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In Support of the Imposition of Antidumping and
Countervailing Duty Orders:

On behalf of The Domestic Industry:

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MARK C. BEAN, Owner, Director, and President,
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1 to refer in their remarks or answers to questions to
2 business proprietary information. Please speak
3 clearly into the microphone and state your name for
4 the record for the benefit of the court reporter.

5 Finally, if you will be submitting documents
6 that contain information you wish classified as
7 business confidential your requests should comply with
8 Commission Rule 201.6.

9 Before we begin the hearing this morning I
10 do want to greet a delegation that has joined us from
11 the Government of Ghana who will be with us for the
12 hearing this morning and for meetings for the next two
13 days. We welcome you all to the International Trade
14 Commission.

15 Mr. Secretary, are there any preliminary
16 matters?

17 MR. BISHOP: Madam Chairman, for the record
18 I would note that all of today's witnesses have been
19 sworn.

20 (Witnesses sworn.)

21 CHAIRMAN ARANOFF: Thank you. Let's begin
22 with opening remarks.

23 MR. BISHOP: Opening remarks on behalf of
24 Petitioners will be by Paul G. Gaston, Law Offices of
25 Paul G. Gaston.

1 MR. GASTON: Good morning, Honorable
2 Commissioners, ladies and gentlemen. I am Paul
3 Gaston, counsel to Petitioner D.D. Bean & Sons
4 Company.

5 In some ways I believe this is an atypical
6 case and in some ways I believe it is a prototypical
7 case for trade relief. It may be atypical in that the
8 Petitioner is a very small company that comprises a
9 very large part of a very small domestic industry.
10 Petitioner cannot afford the kind of specialized trade
11 counsel and specialized experts that many companies
12 and domestic industries that come before the
13 Commission often retain.

14 As you will hear, however, D.D. Bean's size
15 has not prevented it from fighting back vigorously in
16 the marketplace when it was first confronted by the
17 challenge of extremely low priced, less than fair
18 value and subsidized imports, and D.D. Bean's size has
19 also not prevented it from pursuing every avenue and
20 every opportunity for trade relief offered by our laws
21 that implement and are consistent with international
22 trade agreements.

23 And in this sense, the case before you today
24 for trade relief is a prototypical one. The Commerce
25 Department on Friday announced its final determination

1 that the subject imports of commodity matchbooks from
2 India entered the United States at dumping margins
3 determined to be about 66 percent. The Commerce
4 Department also found the presence of counteravailable
5 subsidies from the Indian Government supporting the
6 Indian Respondents' export program at approximately 10
7 percent of the products' entered value. The exact
8 number was 9.88.

9 Our witnesses today will present testimony
10 showing that the domestic industry making the product
11 most like the import products, commodity matchbooks,
12 has been materially injured by the imports and is
13 threatened with further material injury. Christopher
14 Bean, an owner, director and corporate counsel of D.D.
15 Bean, will give you some of the historical background
16 of the matchbook industry and of D.D. Bean's place in
17 it.

18 Mark Bean, also an owner and director, is
19 the president of the company's Match Division and will
20 go into some detail explaining the distinctions that
21 are well recognized in the marketplace between
22 commodity matchbooks on the one hand and promotional
23 matchbooks on the other. He will also explain how he
24 first learned of the threat posed by the dumped and
25 subsidized imported product and how D.D. Bean

1 immediately responded to that threat by slashing its
2 own prices to unsustainably low levels in order not to
3 lose any more customers and market share and basically
4 in order to survive.

5 Julia Bartlett, a vice president of D.D.
6 Bean and the second generation of her family to work
7 there, will go into more detail about the indications
8 of injury suffered by D.D. Bean because of the sales
9 of less than fair value and subsidized commodity
10 matchbooks imported from India, and, finally, we will
11 also hear from Jonathan Bradley, president of the
12 Atlas Match Company, the only other participant in the
13 domestic commodity matchbook industry.

14 With that brief introduction, I defer to our
15 first witness, Christopher Bean.

16 MR. C. BEAN: I assume my -- yes, it is on.
17 As Paul indicated, I'm going to give a brief summary,
18 a very brief summary of the history of our company,
19 and I'd also like to stress to the Commission the
20 enormous importance your decision will have on the
21 future of our business because I think that we will
22 not be able to continue if the dumping and subsidized
23 commodity matchbooks from India continue to come into
24 this country, so for us it's a make it or break it
25 proposition.

1 Having said that, I will now go through my
2 prepared statement, introducing myself. My name is
3 Christopher Bean. I'm an owner, director and
4 corporate counsel of D.D. Bean & Sons Company. I
5 would like to start out by expressing our appreciation
6 for the support and guidance of the staff at both the
7 International Trade Commission and the Department of
8 Commerce.

9 It has been well over a year since we first
10 reached out to the government through the ITC to seek
11 relief from the dumped and subsidized commodity
12 matchbooks being imported from India. Whether or not
13 the Commission ultimately finds in our favor, it has
14 been a gratifying experience to have participated in
15 the process.

16 We are a small business representing a small
17 industry, and we do not have financial resources,
18 particularly under the present circumstances, to hire
19 specialized legal and economic experts. We had no
20 choice but to do this work on our own.

21 However, we have witnessed the government
22 fulfill its promise to protect domestic industries
23 from unfair trade practices regardless of the size of
24 the industry or its ability to hire such experts. We
25 are grateful for the help provided by both the ITC and

1 the DOC staff, and regardless of the final outcome we
2 are truly grateful for the way the system works.

3 D.D. Bean & Sons Company was founded 71
4 years ago in 1938 by my grandfather and his two sons
5 -- my father and my uncle -- and the company is still
6 run by third generation members of the Bean family,
7 namely my two brothers and I. Our company is still a
8 leading employer in the small town of Jaffrey, New
9 Hampshire, employing several generations of local
10 workers.

11 As of June 30, the end of the interim period
12 for 2009, the company employed 54 production workers,
13 five administrative personnel and the four owner/
14 directors of the company. Within that group of 63
15 employees, the average length of service is 19 years.
16 We have employees with between 40 years and 44 years
17 of service. We have five employees with between 30
18 years and 39 years of service and 25 employees with
19 between 20 and 29 years of service. That means a full
20 52 percent of our employees have been with the company
21 for more than 20 years.

22 In addition, approximately 20 percent of our
23 workers are multi-generational, including one fourth
24 generation, four third generation and seven second
25 generation employees, including one of our team

1 members here today, the young lady sitting beside me,
2 Julia Bartlett. We are very proud of those numbers.

3 However, as I mentioned, D.D. Bean & Sons
4 Company is not a large business and the industry on
5 behalf of which we are seeking this trade relief, the
6 domestic commodity matchbook industry, is certainly
7 not a large industry. In fact, at this point in time
8 our company is the only active producer in the
9 business.

10 The only other producer, Bradley Industries,
11 has recently ceased manufacturing commodity matchbooks
12 due to the injury caused by the dumped and subsidized
13 matchbooks imported from India. A representative of
14 the Bradley Match Company, John Bradley, is also here
15 today.

16 Unlike the present time, the American
17 matchbook industry was once substantial, and it has a
18 unique and important history. The industry began way
19 back in 1892 when a Philadelphia patent attorney by
20 the name of Joshua Pusey was granted a patent for what
21 he called flexible matches. The patent was purchased
22 by Diamond Match Company, the leading producer of
23 wooden matches at that time.

24 Diamond soon recognized that matchbook
25 covers were an ideal medium for targeted advertising,

1 and once the practice of giving away matchbooks for
2 the purchase of tobacco products was established free
3 matchbooks became an immediate success. Other
4 companies, some with very familiar names such as Ohio
5 Match -- that's the Ohio blue tip match -- Lion Match
6 and Universal Match and Superior Match and many others
7 soon entered the business, and paper matchbooks
8 quickly became one of the most popular advertising
9 mediums in the United States.

10 As manufacturing techniques improved, the
11 matchbook industry continued to grow and commodity
12 matchbooks also quickly became the most widely used
13 ignition source in the United States. By the time the
14 industry peaked in the early 1970s, there were 13
15 independent companies with 18 different manufacturing
16 locations producing more than 30 billion matchbooks
17 annually. The phrase "Close Cover Before Striking"
18 was reported to be the most printed phrase in the
19 history of the printed word.

20 Unfortunately, it was another phrase that
21 was introduced about the same time that would change
22 the course of history for the commodity matchbook
23 industry forever. That phrase was "Flick Your Bic."
24 With the advent of the disposal butane lighters such
25 as Bic and Cricket in the 1970s, commodity matchbooks

1 were rapidly replaced by the preferred ignition source
2 for lighting tobacco products. Many of the matchbook
3 producers started closing factories and going out of
4 business.

5 Disposable lighters continued to gain market
6 share from matches through the 1990s, finally reaching
7 a saturation point where there were actually more
8 lighters being imported into the United States than
9 the total demand for lights based on the number of
10 cigarettes sold. However, even then there continued
11 to be a significant demand for commodity matchbooks as
12 an inexpensive ignition source and an alternative or
13 backup to lighters.

14 Our company succeeded because our business
15 plan was to specialize in commodity matchbooks only,
16 and as a result we kept our focus on being the most
17 efficient and lowest cost producer. This focus on
18 commodity matchbooks began very early in our company's
19 history, in fact almost in the -- well, if not
20 immediately in the very, very early '40s.

21 This specialization in commodity matchbook
22 production sparked us to develop many innovations for
23 more automated and higher output equipment. We have
24 continued to refine and improve the efficiency of our
25 equipment right up to the present time, giving us the

1 highest output machinery of any producer in the world,
2 and our equipment is totally unique and it's all been
3 developed within our own machine shops, or most of it
4 except for parts off the shelf.

5 This competitive advantage enabled our
6 company to ultimately emerge as the industry survivor
7 in the United States. Even though in recent years the
8 demand for commodity matchbooks has been impacted by
9 reduced smoking rates, we have adjusted to the new
10 realities of the market and learned how to adapt to
11 declining sales. We remained a strong, healthy and
12 profitable business until we were so severely impacted
13 by the lost sales and depressed pricing caused by the
14 dumped and subsidized import matchbooks from India.

15 We are very proud of our history as a third
16 generation family business and as a successful
17 American manufacturing company. For more than 71
18 years we have continuously evolved and adapted to
19 changing market conditions. We know how to compete.
20 We know how to keep overheads low and how to tighten
21 our belts in tough times. We know how to face
22 challenges and overcome adversity, and even though our
23 operations are diminished from earlier decades we
24 think we have earned our current status as the
25 surviving company in this industry.

1 I would like to close by emphasizing the
2 point that we did not undertake this action before
3 your Commission to seek import relief because we were
4 unable to compete on a level playing field. Our
5 history proves otherwise.

6 However, without relief from the devastating
7 impact of the dumped and subsidized commodity
8 matchbooks imported from India we would be unable to
9 sustain the operating losses much longer and our
10 company, as well as this great American industry, will
11 almost certainly cease to exist. Thank you.

12 MR. M. BEAN: My name is Mark Bean, and I am
13 also one of the family owners and directors of D.D.
14 Bean & Sons Company. I'm also the president of the
15 Match Division of the company.

16 In my remarks today I would like to address
17 the issue of domestic like product, particularly as it
18 relates to the distinction between commodity
19 matchbooks and promotional matchbooks, and then speak
20 to the matter of injury and the threat of injury that
21 our company has experienced since the dumped and
22 subsidized commodity matchbooks from India first
23 entered our market.

24 When we first began the process of drafting
25 the petition well over a year ago, we struggled, as we

1 were told most Petitioners do, with the language of
2 the scope of the investigation and, accordingly, the
3 definition of the domestic like industry. The
4 challenge was to articulate an accurate definition of
5 the product that was causing the injury in the context
6 of how this industry actually works.

7 We came to understand the inherent challenge
8 in defining any scope to be neither too broad nor too
9 narrow, but we also realized we had a unique challenge
10 because there would be a natural tendency for people
11 unfamiliar with the industry to see all matches,
12 whether paper matchbooks or wooden box matches, as one
13 big category or, if not that, to at least see all
14 matchbooks, whether commodity or promotional, as a
15 single product.

16 Within our industry we are intimately
17 familiar with these distinctions as they are the
18 foundations of our individual business models, but we
19 have a different focus when we think about them and we
20 use different terminology to describe them. So we
21 worked on trying to make a concept understandable
22 right up to and even beyond the filing of the
23 petition, and I think we eventually did a pretty good
24 job getting it right.

25 Separating paper book matches from wooden

1 box matches or other types of matches or ignition
2 devices such as lighters was not difficult at all.
3 The physical characteristics and uses, channels of
4 distribution, interchangeability, customer and
5 producer perceptions, manufacturing facilities,
6 production processes and pricing are all substantially
7 different, and we have been able to document these
8 differences in our petition, in our questionnaire
9 responses and in our briefs quite extensively.

10 As I said, however, we realized that
11 explaining the distinctions between the two different
12 categories of paper matchbooks was not going to be as
13 easy. There have been some changes to the descriptive
14 language used in the draft petition, and we concede
15 there are some gray areas on the fringes of the
16 definitions, but the fundamental distinctions are very
17 clear.

18 I believe that in our final questionnaire
19 responses, in our prehearing brief and in our
20 presentations today we make the case quite
21 persuasively that commodity matchbooks and promotional
22 matchbooks are very different products and do not
23 comprise a single domestic like industry.

24 In the Commission's staff report there is a
25 reference made to a study commissioned by the United

1 States Consumer Products Safety Commission in the
2 development of their safety standard for matchbooks.
3 This study, conducted by the Battelle Columbus
4 Laboratories in 1975, comprised the most extensive
5 analysis of the industry that has ever been done.

6 As the staff report points out, the study
7 concluded that not all matchbooks are the same.
8 Although they used slightly different terminology --
9 special reproduction instead of promotional and resale
10 rather than commodity -- the study drew a very sharp
11 line between the two by concluding that:

12 "Matchbooks are divided into two basic
13 categories, resale matchbooks and special reproduction
14 matchbooks. Special reproduction matchbooks,
15 characterized by their distinctive and unique cover
16 designs, are purchased and distributed for promotional
17 purposes by hotels, restaurants, financial
18 institutions and other business enterprises and are
19 given away free to users."

20 The point I want to make is not only that
21 this study reached the same conclusion that we are
22 asking the Commission to reach -- that promotional
23 matchbooks and commodity matchbooks are not
24 interchangeable, that there are differences in the
25 production process and machinery used, that producers'

1 and purchasers' perceptions of commodity and
2 promotional matchbooks differ and that there are
3 significant differences in price between the two types
4 of matchbooks -- but also that when this study was
5 conducted it was at the peak of the U.S. matchbook
6 industry in the 1970s.

7 At that time, as Chris pointed out, there
8 were 13 independent companies operating 18 separate
9 manufacturing facilities. This was a much larger
10 industry to study with differing business models and a
11 vast array of diverse equipment being utilized, but
12 even then the Battelle Columbus Laboratories concluded
13 that there were fundamental differences between resale
14 matchbooks and special reproduction matchbooks that
15 had to be taken into consideration in analyzing the
16 impact of the proposed safety standard.

17 And when you look at the developments that
18 have occurred in this industry since that time, it is
19 important to note that no company who tried to produce
20 both types of matchbooks on the same equipment is in
21 business today. Equipment that was designed to
22 produce promotional matchbooks was not efficient
23 enough to compete for commodity business and equipment
24 designed to produce commodity matchbooks is not
25 flexible enough to accommodate the demands of the

1 promotional business.

2 This ability to look back in hindsight to
3 see how events have unfolded strongly supports the
4 point that despite the natural tendency to see the
5 products as being similar they are not. The primary
6 function of a commodity matchbook is for use as a
7 portable ignition device, most often to light
8 cigarettes.

9 Commodity matchbooks are for resale because
10 they always enter retail channels -- meaning
11 businesses that sell a general variety of commodity
12 type merchandise such as convenience stores,
13 supermarkets, dollar stores, drug stores and mass
14 merchandisers -- where they may be resold or given
15 away typically as part of the cigarette purchase
16 transaction, like a straw with the purchase of a soda.

