Quartz Surface Products From China

Investigation Nos. 701-TA-606 and 731-TA-1416 (Preliminary)

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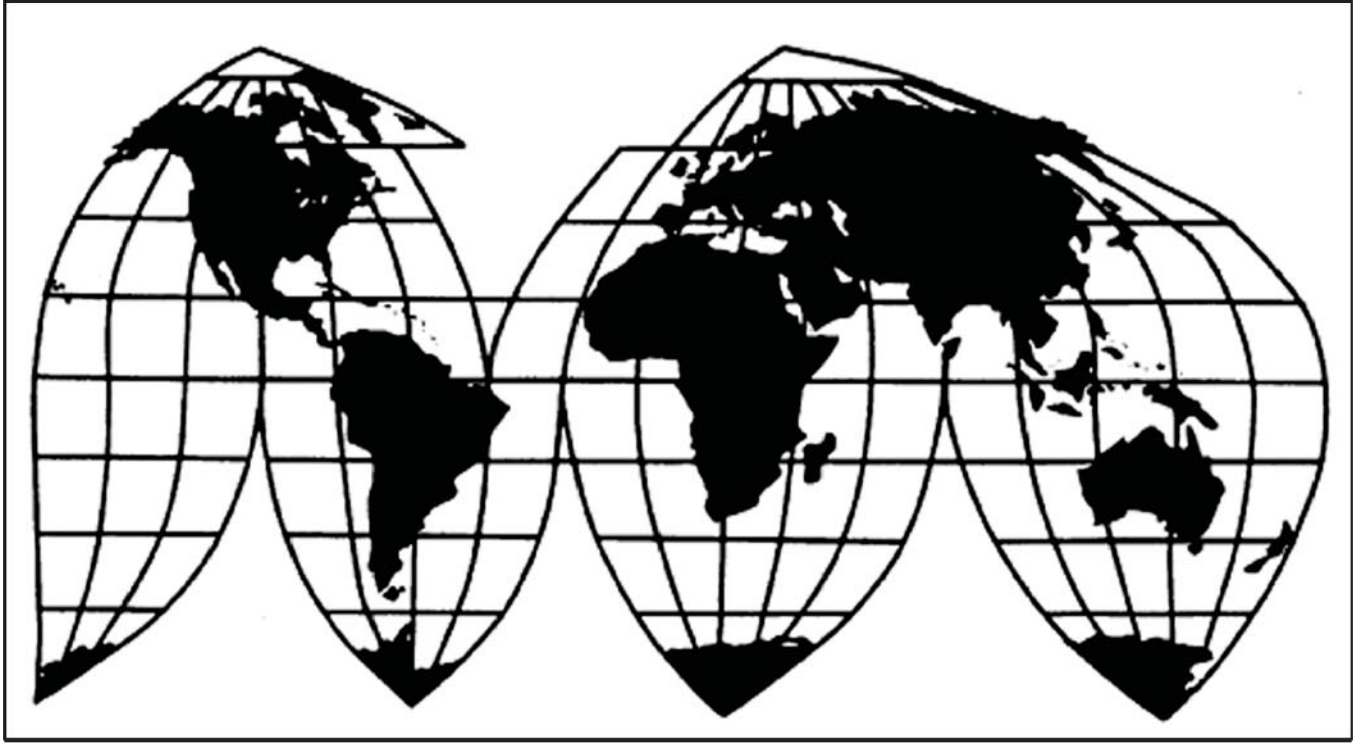
U.S. International Trade Commission



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U.S. International Trade Commission

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UNITED STATES INTERNATIONAL TRADE COMMISSION

Investigation Nos. 701-TA-606 and 731-TA-1416 (Preliminary)

Quartz Surface Products from China

DETERMINATIONS

On the basis of the record[1] developed in the subject investigations, the United States International Trade Commission ("Commission") determines, pursuant to the Tariff Act of 1930 ("the Act"), that there is a reasonable indication that an industry in the United States is materially injured by reason of imports of quartz surface products from China that are alleged to be sold in the United States at less than fair value ("LTFV") and to be subsidized by the government of China.[2]

COMMENCEMENT OF FINAL PHASE INVESTIGATIONS

Pursuant to section 207.18 of the Commission's rules, the Commission also gives notice of the commencement of the final phase of its investigations. The Commission will issue a final phase notice of scheduling, which will be published in the *Federal Register* as provided in section 207.21 of the Commission's rules, upon notice from the U.S. Department of Commerce ("Commerce") of affirmative preliminary determinations in the investigations under sections 703(b) or 733(b) of the Act, or, if the preliminary determinations are negative, upon notice of affirmative final determinations in those investigations under sections 705(a) or 735(a) of the Act. Parties that filed entries of appearance in the preliminary phase of the investigations need not enter a separate appearance for the final phase of the investigations. Industrial users, and, if the merchandise under investigation is sold at the retail level, representative consumer organizations have the right to appear as parties in Commission antidumping and countervailing duty investigations. The Secretary will prepare a public service list containing the names and addresses of all persons, or their representatives, who are parties to the investigations.

[1] The record is defined in sec. 207.2(f) of the Commission's Rules of Practice and Procedure (19 CFR 207.2(f)).

[2] 83 FR 22612 (May 16, 2018) and 83 FR 22618 (May 16, 2018).

BACKGROUND

On April 17, 2018, Cambria Company LLC, Eden Prairie, Minnesota filed a petition with the Commission and Commerce, alleging that an industry in the United States is materially injured or threatened with material injury by reason of LTFV and subsidized imports of quartz surface products from China. Accordingly, effective April 17, 2018, the Commission, pursuant to sections 703(a) and 733(a) of the Act (19 U.S.C. 1671b(a) and 1673b(a)), instituted countervailing duty investigation No. 701-TA-606 and antidumping duty investigation No. 731-TA-1416 (Preliminary).

Notice of the institution of the Commission's investigations and of a public conference to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the *Federal Register* of April 23, 2018 (83 FR 17675). The conference was held in Washington, DC on May 8, 2018, and all persons who requested the opportunity were permitted to appear in person or by counsel.

Views of the Commission

Based on the record in the preliminary phase of these investigations, we determine that there is a reasonable indication that an industry in the United States is materially injured by reason of imports of quartz surface products ("QSP") from China that are allegedly sold in the United States at less than fair value and allegedly subsidized by the government of China.

I. The Legal Standard for Preliminary Determinations

The legal standard for preliminary antidumping and countervailing duty determinations requires the Commission to determine, based upon the information available at the time of the preliminary determinations, whether there is a reasonable indication that a domestic industry is materially injured or threatened with material injury, or that the establishment of an industry is materially retarded, by reason of the allegedly unfairly traded imports.[1] In applying this standard, the Commission weighs the evidence before it and determines whether "(1) the record as a whole contains clear and convincing evidence that there is no material injury or threat of such injury; and (2) no likelihood exists that contrary evidence will arise in a final investigation."[2]

II. Background

Cambria Company LLC ("Cambria" or "Petitioner"), a domestic producer of QSP, filed the petitions in these investigations on April 17, 2018.[3] Representatives from Cambria appeared at the conference and submitted a postconference brief.

Several U.S. importers of QSP from China participated in these investigations as respondents. Representatives from M S International, Inc. and Arizona Tile LLC (collectively "MSI Respondents"); Reliance Granite and Marble Corp., Stone Showcase, Absolute Stone, Universal Granite & Marble, Bedrock Quartz, and Cosmos Granite & Marble (collectively "Reliance Respondents"); and Bruskin International, LLC, Granite Tech Inc., JG Edelen Co., Mstone, LLC, Polarstone US Inc., and Stone Vic-Kedin USA Ltd. (collectively "Bruskin Respondents") appeared at the conference and submitted postconference briefs.

U.S. industry data are based on the questionnaire responses of three domestic producers, which accounted for all known U.S. production in 2017 of slabs of quartz surface products that were not fabricated ("quartz slab"). U.S. import data are based on official Commerce import statistics and the questionnaire responses of 79 U.S. importers, accounting

[1] 19 U.S.C. §§ 1671b(a), 1673b(a) (2000); *see also American Lamb Co. v. United States*, 785 F.2d 994, 1001-04 (Fed. Cir. 1986); *Aristech Chem. Corp. v. United States, 2*0 CIT 353, 354-55 (1996). No party argues that the establishment of an industry in the United States is materially retarded by the allegedly unfairly traded imports.

[2] *American Lamb Co*., 785 F.2d at 1001; *see also Texas Crushed Stone Co. v. United States*, 35 F.3d 1535, 1543 (Fed. Cir. 1994).

[3] *Petitions for the Imposition of Antidumping and Countervailing Duties: Certain Quartz Surface Products from the People's Republic of China*, EDIS Doc. Nos. 642263 (April 17, 2018) ("Petition").

for 65.6 percent of subject imports under harmonized tariff schedule ("HTS") statistical reporting number 6810.99.0010[4] over the January 2015 to December 2017 period of investigation. The Commission received responses to its questionnaires from 20 producers/exporters of subject merchandise and 23 resale exporters of subject merchandise in China, accounting for approximately 41.3 percent of U.S. imports of subject merchandise from China in 2017.[5]

III. Domestic Like Product

In determining whether there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury by reason of imports of the subject merchandise, the Commission first defines the "domestic like product" and the "industry."[6] Section 771(4)(A) of the Tariff Act of 1930, as amended ("the Tariff Act"), defines the relevant domestic industry as the "producers as a whole of a domestic like product, or those producers whose collective output of a domestic like product constitutes a major proportion of the total domestic production of the product."[7] In turn, the Tariff Act defines "domestic like product" as "a product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation."[8]

The decision regarding the appropriate domestic like product(s) in an investigation is a factual determination, and the Commission has applied the statutory standard of "like" or "most similar in characteristics and uses" on a case-by-case basis.[9] No single factor is

[4] This HTS number covers agglomerated quartz slabs of the type used for countertops.

[5] Confidential Report, INV-QQ-061 (May 24, 2018) ("CR") at I-5-6, Public Report ("PR") at I-4.

[6] 19 U.S.C. § 1677(4)(A).

[7] 19 U.S.C. § 1677(4)(A).

[8] 19 U.S.C. § 1677(10).

[9] *See*, *e.g.*, *Cleo Inc. v. United States*, 501 F.3d 1291, 1299 (Fed. Cir. 2007); *NEC Corp. v. Department of Commerce*, 36 F. Supp. 2d 380, 383 (Ct. Int'l Trade 1998); *Nippon Steel Corp. v. United States*, 19 CIT 450, 455 (1995); *Torrington Co. v. United States*, 747 F. Supp. 744, 749 n.3 (Ct. Int'l Trade 1990), *aff'd*, 938 F.2d 1278 (Fed. Cir. 1991) ("every like product determination 'must be made on the particular record at issue' and the 'unique facts of each case'"). The Commission generally considers a number of factors including the following: (1) physical characteristics and uses; (2) interchangeability; (3) channels of distribution; (4) customer and producer perceptions of the products; (5) common manufacturing facilities, production processes, and production employees; and, where appropriate, (6) price. *See Nippon*, 19 CIT at 455 n.4; *Timken Co. v. United States*, 913 F. Supp. 580, 584 (Ct. Int'l Trade 1996).

