationally. So the meeting  
18 is about the cooperation of these two companies.  
19 That's all.

20 MS. CLARK: Okay, thank you, I don't have  
21 any other questions.

22 MR. CARPENTER: Mr. Boyland?

23 MR. BOYLAND: David Boyland, Office of  
24 Investigations -- just a general question, did Norwood  
25 request and/or receive allowances for the quality  
26 problems during the period?

1 MS. SHOEN: When we experienced the issue  
2 with slides, and in conversation or documentation to  
3 Stuebing, we were issued credits; or another  
4 situation, when we were experiencing difficulties with  
5 slides being too hard, then we had to send the slides  
6 back via truck. Then they remanufactured slides that  
7 were of less temper or less strength, so that we could  
8 squeeze them together on the machines.

9 MR. BOYLAND: So that was credits, as well  
10 as your simply sending it back and receiving new,  
11 better slides?

12 MS. SHOEN: Yes, that is correct.

13 MR. BOYLAND: With respect to the machines  
14 that currently being used, what's the average useful  
15 life of one of these tinning machines, approximately?

16 MR. HAALA: I can give you a good example.  
17 The very first machine, which is a Nishiyama machine I  
18 should note, was purchased in 1984. And that machine,  
19 obviously, we've replaced some parts and things, but  
20 that machine is still in production. The Calematic  
21 version machine, or Stuebing's air cylinder driven  
22 machine, does not by far last anywhere near that.  
23 That's why we replaced it.

24 MR. BOYLAND: With the Nishiyama?

25 MR. HAALA: Correct.

26 MR. BOYLAND: I guess that sort of raised



1 one issue in my mind, in terms of I think earlier it  
2 was mentioned that Stuebing had indicated they'd be  
3 willing to supply new machines, retro-fitted, et  
4 cetera. The relationship with Nishiyama, does that  
5 involve future purchases of machinery, as well?

6 MR. HAALA: Potentially, yes, correct,  
7 there's no binding agreement or no understanding.

8 MR. BOYLAND: Okay, I have no further  
9 questions.

10 MR. CARPENTER: Mr. Tsuji?

11 MR. TSUJI: Karl Tsuji, Office of Industries  
12 -- is there any difference with the characterization  
13 of metal calendar slides as being a commodity product?

14 MR. THOMAS: I think that's pretty clear  
15 from our testimony, yes; and it's perfectly obvious,  
16 if one looks at the samples. There are multiple  
17 physical differences. If the Stuebing slide did  
18 provide the same characteristics and perform as well  
19 as the Nishiyama slide, this would be a very different  
20 question. It's simply different.

21 I think we do want to emphasize again, we  
22 know the Commission hears, in many of these cases,  
23 discussions of quality differences. This really is  
24 more than simply a quality difference. It's more than  
25 saying, their paint looks a little bit better, or they  
26 have a smoother finish, or something like that. These

1 are product differences which result in measurable  
2 performance differences, which are really very large.

3 MR. TSUJI: This may be more suited for the  
4 representatives of Nishiyama, that is their production  
5 process is very similar to what was described this  
6 morning, as well. In other words, the steel is  
7 purchased steel in coils from a distributor. The  
8 steel would be pre-coated or pre-painted before it is  
9 put through the machines to produce the slides. Is  
10 that correct?

11 MR. AKAMATSU: You mean, we both have the  
12 material in coil and --

13 MR. TSUJI: Yes.

14 MR. AKAMATSU: -- and paint, cut and paint,  
15 and cut again in small size, bit size. Just a moment.

16 (Discussion off the record.)

17 MR. AKAMATSU: Yes, I'm not quite right. We  
18 buy the material in coil and cut in proper size and  
19 paint. And then, again, we cut in several size, just  
20 400 millimeter or 500 millimeter. Then, we send to  
21 our factory. We send them to our factory and cut into  
22 each pieces of size.

23 MR. TSUJI: Okay. And the equipment is  
24 dedicated strictly for production of calendar slides,  
25 no other types of products; correct?

26 MR. AKAMATSU: Sorry, I didn't catch your

1 words well; so, please, would you please tell me  
2 again?

3 MR. TSUJI: Okay. The equipment that  
4 Nishiyama uses to produce calendar slides, it is --  
5 they use it only for calendar slides and no other  
6 products; is that correct?

7 MR. AKAMATSU: Yes, that's correct.

8 MR. TSUJI: Okay. And can you compare and  
9 contrast the product quality between the Nishiyama  
10 slide and the what are called the Japanese-type slides  
11 that were produced by Stuebing?

12 MR. AKAMATSU: May I ask a question? They  
13 did some -- they add some improvement in their slide,  
14 in Japanese style. So, which point -- when you take,  
15 you know, just one years ago or two years ago, you  
16 know, first time I saw their Japanese-style slide, it  
17 was over, because, you know, the cut size, the  
18 direction of cut is just outside -- just opposite.  
19 And the last slide comes outside. And, also, the  
20 edge, it's so sharp and so dangerous to handle. And,  
21 also, just thickness of their slide, at that time, I  
22 found that thickness was about 0.16 to 0.17  
23 millimeter, their thickness. But, ours, are, you  
24 know, 0.19 millimeter. And, also, I found their  
25 temporaries are different from ours. At that time,  
26 not only myself, but other members in Nishiyama found

1 it's not easy to use this slide for the -- having the  
2 production, because, you know, we are not sure they  
3 can -- they have enough power to test the certain seat  
4 or certain seats calendar mmps.