17 In contrast, the primary value of a
18 promotional matchbook is as a promotional product, and
19 their function as an ignition device is secondary.
20 Promotional matchbooks are not for resale because they
21 never enter into retail trade, are not intended for
22 resale. They have no real channels of distribution
23 other than by direct sale to the companies who use
24 them exclusively for promotional purposes, typically
25 bars, restaurants, hotels and casinos.

1 While it may be true that after having
2 received either a commodity or a promotional matchbook
3 an end user could use either as an ignition device, it
4 certainly would not be true in any other sense. Even
5 if the end user was a smoker, I think we can be fairly
6 certain that no one would go into a bar, restaurant,
7 hotel or casino purely with the intention of obtaining
8 a matchbook or, for that matter, any other type of
9 ignition device.

10 If a matchbook did happen to be obtained
11 while at one of those establishments, it would be
12 purely incidental to the primary purpose of purchasing
13 a drink, a meal, a hotel room or whatever, and it
14 would not be considered a part of that transaction.
15 The end user would be just as likely and in today's
16 environment of smoking bans in public places perhaps
17 far more likely to receive some other promotional item
18 such as a pen, a magnet, a note pad or even a note pad
19 inside of a matchbook instead of the matches.

20 However, businesses that sell a general
21 variety of commodity type merchandise, such as
22 convenience stores, supermarkets, dollar stores, drug
23 stores and mass merchandisers, would be exactly where
24 one would go to purchase a pack of cigarettes and
25 expect to receive a free matchbook as part of that

1 transaction, again sort of like receiving a straw with
2 the purchase of a soda. Or, if so inclined, the end
3 user could expect to purchase a caddy of 50 matchbooks
4 at one of these businesses, but certainly not at a
5 restaurant.

6 Moreover, even if the end user was a smoker
7 the promotional matchbook may never be used as an
8 ignition device at all. It may be kept as a souvenir,
9 added to a match cover collection or stored away as a
10 reference for the phone number or address.

11 We can assume, on the other hand, that the
12 end user of a commodity match is most likely a smoker
13 since the matchbook was obtained with the purchase of
14 cigarettes, and they would be very unlikely to keep a
15 plain white matchbook or even one imprinted with a
16 national store's logo for any purpose other than to
17 light the cigarettes which they purchased.

18 We are not aware of a demand for souvenirs
19 related to a visit to these type of businesses. The
20 covers would be too common and generic to have any
21 value in a match cover collection, and they would not
22 contain the phone number or address of a particular
23 business establishment so there would be no reason to
24 store it away for future reference.

25 Moreover, at the first level of trade,

1 namely the transaction between the producers and their
2 direct customers, the gap between the two products
3 widens even further. Since neither cigarettes nor
4 matchbooks are available for sale at individual
5 establishments such as restaurants and matchbooks
6 would never be considered an integral part of the meal
7 purchasing transaction, the decision to purchase
8 promotional matchbooks would have to be weighed
9 against purchasing a myriad of other advertising
10 specialty products, including those mentioned above.

11 If the purchaser were to be convinced
12 matchbooks were the way to go, he or she would have to
13 make a lot of decisions based on what image they
14 wanted the promotional matchbooks to convey. How many
15 stems should the matchbook have? They could choose 20
16 stems per book, but might opt for 30 so there would be
17 a larger cover to provide more space for the printing.
18 They could even choose a more novel size like a book
19 with only 10 stems or perhaps one with 40.

20 What color do they want the match stems to
21 be? How about the colors of the match heads? Are
22 colors available that match their logo? Do they want
23 a special grade of cover stock such as foil? How
24 about hot stamping or embossing on the cover? They
25 could even order matchbooks die cut to be in the shape

1 of almost anything they might imagine. All of these
2 options are part of the spectrum of choices available
3 from promotional matchbook producers.

4 The decision for the purchaser of commodity
5 matchbooks would be infinitely less complex. Since
6 stores such as convenience stores, supermarkets and
7 mass merchandisers are in the business of selling both
8 cigarette and matchbooks and matchbooks are frequently
9 considered to be an integral part of the cigarette
10 buying transaction, the purchasers of these matchbooks
11 would be someone who buys other types of similar
12 merchandise.

13 Although these buyers might consider the use
14 of a promotional matchbook and thus have the range of
15 choices as mentioned above, that would not make
16 economic sense because retail stores that sell matches
17 and other general merchandise are primarily motivated
18 by price. They want a product that can be sold at a
19 competitive price and/or is priced reasonably enough
20 that they can afford to give it away for free to their
21 cigarette purchasing customers.

22 They would have one decision to make, and
23 that is whether to have the matchbooks printed with a
24 private label or national brand at a relatively small
25 up-charge or to simply offer the lowest price product,

1 the plain white commodity matchbook. If they chose
2 private label, they would find out that they would
3 have the same kind of choices that Henry Ford used to
4 offer on the Model Ts. You can have any color you
5 want, as long as it's black.

6 Seriously, they could have their corporate
7 image printed on the matchbook covers exceedingly
8 well, but beyond that there would be only one option
9 for the number of match stems per book -- 20 -- and no
10 option to choose the color of the match stems -- we
11 offer natural brown -- no choice for the match head --
12 you get red -- no choices in the type of cover stock
13 used, no options for hot stamping or embossing, no
14 individualizing segments of the order to include
15 separate phone numbers or addresses and certainly no
16 die cut customized matchbook shapes.

17 For accepting this standardized commodity
18 version, the buyer would be able to purchase their
19 matchbooks at a small fraction of the price of the
20 highly customized promotional matchbooks, and that
21 pricing difference makes perfect sense.

22 These types of retail stores are in the
23 business of selling competitively priced matchbooks,
24 and they also frequently give matchbooks away as part
25 of the cigarette purchase transaction. Beyond basic

1 minimum expectations regarding functionality and
2 perhaps the quality of the printing, if any, their
3 only real consideration is price.

4 Individual establishments such as
5 restaurants, hotels and casinos, on the other hand,
6 are in the business of selling meals, rooms and
7 entertainment, not matches or cigarettes. Their
8 purchasing expectations are far more complex and
9 demanding. They would consider many other promotional
10 products as interchangeable with matchbooks, and price
11 would be a secondary consideration to achieve the
12 desired marketing impact of any promotional program.

13 From the producers' perspective, the two
14 types of orders are also completely different, each
15 requiring a distinct business model and different
16 types of specialized equipment. First, the producer
17 of the promotional matchbook would have a great deal
18 of direct communication with the customer concerning
19 the wide range of options available and would have
20 developed a specialized method of processing
21 customized orders to be able to develop artwork and
22 prepress production as efficiently as possible.

23 They would need to have separate assembly
24 machines for the different number of stems in the
25 matchbooks in order to meet the potential demands of

1 the client. They would use sheet-fed printing presses
2 so that smaller quantities can be run more
3 economically. They would have the equipment necessary
4 to offer hot stamping, embossing or perhaps die
5 cutting the shape of the book itself.

6 They would have a production system based on
7 using a wide selection of component materials --
8 different colors of match stems, different colored
9 match heads and different types of cover stock. They
10 would produce orders in small quantities to ship in
11 small quantities directly to the individual
12 establishment.

13 The producer of the commodity matchbook
14 would not require much communication with the customer
15 beyond price negotiation. They would require only 20
16 stick assembly machines, and they would want to
17 maximize the efficiency and output capacity of those
18 machines above all else. They would use roll fed,
19 high speed printing equipment that requires higher
20 prepress and setup costs, but minimizes these expenses
21 in direct proportion to the volume of the order.

22 They would have a production system based on
23 a continuous flow of standardized components to reduce
24 material handling and permit purchasing advantages.
25 They would produce orders in large quantities to ship

1 by the pallet load or even truckload to centralized
2 warehouses or regional distribution centers.

3 Therefore, promotional matchbooks are
4 clearly not interchangeable with commodity matchbooks.
5 They differ in their physical characteristics and
6 uses. They do not share similar channels of
7 distribution. The customer and producer perceptions
8 at both the first and second levels of trade are
9 fundamentally different.

10 The manufacturing facilities and production
11 processes are substantially different and, perhaps
12 most notable of all, the prices of the two products
13 are on completely different ends of the spectrum.
14 Commodity matchbooks are a different product than all
15 other types of matches, including promotional
16 matchbooks, and they clearly constitute a single
17 domestic like product.

18 Having established the domestic like
19 product, the relevant issue before the Commission is
20 the injury and the threat of injury to the domestic
21 like industry.

22 It is the domestic commodity matchbook
23 industry that is vulnerable, as many commodity
24 products are, to predatory attacks by a foreign
25 producer such as Triveni, who benefits from unfair

1 subsidies and whose business plan is to sell at less
2 than fair value to drive the domestic producers out of
3 business. The injury to the domestic industry has
4 been substantial, and the threat of continued injury
5 is real and present.

6 D.D. Bean first became acquainted with
7 Triveni Safety Matches back in October of 2003 through
8 a letter sent by Mr. Surendra Sharma to my attention
9 in which Mr. Sharma introduced Triveni Safety Matches
10 as a potential offshore supplier to us and made claims
11 about their substantial production capacity. In this
12 letter, Mr. Sharma very respectfully offered to supply
13 us with their product and stressed his desire to be
14 supportive to our existing business rather than enter
15 the market independently and become our competitor.

16 Despite the cooperative tone of the letter,
17 however, it was quite clear to me that this offer was
18 a thinly veiled threat. Either we would buy all or
19 virtually all their stated capacity, which represented
20 a huge percentage of the total commodity matchbook
21 market even at that time, at a very high price or they
22 would begin selling our customers at a very low price
23 and we would lose all of our business.

24 We engaged with them very briefly to try to
25 understand more about their intentions, but the

1 communications soon ended and the assault began. We
2 started to get increasing reports from customers about
3 plain white matches from India being initially offered
4 at prices around one-third than our established price
5 list, and they rapidly dropped to about half of our
6 price list.

7 Sometimes we learned of these offers before
8 the fact and we were given a chance to meet the
9 pricing, and sometimes we learned of it after the
10 matches had been purchased. In either event, the
11 process of price deterioration quickly accelerated.

12 As if often the case with price sensitive
13 commodity products, the first distributor in any given
14 market who had purchased matches at a lower price,
15 whether our domestic product or the imports, would
16 begin to sell those matches at a lower price to their
17 customers. This would set off a chain reaction with
18 all the other distributors in that market who demanded
19 a lower price to stay competitive with the first
20 distributor.

21 We were truly surprised that Triveni was
22 able to sell at the prices that were being offered at
23 the time. Although we did not know what the overall
24 raw material costs in India might be, we were aware
25 that one of the principal raw material components, the

1 paper board used to manufacture the match stems, could
2 only be purchased in the United States.

3 Triveni had to be paying no less than our
4 price for the same material and would have the
5 additional expense of the transportation to India. We
6 figured this would balance out any other advantages in
7 raw materials they might have and that their cost of
8 materials should be at least equivalent to ours. Of
9 course, we knew India has a very low cost of labor,
10 but we believed our equipment, which was much more
11 efficient than theirs, and we thought our high output
12 could offset at least part of their labor advantage.

13 We had been challenged before. In fact, our
14 company's success from its inception has been built
15 upon the philosophy of doing whatever is necessary to
16 meet and beat the competition. As a fledgling startup
17 during the Great Depression, we took on the giants of
18 the industry and simply would not be undersold. We
19 innovated and developed more efficient equipment. We
20 found ways to buy less expensive materials. We
21 tightened our belts and made do.

22 This philosophy enabled us to become the
23 survivors in our industry. Only a few years earlier
24 we had fended off competition from Mexican imports,
25 and we felt we could meet this challenge from India as

1 well. Even though, as I said, we were surprised at
2 the level of pricing they were offering, we thought
3 they would not be able to sustain those levels, and if
4 we just continued to prevent them from making any
5 inroads here they would shift their focus to more
6 profitable endeavors. We thought wrong.

7 The next thing we knew we were being
8 undersold in the greater New York City area, the most
9 important market for matches in the entire country.
10 We were well aware of certain distributors in this
11 area who were quite capable of bringing in container
12 loads of product and redistributing them throughout
13 not only New York, but the entire Northeast and
14 Mid-Atlantic regions. In fact, one distributor in
15 particular had national reach.

16 We knew we had to stop Triveni from selling
17 this distributor or it would be just a matter of time
18 before they captured the entire market. This
19 distributor was already a long-term customer of ours,
20 and we approached him to determine what it would take
21 to win back his business. We told him we were
22 prepared to offer a 33 percent discount off of our
23 price list that we had been offering in other markets,
24 but were told that he was paying a price that was just
25 one-half of our existing lowest price. We were

1 stunned.

2 On the one hand, we knew if we walked away
3 from this customer it would only be a matter of time
4 before we would lose so much volume that we could no
5 longer sustain a viable operation. On the other hand,
6 we knew that this price was below our direct cost. In
7 other words, I'm not talking about a reduction in
8 operating profits. I'm talking about a price that
9 would make no contribution to overhead or SG&A
10 expenses at all.

11 There was no question that this was a price
12 that would create huge operating losses, but
13 ultimately we had no choice. Our only hope was to
14 meet the price and then do whatever we could to try to
15 survive. If we didn't, we would be out of business
16 anyway.

17 So we did what we could. We cut all
18 expenses within our control. We reduced labor costs
19 by dramatically reducing the total workforce. Many
20 positions were eliminated, increasing the workloads
21 for remaining workers while at the same time freezing
22 wages and in many instances drastically reducing
23 salaries.

24 We began operating in an unsustainable
25 skeleton crew environment, giving up many skilled and

1 contributing workers just to survive. We cut and
2 eliminated employee benefits. We shifted many
3 maintenance positions to actual production and
4 deferred all nonessential machinery repairs. We
5 eliminated capital investments and canceled the
6 development of all new projects.

7 We started pressuring existing vendors for
8 lower prices and began searching the globe for new
9 sources of cheap raw materials, even at the expense of
10 service and quality, a decision that has brought us to
11 the brink of being out of stock on certain materials
12 on more than one occasion.

13 We substantially reduced our purchases under
14 our long-term supply contract with the only other
15 domestic producer of commodity matchbooks, Bradley
16 Industries, because we could not absorb the additional
17 loss of production volume and we could no longer
18 afford the purchase price of their matches.

19 This action ultimately brought about the
20 dramatic decision on the part of Bradley, also a
21 multi-generational family business and a highly
22 efficient producer, to close their factory in
23 Frankfort, Illinois, which had been built by the
24 company's founder 40 years ago, forcing the
25 termination of many long-term employees.

1 Meanwhile, despite all these desperate
2 measures, D.D. Bean was forced to start selling off
3 the assets of the business just to fund our operating
4 losses. In the 71, year history of the company, we
5 had never been pushed to close to the breaking point.
6 We lived day to day wondering how long we could
7 survive.

8 But one question remained: How was Triveni
9 doing it? How could they continue to sell at these
10 prices? We began to do some research on the Indian
11 match industry, and it became clear that matches are
12 one of India's most protected and heavily subsidized
13 industries. In the past two decades, Indian match
14 producers have leveraged this governmental support
15 into becoming the dominant factor in the global supply
16 of matches.

17 The production of matches in India is
18 identified as a major industry cluster in the region
19 of Sivakasi where most of the leading manufacturers
20 are located. The Indian match industry employs tens
21 of thousands of workers and is controlled by an
22 interconnected group of family businesses known as the
23 Match Kings of India.

24 These so-called Match Kings have benefitted
25 from the policies of the Indian Government designed to

1 encourage both high employment in the domestic sector,
2 as well as the expansion of exports to build markets
3 overseas.

4 India has enacted varying rates of
5 manufacturing taxes depending on the means of
6 production. Lower tax rates support the handmade
7 product from the so-called cottage sectors which
8 supply the domestic market, while incentives are
9 offered to more mechanized producers to become export
10 only suppliers to international markets.

11 As export only facilities, these firms enjoy
12 many advantages which are specifically designed to
13 encourage selling at less than fair value pricing to
14 capture international markets and then recovering
15 offsetting benefits from the government

16 Indian match exporters' principal strategy
17 is to expand into all potential markets around the
18 world, selling at government subsidized and less than
19 fair value pricing as necessary, forcing local
20 producers out of business and then enjoying the
21 benefits of monopoly. The pattern in our case is
22 completely consistent with this strategy. Although
23 Triveni is located in Mumbai, as opposed to Sivakasi
24 where the industry cluster is located, they are an
25 export only unit and are clearly tied into the subsidy

1 programs available to them.