In a semifinished products analysis, the Commission examines the following: (1) the significance and extent of the processes used to transform the upstream into the downstream articles; (2) whether the upstream article is dedicated to the production of the downstream article or has independent uses; (3) differences in the physical characteristics and functions of the upstream and downstream articles; (4) whether there are perceived to be separate markets for the upstream and downstream articles; and (5) differences in the costs or value of the vertically differentiated articles. *See*, *e.g.*, *Glycine from India*, *Japan*, *and Korea*, Inv. Nos. 731-TA-1111-1113 (Preliminary), USITC Pub. No. 3921 at 7 (May 2007); *Artists' Canvas from China*, Inv. No. 731-TA-1091 (Final), USITC Pub. No. 3853 at 6 (May 2006); *Live*

dispositive, and the Commission may consider other factors it deems relevant based on the facts of a particular investigation.[10] The Commission looks for clear dividing lines among possible like products and disregards minor variations.[11] Although the Commission must accept Commerce's determination as to the scope of the imported merchandise that is subsidized and/or sold at less than fair value,[12] the Commission determines what domestic product is like the imported articles Commerce has identified.[13]

In its notices of initiation, Commerce defined the imported merchandise within the scope of these investigations as follows:

> certain quartz surface products. Quartz surface products consist of slabs and other surfaces created from a mixture of materials that includes predominately silica (*e.g.,* quartz, quartz powder, cristobalite) as well as a resin binder (*e.g.,* an unsaturated polyester). The incorporation of other materials, including, but not limited to, pigments, cement, or other additives does not remove the merchandise from the scope of the investigation. However, the scope of the investigation only includes products where the silica content is greater than any other single material, by actual weight. Quartz surface products are typically sold as rectangular slabs with a total surface area of approximately 45 to 60 square feet and a nominal thickness of one, two, or three centimeters. However, the scope of this investigation includes surface products of all other sizes, thicknesses, and shapes. In addition to slabs, the scope of this investigation includes, but is not limited to, other surfaces such as countertops, backsplashes, vanity tops, bar tops, work tops, tabletops, flooring, wall facing,

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Swine from Canada, Inv. No. 731-TA-1076 (Final), US1TC Pub. 3766 at 8 n.40 (Apr. 2005); *Certain Frozen Fish Fillets from Vietnam*, Inv. No. 731-TA-1012 (Preliminary), USITC Pub. No. 3533 at 7 (Aug. 2002).

[10] *See*, *e.g.*, S. Rep. No. 96-249 at 90-91 (1979).

[11] *See*, *e.g.*, *Nippon*, 19 CIT at 455; *Torrington*, 747 F. Supp. at 748-49*; see also* S. Rep. No. 96-249 at 90-91 (Congress has indicated that the like product standard should not be interpreted in "such a narrow fashion as to permit minor differences in physical characteristics or uses to lead to the conclusion that the product and article are not 'like' each other, nor should the definition of 'like product' be interpreted in such a fashion as to prevent consideration of an industry adversely affected by the imports under consideration.").

[12] *See*, *e.g.*, *USEC, Inc. v. United States*, 34 Fed. App'x 725, 730 (Fed. Cir. 2002) ("The ITC may not modify the class or kind of imported merchandise examined by Commerce."); *Algoma Steel Corp. v. United States,* 688 F. Supp. 639, 644 (Ct. Int'l Trade 1988), *aff'd*, 865 F.3d 240 (Fed. Cir.), *cert. denied*, 492 U.S. 919 (1989).

[13] *Hosiden Corp. v. Advanced Display Mfrs.,* 85 F.3d 1561, 1568 (Fed. Cir. 1996) (the Commission may find a single like product corresponding to several different classes or kinds defined by Commerce); *Cleo*, 501 F.3d at 1298 n.1 ("Commerce's {scope} finding does not control the Commission's {like product} determination."); *Torrington*, 747 F. Supp. at 748-52 (affirming the Commission's determination defining six like products in investigations where Commerce found five classes or kinds).

shower surrounds, fire place surrounds, mantels, and tiles. Certain quartz surface products are covered by the investigation whether polished or unpolished, cut or uncut, fabricated or not fabricated, cured or uncured, edged or not edged, finished or unfinished, thermoformed or not thermoformed, packaged or unpackaged, and regardless of the type of surface finish.

In addition, quartz surface products are covered by the investigation whether or not they are imported attached to, or in conjunction with, non-subject merchandise such as sinks, sink bowls, vanities, cabinets, and furniture. If quartz surface products are imported attached to, or in conjunction with, such non-subject merchandise, only the quartz surface product is covered by the scope.

Subject merchandise includes material matching the above description that has been finished, packaged, or otherwise fabricated in a third country, including by cutting, polishing, curing, edging, thermoforming, attaching to, or packaging with another product, or any other finishing, packaging, or fabrication that would not otherwise remove the merchandise from the scope of the investigation if performed in the country of manufacture of the quartz surface products.

The scope of the investigation does not cover quarried stone surface products, such as granite, marble, soapstone, or quartzite. Specifically excluded from the scope of the investigation are crushed glass surface products. Crushed glass surface products are surface products in which the crushed glass content is greater than any other single material, by actual weight.[14]

Quartz surface products are a compacted stone composite building material used for countertop surfaces or aesthetic accents in residential, commercial, and industrial properties.[15] Quartz surface products compete with quarried natural stone products, such as granite or marble.[16] The scope of these investigations covers both quartz slab and finished products.[17]

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[14] *Certain Quartz Surface Products From the People's Republic of China: Initiation of Less-Than-Fair-Value Investigation*, 83 Fed. Reg. 22613, 22618 (May 16, 2018); *Certain Quartz Surface Products From the People's Republic of China: Initiation of Countervailing Duty Investigation*, 83 Fed. Reg. 22618, 22622 (May 16, 2018).

[15] CR at I-11, PR at I-9.

[16] CR at I-11, PR at I-9.

[17] CR at I-12, PR at I-9.

Finished products include fabricated countertop surfaces, cut-to-size slabs used in the hospitality industry, and various other decoration products.[18] Quartz surface products are utilized at commercial, residential, or industrial properties in the form of countertops, tiles, bar surfaces, shower and tub surrounds, fireplace surrounds, walls, floors, bathroom vanities, and furniture surfaces.[19] While unadulterated quartz surface products are white with fine particles, manufacturers can produce quartz surface products that mimic natural stone or have unique patterns.[20]

A. Arguments of the Parties

Cambria argues that the Commission should define a single domestic like product that is coextensive with the scope of these investigations.[21] It asserts that the Commission should apply a semifinished products analysis in determining whether to include upstream quartz slab and downstream finished QSP as part of a single domestic like product.[22] It contends that quartz slab is entirely dedicated for use in producing downstream finished QSP.[23] According to Cambria, there is no separate market for quartz slab and all quartz slab is either converted into finished QSP prior to sale or sold for fabrication into downstream finished in-scope QSP.[24] It maintains that the physical characteristics of quartz slab and finished QSP are the same, with essentially all of the physical characteristics of the finished product established in the production of the slab.[25] It argues that none of the steps involved in the fabrication of quartz slab change the physical characteristics or functions of the product.[26] It asserts that the value of fabrication is small in comparison to the value created in the production of quartz slab.[27]

Bruskin Respondents argue that the Commission should find custom-finished fully-fabricated quartz products ("CFFFQP")[28] to be a separate domestic like product from quartz

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[18] CR at I-12, PR at I-9.

[19] CR at I-12, PR at I-9.

[20] CR at I-12, PR at I-9.

[21] *Postconference Brief of Cambria Company LLC* ("Cambria Postconference Br.") at 4-7.

[22] Cambria Postconference Br. at 4.

[23] Cambria Postconference Br. at 5.

[24] Cambria Postconference Br. at 5.

[25] Cambria Postconference Br. at 5. According to Cambria, the physical characteristics established during the production of quartz slab include the raw materials, color and design of the product, hardness, strength, smoothness, and porosity. *Id.*

[26] Cambria Postconference Br. at 5. Cambria defines the process of converting quartz slab into a finished product as cutting the slab to size, cutting any required holes for sinks and faucets, and edging the cut sides. *Id.*

[27] Cambria Postconference Br. at 6. Cambria submits that the equipment required to fabricate quartz slab (saws, routers, and CNC machines) is relatively unsophisticated and widely available. *Id.*

[28] Bruskin Respondents define CFFFQP as a fully finished product designed to work with other quartz and non-quartz components and to be installed without further cutting or fabrication. It is fabricated with fully finished edges and joints, and all exposed surfaces are polished. It is created for particular projects that have already been completely designed, including details such as specialized edge styles, shapes and sizes of sinks, counter shapes, millwork, and other details. *Postconference Brief*

slab.[29] Reliance Respondents concur with the Bruskin Respondents' argument.[30] MSI Respondents take no position as to the definition of the domestic like product, but reserve the right to address the issue during any final phase of the investigations.[31]

Bruskin Respondents argue that the Commission should use the traditional six-factor like product test in analyzing the differences between CFFFQP and quartz slab.[32] They argue that although both products are made of quartz and come in a variety of colors and styles, CFFFQP has significantly different physical characteristics than quartz slab.[33] They also argue that the uses for quartz slab and CFFFQP differ in that quartz slab is a raw material, while CFFFQP is a fully finished product designed to be installed without further cutting or fabrication.[34] According to Bruskin Respondents, quartz slab and CFFFQP are not interchangeable.[35] They maintain that quartz slab and CFFFQP are sold through different channels of distributions, with quartz slab sold primarily to end users in the single-family home and remodeling market through bath and kitchen stores and design centers,[36] while CFFFQP is sold to hotels, senior living residences, multi-family housing, and student housing.[37] They maintain that quartz slab and CFFFQP have different production processes and employees.[38] According to Bruskin Respondents, purchasers of quartz slab expect to purchase unfinished slab, which can be fabricated for a particular project, while purchasers of CFFFQP expect to purchase pre-fabricated and cut-to-size finished quartz products that can quickly be placed into position in large-scale building or renovation projects.[39] They argue that quartz slab and CFFFQP are sold at different prices and that ***.[40]

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on Behalf of Bruskin International, LLC, et. al. ("Bruskin Postconference Br.") at 10. They also describe CFFFQP as a range of prefinished products (*e.g.,* vanities and backsplashes), assembled to form structural units or attached together to form a perceived single unit, which can be installed without further fabrication. Bruskin Postconference Br. at 10-12, Ex. 1 at 5.

[29] Bruskin Postconference Br. at 1-5, 8-23.

[30] *Postconference Brief on Behalf of Reliance Granite and Marble Corp., et. al.* ("Reliance Postconference Br.") at 4. Reliance Respondents do not provide further argument with respect to the definition of the domestic like product.

[31] *Postconference Brief on Behalf of M S International, Inc. and Arizona Tile, LLC* ("MSI Postconference Br.") at 3.

[32] Bruskin Postconference Br. at 9.

[33] Bruskin Postconference Br. at 3, 10.

[34] Bruskin Postconference Br. at 10.

[35] Bruskin Postconference Br. at 4, 11-12. They assert that quartz slab is not interchangeable with CFFFQP as it must undergo further processing, manufacturing, or fabrication before installation and may differ in consistency due to different production runs. *Id.* at 11-12.

[36] Bruskin Postconference Br. at 14.

[37] Bruskin Postconference Br. at 4, 13-14. They submit that CFFFQP is never sold at bath and kitchen stores or remodeling stores. *Id.* at 13.

[38] Bruskin Postconference Br. at 4, 14-16.

[39] Bruskin Postconference Br. at 4, 17-18.

[40] Bruskin Postconference Br. at 5, 18-20.

B. Analysis

Based on the record in the preliminary phase of these investigations, we define a single domestic like product, consisting of QSP corresponding to the scope of the investigations.

1. Fabricated QSP

As observed above, Petitioner argues that upstream quartz slab and downstream fabricated QSP are part of a single domestic like product.[41] Because this issue is distinct from Respondents' argument that the Commission should define CFFFQP – which only encompasses certain fabricated products – as a separate domestic like product, we discuss it separately.