5 MR. TSUJI: Okay. And you mentioned  
6 thicknesses. Can you describe the range of  
7 thicknesses of calendar slides produced by Nishiyama,  
8 as well as the standard lengths. Now, if it's too  
9 complicated, you can put it in the brief.

10 MR. AKAMATSU: You mean the thickness of  
11 Nishiyama's slides?

12 MR. TSUJI: Yes, the minimum thickness,  
13 maximum thickness, and then what are the more common  
14 lengths that are produced by Nishiyama.

15 MR. AKAMATSU: Well, you know, as I told  
16 you, the thickness of our slide is .19. Then, you  
17 know, when we measure that thickness, maybe it become  
18 a little bit thicker, because of the paint. So, I'm  
19 sorry, but I cannot catch the point of the question.  
20 So --

21 MR. VANDER SCHAAF: Can I add some  
22 clarification, Chairman Tsuji? We actually asked them  
23 this yesterday. The first thing is in Japan, it's all  
24 metric sizes, not U.S. inches. So, the sizes are all  
25 different. But, I did ask him to provide me with --  
26 it's just four sizes, and we ended up saying we're

1 going to have to get this from Nishiyama. But, I took  
2 notes. I don't know if you can comment on these, but  
3 I think we may have to provide that to you in the  
4 post-conference brief --

5 MR. TSUJI: That will be fine.

6 MR. VANDER SCHAAF: -- because I think we  
7 weren't certain of percentage breakdowns and so forth.  
8 I got the sense -- I don't know if this is the way  
9 it's going to play out -- but the reason I didn't push  
10 it yesterday was I got the sense that there aren't  
11 like five sizes that represent 80 percent of all  
12 sales. That was the sense I got. But, that may be  
13 worth you addressing. Is there one size that  
14 represents the largest percentage of sales in Japan  
15 and what is the percentage of the sales of that one  
16 size?

17 MR. AKAMATSU: One size, you mean the --

18 MR. VANDER SCHAAF: Length, I believe, is  
19 what you're getting at.

20 MR. TSUJI: That's correct, length.

21 (Discussion off the record.)

22 MR. AKAMATSU: The biggest percentage of our  
23 production -- sorry, the most size in Japan is 200 --  
24 sorry -- 300 millimeter. And the second one is 420  
25 millimeter. But, you know, I have no figure how many  
26 percent of -- I have no figure at present, so I can't

1 tell you.

2 MR. TSUJI: Okay, that's fine. In fact, it  
3 might even be more helpful if Nishiyama could provide  
4 to us a copy of their catalog, which, of course, would  
5 list the thicknesses and the lengths of their calendar  
6 slides that they sell to their customers, as well as  
7 the different coating types, paint or coating, et  
8 cetera. And I would ask the same of Stuebing, as  
9 well, if they could provide us that type of  
10 information from their catalogs, as well.

11 MR. AKAMATSU: Excuse me.

12 (Discussion on the record.)

13 MR. VANDER SCHAAF: I'm quite sure we're  
14 going to have to give you whatever we've got, Mr.  
15 Tsuji, but --

16 MR. TSUJI: Okay, we appreciate that.

17 MR. VANDER SCHAAF: Is there a catalog? I  
18 don't even know the answer to that.

19 MR. AKAMATSU: We have a catalog in  
20 Japanese. But, you know, most of this business, we  
21 don't use catalog. Everyone knows -- our customers  
22 know very well, so we don't need any catalog. Now, we  
23 need on the color sample and the other thing is the  
24 size. That's all. And, also, we are always using  
25 central, not federal, for our business.

26 MR. TSUJI: Okay. Thank you very much.

1           MR. CARPENTER: Let me start with a question  
2 for Norwood. Could you give us an estimate of what  
3 share of the U.S. market you might have with respect  
4 to calendars bound with metal slides; in other words,  
5 what share of the market you have of your finished  
6 product?

7           MR. THOMAS: We'll provide our best estimate  
8 in the post-conference brief.

9           MR. CARPENTER: Okay. That would be good.  
10 If you could also give us an estimate of what share of  
11 the overall U.S. market would be accounted for by  
12 other U.S. producers and also imports of the bound  
13 calendars?

14           MR. THOMAS: We'll again be happy to do that  
15 in post-conference brief, as best we can. One of the  
16 interesting things about this, by the way, is that  
17 throughout this period while Norwood was making  
18 complaints to Stuebing about the problems they were  
19 having, one of Stuebing's response was, you know, you  
20 guys just really aren't that important. You aren't  
21 that big. We had a lot of other customers. We have  
22 something that shows they gave an estimate that they  
23 represented something like three percent of Stuebing's  
24 business. Now, Norwood didn't believe that, because  
25 Norwood knows they have a very large calendar business  
26 and are presumably the largest in the U.S. at that.