2 Since there is no domestic market in India
3 for commodity matchbooks, Triveni was apparently
4 incited to get into this business in the first place
5 by the programs designed to encourage the development
6 of production exclusively dedicated to export. Access
7 to favorable financing terms and relief from certain
8 taxes and duties enabled them to purchase automated
9 equipment from a Japanese machinery supplier and to
10 buy raw materials, including the stem stock paper
11 imported from the United States.

12 Right from the beginning they targeted a
13 huge percentage of the domestic commodity matchbook
14 market and were determined to get that market through
15 any means at their disposal. When their attempt to
16 basically threaten us into a totally unfair supply
17 agreement with them failed, they simply used their
18 subsidies and willingness to sell at less than fair
19 value pricing to force us out of business.

20 If not for the favorable preliminary
21 determination of injury by the Commission, which led
22 to the Department of Commerce investigation and
23 ultimately to the imposition of the preliminary
24 tariffs, they would have almost certainly succeeded.

25 In conclusion, D.D. Bean & Sons Company is a

1 multi-generational, family owned company that has
2 mastered, with the help of our dedicated employees,
3 the efficiencies of our business, and we have earned
4 our position as the leader in this industry. However,
5 we sincerely need our government's help if our
6 business and this industry are to continue to survive.

7 The issue at hand is the unfair and
8 predatory trade on the part of this Indian matchbook
9 producer, Triveni Safety Matches, which the
10 competitive strengths of the domestic producers cannot
11 overcome. That is why we were compelled to take this
12 action, and that is the reason we seek this relief.

13 Despite our attempts to deter the imports in
14 the marketplace and notwithstanding all the efforts we
15 have made to reduce our cost, it has been to little or
16 no avail. The battle is stacked against us, and these
17 dumped and subsidized imports cannot be beaten back
18 with any of the weapons of fair trade. The only
19 relief we have experienced in five years has been the
20 imposition of the preliminary tariffs.

21 If that protection were to be removed, we
22 have every reason to believe that both the capacity
23 and the will for Triveni to resume its assault on our
24 market would remain intact. If that protection were
25 to be removed, we do not know how much longer we would

1 be able to hold out against them.

2 On behalf of our company and all the
3 employees who comprise this industry, we respectfully
4 request that the Commission reach a final
5 determination that U.S. industry, the American
6 commodity matchbook industry, has been materially
7 injured and is threatened with material injury by
8 reason of dumped and subsidized imports of commodity
9 matchbooks from India. Thank you.

10 MS.BARTLETT: My name is Julia Bartlett, and
11 I have worked for D.D. Bean 21 years now, and it's
12 true, I am a second generation matchmaker. My job
13 title is Vice President of Fulfillment Management, but
14 like so many of our employees, I am frequently asked
15 to perform tasks well outside my job description.
16 This certainly creates a stimulating but challenging
17 work environment. I wanted to share that with you
18 because it helps to explain why I'm part of this team
19 and why I'm here presenting information about the
20 injury we have sustained because of the dumped and
21 subsidized matchbooks from India.

22 I have read the staff report, the public
23 version dated October 2, 2009. Although the
24 proprietary information has been excluded, the report
25 did help me to understand the types of injury

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1 indications you would be considering when making your
2 determination and ultimately awarding trade relief.

3 What I want to cover in my statement is
4 evidence of injury we have sustained by reason of the
5 dumped and subsidized imported matchbooks from India.
6 Volumes of dumped and subsidized commodity matchbooks
7 from India are significant. We began tracking import
8 volumes in 2003, using an online subscription customs
9 data source. In just three years, from 2003 to 2006,
10 reported import volumes increased 22 times from 3,250
11 cases in 2003 to an alarming 74,318 cases in 2006. It
12 was during that year, 2006, that we started fighting
13 back.

14 In 2003, we introduced price discounts and
15 rollbacks because the volume of Indian imports were
16 increasing at such a dramatic rate. It was in 2007
17 that our aggressively pricing efforts impacting the
18 volume of imports and we were effective in reversing
19 the trend of increasing volumes because we continued
20 to match the dumped prices.

21 In 2008 and into 2009, we kept fighting for
22 customers and sales in the marketplace by lowering and
23 holding prices. And then, in May 2009, subject
24 imports ceased entirely because of the temporary
25 dumping and subsidy orders.

1 We believe that if we had not dropped our
2 prices to keep and win back marketshare the dramatic
3 trend of increased volumes of dumped and subsidized
4 imports would have continued, causing the domestic
5 industry to rapidly lose sales and volume. This is a
6 straightforward scenario where significant volumes of
7 dumped imports greatly impacted the domestic industry
8 and the only defense, albeit an unsustainable one, was
9 to meet and beat the dumped pricing.

10 Because of the rapid run-up in import
11 volumes as well as our 2003 communications directly
12 with Triveni about their production volume
13 capabilities, we believe dumped and subsidized
14 commodity matchbooks imported from India have not only
15 already caused material injury to the domestic
16 industry, but also continued to represent a
17 significant and very real threats to the domestic
18 industry. Significant price underselling causes price
19 depression and price suppression.

20 Large volumes of dumped and subsidized
21 commodity matchbooks first targeted the biggest
22 matchbook markets, the Northeast and Mid-Atlantic
23 Regions. Customers were reporting very low prices in
24 the market. This price underselling is now further
25 supported by the prehearing staff report which also

1 indicates price underselling by an average of 16.4
2 percent with no instances of overselling. In fact, we
3 believe this reported underselling margin understates
4 the actual degree of underselling because it reflects
5 the difference between our already depressed and
6 already suppressed pricing and the pricing of the
7 imported product.

8 We needed to respond to the lower prices
9 quoted our customers and we did respond. We lowered
10 our prices in 2006 to avoid losing sales. In some
11 instances, we were forced to cut our best price for a
12 truckload of commodity matchbooks by 50 percent to
13 make the sale. I believe the Commission has had the
14 opportunity to verify many of these lost revenue
15 claims through the investigation process.

16 For a small company like ours, losing
17 approximately 2 million in revenue from price
18 suppression is staggering and the impact on
19 profitability is unsustainable. Price underselling by
20 the dumped and subsidized imports has also forced us
21 to hold prices without the opportunity to pass on
22 increase in raw material and factor costs.

23 For example, in 2008, when energy costs was
24 causing increases to factory costs, and increases to
25 raw materials like paraffin, we could not react

1 appropriately and pass on a portion of the expense in
2 our pricing. Furthermore, over the same period two of
3 our key raw materials -- match stem and potassium
4 chlorate -- increased in price by 46 and 112 percent,
5 respectively. We haven't been able to pass on these
6 increases because of the price oppression from the
7 presence of dumped and subsidized matchbooks from
8 India.

9 In some instance we tried raising prices,
10 only to roll them back again to meet competing Indian
11 prices for dumped matchbooks.

12 With increases to key raw materials at a
13 time when many industries were passing on price
14 increases, we were holding prices because of the
15 dumped and subsidized matchbooks from India. The
16 result has been a convergence of our net sales value
17 and raw material costs. As a component of cost of
18 good sold, we can isolate the raw material cost trend
19 and see the unit cost increasing, and the margin
20 between average net sales value and raw material unit
21 cost decreasing.

22 Price suppression has a direct impact on the
23 ratio because we're not able to pass on the raw
24 material increases. Furthermore, the pricing problems
25 are not limited to rollbacks or price suppression. We

1 have lost significant sales to dumped and subsidized
2 commodity matchbooks imported from India. We have
3 provided evidence of lost sales, and I believe the
4 Commission has had the opportunity to verify much of
5 the lost sales claim.

6 When given the opportunity to quote against
7 the dumped matchbooks, we cut prices to get the order
8 or keep the customer. Still, even with our deep
9 discounts, we lost sales and we estimate that in
10 addition to the 2 million in lost revenue we've lost
11 approximately 1 million in lost sales.

12 Again, we believe the Commission has had the
13 opportunity to verify the majority of these claims
14 during this investigation process. We also believe
15 the injuries from lost sales is underestimated because
16 we have traced instances of imports from India to our
17 customers where we were not even contacted for a
18 competing quote. The impact on us of this price
19 depression and price suppression has significantly
20 reduced our total revenue and also the average net
21 sales value for a case of commodity matchbooks. The
22 loss of revenue has contributed to operating losses
23 and marginal profitability throughout the period.

24 Domestic industry and operations are
25 materially injured by reason of dumped and subsidized

1 matchbooks from India. Production capacity and
2 employment are negatively impacted. The impact on
3 operations has been severe and pervasive. There is
4 not one aspect of our business that hasn't been harmed
5 by the dumped matchbooks.

6 Production volume fell causing a 10 percent
7 decline in utilization in 2007. Because of our
8 pricing response meeting the less than fair value
9 price, the lost sales volumes began to level off and
10 we held capacity at this reduced level into 2009.
11 Now, since the preliminary order was put in place last
12 spring, our interim 2009 production is up and capacity
13 utilization is rebounding.

14 We have laid off workers and left empty
15 positions unfilled. Since 2003, our production
16 workforce has been reduced by 20 percent. This is a
17 significant reduction and we cannot continue to
18 operate at these staffing levels because the reduction
19 is not an indication of better efficiency but rather a
20 practice of stealing from Peter to pay Paul. We are
21 asking production workers and administrative workers
22 too, like me, to take on more work, work outside their
23 job descriptions.

24 Other important issues like safety, quality,
25 and maintenance are just not getting the attention

1 they deserve, or only being addressed when a problem
2 arises. The impact of lost volume on production
3 capacity and workers is injuring the industry and the
4 workers too. Sales volume and sales revenue are
5 negatively impacted.

6 Because of the significant import volumes,
7 our U.S. shipments declined in 2007. The sales volume
8 decline came with the corresponding decline in
9 revenue, further influenced by a decline in average
10 net sales value per case. So, in 2007 and 2008, we
11 saw declines in volume over 2006, and declines in
12 revenue caused by dumped imports, but the decline was
13 sharpest in revenue because of the price underselling
14 which caused repeated and widespread incidents of
15 price depression and price suppression.

16 However, the preliminary order was issued
17 last spring and we began to see some relief from the
18 impact of dumped imports. For the interim 2009
19 period, we have been increasing some of our depressed
20 and suppressed prices, and the result has been an
21 increase in average net sales value over 2008. The
22 preliminary order has allowed us to begin pricing our
23 product more fairly, to reverse the decreasing and
24 depressed trend on our gross profits, and work towards
25 earning a reasonable operating profit again for our

1 product.

2 This is compelling evidence of injury and
3 the importance of trade relief because the impact of
4 the preliminary order has already positively
5 influenced our average net sales value.

6 Profitability has been negatively impacted.
7 Profitability has been clearly impacted by the loss of
8 volume and the loss of revenue by reason of dumped and
9 subsidized imports. Our gross profit declined sharply
10 in 2007, after we rolled out aggressive price cuts to
11 fight the dumped pricing from India. The contribution
12 from gross profits didn't cover our SG&A expense that
13 year, and we suffered a significant operating loss.

14 We knew we couldn't repeat that in 2008.
15 However, we were stuck in a difficult situation
16 because we couldn't raise prices to boost revenue
17 because of the dumped imports, and we didn't have any
18 control over our raw material and factory costs which
19 were climbing in 2008. So we tried to squeeze our
20 direct labor to boost gross profitability in 2008. By
21 asking all of our workers to do more we were able to
22 cut positions and defer other work indefinitely.
23 Because of these changes we lost some good workers,
24 but we stabilized the declining gross profit trend in
25 2008. Had it not been for these efforts the continued

1 decline in revenue and average net sales value would
2 have resulted in another drop in gross profit and
3 ultimately an operating loss.

4 All along throughout this period we have
5 been making difficult decisions just to keep in
6 business, but these practices are not sustainable and
7 without trade relief we won't be able to hold out much
8 longer. Mortgaging our future.

9 As I said, all aspects of our business has
10 felt the impact of the dumped and subsidized commodity
11 matchbooks from India. We have put important projects
12 on the shelf, and we have reinvested very little back
13 into the business because we don't have the cash or
14 the profit to support these expenditures.

15 The last three years we have only replaced
16 equipment whenever it was essential to daily
17 operations. We have overlooked many important
18 maintenance rebuild projects which will undoubtedly
19 catch up to us very soon. Our decades of
20 manufacturing success have taught us the right way to
21 maintain and reinvest in our equipment, and we know
22 that we are not fulfilling that obligation right now
23 primarily because of cash flow impacted by
24 profitability which has been hurt by dumped and
25 subsidized commodity matchbooks from India.

1 Conclusions: We need trade relief to
2 reverse the financial trends we have been struggling
3 with, especially from price depression and price
4 suppression because of dumped imports. It is really
5 no surprise that our operations are so drastically
6 injured at these pricing levels because the dumping
7 margin is so large -- 66 percent -- how could we not
8 be injured when that degree of dumping is occurring.
9 Thank you.

10 MR. BRADLEY: Good morning. My name is
11 Jonathan Bradley. I'm President of Bradley Industries
12 and Atlas Match. I am also an owner in a second
13 generation family member operating the business.

14 My father started our family match business
15 the year I was born. We have grown, shrank, changed
16 and survived as a producer of both promotional and
17 commodity matchbooks for four decades. I grew up in
18 the factory and around matches. We have made products
19 for tens of thousands of different customers and for
20 different events ranging from small weddings to
21 presidential inaugurations. Our company is the only
22 recent producer of all types of match products. We
23 have made commodity product for the largest national
24 chains and promotional matches for the smallest corner
25 taverns.

1 Despite this broad reach we are still a tiny
2 company in a tiny industry struggling to survive
3 against low-cost global competition dumping product
4 into the United States market. It is with this
5 background in mind that I make my statement today.

6 Atlas Match strongly supports the Petitioner
7 and believes that the imposition of antidumping and
8 countervailing duties is necessary to save the two
9 American companies that still remain in the domestic
10 commodity matchbook industry. As a maker of both
11 commodity and promotional matchbook, I am hopeful that
12 this statement will clearly explain the uniqueness of
13 the two items and the harm that was done to our
14 company by the Indian products.

15 There is no question that promotional and
16 commodity matchbooks are different products sold into
17 different markets. This is true for several important
18 reasons.

19 First, promotional matches are souvenir and
20 commodity matches are used as a tool. Many Americans,
21 both smokers and nonsmokers, have a collection of
22 promotional matches at home to remind them of where
23 they have been and where they would like to return.
24 The same is not true of commodity matches which are
25 typically used and then discarded.

1 Promotional matches become a souvenir
2 because of their high level of customization.
3 Commodity matches are by definition standardized, and
4 thus not as interesting. Match count, head color,
5 cover board, stem board, printing options and run
6 length are all variable that are adjusted for each
7 order in the creation of promotional matchbooks.

8 In contrast, commodity matches, like Mark
9 has said, are 20 matches per book and the standard
10 imprint for each long run.

11 The manufacturing processes of promotional
12 and commodity matches are also unique. Speed,
13 equipment, printing techniques, material and labor
14 intensity are key differences. Those who have seen
15 the high-speed roll-to-roll presses used to produce
16 commodity matchbook and the slow sheephead presses
17 used to customize promotional matches can attest to
18 the obvious practical differences in producing the
19 product.

20 The manufacturing differences mean that
21 promotional matches are much more expensive to produce
22 and must be priced much higher than commodity
23 matchbooks. A typical 20-like case of promotional
24 matches sells for almost four times the case price for
25 commodity matchbooks. High-end, highly customized

1 promotional product can be sold for 10 or 20 times the
2 typical commodity case price.

3 Along with production differences, given the
4 physical differences between commodity and promotional
5 product, buyers and distributors perceive them as
6 different. When there is no customization or
7 promotional messages, buyers see a tool rather than a
8 keepsake.