Dedication for use. Quartz slab is dedicated entirely to the production of fabricated quartz surface products, but not necessarily a specific type of downstream article at the time of production.[42]

Separate markets. All quartz slab is sold to intermediate customers to be converted into finished quartz surface products prior to sale or to other downstream fabrication of quartz surface products within the scope.[43] The three domestic slab producers that submitted questionnaire responses indicated that the majority of their U.S. shipments were in unfabricated form, with their remaining production fabricated by the slab producer.[44]

Differences in physical characteristics and functions of the upstream and downstream articles. Physical characteristics, such as the raw materials used, color and design, hardness, strength, smoothness, and porosity, are established in the production of quartz slab.[45] These characteristics are not changed during the fabrication process.[46] Quartz slab is a raw material, whereas fabricated QSP are finished products ready for installation.[47]

Differences in value. The parties dispute the value added to QSP by the fabrication process, with Cambria contending that the value added is less than *** percent, and respondents asserting that the value added can be as much as 35 to 40 percent in certain applications.[48] Questionnaire data collected from domestic firms that produce quartz slab indicate that the average unit value ("AUV") for quartz slab was $***, while the AUV for fabricated QSP was $*** in 2017.[49]

Extent of processes used to transform downstream product into upstream product. The process for manufacturing quartz slab into fabricated QSP begins with designing the finished product as to factors such as size, edges, configuration, shape, cutouts/openings, and

[41] Cambria Postconference Br. at 4.
[42] CR at I-20, PR at I-14.
[43] *See* CR at I-21, PR at I-15.
[44] CR/PR at Table III-7.
[45] CR at I-21, PR at I-15.
[46] CR at I-20, PR at I-15.
[47] *See* CR at I-22, PR at I-15.
[48] Cambria Postconference Br. at 6; CR at I-22, PR at I-15.
[49] CR at I-22, PR at I-15-16.

backsplashes.[50] These designs are measured and transposed onto quartz slab, which is then cut to the design specifications using saws, water jets, or computer networked control routers ("CNC").[51] The process is completed by grinding and finishing the edges and cutouts as well as polishing and detailing the final product.[52]

Conclusion. Based on the record, we find that fabricated QSP is not a separate domestic like product. All quartz slab is dedicated to the production of QSP. While the functions of the products differ, their essential physical characteristics remain the same, whether fabricated or not. Moreover, the process used to transform quartz slab into fabricated QSP does not appear to be extensive, as it largely involves cutting, grinding, and polishing. Consequently, notwithstanding that there are separate markets for slab and that fabricated products and the record contains divergent estimates for the value added by fabrication, we find that quartz slab and fabricated QSP are not separate domestic like products.

2. CFFFQP

As explained above, Bruskin Respondents advocate that the Commission define CFFFQP to be a separate domestic like product under a traditional six-factor like product analysis. While we agree that a traditional like product analysis is warranted for this inquiry, we find that the comparison upon which Bruskin Respondents predicate their argument is flawed. Their proposed separate like product, CFFFQP, encompasses only certain forms of fabricated QSP. Thus, our analysis examines whether there is a clear dividing line between CFFFQP and the remaining in-scope merchandise, which includes both other fabricated QSP and quartz slab. We found above that fabricated QSP (which includes CFFFQP) and quartz slab are not separate domestic like products. In light of this, the pertinent inquiry on which we focus below using the traditional like product analysis is whether there is a clear dividing line between the two downstream in-scope products, CFFFQP and other fabricated QSP. We observe that there is limited evidence in the record regarding other fabricated QSP, as no party addressed such merchandise in their briefs or at the conference.

Physical characteristics and uses. All QSP are compacted stone composite materials consisting of three inputs: aggregates (quartz and silica minerals), binding agents (polymer resin), and additives (other stones, large glass particles, or metal flecks).[53] QSP has improved aesthetic appeal, durability, stain and scratch resistance, heat tolerance, and anti-microbial properties over other (non-quartz) surface products.[54] Physical characteristics (raw materials, color and design, hardness, strength, smoothness, and porosity) are largely derived during the production of quartz slab and these characteristics are not changed during the fabrication process.[55]

[50] CR at I-22, PR at I-16.
[51] CR at I-22-23, PR at I-16.
[52] CR at I-18, 23, PR at I-13, 16.
[53] CR at I-14, PR at I-10.
[54] CR at I-12, PR at I-9.
[55] CR at I-21-22, PR at I-10.

Fabricated QSP is used in commercial, residential, or industrial properties as countertops, tiles, bar surfaces, shower and tub surrounds, fireplace surrounds, walls, floors, bathroom vanities, and furniture surfaces.[56] CFFFQP – as defined by respondents – is a fully finished product designed to work with other quartz and non-quartz components and to be installed without further cutting or fabrication.[57]

Manufacturing facilities, production processes, and employees. All domestically produced quartz slab is made using a patented production process and machinery developed by Breton S.p.A. ("Breton").[58] Bruskin Respondents contend that CFFFQP is produced through cutting, grinding, assembling, and polishing quartz slab.[59] Other fabricated QSP also appears to be produced primarily by cutting, grinding, and polishing quartz slab.[60] The record indicates that CFFFQP and other fabricated QSP are both produced at off-site fabrication facilities, but that some other fabricated QSP may be wholly or further fabricated at the site of installation.[61]

Channels of distribution. Bruskin Respondents contend that CFFFQP is sold to purchasers in the hospitality industry, including hotels, senior living residences, multi-family housing, and student housing.[62] Unlike other fabricated QSP, CFFFQP is not sold through bath and kitchen stores or design centers, although the record is limited as to whether other fabricated QSP are also sold through similar channels to CFFFQP.[63]

Interchangeability. There is limited record evidence with respect to the interchangeability between CFFFQP and other fabricated QSP. Bruskin Respondents list a number of features limiting the interchangeability of CFFFQP with quartz slab, including their project specific design, use of single production runs to ensure consistency in the product, no on-site fabrication, large delivered quantities, and quick installation.[64] It is unclear to what extent other fabricated QSP, such as those fabricated on site or at off-site fabrication facilities, are interchangeable with CFFFQP with respect to these factors.

Producer and customer perceptions. Bruskin Respondents assert that purchasers of CFFFQP expect the product to be pre-fabricated based on production specifications, cut to size, completely finished, and ready to install.[65] The record indicates that other fabricated QSP are finished products that are polished, detailed, and ready for installation.[66] There is limited

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[56] CR at I-12, PR at I-9.

[57] Bruskin Postconference Br. at 10-12. Bruskin Respondents also provide testimony that indicates CFFFQP encompasses a range of prefinished products (*e.g.,* vanities and backsplashes), assembled to form structural units or attached together to form a perceived single unit, which can be installed without further fabrication. *Id.,* Ex. 1 at 5.

[58] CR at I-14, PR at I-10.

[59] Bruskin Postconference Br. at 4.

[60] *See* CR at I-17-18, PR at I-13 (describing the production process generally used to transform quartz slab into fabricated products).

[61] *See* Bruskin Postconference Br. at 12, 15-16; Reliance Postconference Br. at 7-8.

[62] Bruskin Postconference Br. at 12-14.

[63] *See* Bruskin Postconference Br. at 14.

[64] Bruskin Postconference Br. at 11-12.

[65] Bruskin Postconference Br. at 17-18.

[66] *See* CR at I-18, PR at I-13.

information in the record with respect to producer and customer perceptions of other fabricated QSP; additionally, the record does not contain information demonstrating that CFFFQP is generally recognized among marketplace participants as a specific category of products.[67]

Price. There is no meaningful information in the record with respect to the respective prices for different types of domestically produced fabricated quartz products. Respondents did not address the issue in their briefs. The four pricing products on which the staff collected data in the preliminary phase investigations are all quartz slab products.[68]

Conclusion. On the basis of the limited information in the record with respect to other fabricated QSP, we do not find CFFFQP to be a separate domestic like product. Although CFFFQP and other fabricated QSP appear to have at least somewhat differing channels of distribution, there does not appear to be a clear dividing line between the two products on the basis of the other like product factors. All fabricated QSP, whether CFFFQP or other fabricated QSP, have the same physical characteristics, which are derived from the quartz slab used in their production. Moreover, despite the fact that their methods of installation may differ, both products have the same end use, as surface products. Both products are largely if not entirely produced at off-site fabrication facilities and the chief difference between their production processes appears to be that CFFFQP is assembled prior to installation.

We consequently define a single like product, consisting of those QSP described by the scope definition.[69]

IV. Domestic Industry

The domestic industry is defined as the domestic "producers as a whole of a domestic like product, or those producers whose collective output of a domestic like product constitutes a major proportion of the total domestic production of the product."[70] In defining the domestic industry, the Commission's general practice has been to include in the industry producers of all domestic production of the like product, whether toll-produced, captively consumed, or sold in the domestic merchant market.

There are two sets of domestic industry issues in these investigations. The first concerns whether fabrication constitutes domestic production of QSP. The second concerns whether appropriate circumstances exist to excluded any domestic producers of QSP pursuant to the related parties provision of the Trade Act.

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[67] Nothing in the record indicates that Bruskin Respondents' description of CFFFQP is generally recognized among marketplace participants. We observe that while there is some reference in the information Bruskin Respondents submitted regarding pre-finished or pre-fabricated QSP, it is unclear to what extent these perceptions are more broadly held and to what extent these references conform to Respondents' proposed definition of CFFFQP. *See* Bruskin Postconference Br. at Ex. 6-13, 19.

[68] CR at V-5, PR at V-3.

[69] Should parties wish to make a like product argument regarding CFFFQP and other fabricated QSP in the final phase of these investigations, we invite them to comment on how the Commission can best define and evaluate these two product categories.

[70] 19 U.S.C. § 1677(4)(A).

A. Sufficient Production-Related Activities

In deciding whether a firm qualifies as a domestic producer of the domestic like product, the Commission generally analyzes the overall nature of a firm's U.S. production-related activities, although production-related activity at minimum levels could be insufficient to constitute domestic production.[71]

Cambria argues that stand-alone fabricators that do not engage in quartz slab production do not engage in sufficient production-related activities to constitute domestic production.[72] Bruskin Respondents and Reliance Respondents argue that fabricators engage in sufficient production related activities to constitute domestic production.[73] MSI Respondents take no position as to the role of fabricators in the domestic industry, but reserve the right to address the issue during any final phase of the investigations.[74]

We examine below the factors pertinent to whether fabrication constitutes domestic production. The producer questionnaires in the preliminary phase of these investigations were issued only to firms engaged in slab production.[75] Therefore, the record in these preliminary phase investigations regarding the operations of quartz slab fabricators is largely limited to data provided by slab producers that also engage in fabrication operations and information provided by the parties.

Source and extent of the firm's capital investment. Cambria asserts that the capital investment required to establish and operate a quartz slab production plant is significantly greater than that required to establish and operate a fabrication facility, citing investments ranging from *** for quartz slab production and ranging from *** for fabrication facilities.[76] Reliance Respondents assert that the capital investment required to be a fabricator is substantial, citing capital investments ranging between $5 million and $8 million.[77] They cite the source of these investments as personal capital invested, loans, and reinvestments of profits.[78]

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[71] The Commission generally considers six factors: (1) source and extent of the firm's capital investment; (2) technical expertise involved in U.S. production activities; (3) value added to the product in the United States; (4) employment levels; (5) quantity and type of parts sourced in the United States; and (6) any other costs and activities in the United States directly leading to production of the like product. No single factor is determinative and the Commission may consider any other factors it deems relevant in light of the specific facts of any investigation. *Crystalline Silica Photovoltaic Cells and Modules from China*, Inv. Nos. 701-TA-481 and 731-TA-1190 (Final), USITC Pub. 4360 at 12-13 (Nov. 2012).