1 But, still, it was an odd thing for them to be saying.  
2 We will give you the data as best we can.

3 MR. CARPENTER: Okay, I appreciate it. Mr.  
4 Haala and Mr. Shoen, in your testimony, you identified  
5 quite a number of alleged quality problems with  
6 Stuebing's product. I know in response to Mr.  
7 Goldfine's question, you had indicated that you would  
8 provide in your brief some document, which, from what  
9 I recall, was basically internal reports of defects.

10 MR. THOMAS: That is correct.

11 MR. CARPENTER: Okay. What I'm wondering is  
12 if you could provide documentation of any  
13 correspondence that you had with Stuebing pointing out  
14 what these -- and you've provided one e-mail already,  
15 but anything along those lines where you've identified  
16 to Stuebing what the problems were and either through  
17 an e-mail or letter. What I'm getting at is what  
18 attempts you made to bring the problems to the  
19 attention of Stuebing and any responses that they made  
20 as to their attempts to try to work with you to  
21 correct the defects.

22 MR. THOMAS: I understand. We'll be happy  
23 to do so.

24 MR. CARPENTER: Okay, thank you, because  
25 listening to the testimony of both sides this morning  
26 and this afternoon, it seems like -- and the bulk of



1 Norwood's testimony was documenting the defects or  
2 deficiencies in Stuebing's product. And it seems like  
3 even though both sides agree on a lot of details, what  
4 I'm hearing is where the major of disagreement is, is  
5 why Norwood shifted its source of supply from Stuebing  
6 to Nishiyama. Norwood obviously says it's because of  
7 quality problems with Stuebing's product and Stuebing  
8 says it's because the Japanese product is lower  
9 priced. And I think any kind of documentation that  
10 either side could provide to support the allegations  
11 would be helpful to the Commission.

12 MR. THOMAS: We will be very happy to do  
13 that. And as we noted in our testimony, we're  
14 prepared to do that. We anticipated that the  
15 Commission would wish to have this kind of  
16 information. We will product it.

17 MR. CARPENTER: Okay, I appreciate that.  
18 Are there any other questions from the staff? Okay,  
19 Mr. Goldfine?

20 MR. GOLDFINE: This may be difficult to  
21 answer, but out of every 10 runs, let's say, how many  
22 did you encounter problems with, if you can answer  
23 that? Maybe, you can't answer that.

24 MR. THOMAS: Mr. Goldfine, what we'll be  
25 happy to do is we'll go through the records. We can  
26 pull contemporaneous records, for example, from the

1 most recent runs and you can see the production rates.  
2 And I think that will be the kind of thing that will  
3 be responsive.

4 Does anybody here have an eyeball estimate  
5 for, say, in 2003, running Stuebing 10, what the  
6 percentage would be of problems?

7 MR. HAALA: I do not.

8 MS. SHOEN: And I do not either, Mr.  
9 Goldfine.

10 MR. GOLDFINE: Also, I just want to get it  
11 clear for the record, the only -- if there is any  
12 other -- Mr. Thomas, if there is any other evidence,  
13 following up on what Mr. Carpenter said, of price  
14 discussions between Norwood and Stuebing, that would  
15 be helpful for us to have. And likewise, if Stuebing  
16 has anything to submit on that, that would be very  
17 helpful for us to have.

18 I had a couple of questions on threat that  
19 you may -- you can save this for the post-conference  
20 brief or maybe give me a sneak preview here. But, the  
21 Petitioners have argued that one of the threat factors  
22 is that Nishiyama was going to -- is being displaced  
23 or having a hard time selling in Japan because the  
24 paper slides are displacing them and, therefore,  
25 they're going to sell into the U.S. market. What is  
26 your -- again, it can be in the post-conference briefs

1 or if you care to answer that here.

2 MR. AKAMATSU: You know, the size of paper  
3 bound and cut in Japan is not increasing appreciably.  
4 I suppose it is just steady. The marketed paper bound  
5 calendar is just the same as before. So, it is --  
6 paper bound calendar is pushing out their threaded  
7 calendar in Japanese market, I don't think so.

8 MR. VANDER SCHAAF: One thing I find kind of  
9 interesting, Nishiyama has a new product that they put  
10 on the market. I mean, in any temporal time should be  
11 discussed as well, past versus present, in terms of  
12 paper demand. But, there were indications of paper  
13 demand that it was supposed to go up and they have a  
14 new product on the line that is a paper -- that allows  
15 paper calendar producers to use -- to make paper -- a  
16 paper stitching machine for calendar manufacturers,  
17 who are using paper. So, from the context -- and  
18 we'll get into this in the post-conference brief --  
19 from the context of demand, if there's an allegation  
20 of demand going down and somehow Nishiyama is going to  
21 shift its production efforts to exports to the United  
22 States, the counter for that, by producing a product  
23 that would take advantage of the increase in demand  
24 for paper calendars. But, has there been great demand  
25 for calendar paper machinery?

26 MR. AKAMATSU: You know, there -- we only

1 deal with three paper cutting machine and after that,  
2 there's more low demand product machine. At present,  
3 no order.