9 Furthermore, promotional matches and
10 commodity matches are sold and move in completely
11 different channels of distribution. Promotional
12 matches are shipped one case at a time via UPS. They
13 often wind up being distributed in a bowl, one no-
14 charge matchbook at a time at a restaurant hostess
15 station or by a friendly bartender. Commodity matches
16 move by the pallet and are distributed at retail.

17 Lastly, commodity match standardization
18 cannot replace the marketing function of promotional
19 matches. Promotional matches invite you to call,
20 visit, or use a service, at the very least they invite
21 you to remember, while commodity matches only light
22 fires. The products are not interchangeable.

23 Clearly, there are substantial differences
24 between promotional and commodity matchbook products.
25 Recognizing that commodity matchbooks are their own

1 unique market one can understand that it's easy to
2 become a price leader in the commodity match business
3 given that there is little or no differentiation.
4 Meeting minimum expected product characteristics is
5 not difficult. Couple this with the fact that the
6 margins for distributors and reseller are typically
7 very small, it is simple for a manufacturer to move
8 product at rock bottom prices. This is especially
9 true when prices are subsidized and sold in some way.

10 The low-cost Indian manufacturer commodity
11 matchbooks rapidly captured market share and
12 threatened to take over even more business before the
13 U.S. producers responded with aggressive pricing of
14 their own. These price reductions were unsustainable
15 and unprofitable. In the end price suppression, lost
16 sales and lost revenue left our company injured. This
17 injury contributed significantly to our decision to
18 close our Frankfurt, Illinois, factory, and severely
19 curtailed commodity matchbook production in our
20 remaining facility.

21 Closing our original home of our company
22 built by my father was difficult. Good jobs were
23 lost, long-time employees were left with no work, and
24 potential income was sent to India rather than kept in
25 the United States.

1 MR. GASTON: Could we beg the indulgence of
2 the Commission for another two minutes so Mr. Bradley
3 can finish?

4 CHAIRMAN ARANOFF: Go right ahead.

5 MR. GASTON: Thank you.

6 MR. BRADLEY: Thank you very much.

7 As a producer of commodity matchbooks, it
8 was almost driven out of the business by low-cost
9 product from India. I have no doubt these imports are
10 and were a substantial cause of material injury to the
11 surviving U.S. manufacturers. Though we currently
12 have no orders, are factory is still ready to produce
13 commodity products. To do so profitably, however,
14 challenges remain. Just in the last two weeks we
15 quoted a customer that has been purchasing large
16 quantities of blank matchbooks from India.
17 Unfortunately, this customer was accustomed to buying
18 product at \$15.50 per case delivered to their
19 warehouse, so not just for the product but including
20 freight. When we quoted a price that enabled us to
21 make a reasonable profit, the customer immediately
22 discounted our offer as out of line with their
23 perception of the market. They are used to paying a
24 fraction of what we can sell profitably for and it
25 will take time for customers like this one to consider

1 us again as a reasonably priced supplier.

2 Despite the difficulties in the market, I am
3 hopeful that our company can once again compete with
4 all fair competitors. U.S. manufacturers can succeed
5 even when faced with global competition provided the
6 playing field is level.

7 Thank you very much for your time. I
8 appreciate your attention.

9 CHAIRMAN ARANOFF: We want to thank all the
10 members of the panel, and thank you for your testimony
11 this morning. We really appreciate you taking time
12 away from your businesses to come and answer our
13 questions. Even though we received a lot of data from
14 you, there is just no substitute for being able to
15 personally ask questions and follow up on the answer.

16 I'm going to be starting the questioning
17 this morning, and I wanted to start with one question
18 on the like product issue. Both companies, Atlas and
19 D.D. Bean, provided estimates in response to our
20 questionnaire of the percentage of promotional
21 matchbooks that you view as being saved by collectors
22 versus used and discarded, and because those numbers
23 are confidential I can't mention them except to say
24 that they were different, the numbers that came from
25 the two companies.

1 So I wanted to ask you if you could describe
2 the basis for how you calculated your estimate.

3 MR. MARK BEAN: I think partly would be the
4 exact definition of a collection. Matchbook
5 collecting is one of the most popular hobbies in the
6 United States. A match cover collector is called a
7 phillumenist, a lover of light. They have conventions
8 and national clubs, local and national clubs.

9 Strictly speaking, collecting matches is
10 probably not a huge percentage of the total, but then
11 there is the kind of collecting that John referred to
12 where most people have a drawer or a bowl somewhere in
13 their house where they have got matchbooks of
14 different hotels and restaurants that they have been.

15 We based our estimate on that kind of
16 collection, and that's why we assigned a very large
17 percentage to the promotional matches as being
18 collected as a souvenir.

19 CHAIRMAN ARANOFF: So this is essentially
20 based on the definition as you've described it as to
21 what collection means, plus your personal observation
22 of peoples' behavior.

23 MR. MARK BEAN: Right.

24 CHAIRMAN ARANOFF: And Mr. Bradley, your
25 companies estimate was different. Do you want to tell

1 me how you came to it.

2 MR. BRADLEY: We thought that was a really
3 interesting question and we struggled with how to
4 answer it. Part of what Mark said was our struggle --
5 what exactly is that definition. If you were just to
6 limit it to who we think of as your hard core
7 collectors, the people who have conventions, the
8 people who order matches from us to enhance their
9 collection, the number is tiny, and we would say that
10 it would probably be less than 1 percent. It's such a
11 small number.

12 So then we started thinking about what
13 happens to the rest of our product, and we make, even
14 as a small industry we make lots and lots of matches,
15 and we make a matchbook for every man, woman and child
16 in the United States pretty regularly. So all those
17 matches have got to be going somewhere.

18 So a lot of them are used and then probably
19 what we consider to be most of the matches somehow
20 disappear. They get taken with the intention of being
21 used or saved and not make it. So we thought, okay,
22 given that and given the number of people in the
23 United States, let's think about what's a reasonable
24 percentage to say that people are putting in their
25 bowl at home and sort of keeping is what we call a

1 casual collector, and that's how we came up with the
2 number that we selected.

3 CHAIRMAN ARANOFF: Okay, thanks to everybody
4 for clarifying that. That's very helpful.

5 In our preliminary opinion in these
6 investigations, the Commission found that apparent
7 consumption of commodity matchbooks sell faster than
8 cigarette demand sells during the period that we were
9 looking at. Do you agree with that assessment, and if
10 you do, what's the most likely explanation Because
11 you've told us the switch to lighters have pretty much
12 already happened by the nineties?

13 MR. MARK BEAN: I'm not sure exactly what
14 statistics you're talking about in terms of how much
15 greater the decline in sales were than declines in
16 smoking, and whether or not those numbers would also
17 reflect the impact of the lost sales to imported
18 matchbooks from India.

19 CHAIRMAN ARANOFF: They wouldn't because
20 we're looking at total consumption in the United
21 States.

22 MR. MARK BEAN: Total consumption.

23 CHAIRMAN ARANOFF: Yes.

24 MR. MARK BEAN: We don't really have any
25 specific theories about the explanation other than the

1 fact that we do believe that lighters have pretty much
2 saturated the market, and that we haven't had any
3 further erosion of sales lost to them.

4 CHAIRMAN ARANOFF: Okay. Can you describe
5 to me how price negotiations work in this market?
6 When you're dealing with one of your customers, a
7 distributor or a large retailer, when we look at some
8 industries the customer, you know, always negotiates
9 the same time every year and you set prices for the
10 year or something it's done, you know, on an ad hoc
11 basis. They call you up and sometimes you know that
12 you're competing against someone else and sometimes
13 you don't. Can you describe how it works for you?

14 MS. BARTLETT: One of my responsibilities is
15 processing orders so I can speak to that. I would say
16 that about half of our sales are spot sales where a
17 customer calls and we just quote them off our price
18 list, and then, you know, we would negotiate off of
19 that if we had to. Then we do have some short-term
20 and longer-term contracts, and we do also have some
21 customers, you're talking about it comes up for bid
22 maybe once a year, we have a few of those, not very
23 many where we'll go through a bidding type process.

24 CHAIRMAN ARANOFF: So if a customer calls
25 you and asks you for a price on a spot purchase, are

1 you going to know at that point whether they are also
2 asking for a price from a competitor, either the
3 importer from India or some other sources?

4 MS. BARTLETT: The would usually tell us if
5 that was the case. We have a lot of repeat customers,
6 so sometimes pricing doesn't come up every
7 transaction. They will just -- like a reorder, they
8 will reorder.

9 CHAIRMAN ARANOFF: When they call and
10 reorder are they always going to ask you for a new
11 price or are they just going to say, we want, you
12 know, X amount more at the price we paid you last
13 month?

14 MS. BARTLETT: It depends. If they think
15 they have a reason to get a price decrease, then they
16 would ask. If they had competing quotes, they would
17 ask.

18 CHAIRMAN ARANOFF: Have you seen the process
19 that you used to follow changed since the Indian
20 producer entered the market or has the process only
21 been about the same but just the prices have changed?

22 MS. BARTLETT: You mean in terms of spot
23 sales? I do feel like we're quoting a lot more. You
24 know, customers are calling up and asking for better
25 pricing more frequently.

1 CHAIRMAN ARANOFF: Okay. Since your
2 petition was filed have you countered any new
3 competitors selling commodity matchbooks from
4 countries other than India?

5 MS. BARTLETT: No.

6 CHAIRMAN ARANOFF: Another question about
7 demand. Has the increasing number of bans that are
8 being passed on smoking in restaurants, bars and other
9 similar public venues affected the demand for
10 commodity matchbooks and promotional matchbooks in the
11 same way, or has it affected them different?

12 MR. BRADLEY: For those type of locations, I
13 would -- in my opinion, I would say that the effect
14 has been disproportionately on the side of promotional
15 matches. When a smoking ban goes into a city,
16 typically the initial reaction of the proprietor of a
17 bar or a restaurant or a hotel is, oh, we don't need
18 matches anymore, and since most of those matches are
19 typically promotional matches it, in my opinion, hurts
20 the promotional side of the business much more than
21 the commodity side. Sometimes those sales do come
22 back when the say, well, actually that matchbook I was
23 buying was meant to be taken away, and the eventually
24 reorder, but I think the initial ban impacts
25 promotional matches.

1 CHAIRMAN ARANOFF: Okay. Did anyone from
2 D.D. Bean want to comment on that?

3 MR. MARK BEAN: Just that we would agree
4 with that analysis. We don't think the ban has
5 impacted the commodity matchbooks as much.

6 CHAIRMAN ARANOFF: Okay, thanks very much.
7 Since my light is yellow I'm going to turn the
8 questioning over to Commissioner Pinkert.

9 COMMISSIONER PINKERT: Thank you, Madam
10 Chairman, and I join the Chairman in thanking all of
11 you for being here today and helping us understand
12 what's happening in this industry.

13 I want to begin with something that's noted
14 on page 2 of your brief. There is a discussion there
15 of imports declining in 2007, but that that was the
16 result of your effort to lower your prices in 2007 to
17 compete with the imports at that time, and I'm
18 wondering, can you extend that story into 2008? In
19 other words, was the dynamic the same?

20 I know you said in you testimony, Ms.
21 Bartlett, that the price lowering continued in 2008,
22 but does that account for the level of the imports
23 going into and through 2008?

24 MS. BARTLETT: We did keep our prices down
25 into 2008, and we believe that's why the volumes of

1 imports were lower.

2 COMMISSIONER PINKERT: But did you continue
3 the process of lowering your prices or did they just
4 stay steady into 2008?

5 MS. BARTLETT: I'd have to look at
6 particular customers to answer that accurately. I
7 know that on average 2008 and 2007 were very similar
8 in our average net sales, but I also recall particular
9 customers getting deeper discounts. It's more on a
10 customer-by-customer basis because its competing
11 quotes.

12 MR. MARK BEAN: I think there also was a
13 couple of instances where we tried to move pricing
14 back up a little bit in 2008, and had to roll because
15 the imported matches were still in the market, still a
16 strong presence in the market.

17 COMMISSIONER PINKERT: Mr. Bradley, do you
18 have anything you would like to add to that?

19 MR. BRADLEY: Only that we continue to hear
20 about very low import prices in the market at that
21 time, throughout 2007, 2008, and as I said in my
22 statement, all the way through just two weeks ago.

23 COMMISSIONER PINKERT: Thank you. Now, I
24 hope my next question is not alarming but I just want
25 to give you a statement that you can react to, respond

1 to. Is it fair to say that subject imports represent
2 a small and declining share of a deteriorating U.S.
3 market? And if it's not fair to say that, can you
4 tell me why it's not fair to say that?

5 MR. MARK BEAN: I don't think I want to
6 comment whether it's fair or not, but the idea that
7 the commodity matchbook industry is a declining
8 industry is not something that we're trying to hide.
9 We have been living in that reality for a number of
10 years, and have been budgeting for declining volumes
11 for some time, and we have been able to have a
12 business model that maintains profitability and
13 reasonable return on investment for sometime in the
14 future despite the decline.

15 What we weren't able to budget for and the
16 declines that we weren't able to react to or adapt to
17 were the impact of the lost volumes, lost revenues,
18 and the price depression caused by the import.

19 COMMISSIONER PINKERT: Mr. Bradley. Oh, I'm
20 sorry, Ms. Bartlett.

21 MS. BARTLETT: Commissioner Pinkert, I just
22 wanted to add to that and probably repeat some of what
23 Mark said, but in terms of the significant imports
24 representing a small percentage of the market, it
25 might be that in order cases you do see volumes taking

1 bigger and bigger pieces of the domestic market, and
2 we feel like in this case it was a significant volume,
3 and it was on the increases until we responded.

4 But even more importantly with the impact it
5 had on the pricing in the market. Though the volumes
6 may be considered smaller than normal, the impact of
7 the pricing was enormous.

8 COMMISSIONER PINKERT: I understand what
9 you're saying but I want to go back to one little
10 piece of what I was asking you to react to, and that
11 is, whether or not the subject imports are declining.
12 In other words, is that how you see the role of the
13 subject imports in the U.S. market as declining or is
14 the pattern in the data something that is more
15 temporary, in your view? And I'm hoping that you can
16 add your business perspective to that.

17 MS. BARTLETT: The volumes have declined in
18 2009 and 2008, the volume of imports, and we believe
19 it's because of our competitive position, our ability
20 to meet their pricing. We also believe that if we let
21 up our pricing, if we raise our prices, they would be
22 ready to come right back in. Does that answer your
23 question, Commissioner?

24 COMMISSIONER PINKERT: Yes. In the post-
25 hearing if there is anything that you can add to help

1 us understand the historical pattern in this case I
2 think that would be useful because certainly the
3 pricing changes for the domestic industry don't look
4 to be as large into 2008 as they were into 2007. So
5 if we're trying to explain why the imports decline in
6 2007, we still have to explain why they declined in
7 2008, but I think that's something perhaps more for
8 the post-hearing. Thank you.

9 Now, I would also like to try to understand
10 the role of nonsubject imports in the U.S. market. Do
11 you have any thoughts about why that participation may
12 have declined during the period that we're looking at?

13 MR. MARK BEAN: You said nonsubject imports?

14 COMMISSIONER PINKERT: In other words, not
15 from India.

16 MR. MARK BEAN: Right. The only two other
17 instances in recent times of any imported matchbooks,
18 there is a company in Mexico that has made a couple
19 entries into the United States, and briefly from
20 China. The company from Mexico actually had on two
21 different occasions made successful efforts to secure
22 distribution from large customers in the grocery store
23 business, and we were able -- we found that we were
24 able to effectively compete against Mexican imports,
25 although in Mexico they enjoy lower labor costs than

1 the United States, and they have a close proximity to
2 the United States so they don't have excess
3 transportation costs, they have other manufacturing
4 advantages, they do not have the advantage of
5 subsidies, and the Mexican company was not selling at
6 less than fair value pricing. So we found we were
7 able to effectively -- they were a good competitor and
8 it wasn't easy but we were able to effectively compete
9 against them and win that business back.

10 The Chinese company never seemed to be able
11 to meet the quality standards demanded in the market,
12 and never really made much, if any inroads in the U.S.
13 I know they made some inroads in Canada. I'm not even
14 positive if they ever made it into the United States,
15 but they were primarily not up to snuff in terms of
16 quality, and then this particular factory ended up
17 closing.

