



Hirsh Industries, Inc.
3636 Westown Pkwy., Suite 100
West Des Moines, IA 50266
Office: (515) 299-3240
Mobile: (515) 360-4185
baileyt@hirshindustries.com
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Brad Botwin
Director, Industrial Studies
Office of Technology Evaluation
Bureau of Industry & Security, U.S. Dept. of Commerce
1401 Constitution Avenue NW, Rm. 1093
Washington, DC 20230

Subject: Section 232 Trade Action Feedback on Steel, an Objection from Hirsh Industries, Inc.
Sent to: Steel232@bis.doc.gov

Director Botwin:

The Department of Commerce recently requested commentary from industrial participants on the potential ramifications of implementing Section 232 trade action against steel imports into the U.S.

I'm contacting you to file a formal objection to this action on behalf of Hirsh Industries, Inc. I am the CEO & President of Hirsh, a privately-owned, mid-market domestic manufacturer of office furniture. Our company's products are made predominantly from steel.

Let me share with you our perspective on this matter.

These trade actions, if they were to impact the raw materials used by producers like Hirsh, would do little to improve our national security given the types of steel that our company uses. Yet, as I will explain, Hirsh Industries will be damaged by the proposed Section 232 trade actions. Our business is highly competitive, and we're skeptical that Section 232 actions against the importation of the light-gauge, flat-rolled steel which we use will achieve the stated objectives of the Department of Commerce of making our country safer.

Here is an overview of Hirsh Industries to help you better understand our company and our current situation:

- Our company has been operating continuously since 1924 (when we were known at the WP Johnson Company in the State of Iowa).
- Hirsh produces office furniture made predominantly from light-duty, cold-rolled steel, including commercial grade filing cabinets, small/office home office filing cabinets, desks, shelving, storage cabinets, bookcases, and related products intended for business productivity and office storage.
- Today, our company's revenues exceed \$100 million annually.

- Hirsh's corporate headquarters are located in West Des Moines, Iowa.
- Hirsh owns 2 state-of-the-art production facilities, including a nearly 300,000 sq. foot manufacturing plant in Dover, Delaware (our other facility is located in Mexicali, Mexico).
- We employ approximately 600 staff in total, with about half (~300) of these positions located in the U.S.
- Our products are sold to consumers via retail and online channels, and also to small and middle market customers via wholesalers and distributors.
- Hirsh produces over 50% of all of the filing cabinets sold at Retail in the U.S., including the full in-store line-ups at both Walmart and Target stores. Hirsh has over 200 customers in total.
- Much of our business is OEM (private label) with about a quarter of our revenues derived under brands that we own.
- All of the company's shareholders are American citizens who live in the U.S.
- Hirsh procures nearly \$50 million annually in materials, components, and semi-finished goods made from steel to support its global operations.

To our knowledge, none of the steel which Hirsh Industries consumes is suitable for military applications. We purchase mainly light-gauge, light-duty, cold-rolled steel, as well as light-duty galvanized steel. The steel which we use has more in common with that used by the HVAC industry than any we are aware of which gets used for national defense purposes.

Already our company is under assault from foreign producers, as witnessed by substantial market share gains made recently by Chinese producers in the U.S. marketplace. Implementing additional import restraints on foreign-sourced steel (beyond the existing Antidumping Duties and Countervailing Duties which have been in effect since July 2015) will only accelerate an insidious and damaging process which is already underway: it will make it harder for domestic producers like Hirsh to compete against foreign suppliers of finished goods made from light-duty steel (like office furniture). Additional trade barriers will result in the diversion of overseas'-produced raw steel into finished goods by foreign companies, and will significantly damage Hirsh's ability to compete and to reinvest back into our business, while likely not making our nation any safer on account of the type of light-duty steel which we use.


This damage to our company isn't theoretical: it is already happening. U.S. imports of metal filing cabinets enter the United States under classification 9403.10.0020 of the U.S. Harmonized Tariff Schedule ("HTS"). Data on U.S. imports under this classification have been collected by us using data from the U.S. Department of Commerce for the period 2014 through 2016, as well as for the first 2 months of 2016 and 2017. Because the official statistics do not track the volume of imports of metal filing cabinets, our discussion of import trends is limited to dollar value data. Here are the findings:

- The data indicate that U.S. imports from China under this classification increased from \$18.6 million in 2014 to \$20.6 million in 2015 and \$25.4 million in 2016. This amounted to an increase of 36.3% from 2014 to 2016. In the first two months of 2017, imports from China increased to \$5.5 million, as compared to \$3.4 million in the comparable period of 2016, an increase of 61%. If this trend continues, imports from China may exceed \$40.0 million in total in 2017!
- In May 2016, Hirsh lost over two-thirds of our business with Staples Inc. to a Chinese supplier. Prior to this, Staples was our #1 customer. This caused us to lay off about 15% of our global workforce, and it cut our company's annual profits last year by over one-third, making it harder for us to reinvest back into our company.
- In the past few years, Hirsh also lost its business with Walmart Stores, another of our top customers (which sells over 600,000 filing cabinets annually), to a different Chinese supplier. This was business which was extremely difficult for us to win back. When we did win it back, it came with substantially lower margins than we enjoyed previously. For all the public talk about the desire to "buy American", our school-of-hard-knocks experience has been that price and product availability are much more important consideration factors for most of our customers than country of origin.

In conclusion, we believe that implementing expanded and/or enhanced trade barriers on imports into the U.S. on the types of steel we use will continue to hobble domestic producers like Hirsh Industries who participate in an extremely competitive global marketplace, further straining our employment, hurting the communities in which we operate, and limiting our ability to reinvest back into our business. If Section 232 action on the importation of the types of steel which we use gets implemented, without additional trade restrictions on related finished goods using this same type of steel, the result will be to further decrease our U.S. manufacturing base and to drive even more jobs overseas. Yet, we are doubtful that it would further the important cause of the national defense of our country given the types of steel that we use. This action, in our opinion, will primarily support the domestic steel industry to the detriment of steel users like us who compete in a world market.

I am available to discuss this with you in further detail if you'd like. Thank you for your consideration of Hirsh Industries' objections to the pending Section 232 actions targeting the importation of light-gauge, flat rolled steel which our company counts on in doing our part to support manufacturing in the United States.

Yours sincerely,



Thomas C. Bailey
CEO & President
Hirsh Industries, Inc.