4 MR. THOMAS: Mr. Goldfine, Ritchie Thomas.  
5 I want to, if you don't mind, go back with respect to  
6 something -- some information you had asked us for and  
7 I said we would supply it. We need a clarification  
8 here. Norwood is in the promotional calendar  
9 business.

10 MS BURNS: Let me clarify. I want to make  
11 sure, Mr. Carpenter, we get the percentage information  
12 you asked for and to make sure that the Commission  
13 understands that you don't buy Norwood's products in a  
14 retail card store, that we are in the promotional  
15 products industry only and it is a self-reporting  
16 industry. We do not know what percentage of the  
17 promotional products calendar business that we have.  
18 We know it is large. But, it's going to be very --  
19 it's going to be guessing, at best, because the  
20 industry does not self-report with any accuracy. And,  
21 again, what percentage of that is the entire calendar  
22 market is going to be even more difficult. So, I just  
23 want to make sure we can get you as good information  
24 as we can and maybe what we understand what exactly --  
25 what numbers you're looking for would be helpful.

26 MR. CARPENTER: Okay. First of all, I

1 understand that this will be based on market  
2 intelligence and there wouldn't be any precise numbers  
3 available. But, what I'm interested in really would  
4 be of the calendars that include metal slides that  
5 we're talking about here today, your estimate of what  
6 percentage of the total market for that product that  
7 Norwood would account for; in other words, not  
8 including other types of calendars that incorporate  
9 different types of holders such as plastic or paper or  
10 spiral. I'm just trying to get a sense of -- for the  
11 suppliers of the metal calendar slides, how important  
12 Norwood is of the universe of customers.

13 MR. THOMAS: David, I apologize for  
14 interrupting you once more.

15 MR. GOLDFINE: Who are Norwood's main  
16 customers for metal calendar slides? Who buys these?  
17 For bound calendars --

18 MS BURNS: We sell -- Norwood sells strictly  
19 through distributors, who then sell to corporate  
20 America, essentially, trade unions, shops --

21 MR. GOLDFINE: Why would someone buy a metal  
22 bound calendar slide versus another --

23 MS BURNS: Production plants and those  
24 types. They love them. I mean, there are big  
25 calendars that you can hang on the wall that are  
26 sturdy, that you'll rip off month-by-month as you meet

1 your goals or week-by-week. They're mostly popular  
2 with a small segment.

3 MR. HAALA: And another example would be the  
4 single-sheet hangars, where all 12 months. These are  
5 very large hangars and they're tin top and bottom.

6 MR. GOLDFINE: Did you ever receive any  
7 complaints from those customers about the calendars  
8 that had been sold to them using the Stuebing slides?  
9 Have you ever seen any customer complaints?

10 MR. THOMAS: As I get the answer on the  
11 table, as I recall, one of our witnesses mentioned  
12 complaints from customers about missing plastic hooks.  
13 Apparently -- certainly, there were such complaints.  
14 We'd simply have to ask around with the people, who  
15 would have received them and give you some information  
16 post-conference brief about that.

17 MR. GOLDFINE: Thank you. A couple of last  
18 things and these can be for the post-conference  
19 briefs. This is for Mr. Vander Schaaf and Mr. Thomas.  
20 But, I take it your position is it's going to be that  
21 there's no injury here and even if somehow there was,  
22 there's no causation. But, what is your best argument  
23 on causation, given that it's a prelim?

24 MR. VANDER SCHAAF: I think the hardest part  
25 is going to be picking the best argument to be honest  
26 with you, because there are so many, honestly. I

1 think a lot of -- you know, a lot of this has to be  
2 sorted out, this issue of transferring machines to  
3 Mexico, quite frankly. It's not clear to me how  
4 they're going to be reporting their data, their  
5 production operations, what is their current capacity.  
6 You know, given their export numbers, which are  
7 probably confidential, the sales that they make to  
8 other customers in the United States, how do they know  
9 what demand they expect to fill? How are they going  
10 to meet that with domestic production after shifting  
11 their machines to Mexico? What is their current  
12 capacity and what is the current demand in the United  
13 States given their export sales? What are they  
14 planning to do in the U.S. market for these customers?  
15 That's the first thing. Are they injured by Japanese  
16 imports or Mexican imports, their own supply? What  
17 are the prices of their stock that they may produce in  
18 Mexico? Where is it going to go? Is it going to go  
19 to the U.S. or is it going to go to their other  
20 markets?

21 That's a big question. I don't know how  
22 much that's going to trickle through. There are lost  
23 of financial issues concerning their operations. This  
24 is not a public corporation. I had to admit, I looked  
25 at their financials in the petition and I thought, boy,  
26 this is just odd, you know, that some of this stuff is

1 going on. So, I think that -- I have no idea. They  
2 were completely silent about these substitute  
3 products, these spiral-bound calendars and other types  
4 of calendars. Stapled calendars, they're all over the  
5 place. Are they losing accounts to spiral-bound  
6 calendars? Are there customers, who used to buy metal  
7 slides, buying spiral? I don't know. But, they don't  
8 even talk about that product. I've seen hundreds of  
9 spiral-bound calendars around the marketplace and they  
10 don't even mention those.