18 The only ones that we have not been -- you
19 know, between having, you know, certainly able to meet
20 the quality demands of the U.S. market, be able to be
21 good competitors in our own right the only company we
22 haven't been able to deal with has been the dumped and
23 subsidized imports from India.

24 COMMISSIONER PINKERT: Thank you. I'll save
25 my additional questions until the next round.

1 CHAIRMAN ARANOFF: Vice Chairman Pearson.

2 VICE CHAIRMAN PEARSON: Thank you, Madam
3 Chairman. I also would like to welcome the panel.
4 It's good to see some of you again. I'd like to
5 express my thanks to the folks at D.D. Bean for your
6 hospitality and the delightful weather that you
7 provided when some of us came up to Jaffrey here a few
8 weeks ago. I'm glad that we can have at least pretty
9 decent weather here for you today. Much better today
10 than to have come on he weekend, I can assure you.

11 I would also like to compliment you for the
12 time and effort you have put into learning our
13 terminology and procedures, and this is only your
14 first case. I mean, it took me a couple of years to
15 get to the point that you seem to be at now.

16 Let me put myself in the position of a
17 purchaser of matchbooks, and I'm going to ask about
18 both promotional and commodity matchbooks to try to
19 make sure that I understand the differences.

20 Mr. Bradley, if I was to order on behalf of
21 the International Trade Commission your smallest
22 quantity of promotional matchbooks, and let's have
23 them printed at a mid-level in terms of fanciness, and
24 on the one side we'd have a schematic of the ITC
25 building and on the other side we'd have, you know, a

1 note that would say something like "Please use these
2 outside the building", or, you know, we could say
3 something about avoiding material injury, but that
4 gets too complicated.

5 Okay, so I place such an order with you.
6 What is the minimum quantify and roughly what would
7 that cost for us to get that here delivered to the
8 Commission?

9 MR. BRADLEY: If you wanted to order a
10 minimum quantity of what you call medium grade in
11 terms of customization, that would take you out of the
12 absolute minimum, which would be the lowest level of
13 color choices we would give you, but in a medium
14 choice, medium customization, the minimum would be
15 5,000 matchbooks, which would be two cases of
16 matchbooks. You could buy them in two different ways.
17 You could either buy them through a promotional
18 products distributor, which is someone that might have
19 also sold you your ITC notepads, and windbreakers and
20 hats, and you would probably pay about \$250 to that
21 distributor who would have in turn paid us
22 approximately \$150.

23 If you would have bought them from us
24 directly, you still would have paid \$250, but you
25 would have paid it to us directly. So we have two

1 different ways to sell you the product. Really, for
2 us, it reflects two different price points.

3 VICE CHAIRMAN PEARSON: Okay. Good. Then
4 if I decide that Commission really needs a large
5 supply of matches and all we want to say on them is
6 thank you, what's the minimum order that I could place
7 for commodity matchbooks, and roughly, what would that
8 cost?

9 MS. BARTLETT: When you say thank you, do
10 you mean our inventory item or would you like us to
11 print the ITC says thank you?

12 VICE CHAIRMAN PEARSON: No. We'll just take
13 thank you out of inventory.

14 MS. BARTLETT: Out of inventory. Okay. We
15 would ship you a pallet, which would be 50 cases, and
16 that would be 125,000 matchbooks.

17 VICE CHAIRMAN PEARSON: Okay. And the rough
18 cost on that?

19 MS. BARTLETT: You mean what price would we
20 quote you? We would quote you on that. It would be
21 about \$28 per case delivered.

22 VICE CHAIRMAN PEARSON: Okay. So we're
23 talking a very significant difference in terms of the
24 size of the order and the cost that a customer has to
25 pay to participate in each of these markets, if you

1 will. Okay. Thank you. Can you tell me more about
2 what's transpired in the marketplace since the filing
3 of the petition initially, and then since the
4 preliminary duties went into effect? Have you seen
5 changes in the marketplace?

6 MR. BEAN: Initially when we filed the
7 petition we saw almost nothing changed. The imports
8 kept coming. I don't remember the exact percentages
9 or the exact volumes, but we filed at the end of 2008
10 and the last import shipments went well beyond that.

11 VICE CHAIRMAN PEARSON: Right.

12 MR. BEAN: So no impact, but then after the
13 duties, they completely, the imposition in an attempt,
14 the preliminary duties, they stopped. Since that
15 time, we're not aware of exactly how much inventory
16 still remains in the United States because we're still
17 aware that there is some, and we still, as John
18 Bradley pointed out, there's still a lot of customers
19 that have a perception of what the pricing from India
20 was, so although we have made some efforts to start to
21 get our prices back up and we've had some success, we
22 still are dealing with both inventory and perception
23 of lower prices.

24 VICE CHAIRMAN PEARSON: Okay. So have you
25 been able to increase shipments relative to the same

1 time period last year or is there still enough
2 inventory from India out there that your shipment
3 levels are about the same?

4 MS. BARTLETT: I think they have come up
5 some.

6 VICE CHAIRMAN PEARSON: Okay. So some
7 increase in shipment levels and some increase in
8 prices, but you're perhaps not yet to the \$28 per case
9 that you had just quoted me.

10 MS. BARTLETT: No, no, no.

11 VICE CHAIRMAN PEARSON: See, I'm a novice
12 buyer. You could maybe get me to pay that yet.

13 MS. BARTLETT: Yes. We're not there yet.

14 VICE CHAIRMAN PEARSON: Okay. Any sense of
15 how long the inventory from India might be playing a
16 role in the U.S. market? I understand you may have no
17 way of knowing that. I'm just trying to get a sense
18 of what's present.

19 MR. C. BEAN: It's interesting, though, when
20 we left the hotel -- what was the name of it?

21 MS. BARTLETT: We're staying at the L'Enfant
22 Plaza. We were walking down the concrete steps.

23 MR. C. BEAN: We were walking down the
24 concrete steps and on the steps we found a book match
25 which was a Triveni book match on the steps, so we

1 said, no, they're still here.

2 VICE CHAIRMAN PEARSON: Okay.

3 MR. C. BEAN: And we see them. We still see
4 them here.

5 VICE CHAIRMAN PEARSON: Are you hearing
6 anything from your customers that, you know, they're
7 starting to realize that the end of the Indian supply
8 is in sight?

9 MR. BRADLEY: I would say just on the basis
10 of getting some inquiries, I would say that our
11 customers or our potential customers at this point
12 don't realize that the pricing is gone, but there may
13 be some indication that they need to shop around, you
14 know, as we got the opportunity to quote a couple of
15 weeks ago, and they pretty much hung up on me, but it
16 was good to at least get a call and an opportunity to
17 quote because maybe, thanks to the action that's been
18 taken so far, as they shop around maybe they'll see,
19 well, actually, I do have to pay a reasonable price
20 for this product. I think, though, it's a little
21 early to tell.

22 VICE CHAIRMAN PEARSON: Okay.

23 MR. C. BEAN: Also, the nature, a lot of our
24 customers, the types of distributors that we sell to,
25 particularly in a market like New York City area,

1 these are customers that are used to buying a lot of
2 commodity types of merchandise and they're not the
3 types of distributors that are particularly
4 forthcoming with the truth when it has to do with
5 competitive prices that are out there, and so, you
6 know, it's hard for us. We get a lot of stories that
7 we can't always authenticate.

8 VICE CHAIRMAN PEARSON: Okay. Fair enough.
9 Our period of investigation has the three full years
10 2006, 2007, 2008, and then half year of 2009. I know
11 you've spoken, Ms. Bartlett, about the price
12 depression that has been experienced in the industry,
13 and yet, on this record we don't see as much actual
14 price decline as we occasionally see in other cases.
15 If our period of investigation went back a year or two
16 earlier, would we see more of an actual price decline?
17 Could you comment on that?

18 MS. BARTLETT: Commissioner Pearson, you're
19 saying that the average sales decline isn't coming
20 down like you would expect or are you talking about
21 total?

22 VICE CHAIRMAN PEARSON: The prices of our
23 pricing products when we do our, you know, we look at
24 the prices and track them over the period of
25 investigation.

1 MS. BARTLETT: Looking for like a sharper
2 decline.

3 VICE CHAIRMAN PEARSON: Well, sometimes we
4 see that.

5 MS. BARTLETT: Yes. I'd have to look at
6 that maybe.

7 MR. M. BEAN: I think, though, that
8 certainly if you extended it back, the prices would
9 have declined that much more, so yes.

10 VICE CHAIRMAN PEARSON: Because you
11 testified that it was in 2006 that you reduced your
12 pricing to try to be competitive with the --

13 MS. BARTLETT: Right. That's when our
14 strategy kicked in.

15 VICE CHAIRMAN PEARSON: Okay. And so if we
16 had the previous year in our data, we might see more
17 of an actual drop in the pricing then. Is that a fair
18 assumption?

19 MS. BARTLETT: I think so.

20 MR. M. BEAN: Yes.

21 VICE CHAIRMAN PEARSON: Okay. Thank you.
22 Madam Chairman, my time's expired.

23 CHAIRMAN ARANOFF: Commissioner Okun?

24 COMMISSIONER OKUN: Thank you, Madam
25 Chairman. Join my colleagues in welcoming all of you

1 here today. Very much appreciate the time you're
2 taking with us, and also appreciate the written
3 statements that you've provided. It's helpful. I
4 also wanted to welcome our guest from Ghana. I know
5 that we'll have the opportunity to speak with you
6 tomorrow. I hope that attending this hearing will
7 spark some conversations for us. Then, before I turn
8 to my questions, there's always the, you know,
9 interesting facts you pick up and so I think, Mr. Mark
10 Bean, what is a match collector called? Because I
11 looked it up because I thought that's a good word for
12 my daughter who's studying lots of vocabulary for a
13 certain test, so not phillumenist, because I looked
14 that up and I got it wrong.

15 MR. M. BEAN: Yes. It's a phillumenist, a
16 lover of light.

17 COMMISSIONER OKUN: F-S-O?

18 MR. M. BEAN: No. P-H-I-L-E.

19 COMMISSIONER OKUN: P-H, of course, with the
20 -- okay. All right. There. See, I learned
21 something. That's a good thing.

22 MR. M. BEAN: The major organization is
23 called the Rathkamp National Match Cover Association.
24 They have a national convention every year. They have
25 a website.

1 COMMISSIONER OKUN: Thank you. All right.
2 Now, turning to questions. I have had the opportunity
3 to tour your facility and although not yours, Mr.
4 Bradley, but it is helpful and you've answered a
5 number of questions today with the presentation you
6 made, but I did want to follow up a bit on the pricing
7 questions that my colleagues have raised just to make
8 sure I understand what we see on this record and what
9 you've experienced. One, Mr. Bradley, I just wanted
10 to turn to you briefly. When you talked about someone
11 calling to make an inquiry or a quote, was that on
12 commodity?

13 MR. BRADLEY: Yes. The example I cited when
14 we had recently received a call was on commodity. We
15 up until fairly recently had sold the product that we
16 made to D.D. Bean.

17 COMMISSIONER OKUN: Right.

18 MR. BRADLEY: And so D.D. Bean discontinued
19 purchasing from us so we're back out beating the
20 bushes looking for something to replace that.

21 COMMISSIONER OKUN: Okay. This may be
22 confidential and you can submit it afterwards if you'd
23 like, but when you say you were in the process of
24 looking for other customers to restart selling the
25 commodity matchbooks, do you need something in the

1 order of what D.D. Bean was purchasing from you to be
2 able to get back in that business or can it be done
3 fairly quickly? If you got a big order, are you back
4 in business immediately?

5 MR. BRADLEY: We could start making it
6 tomorrow.

7 COMMISSIONER OKUN: Okay.

8 MR. BRADLEY: We have the machines set up,
9 we have employees because our factory is still
10 currently producing promotional matches and other
11 items and it's easy to move the workers to the
12 commodity equipment. While it's not the same
13 equipment, it's conceptually similar, and we could
14 start immediately.

15 COMMISSIONER OKUN: Okay. And is the volume
16 you need, I think the Vice Chairman had asked D.D.
17 Bean to talk about what would be their minimum
18 quantity of commodity matches. Would it be similar?

19 MR. BRADLEY: Well, we currently do not have
20 an inventory of commodity matches so I suppose, and
21 this is a little bit of speculating exactly how we
22 would handle it, I suppose what we would do is if we
23 truly believed that we could get a decent price for
24 commodity product we would ship it by the pallet. To
25 do that, we would have to make a little bit more than

1 a pallet to make a reasonable run length for that
2 item. So we would make a pallet, ship it to you, but
3 we'd also make a few more pallets and store them in
4 inventory waiting for your reorder.

5 COMMISSIONER OKUN: Okay. Okay. That's
6 helpful. Then, talking again about what you saw with
7 prices during the period of investigation, and you
8 talked about the strategy that you followed of
9 reducing your prices in order to meet the Indian
10 imports and that you succeeded in holding down their
11 volume but at the same time keeping your prices down,
12 and we have record before us, but can you tell me just
13 in terms of with respect to your raw material costs
14 during that time what was going on and whether your
15 pricing was able to reflect any changes in raw
16 material costs even during this period when you felt
17 you were trying to be most competitive with the
18 Indians. Ms. Bartlett?

19 MS. BARTLETT: Our raw material costs, in
20 2008 particularly, started rising. A lot of those
21 increases, you know, because we inventory, we average
22 the cost, so a lot of those increases we felt the end
23 of 2008, and then well into 2009 they were in full
24 force. So when we did get those raw material
25 increases, no, we weren't able to pass them on,

1 particularly to the customers that were demanding the
2 deep discounts for beating the competition.

3 COMMISSIONER OKUN: Okay. And then I just
4 want to make sure that I understood your response to
5 the Vice Chairman. In terms of after the imposition
6 of duties, it's still the case that prices, there was
7 not a difference in price recovery during that period.
8 Were you able to pass along these raw material
9 increase?

10 MS. BARTLETT: Yes. What we did was in
11 2008, again, it was in the summer of 2008 when we were
12 getting all these increases and we developed a
13 strategy. We tried to pick customers that we thought
14 we could introduce the price increase to with minimal
15 risk, and so at the end of 2008 we put some prices up,
16 and then into 2009 we kind of, you know, on a case by
17 case basis. Some of them stuck, and some of them
18 didn't.

19 COMMISSIONER OKUN: Mr. Gaston, did you have
20 something to add?

21 MR. GASTON: After the imposition of the
22 temporary duties did you notice a change at that
23 point?

24 MS. BARTLETT: Yes. After the order was put
25 in place we had much better luck, particularly, you

1 know, again in that northeast market, getting the
2 prices up.

3 COMMISSIONER OKUN: Okay. And did it matter
4 what type of customers? You had responded earlier
5 about the different, that there were spot sells and
6 then you had some people on contract, short or longer
7 term contracts. Did the nature of the customer
8 explain whether you were able to get a price increase?

9 MR. M. BEAN: Yes. The customers that we
10 have more long-term supply arrangements with were the
11 ones that we were able to negotiate the increases
12 with. And then two out of three. One we had to then
13 end up rolling back the prices because they were still
14 getting the competitive quotes from India.

15 COMMISSIONER OKUN: Okay. That's helpful.
16 And then just so that I understand again where you saw
17 the pricing pressure, with the Indian product, were
18 they doing anything other than the white commodity
19 cover?

20 MR. M. BEAN: No. They claim they have the
21 capabilities to do the private label and the national
22 brands, but all they've ever shipped into the United
23 States been the plain white that we're aware of.

24 COMMISSIONER OKUN: Okay. And then tell me
25 how that impacted pricing in other than the plain

1 white for you. In other words, I know you talked
2 about the process a little bit when someone calls and
3 asks for a quote. Would the presence of the Indians
4 in plain white impact the prices of private label for
5 you?

6 MR. M. BEAN: Yes.

7 COMMISSIONER OKUN: And how and why?

8 MR. M. BEAN: Well, because they claimed
9 they had the capacities to do that and in fact were
10 having negotiations, not just Triveni, but other
11 Indian producers were actually having negotiations to
12 enter the private label market directly.