[72] Cambria Postconference Br. at 7.

[73] Bruskin Postconference Br. Ex.1 at 2; Reliance Postconference Br. at 2, 4, 5-11.

[74] *Postconference Brief on Behalf of M S International, Inc. and Arizona Tile, LLC* ("MSI Postconference Br.") at 3.

[75] Nonetheless, ***. *See* U.S. Producer Questionnaire Response for ***, ***. *See also* CR at I-5 n.6, PR at I-4 n.6.

[76] Cambria Postconference Br. at 8-9.

[77] Reliance Postconference Br. at 7-8.

[78] Reliance Postconference Br. at 7-8.

Technical expertise involved. Cambria contends that the technical expertise required to produce quartz slab is greater than that required to manufacture fabricated QSP.[79] It highlights that it employs engineers, materials scientists, and process controllers due to the specialized knowledge required to produce quartz slab, invests heavily in research and development ("R&D") and engages in extensive employee training.[80] According to Cambria, fabrication can be accomplished with relatively common and uncomplicated tools, such as saws, routers, and CNC machines, using step-by-step instructions provided by quartz slab manufacturers.[81] It emphasizes that fabricators do not have specialized production equipment, such as the Breton machinery used by slab producers, and generally have smaller facilities.[82]

According to Reliance Respondents, fabrication requires substantial expertise as employees must be highly skilled to follow the manufacturing process and operate the manufacturing equipment.[83] They contend that the manufacturing equipment used requires several years of training to master and that employees must have combined expertise in manufacturing processes, machining, computer-aided design operations, machine programming, systems repair or machinery, and technical proficiency in material cutting and routing.[84] They also contend that ongoing operations require proficient management as well as ongoing training, maintenance, market research, and R&D.[85]

Value added to the product in the United States. Questionnaire data collected from domestic firms that produce quartz slab indicate that the average unit value for quartz slab was $*** and the average unit value for fabricated QSP was $*** in 2017.[86] Cambria contends that the value added by domestic producers' own fabrication activities in 2017 was *** percent of the final fabricated value, but states that this value is overstated as stand-alone fabrication shops are likely to be smaller and have less advanced equipment and processes.[87] Reliance Respondents maintain that the value added is substantial and that in most cases the value added exceeds raw material costs.[88] They also state that the value added to quartz slab in the production of CFFFQP is between 35 and 40 percent.[89]

Employment levels. Cambria maintains that more employees are required to produce quartz slab than to fabricate the slab.[90] Reliance Respondents contend that employment is

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[79] Cambria Postconference Br. at 11-12.
[80] Cambria Postconference Br. at 11-12.
[81] Cambria Postconference Br. at 12.
[82] Cambria Postconference Br. at 9-10.
[83] Reliance Postconference Br. at 8-9.
[84] Reliance Postconference Br. at 8-9.
[85] Reliance Postconference Br. at 8-9.
[86] CR at I-22, PR at I-15-16.
[87] Cambria Postconference Br. at 6.
[88] Reliance Postconference Br. at 9.
[89] Reliance Postconference Br. at 10-11.
[90] Cambria Postconference Br. at 13. Cambria states that it employs *** full time employees at its slab production plant in Le Sueur, Minnesota, while it employs around *** employees on average at its fabrication facilities. It contends that it is not uncommon for fabrication facilities to be run with fewer employees. *Id.*

substantial and that employment for fabricators exceeds that for Cambria and other domestic slab producers.[91]

Quantity and type of parts sourced in the United States. Cambria states that many fabricators rely on imported quartz slab as the primary input in the fabrication process.[92] Reliance Respondents state that the majority of their equipment and tools are purchased in the United States.[93]

Conclusion. Based on the limited information in the record, we find for purposes of these preliminary determinations that the operations of stand-alone fabricators are insufficient to constitute domestic production of QSP. The degree of capital investment that parties cite as necessary to fabricate QSP, although not necessarily insubstantial, is far below that cited as required to produce quartz slab. Similarly, although the degree of expertise required to fabricate is not necessarily low, the quartz slab production process appears to involve considerably more specialized knowledge and employees. The available information indicates that while there is some dispute about value added by fabrication, quartz slab constitutes the bulk of the value of the fabricated product. Moreover, it indicates that quartz slab producers may have higher levels of employment than fabricators of QSP on an individual basis, although if Respondents' estimates are correct, employment across all fabricators of QSP may exceed that of all quartz slab producers. Fabricators of QSP also appear to some degree to rely on imported quartz slab as an input in their production activities. Therefore, for the purposes of the preliminary phase of these investigations, we find that stand-alone fabricators of quartz surface products do not engage in sufficient production-related activities to constitute domestic production.[94]

B. Related Parties

We must determine whether any producer of the domestic like product should be excluded from the domestic industry pursuant to Section 771(4)(B) of the Tariff Act. This provision allows the Commission, if appropriate circumstances exist, to exclude from the domestic industry producers that are related to an exporter or importer of subject merchandise

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[91] Reliance Postconference Br. at 9. Reliance Respondents submit that some individual fabricators employ between 115 and 120 employees and that "the US countertop industry has tens of thousands of people employed in various stages of the production and finishing of quartz slab products." *Id.*

[92] Cambria Postconference Br. at 13. ***, a domestic fabricator of QSP products, indicated in its response to the Commission's producer questionnaire that the majority of its purchases of quartz slab are from subject and nonsubject sources. U.S. Producer Questionnaire Response for ***, *** (May 18, 2018) at Question II-12.

[93] Reliance Postconference Br. at 10.

[94] We invite parties, in their comments on the draft questionnaires, to provide their arguments on whether the Commission should collect further data on this issue in any final phase investigations, and, if they contend that seeking further data is appropriate, indicate what types of data the Commission should collect and from whom, particularly in light of the large number of firms that respondents assert engage in fabrication operations in the United States.

or which are themselves importers.[95] Exclusion of such a producer is within the Commission's discretion based upon the facts presented in each investigation.[96]

We first analyze which domestic producers are subject to potential exclusion from the domestic industry pursuant to the related parties provision. Domestic producer *** parent company, ***, owns ***, a firm that imported subject merchandise during the period of investigation.[97] We find that *** is a related party because it and the importer share a common parent.[98] Domestic producer *** directly imported subject merchandise during the period of investigation.[99] Consequently, *** is also a related party.

We next examine whether appropriate circumstances exist to exclude either of the related parties from the domestic industry.

****.* *** accounted for *** percent of domestic production of quartz slab in 2017.[100] It is the ***-largest domestic producer of quartz slab. *** imported *** square feet of subject merchandise from China in 2015 and reported *** imports of subject merchandise for 2016 and 2017.[101] *** reported its reason for importing as ***.[102] The ratio of its affiliate's subject imports to its production was *** percent in 2015, the *** imported subject merchandise.[103] Its operating income margin was *** percent in 2015, *** percent in 2016, and *** percent in 2017; its operating performance *** the industry average in each year of the period of investigation.[104] In view of the fact that *** domestic production was *** than its affiliate's subject imports and the fact that no party has argued for its exclusion from the domestic

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[95] *See Torrington Co. v. United States*, 790 F. Supp. 1161, 1168 (Ct. Int'l Trade 1992), *aff'd without opinion*, 991 F.2d 809 (Fed. Cir. 1993); *Sandvik AB v. United States*, 721 F. Supp. 1322, 1331-32 (Ct. Int'l Trade 1989), *aff'd mem.,* 904 F.2d 46 (Fed. Cir. 1990); *Empire Plow Co. v. United States*, 675 F. Supp. 1348, 1352 (Ct. Int'l Trade 1987).

[96] The primary factors the Commission has examined in deciding whether appropriate circumstances exist to exclude a related party include the following:

(1) the percentage of domestic production attributable to the importing producer;

(2) the reason the U.S. producer has decided to import the product subject to investigation (whether the firm benefits from the LTFV sales or subsidies or whether the firm must import in order to enable it to continue production and compete in the U.S. market);

(3) whether inclusion or exclusion of the related party will skew the data for the rest of the industry;

(4) the ratio of import shipments to U.S. production for the imported product; and

(5) whether the primary interest of the importing producer lies in domestic production or importation. *Changzhou Trina Solar Energy Co. v. USITC*, 100 F. Supp.3d 1314, 1326-31 (Ct. Int'l. Trade 2015); see *also Torrington Co. v. United States*, 790 F. Supp. at 1168.

[97] CR/PR at Tables III-2, III-9.

[98] *See* 19 U.S.C. § 1677(4)(B)(ii)(III).

[99] CR/PR at Table III-9.

[100] CR/PR at Table III-1.

[101] CR/PR at Table III-9.

[102] CR/PR at Table III-9.

[103] CR/PR at Table III-9.

[104] CR/PR at Table VI-3.

industry, we find that appropriate circumstances do not exist to exclude *** from the domestic industry as a related party.

****.* *** accounted for *** percent of domestic production of quartz slab in 2017.[105] It was the *** of the three reporting domestic producers. *** imported subject merchandise *** the period of investigation. Its imports of subject merchandise were *** square feet in 2015, *** square feet in 2016, and *** square feet in 2017.[106] *** reported importing to ***.[107] The ratio of its subject imports to production was *** percent in 2015, *** percent in 2016, and *** percent in 2017.[108] Consequently, its primary interest appears to be in domestic production. Its operating income margin was *** percent in 2015, *** percent in 2016, and *** percent in 2017, *** the industry average in each year of the period of investigation.[109] In view of the fact that *** domestic production was *** larger than its subject imports and the fact that no party has argued for its exclusion from the domestic industry, we find that appropriate circumstances do not exist to exclude *** from the domestic industry as a related party.

In light of the definition of the domestic like product and our finding on production-related activities, we define the domestic industry to include all U.S. producers of QSP corresponding with the scope of the investigations, but not to include stand-alone fabricators.

V. Negligible Imports

Pursuant to Section 771(24) of the Tariff Act, imports from a subject country of merchandise corresponding to a domestic like product that account for less than 3 percent of all such merchandise imported into the United States during the most recent 12 months for which data are available preceding the filing of the petition shall be deemed negligible.[110]

Negligibility is not an issue in these investigations. Subject imports from China were well above the pertinent 3 percent of total imports for the 12-month period preceding filing of the petition.[111]

[105] CR/PR at Table III-1.

[106] CR/PR at Table III-9.

[107] CR/PR at Table III-9.

[108] CR/PR at Table III-9.

[109] CR/PR at Table VI-3.

[110] 19 U.S.C. §§ 1671b(a), 1673b(a), 1677(24)(A)(i), 1677(24)(B); *see also* 15 C.F.R. § 2013.1 (developing countries for purposes of 19 U.S.C. § 1677(36)).