11 So, I think there are a number of factors.  
12 But, you know, the biggest story that seems to be  
13 permeating through this is that they have only one --  
14 the Japanese have only one customer in the United  
15 States. That customer came to them. They,  
16 essentially -- this does not fit the typical paradigm  
17 of a lost sale. First of all, the decision to shift  
18 was not based on price. But, second, it seems to me  
19 that the company made a decision that they were going  
20 to drop the U.S. producer and they were going to find  
21 an alternative and do something different. They made  
22 that decision at one point in time. Over the course  
23 of time, they pursued alternatives and, at some point,  
24 they decided they were going to buy from Nishiyama.  
25 And the time sequence between when they said, we're  
26 dropping Stuebing, to when they say, they're adding



1 Nishiyama was extended in time, such that this isn't -  
2 - there's no causal nexus here. The causal nexus of  
3 their harm was the fact that they could not provide  
4 the product their customer wanted. And that decision,  
5 to say, they're not giving us what they want, we've  
6 got a decision from the management team now to make  
7 recommendations to us, we've got to do something  
8 different. They made that decision and then they went  
9 and found an alternative supply. It just doesn't fit  
10 the typical paradigm of a lost sale or some kind of  
11 causal nexus.

12 So, I don't know. I really think there are  
13 lots of problems with this petition, not the least of  
14 which is this decision to transfer machines to Mexico.

15 MR. THOMAS: Mr. Goldfine, Ritchie Thomas.  
16 I think it helps to get back to what Petitioners are  
17 telling you. Petitioners are saying to you that this  
18 was a commodity product. The Japanese product and  
19 their product are equivalent. And they go a step  
20 further and say that after they altered their design  
21 to mimic as best they could the Japanese product, that  
22 the two products were identical. And they then say  
23 that, therefore, to the extent that they lost a  
24 customer in Norwood, it was solely attributable price  
25 or basically or importantly attributable to price.

26 You've heard a lot of testimony from us this

1 morning. You have the examples on the table in front  
2 of you. And I do encourage you, please, after the  
3 hearing to take a look at them. It is readily  
4 apparent to anybody, who looks at the product, who  
5 feels it, that there are major differences. Our  
6 testimony is rife with evidence as to the importance  
7 of those differences to Norwood, in terms principally  
8 of performance of its production processes. And in  
9 those circumstances, I can only characterize this as a  
10 case in which the two products, although in general  
11 terms the same kind of thing, performing the same  
12 general sort of function in terms of pulling up  
13 calendars, in terms of Norwood's production processes,  
14 they're essentially no equivalent and not  
15 substitutable, given the savings that Norwood realizes  
16 from its processes advantages. I'm talking when I say  
17 'savings,' only process advantages and not slide cost,  
18 itself.

19 That seems to me to be a situation of  
20 attenuated competition. The Commission has seen other  
21 cases of attenuated competition. The one with which I  
22 personally happen to be very familiar is the minivan  
23 case. And so, that is a basis for a no injury  
24 determination. And as we say, we think in this case -  
25 -

26 MR. GOLDFINE: Is that a causation argument

1 or an injury argument that you just made?

2 MR. THOMAS: That is a causation argument.

3 MR. GOLDFINE: And in the case that you  
4 mentioned, if there are any others like that, feel  
5 free, of course, put those into your --

6 MR. THOMAS: I think --

7 MR. GOLDFINE: -- post-conference briefs.

8 MR. THOMAS: -- Foundy Coke was another one.  
9 We'll be happy to do so. I don't know what else to  
10 say. I think from the standpoint of our client, they,  
11 frankly, are absolutely floored that this case was  
12 brought and that Stuebing is making the kinds of  
13 arguments that it made. It only demonstrates, I  
14 guess, that they still don't understand. Why that's  
15 true, we don't know.

16 MR. VANDER SCHAAF: You hear in all of these  
17 prelims from everybody, who comes in here on the  
18 response side, that this case should not go  
19 affirmative in the prelimin. You know, you've got  
20 cold-rolled steel, 21 countries that are going to get  
21 cumulated, imports have gone up 21 percent, things  
22 like that, and bringing those, the routine, okay, for  
23 those products, those cases. This case, it definitely  
24 -- this is a unique petition, very unique. And there  
25 are a lot of interests that warrant a negative  
26 preliminary determination. Now, I say that knowing

1 that everybody, who comes before you, says the same  
2 thing. But, I think everybody recognizes there are  
3 some very, very unique issues involved in this case  
4 that do justify a preliminary investigation. So,  
5 we'll be providing everything we can with the goal of  
6 getting a preliminary negative determination. We're  
7 not going to be submitting one of those briefs that  
8 you get from respondents that sort of shuffle off the  
9 issues so that we can get to the final and address  
10 these things in the final. We will be nailing these  
11 things down in the prelim.

12 MR. GOLDFINE: Nothing further.

13 MR. CARPENTER: Again, thank you, very much,  
14 for coming here today and for your testimony and for  
15 your patient responses to our questions. At this  
16 point, we'll take another brief recess of about 10  
17 minutes, to allow each side to prepare their closing  
18 statements. And we'll begin with the Petitioners.

19 (Whereupon, a brief recess was taken.)