13 COMMISSIONER OKUN: Okay. I'm trying to
14 think of what we have in the record and what might be
15 helpful. If there's anything that you have in terms
16 of either pricing, bids or any of the negotiations
17 that went on that would help me better understand how
18 that happened because, you know, sometimes it's a
19 little hard to figure out. If it's not actually in
20 the market, why would a private label purchaser be
21 able to use that as a negotiation tactic if they can't
22 get it right away? In other words, is it because you
23 have these long order times? I'm trying to understand
24 why there is that pricing pressure if that product is
25 not what's in the market.

1 MS. BARTLETT: Some private label customers
2 also buy plain white at the same time. They'll order
3 three or four pallets of each.

4 COMMISSIONER OKUN: Okay. So they wouldn't
5 want their spread between their plain white and their
6 private label, they would want that to be fairly
7 close? Is that an accurate description or not?

8 MS. BARTLETT: Well, our customer is going
9 to be the distributor so they may purchase for two or
10 three different supermarkets on one order, and they
11 would also purchase maybe some plain white and some
12 thank you, so that customer is familiar with pricing
13 on plain white and they would be aware of Triveni's
14 pricing, or they could potentially be.

15 COMMISSIONER OKUN: But would it be the case
16 that that distributor would have the opportunity to
17 purchase plain white from the Indians and private
18 label from you? I mean, would they split up their
19 orders like that, or do they? Is that typical of the
20 industry, if you know.

21 MS. BARTLETT: It hasn't come up.

22 MR. M. BEAN: Yes. It wouldn't be typical
23 but it would certainly be possible.

24 COMMISSIONER OKUN: Okay. My red light's
25 come on, but I thank you very much for those

1 responses.

2 CHAIRMAN ARANOFF: Commissioner Lane?

3 COMMISSIONER LANE: Good morning. I, too,
4 welcome you to this hearing. I'm sorry that I didn't
5 get to do any of the tours. Ms. Bartlett, I'd like to
6 start with you. I think that your testimony indicates
7 that in order to get a full picture of what has
8 happened to this industry we need to go back to 2003
9 when the subject product was coming into this country
10 and that's when you started seeing the affect on your
11 industry, is that correct?

12 MS. BARTLETT: 2003 was the year that --

13 COMMISSIONER LANE: I'm sorry. I can't hear
14 you.

15 MS. BARTLETT: Sorry. 2003 was the year
16 that they had contacted us and that we became aware of
17 them as a producer and an importer.

18 COMMISSIONER LANE: Well, your testimony
19 indicates that in 2003 the volumes increased 22 times
20 to 2006.

21 MS. BARTLETT: Yeah. What I was doing was
22 we have the volumes in cases of imports, so that's the
23 number in 2003 versus 2006.

24 COMMISSIONER LANE: Well, when Commissioner
25 Pinkert asked about the volume being declining with

1 the statistics that we had, I guess I am asking you if
2 to get a full picture of what happened we need to go
3 back to 2003 when the imports started to come into
4 this market and that's when you started having to deal
5 with pricing to meet that threat from the imports.

6 MR. M. BEAN: Yes. In 2003, the industry
7 was very different than it was after 2003. The
8 increase in volumes of the imported matches increased
9 dramatically in volume and the pricing deteriorated
10 dramatically.

11 COMMISSIONER LANE: Okay. Now I have a
12 question for both Bean and Atlas. Mr. Bradley, I
13 understand that you say that Atlas can produce both
14 commodity matches and promotional matches, but you do
15 promotional matches now, and if you had customers, you
16 could do commodity matches. Is that correct?

17 MR. BRADLEY: That's correct.

18 COMMISSIONER LANE: But you would be using
19 different equipment.

20 MR. BRADLEY: That's correct.

21 COMMISSIONER LANE: But you would be using
22 the same employees.

23 MR. BRADLEY: That's correct.

24 COMMISSIONER LANE: And do you have that
25 equipment now that would produce the commodity

1 matches?

2 MR. BRADLEY: We do, and we used it as
3 recently as last month. Within the last month or two
4 was our last shipments.

5 COMMISSIONER LANE: Okay. Mr. Bean, what
6 about Bean? Has it ever produced promotional matches?

7 MR. M. BEAN: We have produced some
8 promotional matches. Our version of a promotional
9 match still requires us to use all the standardized
10 components of commodity matchbooks, but to the extent
11 that we have done certain promotional orders,
12 sometimes, most often, as an accommodation to large
13 customers of ours, and then we do a lot of kind of
14 things that might fall into a gray area, but we are
15 not in the promotional business. We don't solicit
16 promotional matchbook orders in any way. In fact, we
17 get inquiries all the time that we refer to Atlas.

18 COMMISSIONER LANE: Do you have equipment,
19 though, that could do promotional matches although it
20 might be a standard size?

21 MR. M. BEAN: We have one assembly machine
22 that produces a 30 stick matchbook as opposed to all
23 the rest of our assembly machines which produce 20
24 stick matchbooks. That one assembly machine, since
25 promotional matchbooks are more often 30 stick

1 matchbooks, if we were to do a promotional match, it
2 would most likely be on that one machine. That one
3 machine runs, it's a kind of a hybrid machine that
4 runs much, much slower and is offline from the rest of
5 our equipment, but it still is a commodity, it's a
6 variation of a commodity matchbook machine.

7 COMMISSIONER LANE: And you have employees
8 that can run that machine?

9 MR. M. BEAN: Yes, because it's not really
10 any different than the rest of our machines other than
11 it runs slower.

12 COMMISSIONER LANE: Mr. Bradley, if you went
13 back into the commodity business, how would you
14 distribute the product?

15 MR. BRADLEY: We would be distributing it
16 through the same kind of channels as Bean does,
17 through grocery wholesalers, through mass
18 merchandisers. There are a couple, there's not a lot
19 of real large, there's not a large number of customers
20 buying commodity matches, it's kind of a small base
21 that you're targeting, so we would be going after the
22 same customers as Bean and Triveni. Our hope would be
23 to get one of the larger customers that would have a
24 meaningful amount of business to give us to make it an
25 ongoing operation as opposed to just start and stop

1 kind of thing.

2 COMMISSIONER LANE: Do you have an existing
3 relationship with any of those distributors?

4 MR. BRADLEY: Yes, in the sense that we know
5 who many of them are and they contact us periodically
6 and we contact them.

7 COMMISSIONER LANE: Okay. Now I'm really
8 going to show some of my ignorance. If somebody
9 bought a carton of cigarettes, and I'm not even sure
10 how many packs are in a carton, I'm going to say 20
11 but I don't know, so if a person buys a carton of
12 cigarettes, do they get a pack of matches for each
13 pack in that or do they just get one matchbook for the
14 whole carton?

15 MR. M. BEAN: Typically when you buy a
16 carton of cigarettes you are not even likely to get
17 matches for free because mostly the custom of giving
18 away matches for free is with the purchase of a pack
19 of cigarettes and that's usually at a convenience
20 store. Most carton sales of cigarettes are at the
21 grocery store or the mass merchandiser, and they are
22 less likely to give away the book of match. They have
23 them for sale by the caddy but they don't give them
24 away one at time.

25 COMMISSIONER LANE: Okay.

1 MR. C. BEAN: If I can? Can I just add to
2 that?

3 COMMISSIONER LANE: Go ahead.

4 MR. C. BEAN: Am I on?

5 COMMISSIONER LANE: Yes.

6 MR. C. BEAN: That if you go into a grocery
7 store where they sell cigarettes or a drugstore where
8 they sell cigarettes and you buy a carton and you ask
9 for matches, my experience, and I think in most
10 places, they'll give you matches, whereas most
11 frequently, if you buy a pack of cigarettes and ask
12 for matches, they won't give it to you, but if you buy
13 a carton, you know, that's kind of like a fine
14 distinction. Convenience stores is where the matches
15 are given with a purchase of a pack of cigarettes, but
16 the supermarkets still have them.

17 COMMISSIONER LANE: Do the commodity
18 matches, have you developed other markets other than
19 places that sell cigarettes? For instance, if you buy
20 candles, do people give away free matches or commodity
21 matches?

22 MR. BRADLEY: We sell a lot of promotional
23 matches to candle shops that say, you know, something
24 like Suzie's Candles with a phone number and address.
25 There's some larger candle companies that do

1 promotional matches. My impression, is the candle
2 business has always been a promotional area, or I
3 shouldn't say always, but recently.

4 COMMISSIONER LANE: Okay. And you talked
5 about the onset of the Bic lighter. Did the fact that
6 the Surgeon General came out in the 1970s saying that
7 cigarettes were bad for your health also have an
8 effect upon your sales?

9 MR. M. BEAN: I'm not 100 percent sure but I
10 don't think cigarette smoking actually started to
11 decline. The rate of increase in smoking leveled off,
12 but I don't think cigarette sales actually declined
13 until much later.

14 COMMISSIONER LANE: Okay. Thank you. Madam
15 Chair, that's all I have for this round. Thank you.

16 CHAIRMAN ARANOFF: Commissioner Williamson?

17 COMMISSIONER WILLIAMSON: Thank you, Madam
18 Chairman. I too want to thank the witnesses for
19 coming today and taking time from your businesses to
20 give these very thorough presentations. I want to
21 join Commissioner Okun in expressing particular
22 appreciation for having the prepared statements. I've
23 always found it very helpful, and I thank you. Many
24 of the actual figures on imports and domestic
25 performance are business confidential and so should

1 not be discussed in an open hearing. However, my
2 staff has indicated that it is appropriate to refer to
3 trends in the data and some of my questions will focus
4 on trends. For example, please describe the trend in
5 annual consumption of commodity matchbooks over the
6 last 10 years.

7 MR. M. BEAN: You want the trend in sales?
8 Is that what you said?

9 COMMISSIONER WILLIAMSON: Yes. Of overall
10 consumption of the matchbooks. How would you describe
11 it?

12 MR. M. BEAN: It's been declining, and
13 throughout that period of time the decline has been
14 exacerbated by the presence of the imported
15 matchbooks. In terms of our volume, the overall
16 market has been declining we think pretty much
17 primarily as a result of declines in the rate of
18 cigarette smoking.

19 COMMISSIONER WILLIAMSON: Okay. I guess one
20 would forecast that that trend will continue. Is that
21 fair to say?

22 MR. M. BEAN: Yes. That seems to be the
23 trend, as much we'd like it to be otherwise.

24 COMMISSIONER WILLIAMSON: Okay. Okay.
25 Other than the statute, the Commission is required to

1 ensure that it does not attribute to the subject
2 imports the harmful effects caused by other factors.
3 In this case one of those factors is clearly the
4 falling consumption of commodity matchbooks. We know
5 the consumption has fallen significantly between 2006
6 and the first half of 2008 and the first half of 2009.
7 In each case, the declines were well in excess of five
8 percent. Would you agree that falling consumption
9 would be expected to result in lower sales quantities
10 and to put downward pressure on prices?

11 MR. M. BEAN: Yes. I mean, we budget for
12 five percent but we've created an environment and a
13 business model that we are trying to adapt to a
14 declining market, whatever the declines in the market
15 are, and in an orderly fashion where we have some
16 ability to charge fair pricing and, you know, get a
17 fair return on investment, to be able to make capital
18 improvements, to invest in new projects and other
19 things. We can operate very successfully in that
20 environment. We couldn't cope with the depressed
21 pricing.

22 COMMISSIONER WILLIAMSON: Okay.

23 MR. C. BEAN: If I may add to that answer?

24 COMMISSIONER WILLIAMSON: Sure. Sorry.

25 MR. C. BEAN: We still make five million

1 matchbooks a day, so that's a lot.

2 COMMISSIONER WILLIAMSON: I'm sorry I didn't
3 get a chance to visit the factory. That would,
4 impressive to see. How should the Commission evaluate
5 the effects of the falling consumption versus the
6 effects of the subject imports?

7 MR. M. BEAN: Well, we obviously believe
8 that, as I just said, we can operate in an environment
9 of declining volumes as long as we can charge a fair
10 price for our product. What we could not cope with is
11 the additional pressures of lost sales and lost
12 revenues, but the primary injury being the depressed
13 pricing where we couldn't charge a fair price for our
14 product. In fact, we couldn't charge a price above
15 what would, you know, cause substantial operating
16 losses and was driving us right out of business.

17 COMMISSIONER WILLIAMSON: Okay. Thank you.
18 We've known the trend in recent years of improvement
19 in the domestic industry's market share. SO given
20 that the domestic industry has been gaining market
21 share at the expense of subject imports in recent
22 years, and I think you've answered this before and I
23 have the indication in some of the answers, but I was
24 just wondering again, indicate how do you think
25 subject imports have been injuring the domestic

1 industry? I think, Ms. Bartlett, you particularly
2 talked about the pricing effect, but elaborate on
3 that.

4 MS. BARTLETT: I think the pricing effect in
5 terms of revenues has been really the driving factor
6 in the injury, and then, as I ended my statement, we
7 did find other, pretty much every aspect of the
8 operation being injured because of the subject
9 imports, you know, general profitability, as well as
10 workforce, losing workers, utilization. Being able to
11 maintain our equipment is key. For anybody that did
12 make the tour, you know, we have a lot of equipment to
13 maintain, and we really need to make sure that we're
14 setting aside some money, and some time and resources
15 to do that, if that answers your question.

16 MR. C. BEAN: If I could add to that, too.
17 Also, we have a business plan which before the
18 downturn in matches encompassed broadening a line of
19 products and would allow us to -- it's been a long,
20 hard road trying to get into different products, but
21 we have some that we're excited about because they
22 are, I don't want to discuss it right now, but they're
23 not -- but it's preventing us from doing the, you
24 know, business plan thinking that we want to because
25 we don't have the resources to really get into those,

1 but we think we have a future beyond --

2 COMMISSIONER WILLIAMSON: If you want to
3 discuss this further in posthearing, that would be
4 appropriate.

5 MR. C. BEAN: Okay.

6 COMMISSIONER WILLIAMSON: I mean, I realize
7 this is business proprietary but I think it would be
8 interesting to sort of see how, you know, given what's
9 happening with cigarette consumption, how would you
10 plan to deal with this even if you didn't have to deal
11 with the dumped imports. Okay. Thank you. I was
12 curious about the nature of the distributors. I mean,
13 I live in New York City and I know there's, I mean,
14 there's all the corner bodegas that you can buy
15 cigarettes from, there's chain drugstores, there's,
16 you know, chain grocery stores. There's just such a
17 variety of places, and so I was wondering about the
18 nature of your distributors.

19 Are there some firms that sort of just deal
20 with the national grocery chains? Are there others
21 who deal with national, say, pharmacy chains, and
22 others who deal with the mom and pop stores?

23 MR. M. BEAN: Yes. There's a few large
24 distributors on a national basis that offer a wide
25 range of consumer products that fall into a certain

1 category of things like matches, toothpicks, plastic
2 cutlery, plastic straws, certain disposable consumer
3 items such as that, that a couple of large
4 distributors sell to, redistribute to grocery stores
5 on a national basis. Then there are other
6 distributors on a more local, regional basis that tend
7 to handle redistribution to small convenience stores,
8 or grocery stores, or even to other distributors.

9 Some of them are pretty large, and
10 particularly in a market like New York City, and
11 others are very small mom and pop type operations.
12 There's various levels within that. Some of the
13 distributors actually are redistributors that
14 primarily buy product and then sell only to other
15 distributors who then sell to the retail outlets. A
16 lot of them carry candy and other merchandise that --
17 it's not cigarettes. They also carry candy and other
18 merchandise that gets sold into convenience stores.

19 COMMISSIONER WILLIAMSON: Okay. Now, are
20 there any particular categories where you saw the most
21 import competition or was it across the board?

22 MR. M. BEAN: Yeah. It's those customers,
23 the ones that sell under the convenience store market
24 primarily and the redistributors, that can buy
25 container loads of quantity. All they're interested

1 in is price. That's all they care about is price.
2 The grocery store customers have other considerations,
3 service, quality, long time relationship, things like
4 that, that give us a little bit more of an advantage.

5 COMMISSIONER WILLIAMSON: Good. Thank you.
6 Mr. Gaston, you mentioned that the company has pursued
7 all avenues for relief, and so I was wondering, what,
8 in particular, besides this case were you thinking
9 about when you said that?