[111] CR at IV-11, PR at IV-10, CR/PR at Table IV-4. U.S. imports from China as measured by questionnaire responses accounted for 50.1 percent of total imports of QSP by quantity from April 2017 to March 2018, the 12-month period preceding filing of the petitions. U.S. imports from China as measured by official import statistics accounted for 56.4 percent of total U.S. imports of QSP by quantity from April 2017 to March 2018. *Id.*

VI. Reasonable Indication of Material Injury by Reason of Subject Imports

A. Legal Standard

In the preliminary phase of antidumping and countervailing duty investigations, the Commission determines whether there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury by reason of the imports under investigation.[112] In making this determination, the Commission must consider the volume of subject imports, their effect on prices for the domestic like product, and their impact on domestic producers of the domestic like product, but only in the context of U.S. production operations.[113] The statute defines "material injury" as "harm which is not inconsequential, immaterial, or unimportant."[114] In assessing whether there is a reasonable indication that the domestic industry is materially injured by reason of subject imports, we consider all relevant economic factors that bear on the state of the industry in the United States.[115] No single factor is dispositive, and all relevant factors are considered "within the context of the business cycle and conditions of competition that are distinctive to the affected industry."[116]

Although the statute requires the Commission to determine whether there is a reasonable indication that the domestic industry is "materially injured by reason of" unfairly traded imports,[117] it does not define the phrase "by reason of," indicating that this aspect of the injury analysis is left to the Commission's reasonable exercise of its discretion.[118] In identifying a causal link, if any, between subject imports and material injury to the domestic industry, the Commission examines the facts of record that relate to the significance of the volume and price effects of the subject imports and any impact of those imports on the condition of the domestic industry. This evaluation under the "by reason of" standard must ensure that subject imports are more than a minimal or tangential cause of injury and that there is a sufficient causal, not merely a temporal, nexus between subject imports and material injury.[119]

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[112] 19 U.S.C. §§ 1671b(a), 1673b(a). The Trade Preferences Extension Act of 2015, Pub. L. 114-27, amended the provisions of the Tariff Act pertaining to Commission determinations of reasonable indication of material injury and threat of material injury by reason of subject imports in certain respects.

[113] 19 U.S.C. § 1677(7)(B). The Commission "may consider such other economic factors as are relevant to the determination" but shall "identify each {such} factor ... {a}nd explain in full its relevance to the determination." 19 U.S.C. § 1677(7)(B).

[114] 19 U.S.C. § 1677(7)(A).

[115] 19 U.S.C. § 1677(7)(C)(iii).

[116] 19 U.S.C. § 1677(7)(C)(iii).

[117] 19 U.S.C. §§ 1671b(a), 1673b(a).

[118] *Angus Chemical Co. v. United States*, 140 F.3d 1478, 1484-85 (Fed. Cir. 1998) ("{T}he statute does not 'compel the commissioners' to employ {a particular methodology}."), *aff'g* 944 F. Supp. 943, 951 (Ct. Int'l Trade 1996).

[119] The Federal Circuit, in addressing the causation standard of the statute, has observed that "{a}s long as its effects are not merely incidental, tangential, or trivial, the foreign product sold at less

In many investigations, there are other economic factors at work, some or all of which may also be having adverse effects on the domestic industry. Such economic factors might include nonsubject imports; changes in technology, demand, or consumer tastes; competition among domestic producers; or management decisions by domestic producers. The legislative history explains that the Commission must examine factors other than subject imports to ensure that it is not attributing injury from other factors to the subject imports, thereby inflating an otherwise tangential cause of injury into one that satisfies the statutory material injury threshold.[120] In performing its examination, however, the Commission need not isolate the injury caused by other factors from injury caused by unfairly traded imports.[121] Nor does the "by reason of" standard require that unfairly traded imports be the "principal" cause of injury or contemplate that injury from unfairly traded imports be weighed against other factors,

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than fair value meets the causation requirement." *Nippon Steel Corp. v. USITC*, 345 F.3d 1379, 1384 (Fed. Cir. 2003). This was re-affirmed in *Mittal Steel Point Lisas Ltd. v. United States*, 542 F.3d 867, 873 (Fed. Cir. 2008), in which the Federal Circuit, quoting *Gerald Metals, Inc. v. United States*, 132 F.3d 716, 722 (Fed. Cir. 1997), stated that "this court requires evidence in the record 'to show that the harm occurred "by reason of" the LTFV imports, not by reason of a minimal or tangential contribution to material harm caused by LTFV goods.'" *See also Nippon Steel Corp. v. United States*, 458 F.3d 1345, 1357 (Fed. Cir. 2006); *Taiwan Semiconductor Industry Ass'n v. USITC*, 266 F.3d 1339, 1345 (Fed. Cir. 2001).

[120] Uruguay Round Statement of Administrative Action (SAA), H.R. Rep. 103-316, Vol. I at 851-52 (1994) ("{T}he Commission must examine other factors to ensure that it is not attributing injury from other sources to the subject imports."); S. Rep. 96-249 at 75 (1979) (the Commission "will consider information which indicates that harm is caused by factors other than less-than-fair-value imports."); H.R. Rep. 96-317 at 47 (1979) ("in examining the overall injury being experienced by a domestic industry, the ITC will take into account evidence presented to it which demonstrates that the harm attributed by the petitioner to the subsidized or dumped imports is attributable to such other factors;" those factors include "the volume and prices of nonsubsidized imports or imports sold at fair value, contraction in demand or changes in patterns of consumption, trade restrictive practices of and competition between the foreign and domestic producers, developments in technology and the export performance and productivity of the domestic industry"); *accord Mittal Steel*, 542 F.3d at 877.

[121] SAA at 851-52 ("{T}he Commission need not isolate the injury caused by other factors from injury caused by unfair imports."); *Taiwan Semiconductor Industry Ass'n* , 266 F.3d at 1345. ("{T}he Commission need not isolate the injury caused by other factors from injury caused by unfair imports ... . Rather, the Commission must examine other factors to ensure that it is not attributing injury from other sources to the subject imports." (emphasis in original)); *Asociacion de Productores de Salmon y Trucha de Chile AG v. United States*, 180 F. Supp. 2d 1360, 1375 (Ct. Int'l Trade 2002) ("{t}he Commission is not required to isolate the effects of subject imports from other factors contributing to injury" or make "bright-line distinctions" between the effects of subject imports and other causes.); *see also Softwood Lumber from Canada*, Inv. Nos. 701-TA-414 and 731-TA-928 (Remand), USITC Pub. 3658 at 100-01 (Dec. 2003) (Commission recognized that "{i}f an alleged other factor is found not to have or threaten to have injurious effects to the domestic industry, *i.e*., it is not an 'other causal factor,' then there is nothing to further examine regarding attribution to injury"), *citing Gerald Metals,* 132 F.3d at 722 (the statute "does not suggest that an importer of LTFV goods can escape countervailing duties by finding some tangential or minor cause unrelated to the LTFV goods that contributed to the harmful effects on domestic market prices.").

such as nonsubject imports, which may be contributing to overall injury to an industry.[122] It is clear that the existence of injury caused by other factors does not compel a negative determination.[123]

Assessment of whether material injury to the domestic industry is "by reason of" subject imports "does not require the Commission to address the causation issue in any particular way" as long as "the injury to the domestic industry can reasonably be attributed to the subject imports" and the Commission "ensure{s} that it is not attributing injury from other sources to the subject imports."[124] Indeed, the Federal Circuit has examined and affirmed various Commission methodologies and has disavowed "rigid adherence to a specific formula."[125]

The Federal Circuit's decisions in *Gerald Metals*, *Bratsk,* and *Mittal Steel* all involved cases in which the relevant "other factor" was the presence in the market of significant volumes of price-competitive nonsubject imports. The Commission interpreted the Federal Circuit's guidance in *Bratsk* as requiring it to apply a particular additional methodology following its finding of material injury in cases involving commodity products and a significant market presence of price-competitive nonsubject imports.[126] The additional "replacement/benefit" test looked at whether nonsubject imports might have replaced subject imports without any benefit to the U.S. industry. The Commission applied that specific additional test in subsequent cases, including the *Carbon and Certain Alloy Steel Wire Rod from Trinidad and Tobago* determination that underlies the *Mittal Steel* litigation.

Mittal Steel clarifies that the Commission's interpretation of *Bratsk* was too rigid and makes clear that the Federal Circuit does not require the Commission to apply an additional test nor any one specific methodology; instead, the court requires the Commission to have "evidence in the record 'to show that the harm occurred 'by reason of' the LTFV imports,'" and requires that the Commission not attribute injury from nonsubject imports or other factors to

[122] S. Rep. 96-249 at 74-75; H.R. Rep. 96-317 at 47.

[123] *See Nippon*, 345 F.3d at 1381 ("an affirmative material-injury determination under the statute requires no more than a substantial-factor showing. That is, the 'dumping' need not be the sole or principal cause of injury.").

[124] *Mittal Steel*, 542 F.3d at 877-78; *see also id.* at 873 ("While the Commission may not enter an affirmative determination unless it finds that a domestic industry is materially injured 'by reason of' subject imports, the Commission is not required to follow a single methodology for making that determination ... {and has} broad discretion with respect to its choice of methodology.") *citing United States Steel Group v. United States*, 96 F.3d 1352, 1362 (Fed. Cir. 1996) and S. Rep. 96-249 at 75. In its decision in *Swiff-Train v. United States*, 793 F.3d 1355 (Fed. Cir. 2015), the Federal Circuit affirmed the Commission's causation analysis as comporting with the Court's guidance in *Mittal*.

[125] *Nucor Corp. v. United States*, 414 F.3d 1331, 1336, 1341 (Fed. Cir. 2005); *see also Mittal Steel*, 542 F.3d at 879 ("*Bratsk* did not read into the antidumping statute a Procrustean formula for determining whether a domestic injury was 'by reason' of subject imports.").

[126] *Mittal Steel*, 542 F.3d at 875-79.

subject imports.[127] Accordingly, we do not consider ourselves required to apply the replacement/benefit test that was included in Commission opinions subsequent to *Bratsk*.

The progression of *Gerald Metals*, *Bratsk*, and *Mittal Steel* clarifies that, in cases involving commodity products where price-competitive nonsubject imports are a significant factor in the U.S. market, the Court will require the Commission to give full consideration, with adequate explanation, to non-attribution issues when it performs its causation analysis.[128]

The question of whether the material injury threshold for subject imports is satisfied notwithstanding any injury from other factors is factual, subject to review under the substantial evidence standard.[129] Congress has delegated this factual finding to the Commission because of the agency's institutional expertise in resolving injury issues.[130]

B. Conditions of Competition and the Business Cycle

The following conditions of competition inform our analysis of whether there is a reasonable indication of material injury by reason of subject imports.

1. Demand Conditions

U.S. demand for quartz slab depends on the demand for U.S.-produced downstream fabricated QSP products, which are end use products.[131] Demand for fabricated QSP products is in turn driven by remodeling activity and new development starts.[132] Reported end uses include kitchen, bathroom, and commercial countertops, vanities, flooring, tiles, shower walls and pans, window sills, thresholds, basins, chairs, and cabinets.[133] Most U.S. producers and

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[127] *Mittal Steel*, 542 F.3d at 873 (quoting from *Gerald Metals*, 132 F.3d at 722), 875-79 & n.2 (recognizing the Commission's alternative interpretation of *Bratsk* as a reminder to conduct a non-attribution analysis).

[128] To that end, after the Federal Circuit issued its decision in *Bratsk*, the Commission began to present published information or send out information requests in the final phase of investigations to producers in nonsubject countries that accounted for substantial shares of U.S. imports of subject merchandise (if, in fact, there were large nonsubject import suppliers). In order to provide a more complete record for the Commission's causation analysis, these requests typically seek information on capacity, production, and shipments of the product under investigation in the major source countries that export to the United States. The Commission plans to continue utilizing published or requested information in the final phase of investigations in which there are substantial levels of nonsubject imports.

[129] We provide in our discussion below a full analysis of other factors alleged to have caused any material injury experienced by the domestic industry.

[130] *Mittal Steel*, 542 F.3d at 873; *Nippon Steel Corp*., 458 F.3d at 1350, *citing U.S. Steel Group*, 96 F.3d at 1357; S. Rep. 96-249 at 75 ("The determination of the ITC with respect to causation is ... complex and difficult, and is a matter for the judgment of the ITC.").