20 MR. CARPENTER: If everyone can take a seat,  
21 we'll get started again. And, Mr. Goldberg, please  
22 proceed whenever you're ready.

23 MR. GOLDBERG: Thank you, very much, Mr.  
24 Carpenter and members of all the staff for your very  
25 attentiveness and excellent questions to both parties.  
26 I don't know whether it was because of Mr. Paul Smith,

1 who is not a witness apparently. He's no longer with  
2 the company. I don't know if it was a sourcing  
3 consultant or a management shakeup or whatever it was,  
4 Norwood wanted to find a lower-cost supplier. That's  
5 what they found.

6 Now, I think it's an open issue, is this  
7 lower-cost supplier going to also try to expand more  
8 into the U.S. market, which there is an indication  
9 they are, or are they going to help Norwood basically  
10 get rid of Stuebing and have the market to themselves  
11 and not let the other competitors be able to compete.  
12 Either way, it's using the low prices, the presumed  
13 dumped prices, which is of interest clearly to  
14 Norwood.

15 When issues arose, Stuebing met them. And  
16 I've seen some correspondence and we will submit it to  
17 the record from this September time frame. And it  
18 boggles the mind that somebody would say that Stuebing  
19 took this customer for granted, their largest  
20 customer, didn't really care about it. I mean, that  
21 was counsel's rendition. We didn't hear that from any  
22 witness, nor would we. I mean, we're here today  
23 because it's a valued client, customer. The idea --  
24 and you'll see in the correspondence I've seen -- I  
25 mean, they've bent over backwards. I mean, there was  
26 an issue where you'll see that their complaint in the

1 September time period, after they've already gotten  
2 the other supplier, well, you sent us a soft-type of  
3 steel. Well, they had asked for that. In other  
4 words, it was hard and they asked for soft and then  
5 they came in this letter, which is pretextual, it  
6 says, well, but you gave us the soft; in other words,  
7 you gave us what we wanted, how dare you do that sort  
8 of thing.

9 I think that the testimony was actually  
10 undisputed that there were good runs in March. Our  
11 witnesses said they were there in March 2004, the  
12 Japanese spec went fine and Ms. Shoen testified that  
13 on that day, the runs were fine, too. We do very much  
14 disagree with the way they're trying to characterize  
15 that May 6<sup>th</sup> e-mail of 2004, a very important e-mail,  
16 an e-mail where they had all the opportunity in the  
17 world to say, we gave you a chance to meet the spec,  
18 couldn't do it, didn't work, sorry. It was the  
19 opposite, hey, it's working, there are some things  
20 better. Nor did anybody come in -- and then counsel  
21 mentioned the second paragraph, but none of the  
22 witnesses say, well, this issue of the pager,  
23 whatever, that's a problem that wasn't addressed or  
24 anything like that.

25 Now, early on, Ms. Burns, I believe, unless  
26 I heard her otherwise, said there's no injury here.

1 With all due respect, I don't think she would know. I  
2 don't think as in-house counsel, she's on the APO.  
3 So, she just wouldn't know. So, I don't think that  
4 that is a statement that should be given any weight.

5 If we could put this in the post-conference  
6 submission, we will, both of our witnesses are adamant  
7 that historically, the two -- the rate of return from  
8 Stuebing for the slides -- I'm sorry, for Norwood of  
9 the Stuebing slides was less than two percent, which  
10 is a very good rate of return, and it is completely  
11 inconsistent with this theory that all of a sudden,  
12 new management came in and realized that the products  
13 and the supplier was just, you know, the Keystone Cops  
14 and had to be gotten rid of.

15 And that goes in to probably the most  
16 important issue, factual determinations. If there's  
17 new management and a new consultant came in and  
18 decided that Stuebing was just, you know, the worst  
19 thing and throw the bugs out, then why is there the  
20 continued dialogue? Why does Stuebing come to the  
21 Norwood plant in December? Why is Stuebing given the  
22 opportunity to develop the different spec? Why are  
23 prices requested in 2004 and I believe in 2005, also?  
24 Why in June of 2004 is there a request, here's the  
25 Japanese price, see if you can meet or beat it? Why  
26 deal with this suppliers at all? It makes no sense,

1 frankly. It doesn't make any sense. It's just  
2 completely inconsistent with the story they are now  
3 trying to put out there.

4           Where is the correspondence? Now, we don't  
5 know what they're going to put in. I haven't seen any  
6 from May of 2004 or whatever that says these slides  
7 aren't any good. The only correspondence we know,  
8 which is contemporaneous, is quite the contrary.

9           When a company says that it's not at all  
10 about price or not really about price at all, I think  
11 often that means that's exactly what it's like here.  
12 They have -- you know, they've got a good thing.  
13 They've got a much lower priced source of supply and,  
14 you know, they're willing to try to get another lower  
15 priced source of supply, to get Stuebing to go even  
16 lower than they are and that is obvious. But,  
17 certainly, price is very much of what's going on here.

18           There's a question I think from Ms. Clark as  
19 to -- there's an assumption that with the plastic  
20 eyelet, it would cost more than the Japanese. My  
21 understanding is that because of the amount of metal,  
22 it's actually the opposite. I think that may be in  
23 the initial document, but we can go back and refer to  
24 that.