10 MR. GASTON: I was basically thinking of
11 this case. All legal avenues that are available to
12 fight back when you're being targeted by unfair trade.
13 It might not seem that there are many others, but this
14 case has been a huge undertaking for this small
15 company. To go through the whole process of bringing
16 the petition, going to the Commerce Department, going
17 to the International Trade Commission and going
18 through the different phases has been a huge effort,
19 and most of it has been done by these people here and
20 not by me, as their lawyer. So I think that should be
21 appreciated.

22 COMMISSIONER WILLIAMSON: Okay. Thank you
23 very much. Thank you for those answers.

24 CHAIRMAN ARANOFF: We've talked about the
25 fact that over the long term demand is declining

1 because fewer people are smoking. I note that
2 although you have enough capacity to supply the
3 domestic market you haven't done anything really to
4 adjust your capacity to reflect the current and
5 expected pattern in demand. Can you explain why that
6 is? Is there a cost to you of maintaining machines
7 that are not being used?

8 MS. BARTLETT: The capacity, it's based
9 primarily on machinery, what machines we have in
10 place. In terms of expanding it from our regular
11 production now to maximum capacity, our maximum
12 capacity would be even more than what we have on the
13 questionnaire, but it's just a matter of getting the
14 workers. Right now we're running one shift and if we
15 added a second shift or even half of a second shift,
16 we would be up. So there is no cost to maintain those
17 machines because we're using them all day, and the
18 only cost to get back up to speed would be adding more
19 workers.

20 CHAIRMAN ARANOFF: My understanding, though,
21 is that you have enough machine capacity to produce
22 more matches than the U.S. market consumes in a given
23 year and that number's not going to go up because
24 you've told us it's going down over time, so I guess
25 my question was have you thought about adjusting your

1 capacity downward or is it simply costless not to do
2 that?

3 MS. BARTLETT: There's really no cost.
4 Yeah, I guess you could say it's costless. There's no
5 reason to change anything.

6 CHAIRMAN ARANOFF: Okay. Okay. We look at
7 a lot of industries where just keeping machinery that
8 you're not using in operating condition has cost, so
9 you're telling us this is all fully depreciated and
10 there's just no cost to keeping it around.

11 MS. BARTLETT: Right. Again, this is
12 machinery that we're using every day. We use it for
13 one shift and the capacity would come from adding
14 workers for a second shift. I don't know if you want
15 to say anything else about the machinery. It is fully
16 depreciated.

17 MR. M. BEAN: Yeah. It's fully depreciated,
18 but it's one big continuous flow of production and so
19 there's really -- and the staffing, the way the
20 staffing would work out, it's simply a question, as
21 Julia has said, of just adding more employees. There
22 would be no benefit in taking equipment offline.

23 CHAIRMAN ARANOFF: Okay. So even though you
24 see this as a product where demand is going to slowly
25 decline over time, that doesn't affect the way that

1 you look at the machinery that you have.

2 MR. M. BEAN: We might end up running that
3 individual components of machinery but the savings in
4 that would be marginal.

5 CHAIRMAN ARANOFF: Okay. Thanks. Now, my
6 colleagues have congratulated you all on how good a
7 job you've done of learning all our terminology and
8 taking a look through our statute so I want to
9 challenge you with a question that's a little bit
10 difficult and that has to do with price suppression.
11 You've argued that you've had raw material cost
12 increases and that you haven't been able to raise your
13 prices sufficiently to cover those cost increases
14 because of the competition from the Indian imports.
15 In this case, the observed, what we call a cost price
16 squeeze, what you've described, has coincided with a
17 period of falling demand.

18 The statute requires us to consider
19 suppression of price increases that otherwise would
20 have occurred. That's the language from the statute.
21 And so my question is in light of declining demand,
22 how can we conclude that, you know, absent the
23 underselling by the subject imports these price
24 increases to cover costs otherwise would have
25 occurred? Because frequently in a situation where the

1 economy's bad and demand is declining you wouldn't be
2 able to pass on cost increases anyway. Is there
3 something about this product that good times and bad
4 you've been able to pass on cost increases until the
5 Indian product came into the market, and why is that?

6 MR. M. BEAN: Well, I think we have a long
7 history with a lot of our customers of not having a
8 lot of price increases and when we come to them with
9 price increases it's for justifiable reasons, and
10 often, the larger ones will make us document those
11 increases to be able to justify a price increase to
12 them. During the period in particular of the summer
13 of 2008, and I believe this is during the period when
14 oil prices sort of spiked and it sort of created a
15 whole environment of everybody was increasing prices
16 on everything and we were literally getting a letter
17 or a phone call a day for all of our materials for
18 going up. We had the price of paraffin, which we use
19 in the process which is an oil-based product, went up
20 like --

21 MS. BARTLETT: Tripled.

22 MR. M. BEAN: It tripled in price over a
23 short period of time. Everything was like that, all
24 of our materials. We were desperate trying to figure
25 out, you know, we had to get relief on that. We had

1 to get prices up. We weren't able to do it. We were
2 able to do it with a couple of customers. We went to
3 the larger distributors who we had long-term
4 relationships with who were more interested in factors
5 other than just price, and we could document to them
6 what was happening to us and they accepted increases.

7 Other customers in the commodity end of it,
8 in the plain white end of it could care less. As long
9 as there was a competing price out there they wouldn't
10 let us. We had to roll back our price increases. So
11 that in particular was a very volatile situation.
12 Prices leveled off, oil came back down, some of the
13 materials came down a little bit, some of the urgency
14 diminished, but the reality was still the same that we
15 knew at that point that when it came to the low end
16 plain white part of the business that we just weren't
17 going to be able to get anything as long as the Indian
18 price was out there.

19 CHAIRMAN ARANOFF: Okay. So would it be
20 fair to say that absent the Indian product and its low
21 prices you would have been able to have some success
22 passing on cost increases simply because your
23 customers didn't have a lot of other choices for
24 suppliers and despite the fact that demand might be
25 declining, the matchbooks that they needed, they

1 needed?

2 MR. M. BEAN: Yeah, I think that's fair to
3 say. It wouldn't be easy. These customers, it's the
4 same reason we haven't been able to -- you know, our
5 prices are not as high as, you know, we would like
6 them to be, even now. You can't just take them up
7 arbitrarily or without justification, but that
8 certainly we would have been in a much better position
9 to explain the reality and to be able to get away with
10 some kind of relief on it.

11 CHAIRMAN ARANOFF: Okay.

12 MS. BARTLETT: Frequently they do ask for
13 justification, as Mike talked about, and, you know,
14 we'll provide them with back up information on which
15 costs have increased and why we need the price
16 increase. When you present it that way it seems fair
17 and they comply.

18 CHAIRMAN ARANOFF: Okay. That's helpful.
19 Thanks. I think at the moment I may have exhausted my
20 questions, so I am going to check to see if I have any
21 more and turn it over to Commissioner Pinkert.

22 COMMISSIONER PINKERT: Have you turned it
23 over, Madam Chairman? Okay. Thank you. I just have
24 a few more questions. The first couple of questions
25 ask you to look to the future a little bit. First

1 off, for both companies, if orders are imposed in this
2 case, do you anticipate substantial new investment,
3 new capital expenditures, going forward?

4 MR. BRADLEY: For commodity matchbooks, we
5 wouldn't require any new capital investment unless we
6 decided to upgrade our printing capacity. Initially,
7 we have the equipment and we're ready to go.

8 MR. M. BEAN: From our perspective, again,
9 there are some capital programs that we would like to
10 be able to, that we had sort of on the drawing boards
11 as far as being able to offer different kinds of
12 packaging and some, you know, value added type
13 features to the product that we would like to have the
14 resources to be able to complete, and then plus, as
15 Chris indicated, that we had other business plans to
16 expand our product line that we would like to be able
17 to have. Our equipment, other than the continuing
18 kind of overall deferred maintenance, you know, that
19 we've put off and some fine, you know, tuning of some
20 things, then there wouldn't be an extensive capital
21 investment.

22 COMMISSIONER PINKERT: Thank you. Ms.
23 Bartlett?

24 MS. BARTLETT: I didn't have anything else
25 to add.

1 MR. C. BEAN: I would just like to say that
2 if we can get some of the things Mark was talking
3 about in terms of just changing some of our packaging
4 equipment so that we could deliver the type of
5 packaging that was used in a few foreign countries
6 where paper matches, book matches are used -- no?

7 MS. BARTLETT: It's proprietary.

8 MR. C. BEAN: Yeah?

9 MS. BARTLETT: Uh-huh. Our plans.

10 MR. C. BEAN: Yeah. Yeah, that's right.
11 Okay. I won't comment.

12 COMMISSIONER PINKERT: Now looking to the
13 future again, if orders are imposed in this case, do
14 you have any thoughts about what is likely to happen
15 with those nonsubject imports that we were talking
16 about before?

17 MR. M. BEAN: Well, as I said before, I
18 mean, bring them on. We'd be happy to have, you know,
19 competition on a level playing field. We feel we can
20 effectively compete with anyone.

21 COMMISSIONER PINKERT: Do you think they're
22 likely to come back into the U.S. market in
23 significant quantities?

24 MR. M. BEAN: I don't think so because I
25 don't think any of the fundamental dynamics for those

1 companies would have changed regardless of the order,
2 the tariffs from India.

3 COMMISSIONER PINKERT: Looking backwards, do
4 you think that those nonsubject imports declined as a
5 result of the subject imports?

6 MR. M. BEAN: Yes. I mean, well we think
7 that one distributor in particular who was buying the
8 Mexican product was in the process of negotiating with
9 Indian companies we believe to buy product from them.
10 That was one of the motivating factors for us to
11 really take action to stop that from happening, and we
12 did.

13 COMMISSIONER PINKERT: Now back to those
14 demand questions that you've been hearing from several
15 of the Commissioners. I understand that the cigarette
16 market is in overall decline over a long period of
17 time, and I understand also that cigar smokers don't
18 necessarily use the same kind of matches or the same
19 kinds of lighting devices as cigarette smokers, but
20 can you give me first of all a view of whether demand
21 in that industry or in that market is stable,
22 increasing or declining?

23 MR. BRADLEY: Cigar smokers typically like
24 to use a wood match. And it's even sometimes
25 specialized in the chemical composition of the heads

1 where they want a sulfur free wood match, that demand
2 is more stable than the rest of the either promotional
3 matchbook or commodity matchbook industry, but I think
4 in particular that kind of high end purchase, the
5 cigar itself, and that's the corresponding wooden
6 matches that would typically go with it, have declined
7 as a result of the economy and smoking bans. But in
8 general it's more stable than the rest of the other
9 match segments because it's a hobby item.

10 MR. MARK BEAN: The only further comment is,
11 we don't have precise, recent statistics. The best
12 statistics we have go all the way back to that
13 Consumer Product Safety, the report by Columbus
14 Laboratories, although we have done some market
15 research in more recent years that supported these
16 same kind of statistics. But we believe that
17 something like 95 percent of all paper matches are
18 used to light cigarettes. So everything else like
19 candles, like cigars, anything else is pretty much,
20 you know, is not significant.

21 COMMISSIONER PINKERT: Do some of the same
22 retailers that give out the matchbooks when there's a
23 cigarette sale also give out those matchbooks when
24 they make a cigar sale?

25 MR. MARK BEAN: I believe a lot of cigar

1 sale happen in cigar shops, and a lot of the cigar
2 shops I think tend to do promotional matchbooks more
3 than they do commodity matchbooks.

4 COMMISSIONER PINKERT: Thank you. Mr.
5 Bradley, anything to add to that?

6 MR. JONATHAN BRADLEY: I would agree that
7 cigar sales are often through cigar shops, and cigar
8 shops by promotional product, and more than likely
9 they're buying the wood product for a true cigar kind
10 of shop.

11 COMMISSIONER PINKERT: Thank you. That's
12 all I have. I appreciate it again, and I look forward
13 to the posthearing.

14 CHAIRMAN ARANOFF: Vice Chairman Pearson.

15 VICE CHAIRMAN PEARSON: Thank you, Madam
16 Chairman. Do you have any information on the status
17 of the Triveni match plant in Mumbai, is it definitely
18 closed down?

19 MR. GASTON: Well, based on some of the
20 confidential material we have some understanding of
21 that. The one thing I think is clear is that,
22 whatever their current status, they've said they have
23 the capability to resume production within a matter of
24 just a few months.

25 VICE CHAIRMAN PEARSON: For those of you who

1 are accustomed to running matchbook factories, does
2 that seem feasible, to bring a plant back on line
3 within a period of a few months?

4 MR. JONATHAN BRADLEY: I would say so, given
5 how labor intensive their operation is. In the United
6 States when we're producing, to be anywhere in the
7 ballpark of efficient our machines have to be running
8 properly and running well. And they don't have that
9 same kind of concern in India because so much more of
10 their output is based on people as opposed to a
11 machine running well. But it does take a long time to
12 get a machine running well. So to say you're going to
13 set up a match factory in the U.S. and get it running
14 well in six months would be challenging, but to get
15 product shipped in India, I'd say you could do it
16 pretty easily.

17 VICE CHAIRMAN PEARSON: And on this record I
18 don't think we have any information regarding the
19 percentage of cost of production in India that might
20 be related to labor. I know in this country you have
21 a real good idea of what your labor cost is. Do you
22 have any knowledge at all, would India's costs of
23 labor be higher or lower in percentage terms than what
24 we see in this country?

25 MR. MARK BEAN: I thought I remember seeing,

1 I think it was on the website of the International
2 Trade Commission some sort of a guide where it lists
3 the different labor rates in different countries, and
4 the rate in India was 15 cents per hour.

5 VICE CHAIRMAN PEARSON: Yes, I can't vouch
6 for that specific number, but I know that the per hour
7 cost of labor in India is relatively low, and then Mr.
8 Bradley made the point but they use more hours of
9 labor to manufacture the same amount of quantity that
10 we do, so that's why, if there was any way to quantify
11 that I'd be interested, but it's perhaps not
12 essential.

13 MR. JONATHAN BRADLEY: Well, as sort of an
14 anecdotal comparison, I went to China and saw them
15 making matchbooks there, which has a similar if not
16 slightly higher wage base than I would imagine India
17 does. And in China they were using five to ten times
18 the amount of labor intensity we would use on a
19 machine. But even if the labor rate's 15 cents an
20 hour, you know, you're at \$1.50. So, you know,
21 compared to what we pay our people and what I imagine
22 the Beans pay their people, that's insignificant.

23 VICE CHAIRMAN PEARSON: Okay, I think I get
24 your drift.

25 MS. BARTLETT: Commissioner Pearson, on that

1 issue.

2 VICE CHAIRMAN PEARSON: Yes.

3 MS. BARTLETT: I do remember some
4 information in the Department of Commerce's
5 verification cost report, would that be something that
6 we could include in the posthearing brief for you or
7 is that?

8 VICE CHAIRMAN PEARSON: Certainly, that
9 would be good if --

10 MS. BARTLETT: If there's something in
11 there.

12 VICE CHAIRMAN PEARSON: If it's convenient
13 and allowed. And perhaps staff could correct me, do
14 we already have that information on our record?

15 MR. DEYMAN: I'm George Deyman, Office of
16 Investigation, we do not have that on the record.

17 VICE CHAIRMAN PEARSON: Okay, thanks. Those
18 of you from Bean, I know you have an expectation of
19 ongoing declines in domestic consumption of matches
20 around the rate of 5 percent per year. If we do the
21 math and we assume a linear trend, there's no
22 consumption after 20 years, so I'm guessing that you
23 may be expecting that at some point we'd read a
24 plateau and that there would be some base demand that
25 would not likely go away or at least it wouldn't go

1 away very fast. Is that an issue that you can discuss
2 here in public, because I'd be interested in your
3 thoughts on that, I mean is there some base demand
4 that's going to sustain your industry over time? If
5 you prefer not to discuss it in public I'd be pleased
6 to know what you think in the posthearing.

7 MR. MARK BEAN: Well, I think we still
8 believe that our product is a very suitable product to
9 be used as an ignition device, and we don't expect
10 that we are going to see reversals in the trends of
11 cigarette smoking and we don't think we're going to
12 see reversals in the trends of people using disposable
13 cigarette lighters as the preferred ignition source,
14 but we do think that matchbooks do make up a large
15 market based on being an alternative ignition source.