[131] CR at II-10, PR at II-7.

[132] *See* CR/PR at Figures II-1-2, CR at II-8, PR at II-5.

[133] CR at II-10, PR at II-7.

some importers indicated that the market is subject to seasonal changes in demand.[134] Most market participants reported an increase in U.S. demand for QSP since January 1, 2015.[135] There was some agreement among parties that purchasers switching from granite surface products to QSP helped to explain the increase in demand.[136]

Demand, as measured by apparent U.S. consumption, increased throughout the period of investigation. It was *** square feet in 2015, *** square feet in 2016, and *** square feet in 2017.[137]

2. Supply Conditions

Domestic shipments, subject imports, and nonsubject imports all supplied the U.S. market over the period of investigation. Domestic shipments were the smallest source of supply over the period.[138] Their share of the market increased from *** percent of apparent U.S. consumption in 2015 to *** percent in 2016 and then decreased to *** percent in 2017.[139] Domestic producers' combined annual capacity was less than apparent U.S. consumption over the period of investigation.[140] It increased during the period due to expansions by *** as well as the entrance of Caesarstone, which began U.S. production operations in May 2015.[141]

Subject imports were the second-largest source of supply in 2015 and 2016 and the largest source of supply in 2017. Their market share increased from *** percent in 2015 to *** percent in 2016 and then to *** percent in 2017.[142] The capacity of producers in China to produce QSP increased from 2015 to 2017.[143]

Nonsubject imports were the largest source of supply in 2015 and 2016 and the second-largest source of supply in 2017. Their market share decreased from *** percent in 2015 to

[134] CR at II-10, PR at II-7. Spring and fall were cited as busy seasons for home renovations, while winter was cited as generally being a slower season for construction in most regions. *Id.*

[135] CR/PR at Table II-4.

[136] Cambria Postconference Br. at 15-16, MSI Postconference Br. at 1-4, Bruskin Postconference Br. at 6-8, Reliance Postconfernce Br. at 14. Most domestic producers and importers reported that QSP were substitutable with at least one other product. Among the various substitutes, natural granite was most commonly regarded as the closest substitute for QSP. CR at II-11-12, PR at II-8.

[137] CR/PR at Table IV-5.

[138] As previously stated, the Commission received questionnaire responses from the three current domestic producers of QSP. A fourth producer, Dal-Tile, plans to open a quartz countertop factory in Tennessee in the fall 2018. CR/PR at Table III-3. We intend to examine the effect of Dal-Tile's entry into the market in any final phase of these investigations.

[139] CR/PR at Table IV-6.

[140] *Compare* CR/PR at Table III-5 *with* CR/PR at Table IV-5.

[141] CR/PR at Tables III-3-5. *** it commenced operation during the second quarter of 2015. *Id.* at Tables III-3-4.

[142] CR/PR at Table IV-6.

[143] CR/PR at Table VII-4.

*** percent in 2016 and then to *** percent in 2017.[144] Leading nonsubject sources of QSP were Spain and Israel.[145]

3. Substitutability and Other Conditions

The parties expressed disparate views as to the degree of substitutability between subject imports and the domestic like product, with Cambria arguing that subject imports and the domestic like product are highly substitutable products that compete based on price and MSI Respondents arguing that QSP are sold on the basis of non-price factors such as design, look, and aesthetics.[146] In particular, parties disagree as to whether products are differentiated based on branding and the use of Breton technology in their production process.[147]

Based on the record in the preliminary phase of these investigations, we find that there is a high degree of substitutability between subject imports and the domestic like product. All domestic producers indicated that subject imports and the domestic like product are always interchangeable.[148] The majority of U.S. importers responding to the Commission's questionnaire reported that subject and domestic QSP were always or frequently interchangeable, while a substantial minority indicated they were somewhat interchangeable.[149]

The information available in these preliminary phase investigations indicates that price is at least of moderate importance in purchasing decisions. Purchasers responding to lost sales and revenue allegations identified availability, price, quality, reliability of source, and service as main factors considered in their purchasing decisions.[150] Importers reported mixed responses when asked about the significance of differences other than price in purchasing decisions between subject and domestic QSP. A majority of responding U.S. importers reported that there were always or frequently significant differences other than price between subject imports and the domestic like product, while almost 40 percent of those responding indicated that non-price differences were sometimes significant.[151] Domestic producers reported non-price differences were sometimes or never significant.[152] Respondents contend that the market is segmented between a luxury market segment and a mass market segment.[153]

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[144] CR/PR at Table IV-6.

[145] CR at IV-5, PR at IV-5.

[146] Cambria Postconference Br. at 16-20; MSI Postconference Br. at 4-7, 15-17.

[147] Cambria Postconference Br. at 16-18; MSI Postconference Br. at 4-5, 8, 15-17. We will explore to what extent producers in China use Breton technology, or its equivalent, in any final phase of these investigations.

[148] CR/PR at Table II-5.

[149] CR/PR at Table II-5. In any final phase investigations, we will collect additional information from purchasers regarding the comparability of the domestic product and the subject imports with respect to specific product characteristics.

[150] CR at II-12-13, PR at II-8-9.

[151] CR/PR at Table II-6. *Id.*

[152] CR/PR at Table II-6. *Id.*

[153] MSI Postconference Br. at 7-14.

Cambria asserts that its products compete for sales in all market segments.[154] The record is unclear as to the extent of and the basis for segmentation in the market. We will further explore the issue of market segmentation, including the prevalence and importance of branding, in any final phase of these investigations.[155]

Domestic producers and importers sold mainly to fabricators and retailers.[156] In certain areas of the United States, Cambria sells only to exclusive distribution partners.[157] Most importers sell locally or regionally to fabricators, retailers, builders, and contractors.[158] Domestic producers and importers reported selling quartz surface products to all regions in the United States.[159]

Ground quartz is the main raw material used to produce QSP.[160] Domestic producers' raw material costs accounted for approximately *** percent of the cost of goods sold ("COGS"), with COGS amounting to *** percent of net sales values in 2017.[161] *** domestic producers reported that raw material costs increased from 2015 to 2017.[162]

C. Volume of Subject Imports

Section 771(7)(C)(i) of the Tariff Act provides that the "Commission shall consider whether the volume of imports of the merchandise, or any increase in that volume, either in absolute terms or relative to production or consumption in the United States, is significant."[163]

The volume of subject imports increased over the period of investigation from 22.5 million square feet in 2015 to 39.3 million square feet in 2016 and then to 63.1 million square feet in 2017.[164] This increase substantially outpaced the increase in apparent U.S. consumption over the same period.[165] As observed above, subject import market share also increased, from

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[154] Cambria Postconference Br. at 16.

[155] In their comments on the draft questionnaires, we encourage parties to provide arguments regarding what segments exist in the market for QSP, how these segments are distinguished from one another, and by what method the Commission should collect data for them.

[156] CR/PR at Table II-1.

[157] CR at II-2, PR at II-1. We will explore further in any final phase of these investigations to what extent Cambria's use of exclusive distribution partners affects supply of the domestic like product.

[158] CR at II-2, PR at II-1.

[159] CR/PR at Table II-2. Domestic producers reported *** percent of sales were within 100 miles of their production facility, *** percent were between 101 and 1,000 miles, and *** percent were over 1,000 mile. In contrast, importers sold 78.5 percent within 100 miles of their U.S. point of shipment, 21.0 percent between 101 and 1,000 miles, and 3.2 percent over 1,000 miles. CR at II-3, PR at II-2.

[160] CR at V-1, PR at V-1.

[161] CR at V-1, PR at V-1.

[162] CR at V-1, PR at V-1. We intend to seek more comprehensive data regarding raw material costs in any final phase investigations.

[163] 19 U.S.C. § 1677(7)(C)(i).

[164] CR/PR at Table IV-5.

[165] CR/PR at Table IV-5. Apparent U.S. consumption of QSP increased by *** percent from 2015 to 2017, while during the same period subject imports increased by 180.8 percent. *Id.*

*** percent in 2015 to *** percent in 2016 and then to *** percent in 2017.[166] The ratio of subject imports to U.S. production increased from *** percent in 2015 to *** percent in 2016 and then to *** percent in 2017.[167]

In light of the foregoing, we find that the volume of subject imports and the increase in that volume are significant in both absolute terms and relative to production and consumption.

D. Price Effects of the Subject Imports

Section 771(7)(C)(ii) of the Tariff Act provides that, in evaluating the price effects of subject imports, the Commission shall consider whether –

(I) there has been significant price underselling by the imported merchandise as compared with the price of domestic like products of the United States, and

(II) the effect of imports of such merchandise otherwise depresses prices to a significant degree or prevents price increases, which otherwise would have occurred, to a significant degree.[168]

The Commission collected quarterly pricing data on four pricing products.[169] [170] Three U.S. producers and 79 importers provided usable pricing data for sales of the requested products, although not all firms reported pricing for all products in each quarter.[171] Pricing data reported by these firms accounted for approximately *** percent of U.S. producers' shipments of QSP and 16.5 percent of U.S. shipments of subject merchandise from China in 2017.[172]

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[166] CR/PR at Table IV-6.

[167] *Compare* CR/PR at Table III-5 *with* CR/PR at Table IV-6.

[168] 19 U.S.C. § 1677(7)(C)(ii).

[169] The four pricing products are as follows:

Product 1.-- White quartz surface products in slab form with a nominal thickness of 2 centimeters ("cm") without veining or movement and sold to distributors.

Product 2.--White quartz surface products in slab form with a nominal thickness of 3 cm with no veining or movement and sold to distributors.

Product 3.--White quartz surface products in slab form with a nominal thickness of 2 centimeters ("cm") without veining or movement and sold to firms other than distributors.

Product 4.--White quartz surface products in slab form with a nominal thickness of 3 cm with no veining or movement and sold to firms other than distributors.

CR at V-5, PR at V-3.

[170] Parties disagree as to whether the pricing products selected by the Commission are representative of the market as a whole. *Compare* Cambria Postconference Br. at 24 *with* MSI Postconference Br. at 27. We invite parties to suggest pricing products that are representative of the market as a whole and best reflect competition in the market in their comments on the draft questionnaires in any final phase investigations.

[171] CR at V-5, PR at V-4.

[172] CR at V-5, PR at V-4.

The pricing data show that the subject imports undersold the domestic like product in all 48 quarterly comparisons, involving *** square feet of QSP from China.[173] [174] As discussed above, there is a high degree of substitutability between subject imports and the domestic like product and the record indicates that price is of at least moderate importance in purchasing decisions.[175] Therefore, we find the underselling to be significant for the purposes of these preliminary determinations.

We have also considered price trends for the domestic like product and subject imports. Prices for all four domestically produced pricing products fluctuated downwards during the period of investigation, with the price of each product being lower in the fourth quarter of 2017 than in the first quarter of 2015.[176] Notwithstanding the substantial increase in demand over the period of investigation, prices for pricing products 2, 3, and 4 trended downward as the volume of shipments of subject imports of these products increased.[177] Additionally, *** U.S. producers reported that they had to reduce prices, and *** stated that domestic producers reduced prices to compete with subject imports in response to the lost sales and revenue survey.[178] Given that prices for each of the pricing products declined amid robust growth in demand and the claims of specific domestic price reductions from both producers and purchasers, all of which occurred as an increasing volume of low-priced imports from China entered the market, we find evidence of price depression by subject imports.