25           AS far as the machines made in New Mexico,  
26 was it all the machines? It was an economic need and



1 one of the request, I wrote it down, I think from Mr.  
2 Carpenter, was some correspondence or maybe it was Mr.  
3 Goldfine, as far as the timing, and we'll produce that  
4 there. We still have machines in the United States.  
5 I suppose if we didn't, we can maybe make a material  
6 retardation type argument, and I've got some pretty  
7 good facts to support it. But, that's really not the  
8 issue. We have the machines. The machines, as Mr.  
9 Goldberg said, could come back, if necessary. But, we  
10 had two options. One is completely closing the door  
11 completely, where the other is trying to stay -- seek  
12 this type of relief and try to do what we can. And,  
13 certainly, it's a bring in the victim type of argument  
14 that I've heard today, which we don't think is  
15 appropriate.

16 The drop in Stuebing, well, we're dropping  
17 Stuebing, but you keep coming back and asking for  
18 quotes from Stuebing. It's just not consistent.

19 On this issue of what Nishiyama's intentions  
20 are. You know, if we had broken it into rebuttal  
21 testimony, we could put, I suppose, a supplemental  
22 affidavit. But, Mr. Gavronsky will say that in that  
23 affidavit, then, that Nishiyama contacted him 18  
24 months before the 2003 order was canceled, to get  
25 market research for them and ask for a tour and see  
26 his plant and to attend a trade show and was seriously

1 looking at business in the United States. So, it's  
2 one thing when you've already got the customer and  
3 there's a dumping case to come in and say, we have no  
4 intention. Obviously, we will be taking a look at  
5 what the situation is in the home market and that may  
6 shed some light on that issue, as well, as we believe  
7 it might, based on what's in the petition and our  
8 understanding of that market.

9           There are factual issues here. I think Mr.  
10 Carpenter sort of characterized it very well near the  
11 end of the other presentation, to say that this is --  
12 you know, there were issues that were addressed from  
13 time-to-time on quality, less than a two percent rate  
14 of return, a very responsible, very reactive supplier.  
15 A consultant comes in, helps them find the lower-cost  
16 supplier. That's a critical component. All of a  
17 sudden, they cancel the order, say some things,  
18 there's some back and forth, invite us to come out, so  
19 they're still interested in the company. We do a  
20 specification, which the tangible evidence shows was  
21 sufficient. And they come in and say, it has nothing  
22 to do about price; it was all about quality. It  
23 doesn't give you any type of burden of proof.  
24 Certainly, the evidence is, at best, conflicting on  
25 this issue, for them to, I guess, to be in a position  
26 to have to argue, it's clear and convincing that price

1 had absolutely nothing to do with this is an argument  
2 arguably is not in a position to make. I don't think  
3 they can win it. I think that there will be all kinds  
4 of issues that will come out in the final with respect  
5 to what the other customers say, whether they agree  
6 that Stuebing is the Keystone Cops in this area.

7 I was here when counsel for Norwood came up  
8 at the beginning of the break and started talking  
9 about the differences here. I do understand that  
10 these are supposedly -- one is Stuebing and one is  
11 Nishiyama. And I have been told that the one with the  
12 straight edge is -- I may get this wrong, but I think  
13 that's Stuebing. You know, to really go on and on  
14 about how these were so different, I think, is --  
15 shows a certain amount of stretching that I don't  
16 think will be accepted here. I mean, you can have  
17 different gauges of metal. You can go back and forth.  
18 You can do all kinds of things. But to say these  
19 products are night and day, you know, I guess there's  
20 nothing else they can say, so they're going to say it.  
21 But, I don't think it's going to get them where they  
22 need to do.

23 And I thank you, once again, very much.

24 MR. CARPENTER: Thank you, Mr. Goldberg.

25 Mr. Vander Schaaf? Mr. Thomas?

26 MR. VANDER SCHAAF: Lyle Vander Schaaf from

1 White and Case. I guess I'll be providing the closing  
2 statement. I would just like to reiterate what Mr.  
3 Thomas said this morning, this is a very simple case.  
4 There are three parties: the U.S. producer; the  
5 single customer in the United States; and the foreign  
6 supplying the product. For this reason, we believe  
7 that the Commission does not have to feel a need to go  
8 to a final investigation to gather additional  
9 information. Any information you would get from any  
10 purchaser, who has a wealth of information, was here  
11 today to testify. They've -- I assume they'll be  
12 filing or have filed an importer's questionnaire.

13 Addressing, again, another issue that was  
14 brought up by both sides, Stuebing being the sole  
15 supplier in the U.S. market. The fact is, other  
16 suppliers, producers in the U.S. left the market and  
17 Stuebing is standing alone as a monopolist in this  
18 market. That is an important fact, I believe. There  
19 were no imports at the time these other producers  
20 ceased production and Stuebing remains alone.