16 It's very inexpensive, often given away free
17 with the cigarettes, and people tend to lose lighters,
18 they can have matches around to use as a back up, as
19 an alternative, some people prefer them. And there is
20 other uses even though right now a large part of our
21 market is for lighting cigarettes, there are other
22 uses of ignition that paper matches can provide. So
23 we certainly expect that it's not going to go away
24 completely, if it was going to go away we think that
25 lighters would have already totally consumed us.

1 VICE CHAIRMAN PEARSON: Okay, fair enough.
2 I won't be here in 20 years to see what the status of
3 the industry is at that point, but I think your point
4 is well taken that there's likely to be some demand,
5 that it doesn't just go to zero. My last question
6 deals with the prospects for foreign market
7 development. I understand that there are only a
8 handful of countries that have the custom of using
9 matchbooks, has there been effort over time to try to
10 introduce these products to other countries; any
11 prospect for that in the future?

12 MR. MARK BEAN: Yeah, I mean we have had
13 some history of attempts to introduce paper matches
14 into other countries. It tends to be a product that
15 it's difficult. Wooden matches are, in most
16 developing countries around the world, wooden matches
17 are the predominant light source. There's a number of
18 factors involved as to why it's hard to break in with
19 paper matches.

20 The climate can be a factor, a more humid
21 area the wooden match might be a preferred match over
22 a paper match. And just the custom of giving away
23 matches for free has not been established in most
24 countries, so it's an uphill fight. I think the
25 market for promotional matches, to be used in

1 restaurants and hotels, is pretty universal. But as a
2 commodity product it really only has been established
3 in a handful of countries and it's tough to break into
4 new markets.

5 VICE CHAIRMAN PEARSON: Okay, well I note
6 that a senior delegation from the country of Ghana
7 seems to have quite a bit of interest in commodity
8 matchbooks, but I don't know whether they are
9 potential customers or not, but we're very glad that
10 they're here.

11 MR. MARK BEAN: We'd welcome it.

12 MR. C. BEAN: If I could add something.

13 VICE CHAIRMAN PEARSON: Please.

14 MR. C. BEAN: Most countries right now use
15 wooden matches to ignite tobacco products, but that
16 same question was in the United States, you know,
17 right up until Diamond bought the patent for the paper
18 book match, and I think in a lot of countries there's
19 going to be a transition from wooden matches, or it's
20 possible there will be a transition from wooden
21 matches, to paper matches and ultimately to butane
22 lighters. But in some of the third countries or, you
23 know, developing countries, there is the butane
24 lighter is still prohibitive in cost and that the
25 paper match might be able to make inroads and there's

1 a number of countries that we've been looking at of
2 course.

3 VICE CHAIRMAN PEARSON: Okay, well I would
4 like to thank you very much for your testimony in this
5 hearing, it's been an interesting day. And, Madam
6 Chairman, I have no further questions.

7 CHAIRMAN ARANOFF: Commissioner Okun.

8 COMMISSIONER OKUN: I think I just have a
9 couple to finish up here. You had referenced the
10 importance of the mid-Atlantic region, and, you know,
11 just in terms of the number of demand questions we
12 had, does that just track population or are more
13 smokers in the mid-Atlantic region? I'm just curious
14 about, you know, the regions, what are those demand
15 differences?

16 MR. MARK BEAN: Yes, historically -- well
17 certainly population does play a role. Historically
18 urban areas are, there has been a greater tradition of
19 giving away matches for free with cigarettes, and
20 particularly in the Northeast and mid-Atlantic regions
21 that tradition is the most well established. In areas
22 like the southeastern United States, for two reasons,
23 number one the climate is again a little more humid
24 and so wooden matches have been historically more
25 popular in the southeastern United States than paper

1 matches and the tradition never got established.

2 And there used to be a large manufacturer of
3 wooden matches located in Louisiana who had a strong
4 distribution market in that area. And so it is
5 regional and it can have some influence by both
6 climate and by urban areas, but it's the Northeast
7 both by population and by tradition where it's the
8 most common.

9 COMMISSIONER OKUN: Okay, thank you. And
10 then, I know you've talked a little bit about the
11 different distribution channels and where you sell
12 your product, but I just want to make sure I
13 understood, in terms of competition with the imports
14 did you see the import competition in one channel of
15 distribution, you know, with the distributors versus
16 the retailers, and whether there's been any changes
17 over the period of our investigation in that?

18 MS. BARTLETT: Primarily the competition was
19 in the wholesale distributors, although we are aware
20 of at least one retailer that did buy a container load
21 and another distributor who distributes into
22 supermarkets who was preparing to do that until we
23 intervened. But primarily the wholesalers.

24 COMMISSIONER OKUN: Okay. And with that I
25 don't think I have any other questions. I very much

1 appreciate your responses today. Thank you, Madam
2 Chairman.

3 CHAIRMAN ARANOFF: Commissioner Lane.

4 COMMISSIONER LANE: Thank you, I just have a
5 few more questions. I want to talk about the head of
6 the matches, the striking part, is there any
7 difference in quality among or between commodity
8 matches and promotional matches?

9 MR. JONATHAN BRADLEY: Nothing meaningful.
10 We sometimes make the promotional heads a little bit
11 bigger for an appearance perspective.

12 COMMISSIONER LANE: Okay, is there a
13 hazardous chemical waste following the production of
14 your matches, and if so, what do you do with it and
15 are there costs involved?

16 MR. JONATHAN BRADLEY: No, we recycle all of
17 the -- we don't let anything go down the drain, we
18 just keep reusing it until it eventually becomes a
19 match.

20 COMMISSIONER LANE: Okay, thank you. Now, I
21 think, is it my understanding that Bean produces its
22 own power to run your facility from hydro? Okay, have
23 you determined what it costs you to produce your power
24 and how do you account for that?

25 MR. MARK BEAN: It is a supplemental. Our

1 factory is located in a textile mill that was built in
2 the early 1800s using water power to run the factory.
3 And over the years that was converted to the
4 production of electricity, hydroelectricity. We still
5 run that today. I think on average we get something
6 like 15 percent of our total electricity consumption
7 comes from our own power generator. It's not
8 something that we're dependent on or have assigned
9 hard numbers to.

10 COMMISSIONER LANE: But you can't produce
11 enough to run your whole facility?

12 MR. MARK BEAN: No, like I said on average -
13 - in the spring time when the snow is melting and we
14 get higher numbers and in the summer time when it's
15 dry or in the middle of winter we get virtually
16 nothing.

17 COMMISSIONER LANE: Okay, I -- Mr. Bean, did
18 you want to say something?

19 MR. C. BEAN: This past summer we had an
20 awful lot of rain in Jaffrey, New Hampshire, and it
21 was largely because we have our own watershed because
22 we have Mount Mondadnock, and the entire watershed is
23 included within the town boundaries. And for some
24 reason or another, I can't remember when we had so
25 much rain, that this particular year we were able to

1 generate I think 30 percent or close to it of our
2 electrical power. But as Mark says, that can change
3 depending on -- it's almost like a hobby for us
4 because we use old generating equipment that breaks
5 and sometimes it has to be repaired and there are long
6 periods of time when we have to fix it, and there are
7 droughts.

8 So we love it, and we also have a very very
9 strong interest in environmental issues in fact --
10 well, I won't go into that, but the river into which
11 after it's generated electricity is one of the best
12 trout streams in southern New Hampshire and recently
13 found fresh water clams, which were thought, you know,
14 practically extinct, propagating and thriving in that
15 same river, which gives us a lot of satisfaction.

16 And like the Bradleys all of our, for
17 instance our paper is all recyclable and the materials
18 that we make the matches out of are not dangerous. We
19 do have some solvents which we're actually very
20 careful of and things like that for cleaning
21 equipment. But basically we're all kind of
22 environmentally oriented.

23 COMMISSIONER LANE: Okay, thank you. This
24 is probably a question for your posthearing. What
25 would each of your companies consider to be a

1 reasonable operating profit, and how much would you
2 have to raise your prices to meet that target? And
3 with that, I thank you for your answers and appreciate
4 your being here. Thank you, Madam Chairman.

5 CHAIRMAN ARANOFF: Commissioner Williamson.

6 COMMISSIONER WILLIAMSON: Thank you, Madam
7 Chairman. Just a few additional questions. Do I take
8 it the reason why the only place where we can get the
9 paper stock is in the United States is because the
10 fact this is the only place people actually use paper
11 matchbooks? Because I was just very struck by the
12 fact that here is a product that you can only get here
13 in the United States.

14 MR. MARK BEAN: Yeah, I think that is the
15 primary reason, it is a specialty paper. It's treated
16 with a chemical that prevents, it's a flame retardant
17 chemical that prevents the afterglow in the matches.
18 And so it is specialized, but because this is where
19 the demand is the companies that have been able to
20 produce it, developed the process to produce it, are
21 all located here.

22 COMMISSIONER WILLIAMSON: Okay, thank you.
23 I wondered about that. I was wondering if there's
24 anything more you can tell us about why Triveni
25 decided to come into this market? I mean it's a long

1 way away, as you said their only target market seems
2 to be the U.S. market, so is anything additional that
3 you haven't mentioned on this?

4 MR. MARK BEAN: Well, our opinion on that
5 is, particularly because there is no domestic market
6 for commodity matchbooks in India, that the whole
7 company was based on being an export-only unit and
8 that they were just taking advantage of the subsidies
9 that were being offered to the very well established
10 match industry in India to develop export-only
11 markets.

12 COMMISSIONER WILLIAMSON: Okay, thank you.
13 Okay, and the last question which just deals with
14 price suppression. As the cost of cigarettes has gone
15 up, is the cost of the matches a relatively less
16 important thing to those people who are distributing
17 with the cigarette sales? I mean I realize a lot of
18 cigarette cost is taxes but even I think the basic
19 cost of the cigarette tax has gone up. But I was just
20 wondering what has happened to the price of the
21 commodity matchbooks relative to the price of
22 cigarettes, does that have something to do with how
23 much somebody's willing to pay for the matchbooks?

24 MR. MARK BEAN: In the case of where the
25 retailer gives them away with the purchase of

1 cigarettes, you could argue it a couple different
2 ways. On the one hand because the cigarettes are so
3 much more expensive the retailer would be, you know,
4 as a percentage of the cost the match becomes that
5 much smaller and the consumer would appreciate the
6 free matchbook more. On the other hand, you know, in
7 a tough environment of high prices the retailer would
8 be less inclined to want to give something away, so
9 you could really argue it either way.

10 COMMISSIONER WILLIAMSON: Okay, so?

11 MR. MARK BEAN: We don't have anything
12 definitive on that.

13 COMMISSIONER WILLIAMSON: Okay, fine, thank
14 you. But I wanted to express my appreciation for your
15 answers, and thank you very much.

16 CHAIRMAN ARANOFF: Down to my last few
17 questions. You've argued to us today and in your
18 brief that in 2007 D.D. Bean severely reduced your
19 selling prices in order to halt the slide in your
20 market share. But I just wanted to clarify because,
21 when we look at the unit value data that we have in
22 our report, which are confidential, they are not
23 consistent with price reductions of the magnitude that
24 you're describing, you were talking about 30 to 50
25 percent. Can you explain when you are talking about

1 reductions what you're talking about reductions from?
2 Are you talking about reductions from a list price or
3 reductions from what that person paid you the last
4 time you sold to them? I'm trying to get a sense of
5 where those 30 to 50 percent numbers were reductions
6 from.

7 MS. BARTLETT: The 30 to 50 percent are
8 reductions off our list price which we had been
9 getting before we would cut it. And I think the
10 reason why you don't see 30 to 50 percent in the unit
11 value of the pricing data is because we didn't offer
12 that to everybody we just, you know, did it where we
13 absolutely had to, so it brings down the average but
14 not by 50 percent.

15 CHAIRMAN ARANOFF: So there are instances in
16 fact where for a particular producer they were paying
17 you your list price or something close to your list
18 price and then in the next transaction there was a
19 reduction of 30 to 50 percent?

20 MS. BARTLETT: Right. And mostly the
21 situation that Mark described earlier in the New York
22 area was where a lot of the cutting was done.

23 CHAIRMAN ARANOFF: Okay, and one last
24 question. You've also discussed your rise in costs
25 and you talked about those very large increases in

1 things like paraffin and potassium chlorate that
2 you've experienced, but the unit cost of goods sold
3 numbers trend upward but not to the degree that you're
4 describing for some of these individual cost elements
5 but you've said a very large cost element. So I'm
6 trying to reconcile that, is that because of cost
7 cutting on the labor side?

8 MS. BARTLETT: Yes, the overall cost of
9 goods sold, the cost cutting we did on the labor side
10 definitely softened the impact of the increase on the
11 raw materials side.

12 CHAIRMAN ARANOFF: Okay. I appreciate those
13 answers. In both cases if there's something you want
14 to add on the confidential record in posthearing that
15 would be helpful. With that, I don't think I have any
16 more questions. Are there any more questions from
17 Commissioners?

18 (No response.)

19 CHAIRMAN ARANOFF: Do the staff have any
20 questions for this panel?

21 MR. DEYMAN: I'm George Deyman from the
22 Office of Investigations. The staff has no questions.

23 CHAIRMAN ARANOFF: Okay, well in that case
24 since we don't have another panel coming up we are up
25 to closing statements. And, Mr. Guston, you have five

1 minutes to make a closing statement should you so
2 desire.

3 MR. GASTON: Well, thank you very much. And
4 really I want to just say a very few words, it won't
5 be anywhere near the five minutes. I do want to
6 address some of the questions posed by the
7 Commissioners in our postconference brief and I will
8 do so. I want to thank everyone for their timed
9 attention and their excellent questioning. I do want
10 to mention, I think I can on the public record, that
11 there is ample evidence throughout this record of lost
12 sales, lost revenues, very significant price
13 depression, price suppression as well, and the impact
14 of the imports in respect to all those factors which
15 the Commission looks at.

16 It may be that unit cost pricing figures
17 don't fully reflect it, and I think the reason is
18 largely because in many cases a leading particular
19 distributor was pressing the domestic industry with
20 not only actual purchases of imported product at
21 incredibly low prices but with continued threats of
22 expanding its purchases of imported product unless
23 they got matching or nearly matching low prices from
24 the domestic industry.

25 I'd also like to mention that in light of

1 the 66 percent dumping margin found by the Department
2 of Commerce it's hard to imagine that any domestic
3 industry facing that kind of dumping and approximately
4 10 percent subsidies would not be injured. And I
5 think, as I said at the beginning, in some ways this
6 is an atypical case because it's a small industry,
7 small companies within that industry, and it's also to
8 some extent, everybody concedes, a declining market.
9 But in other respects I think it is a prototypical
10 case for relief because of the interim effect of the
11 price suppressions, of the lost sales, the lost
12 revenues, and the subsequent effect on employment and
13 profitability and the operations generally of the
14 domestic industry. Thank you.

15 CHAIRMAN ARANOFF: Thank you very much. I
16 want to thank you all one more time for everything
17 that you've contributed so far to this investigation
18 and the further information that I know we'll be
19 receiving in the posthearing. I also want to thank
20 the Commission staff. It's one of those unusual
21 situations that sometimes in small cases involving
22 small companies that they work the hardest because
23 they need to help you get up to speed on all our
24 processes so that the process can work for you. So we
25 thank the staff for that.

1 Posthearing briefs, statements responsive to
2 questions and requests of the Commission and
3 corrections to the transcript must be filed by October
4 27th, 2009. Closing of the record and final release
5 of data to parties will take place on November 10th,
6 2009. And final comments are due on November 12th,
7 2009.

8 With that, I don't believe there's any
9 further business before the Commission, and this
10 hearing is adjourned.

11 (Whereupon, at 12:25 p.m., the hearing in
12 the above-entitled matter was concluded.)

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CERTIFICATION OF TRANSCRIPTION

TITLE: Commodity Matchbooks from India
INVESTIGATION NO.: 701-TA-459, 731-TA-1155
HEARING DATE: October 20, 2009
LOCATION: Washington, D.C.
NATURE OF HEARING: Hearing

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.

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