These price declines occurred while the domestic industry's COGS were increasing on a per-unit basis.[179] Consequently, domestic producers were not able fully to recover increased costs. During the period of investigation, the domestic industry's COGS to net sales ratio increased from *** percent in 2015 to *** percent in 2016 and then to *** percent in 2017.[180] Thus, notwithstanding market conditions – a substantial increase in demand and rising costs – the domestic industry experienced a cost-price squeeze as a result of subject imports, which had a suppressing effect on domestic prices.

In light of the foregoing, we find for purposes of these preliminary determinations that there was a significant and increasing volume of subject imports that significantly undersold the domestic like product. Moreover, these imports prevented price increases that would

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[173] CR/PR at Table V-8. The margins of underselling ranged from *** percent to *** percent. *Id.*

[174] Respondents argue that the universal underselling observed during the period of investigation is indicative of product differentiation in terms of quality and other attributes. MSI Postconference Br. at 26-27. We will explore in any final phase investigations to what extent differences in quality and other attributes may account for any differences in prices for subject imports and the domestic like product.

[175] In response to the lost sales and revenue survey, *** responding purchasers stated that lower prices were a primary reason they purchased subject imports instead of the domestic like product. CR/PR at Table V-11.

[176] CR/PR at Figures V-1-4.

[177] CR/PR at Figures V-2-4.

[178] CR/PR at Table V-12, CR at V-15, PR at V-9.

[179] The domestic industry's per-unit COGS increased from *** in 2015 to *** in 2016 and *** in 2017. CR/PR at Table VI-1.

[180] CR/PR at Table VI-1.

otherwise have occurred to a significant degree and the domestic industry experienced price declines as the quantity of low-priced subject imports increased. We consequently find that the subject imports had significant price effects.

E. Impact of the Subject Imports[181]

Section 771(7)(C)(iii) of the Tariff Act provides that the Commission, in examining the impact of the subject imports on the domestic industry, "shall evaluate all relevant economic factors which have a bearing on the state of the industry." These factors include output, sales, inventories, capacity utilization, market share, employment, wages, productivity, gross profits, net profits, operating profits, cash flow, return on investment, return on capital, ability to raise capital, ability to service debt, research and development, and factors affecting domestic prices. No single factor is dispositive and all relevant factors are considered "within the context of the business cycle and conditions of competition that are distinctive to the affected industry."[182]

Despite increases in its production and employment, the domestic industry saw declines in its capacity utilization and its financial performance over the period of investigation. The domestic industry's production increased from *** square feet in 2015 to *** square feet in 2016 and then to *** square feet in 2017.[183] Its capacity increased from *** square feet in 2015 to *** square feet in 2016 and then to *** square feet in 2017.[184] Its capacity utilization declined from *** percent in 2015 to *** percent in 2016 and then to *** percent in 2017.[185] The domestic producers' U.S. shipments increased from *** square feet in 2015 to *** square feet in 2016 and then to *** square feet in 2017.[186] As discussed above, the domestic industry's market share fluctuated but declined overall, initially increasing from *** percent in 2015 to *** percent in 2016 and then decreasing to *** percent in 2017.[187] Domestic producers' end-of-period ("EOP") inventories increased from *** square feet in 2015 to *** square feet in 2016 and then to *** square feet in 2017.[188]

Employment-related data showed generally positive trends. The number of production and related workers ("PRWs"), total hours worked, wages paid, and hourly wages all increased. By contrast, productivity fluctuated within a narrow range, while hours worked per PRW decreased, and unit labor costs increased.[189]

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[181] In its notice initiating the antidumping duty investigation on QSP from China, Commerce reported estimated dumping margins ranging from 303.38 to 336.69 percent. 83 Fed. Reg. at 22616.

[182] 19 U.S.C. § 1677(7)(C)(iii). This provision was amended by the Trade Preferences Extension Act of 2015, Pub. L. 114-27.

[183] CR/PR at Table III-5.

[184] CR/PR at Table III-5.

[185] CR/PR at Table III-5.

[186] CR/PR at Table IV-5.

[187] CR/PR at Table IV-6.

[188] CR/PR at Table III-8.

[189] CR/PR at Table III-10. PRWs increased from *** workers in 2015 to *** workers in 2016 and then to *** workers in 2017. Total hours worked increased from *** hours in 2015 to *** hours in 2016 and then to *** hours in 2017. Hours worked per PRW decreased from *** hours in 2015 to *** hours

Although the domestic industry's sales revenue and gross profit increased over the period of investigation, it nevertheless experienced declines in its operating income, ratio of operating income to net sales, and capital expenditures as well as increases in its COGS, ratio of COGS to net sales, and selling, general, and administrative ("SG&A") expenses. The domestic industry's sales revenue increased from $*** in 2015 to $*** in 2016 and then to $*** in 2017.[190] As observed above, the domestic industry's COGS and ratio of COGS to net sales increased from 2015 to 2017.[191] Its gross profit increased from $*** in 2015 to $*** in 2016 and then to $*** in 2017.[192] Its SG&A expenses increased from $*** in 2015 to $*** in 2016 and then to $*** in 2017.[193] Operating income increased from $*** in 2015 to *** in 2016, but then declined to $*** in 2017, which was below the 2015 level. The ratio of operating income to net sales declined from *** percent in 2015 to *** percent in 2016 and to *** percent in 2017.[194] The domestic industry's net income decreased from $*** in 2015 to $*** in 2016 and then to $*** in 2017.[195] Capital expenditures decreased from $*** in 2015 to $*** in 2016 and then to $*** in 2017.[196]

For the purposes of these preliminary determinations, we find that subject imports had a significant impact on the domestic industry. The significant volume of subject imports, which increased over the period of investigation and universally undersold the domestic like product, prevented price increases that otherwise would have occurred to a significant degree, as prices for the domestically produced product declined notwithstanding increasing costs and rising demand. Moreover, despite the substantial increase in demand over the period of investigation, the domestic industry maintained unused capacity to produce QSP. As a result, the domestic industry achieved lower revenues than it would have otherwise, resulting in reductions in its net income and operating income ratio during the period of investigation.

We have also examined the role of nonsubject imports to ensure that we have not attributed to the subject imports injury caused by other factors.[197] We observe that the market

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in 2016 and then increased to *** hours in 2017. Wages paid increased from $*** in 2015 to $*** in 2016 and then to $*** in 2017. Hourly wages increased from $*** in 2015 to $*** in 2016 and then to $*** in 2017. Productivity in square feet per hour ranged from *** in 2016 to *** in both 2015 and 2017. Unit labor costs increased from $*** in 2015 to $*** in 2016 and then to $*** in 2017. *Id.*

[190] CR/PR at Table VI-1.

[191] CR/PR at Table VI-1. The domestic industry's COGS increased from $*** in 2015 to $*** in 2016 and then to $*** in 2017 and its ratio of COGS to net sales increased from *** percent in 2015 to *** percent in 2016 and then to *** percent in 2017. *Id.*

[192] CR/PR at Table VI-1.

[193] CR/PR at Table VI-1. We intend to examine further the domestic industry's SG&A costs in any final phase investigations.

[194] CR/PR at Table VI-1.

[195] CR/PR at Table VI-1.

[196] CR/PR at Table VI-4. R&D expenditures fell irregularly during the period. They were $*** in 2015, $*** in 2016, and $*** in 2017. *Id*.

[197] As discussed above, we intend to explore in any final phase investigations any continued assertions that market segmentation and restricted channels of distribution explain any material injury to the domestic industry.

share of nonsubject imports declined from *** percent in 2015 to *** percent in 2016 and then to *** percent in 2017.[198] In light of their decline in market share, nonsubject imports could not have been responsible for the adverse price effects caused by the sharply increasing volume and market share of the subject imports. Even to the extent that subject imports gained market share at the expense of nonsubject imports rather than the domestic industry, the subject imports had adverse effects on the prices and revenues of the domestic industry.

VII. Conclusion

For the reasons stated above, we determine that there is a reasonable indication that an industry in the United States is materially injured by reason of subject imports of QSP from China that are allegedly subsidized and sold in the United States at less than fair value.

[198] CR/PR at Table IV-6.

PART I: INTRODUCTION

BACKGROUND

These investigations result from petitions filed with the U.S. Department of Commerce ("Commerce") and the U.S. International Trade Commission ("USITC" or "Commission") by Cambria Company LLC ("Cambria" or "petitioner"), Eden Prairie, Minnesota, on April 17, 2018, alleging that an industry in the United States is materially injured and threatened with material injury by reason of subsidized and less-than-fair-value ("LTFV") imports of quartz surface products from China.[1] The following tabulation provides information relating to the background of these investigations.[2] [3]

Effective date	Action
April 17, 2018	Petition filed with Commerce and the Commission; institution of Commission investigations (83 FR 17675, April 23, 2018)
May 7, 2018	Commerce's notice of initiation of LTFV investigation (83 FR 22613, May 16, 2018) and Commerce's notice of initiation of countervailing duty investigation (83 FR 22618, May 16, 2018)
May 8, 2018	Commission's conference
May 31, 2018	Commission's vote
June 1, 2018	Commission's determinations
June 8, 2018	Commission's views

STATUTORY CRITERIA AND ORGANIZATION OF THE REPORT

Statutory criteria

Section 771(7)(B) of the Tariff Act of 1930 (the "Act") (19 U.S.C. § 1677(7)(B)) provides that in making its determinations of injury to an industry in the United States, the Commission--

> *shall consider (I) the volume of imports of the subject merchandise, (II) the effect of imports of that merchandise on prices in the United States for domestic like products, and (III) the impact of imports of such merchandise on domestic producers of domestic like products, but only in the context of production operations within the United States; and. . . may consider such other economic factors as are relevant to the*

[1] See the section entitled "The Subject Merchandise" in *Part I* of this report for a complete description of the merchandise subject in this proceeding.

[2] Pertinent *Federal Register* notices are referenced in appendix A and may be found at the Commission's website (www.usitc.gov).

[3] A list of witnesses appearing at the conference is presented in appendix B of this report.

determination regarding whether there is material injury by reason of imports.

Section 771(7)(C) of the Act (19 U.S.C. § 1677(7)(C)) further provides that--[4]

In evaluating the volume of imports of merchandise, the Commission shall consider whether the volume of imports of the merchandise, or any increase in that volume, either in absolute terms or relative to production or consumption in the United States is significant.. . .In evaluating the effect of imports of such merchandise on prices, the Commission shall consider whether. . .(I) there has been significant price underselling by the imported merchandise as compared with the price of domestic like products of the United States, and (II) the effect of imports of such merchandise otherwise depresses prices to a significant degree or prevents price increases, which otherwise would have occurred, to a significant degree.. . . In examining the impact required to be considered under subparagraph (B)(i)(III), the Commission shall evaluate (within the context of the business cycle and conditions of competition that are distinctive to the affected industry) all relevant economic factors which have a bearing on the state of the industry in the United States, including, but not limited to. . . (I) actual and potential decline in output, sales, market share, gross profits, operating profits, net profits, ability to service debt, productivity, return on investments, return on assets, and utilization of capacity, (II) factors affecting domestic prices, (III) actual and potential negative effects on cash flow, inventories, employment, wages, growth, ability to raise capital, and investment, (IV) actual and potential negative effects on the existing development and production efforts of the domestic industry, including efforts to develop a derivative or more advanced version of the domestic like product, and (V) in {an antidumping investigation}, the magnitude of the margin of dumping.

In addition, Section 771(7)(J) of the Act (19 U.S.C. § 1677(7)(J)) provides that—[5]

(J) EFFECT OF PROFITABILITY.—The Commission may not determine that there is no material injury or threat of material injury to an industry in the United States merely because that industry is profitable or because the performance of that industry has recently improved.