21 The facts also do not show what the  
22 Commission recognizes as confirmed lost sales. As I  
23 was talking in our Q&A session, it appears that  
24 Norwood made the decision to drop Stuebing, to find an  
25 alternative product or to do something else with its  
26 operations and later made the affiliation with

1 Nishiyama. And it doesn't appear to be a causal nexus  
2 and nexus affect like you see in most case with  
3 confirmed lost sales in ITC investigations. It's  
4 certainly not the type of circumstances that the  
5 Commission has recognized in the past for basing  
6 decisions on lost sales in their antidumping  
7 investigation.

8           The issue of Stuebing being the sole  
9 producer and also making the decision to shift its  
10 machines to Mexico is also a very distressing  
11 component of this case, in our view. We feel very  
12 strongly that the U.S. antidumping law was not meant  
13 and intended to protect production in Mexico for  
14 supply in the United States market. That appears to  
15 be what these Petitioners are doing and is not  
16 appropriate to use the antidumping laws to try to  
17 achieve or effectuate that kind of a result. It's  
18 also not part of the U.S. antidumping laws to protect  
19 a sole supplier or a monopolist or monopoly prices,  
20 and we think those are important considerations the  
21 Commission has to make in this case.

22           With respect to the comments about quality,  
23 the comments -- first of all, the quality problem or  
24 the difference in the physical characteristics was  
25 enough to at least cause the U.S. producer to change  
26 their product significantly. So, it cannot be

1 dismissed.

2           Second, quality was so important and product  
3 requirements were so important for this sole customer  
4 that they actually went out and tried to find an  
5 alternative to their problems, to find an alternative  
6 product that didn't jam in their machinery. So, if  
7 quality wasn't the issue, why did the customer go to  
8 such lengths to find an alternative and to address the  
9 issue? And I'm sure the documents provided by Norwood  
10 will shed a lot of light on the quality problems that  
11 they've had. But, it is their argument that quality  
12 doesn't matter, which doesn't make sense, given that  
13 the company experiencing the problem searched for and  
14 found an alternative to their problem.

15           With respect to the question of why the  
16 quotes still come in, I think the purchasing director  
17 from Norwood is doing her job. I think it would be  
18 naive of her to try to source from one supplier, when  
19 she knows that others are out there. Despite the  
20 problems they have, despite the inability of them  
21 using the Stuebing product, she, also, pursued other  
22 U.S. potential suppliers. So, I think it's a matter  
23 of her simply doing her job. And they explained that  
24 they have a demand for quick turnaround supplies or  
25 custom sizes. I don't think there's any debate about  
26 that. The petition made the same statements about

1 custom sizes, custom orders. But, it's true that they  
2 are so concerned about this problem with the Stuebing  
3 product, they they're also looking at other options,  
4 like inventorying the product, other products and  
5 other sizes. So, I don't think there's any  
6 inconsistency between Norwood's statements that they  
7 had problems with the Stuebing product and how they've  
8 gone about to resolve those problems.

9 Those are all my comments.

10 MR. CARPENTER: Thank you, Mr. Vander  
11 Schaaf, and thank you, again, to all the witnesses,  
12 who appeared here today, to help us develop the record  
13 in this case. We appreciate your coming here.

14 In conclusion, let me mention a few dates to  
15 keep in mind. The deadline for both the submission of  
16 corrections to the transcript and for briefs in the  
17 investigation is Monday, July 25<sup>th</sup>. If briefs contain  
18 business proprietary information, a public version is  
19 due on July 26<sup>th</sup>. The Commission is scheduled to vote  
20 on the investigation for August 11<sup>th</sup>, at 11:00 a.m. It  
21 will report it's determination to the Secretary of  
22 Commerce on August 15<sup>th</sup>. Commissioner's opinions will  
23 be transmitted to Commerce on August 22<sup>nd</sup>. Thank you  
24 for coming. This conference is adjourned.

25 (Whereupon, at 2:20 p.m., the preliminary  
26 conference was concluded.)

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**CERTIFICATION OF TRANSCRIPTION**

**TITLE:** Metal Calendar Slides from Japan  
**INVESTIGATION NO.:** 731-TA-1094 (Preliminary)  
**HEARING DATE:** July 20, 2005  
**LOCATION:** Washington, D.C.  
**NATURE OF HEARING:** Preliminary Conference

I hereby certify that the foregoing/attached transcript is a true, correct and complete record of the above-referenced proceeding(s) of the U.S. International Trade Commission.

**DATE:** July 20, 2005

**SIGNED:** LaShonne Robinson  
Signature of the Contractor or the  
Authorized Contractor's Representative  
1220 L Street, N.W. - Suite 600  
Washington, D.C. 20005

I hereby certify that I am not the Court Reporter and that I have proofread the above-referenced transcript of the proceeding(s) of the U.S. International Trade Commission, against the aforementioned Court Reporter's notes and recordings, for accuracy in transcription in the spelling, hyphenation, punctuation and speaker-identification, and did not make any changes of a substantive nature. The foregoing/attached transcript is a true, correct and complete transcription of the proceeding(s).

**SIGNED:** Carlos Gamez  
Signature of Proofreader

I hereby certify that I reported the above-referenced proceeding(s) of the U.S. International Trade Commission and caused to be prepared from my tapes and notes of the proceedings a true, correct and complete verbatim recording of the proceeding(s).

**SIGNED:** Christine Chesley  
Signature of Court Reporter