[4] Amended by PL 114-27 (as signed, June 29, 2015), Trade Preferences Extension Act of 2015.
[5] Amended by PL 114-27 (as signed, June 29, 2015), Trade Preferences Extension Act of 2015.

Organization of report

Part I of this report presents information on the subject merchandise, alleged subsidy and dumping margins, and domestic like product. *Part II* presents information on conditions of competition and other relevant economic factors. *Part III* presents information on the condition of the U.S. industry, including data on capacity, production, shipments, inventories, and employment. *Parts IV* and *V* present the volume of subject imports and pricing of domestic and imported products, respectively. *Part VI* presents information on the financial experience of U.S. producers. *Part VII* presents the statutory requirements and information obtained for use in the Commission's consideration of the question of threat of material injury as well as information regarding nonsubject countries.

MARKET SUMMARY

Quartz surface products are a compacted stone composite building material used for countertop surfaces as an alternative to queried stone surfaces. Quartz surface products are used in a variety of applications such as counters, tiles, walls, floors, shower and tub surrounds, fireplace surrounds, and bathroom vanities. The leading U.S. producer of quartz surface products is Cambria, while leading producers of quartz surface products outside the United States include Cosentino of Spain and Caesarstone of Israel (Caesarstone Technologies USA, Inc. ("Caesarstone") also produces quartz surface products in the United States). The leading U.S. importers of quartz surface products from China are ***; while the leading importers of quartz surface products from nonsubject countries are ***. U.S. purchasers of quartz surface products are primarily composed of distributors, fabricators, and/or installers and typically vary in size from small retail installers to large commercial development contractors and regional distributors. Leading U.S. purchasers include ***.

Apparent U.S. consumption of quartz surface products totaled approximately *** square feet ($***) in 2017. Currently, three firms are known to produce slabs of quartz surface products in the United States. U.S. producers' U.S. shipments of quartz surface products totaled *** square feet ($***) in 2017, and accounted for *** percent of apparent U.S. consumption by quantity and *** percent by value. U.S. imports from China totaled 63.1 million square feet ($521 million) in 2017 and accounted for *** percent of apparent U.S. consumption by quantity and *** percent by value. U.S. imports from nonsubject sources totaled 52.4 million square feet ($552 million) in 2017 and accounted for *** percent of apparent U.S. consumption by quantity and *** percent by value.

SUMMARY DATA AND DATA SOURCES

A summary of data collected in these investigations is presented in appendix C, table C-1. Except as noted, U.S. industry data are based on questionnaire responses of three firms that accounted for all known U.S. production of not fabricated slabs of quartz surface products during 2017.[6] Usable responses to the Commission's U.S. importer questionnaire were received from 79 companies, representing an estimated 65.6 percent of U.S. imports from China in 2017 under HTS statistical reporting number 6810.99.0010.[7] U.S. import data are based on official import statistics (statistical reporting number 6810.99.0010), adjusted to include questionnaire responses from 11 importers who reported in-scope quartz surface products imported under other statistical reporting numbers.[8] Usable responses to the Commission's foreign producer questionnaire were received from 20 producers and exporters of quartz surface products and 23 resale exporters of quartz surface products in China.[9] These 43 firms' exports to the United States accounted for approximately 41.0 percent of U.S imports of quartz surface products from China in 2017.

PREVIOUS AND RELATED INVESTIGATIONS

Quartz surface products have not been the subject of any prior countervailing duty or antidumping duty investigations in the United States. Quartz slabs and portions thereof have been the subject of two Section 337 investigations. On April 14, 2016, Cambria filed a Section 337 complaint alleging patent infringement (U.S. Patent Nos. D737,058; D712,670; D713,154; D737,576; D737,577; and D738,630) against two respondent parties: Wilsonart LLC (''Wilsonart'') and Dorado Soapstone LLC (''Dorado'').[10] On September 14, 2016, the presiding administrative law judge (''ALJ'') issued an initial determination terminating the investigation as to U.S. Patent No. D737,058. On October 13, 2016, the Commission determined not to review that initial determination. On September 28, 2016, Cambria and Wilsonart jointly moved to terminate the investigation as to Wilsonart based on a settlement agreement. On October 12, 2016, the ALJ issued Order 20, an initial determination granting the motion. On October 6, 2016, Cambria moved to terminate the investigation as to Dorado based on Cambria's withdrawal of certain allegations in the complaint. On October 13, 2016, the ALJ issued Order

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[6] The Commission also received a U.S. producer questionnaire from ***.

[7] The Commission also received U.S. importer questionnaires from eight firms that were excluded from the dataset due to data reconciliation and consistency issues: ***. The Commission received "NO" responses to the U.S. importer questionnaire from an additional 11 firms.

[8] In 2017, responding importers reported 3.0 million square feet ($26.8 million) of quartz surface products imported under statistical reporting numbers other than 6810.99.0010; 88.9 percent of which were imported from China.

[9] The Commission received "NO" responses to the foreign producer questionnaire from an additional 15 firms.

[10] *Certain Quartz Slabs and Portions Thereof Institution of Investigation*, 81 FR 30342, May 16, 2016.

21, an initial determination granting the motion. On November 3, 2016, the Commission determined not to review Orders 20 or 21 and the investigation was terminated.[11]

On July 11, 2016, Cambria filed a Section 337 complaint alleging patent infringement (U.S. Patent Nos. D712,666, D712,670, D751,298, D712,161, and D737,058) against eight respondent parties.[12] On August 23, 2016, Cambria moved to terminate the investigation in its entirety based upon withdrawal of the complaint. On August 25, 2016, the ALJ granted the motion as the subject ID. On September 7, 2016, the Commission determined not to review the ID and the investigation was terminated.[13]

NATURE AND EXTENT OF ALLEGED SUBSIDIES AND SALES AT LTFV

Alleged subsidies

On May 16, 2018, Commerce published a notice in the *Federal Register* of the initiation of its countervailing duty investigation on quartz surface products from China.[14] Commerce identified the following government programs in China:[15]

Preferential loans and interest rates

1. Policy loans to the quartz surface products industry
2. Export loans
3. Export seller's credits
4. Export buyer's credits
5. Preferential loans for state-owned enterprises
6. Loan and interest forgiveness for state-owned enterprises

[11] *Certain Quartz Slabs and Portions Thereof; Commission Determination Not To Review Initial Determinations Terminating the Investigation as to All Respondents; Termination of the Investigation*, 81 FR 78634, November 8, 2016.

[12] *Certain Quartz Slabs and Portions Thereof (II); Institution of Investigation*, 81 FR 54600, August 16, 2016.

[13] *Certain Quartz Slabs and Portions Thereof (II); Commission Decision Not To Review an Initial Determination Terminating the Investigation Based Upon Withdrawal of the Complaint; Termination of Investigation*, 81 FR 62919, September 13, 2016.

[14] *Certain Quartz Surface Products from the People's Republic of China: Initiation of Countervailing Duty Investigation*, 83 FR 22618, May 16, 2018.

[15] *Certain Quartz Surface Products from the People's Republic of China, Enforcement and Compliance, Office of AD/CVD Operations, Countervailing Duty Investigation Initiation Checklist,* May 7, 2018.

Income tax and other direct tax subsides

7. Preferential income tax program for high- and new-technology enterprises
8. Preferential deduction of research and development for high- and new-technology enterprises
9. Income tax credits for domestically-owned companies purchasing domestically-produced equipment
10. Reduction in or exemption from fixed asset investment orientation regulatory tax
11. Preferential income tax subsidies for high or new technology foreign investment enterprises
12. Income tax benefits for domestic enterprises engaging in research and development

Indirect tax programs

13. Import tariff and VAT exemptions for foreign investment enterprises and certain domestic enterprises using imported equipment in encouraged industries

Government provision of goods and services for less than adequate remuneration

14. Provision of land use rights for less than adequate remuneration
15. Provision of land to state-owned enterprises for less than adequate remuneration
16. Provision of polyester resin for less than adequate remuneration
17. Provision of quartz for less than adequate remuneration
18. Provision of electricity for less than adequate remuneration

Grant programs

19. The state key technology project fund
20. Export assistance grants
21. Subsidies for development of famous export brands and China world top brands
22. Sub-central government programs to promote famous export brands and China world top brands

Other export subsidies

23. Export credit insurance subsidies
24. Export credit guarantees
25. Foshan high-tech industrial development zone subsidies:
    a. Income tax subsidies
    b. Duty exemption
    c. City maintenance fee exemption
    d. Land use reductions
26. Fujian pilot free trade zone subsidies:
    a. Installment payments of income tax
    b. Tariff and VAT exemptions
    c. Port tax refund policy

Alleged sales at LTFV

On May 16, 2018, Commerce published a notice in the *Federal Register* of the initiation of its antidumping duty investigation on quartz surface products from China.[16] Commerce has initiated the antidumping duty investigation based on estimated dumping margins ranging from 303.38 percent to 336.69 percent for quartz surface products from China.

THE SUBJECT MERCHANDISE

Commerce's scope

In the current proceeding, Commerce has defined the scope as follows:

> *The merchandise covered by the investigation is certain quartz surface products.[17] Quartz surface products consist of slabs and other surfaces created from a mixture of materials that includes predominately silica (e.g., quartz, quartz powder, cristobalite) as well as a resin binder (e.g., an unsaturated polyester). The incorporation of other materials, including, but not limited to, pigments, cement, or other additives does not remove the merchandise from the scope of the investigation. However, the scope of the investigation only includes products where the silica content is greater than any other single material, by actual weight. Quartz surface products are typically sold as rectangular slabs with a total surface area of approximately 45 to 60 square feet and a nominal thickness of one, two, or three centimeters. However, the scope of this investigation includes surface products of all other sizes, thicknesses, and shapes. In addition to slabs, the scope of this investigation includes, but is not limited to, other surfaces such as countertops, backsplashes, vanity tops, bar tops, work tops, tabletops, flooring, wall facing, shower surrounds, fire place surrounds, mantels, and tiles. Certain quartz surface products are covered by the investigation whether polished or unpolished, cut or uncut, fabricated or not fabricated, cured or uncured, edged or not edged, finished or unfinished, thermoformed or not thermoformed, packaged or unpackaged, and regardless of the type of surface finish.*
>
> *In addition, quartz surface products are covered by the investigation whether or not they are imported attached to, or in conjunction with,*

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[16] *Certain Quartz Surface Products from the People's Republic of China: Initiation of Less-Than-Fair-Value Investigation*, 83 FR 22613, May 16, 2018.

[17] Quartz surface products may also generally be referred to as engineered stone or quartz, artificial stone or quartz, agglomerated stone or quartz, synthetic stone or quartz, processed stone or quartz, manufactured stone or quartz, and Bretonstone®.

non-subject merchandise such as sinks, sink bowls, vanities, cabinets, and furniture. If quartz surface products are imported attached to, or in conjunction with, such non-subject merchandise, only the quartz surface product is covered by the scope.

Subject merchandise includes material matching the above description that has been finished, packaged, or otherwise fabricated in a third country, including by cutting, polishing, curing, edging, thermoforming, attaching to, or packaging with another product, or any other finishing, packaging, or fabrication that would not otherwise remove the merchandise from the scope of the investigation if performed in the country of manufacture of the quartz surface products.

The scope of the investigation does not cover quarried stone surface products, such as granite, marble, soapstone, or quartzite. Specifically excluded from the scope of the investigation are crushed glass surface products. Crushed glass surface products are surface products in which the crushed glass content is greater than any other single material, by actual weight.

The products subject to the scope are currently classified in the Harmonized Tariff Schedule of the United States (HTSUS) under the following subheading: 6810.99.0010. Subject merchandise may also enter under subheadings 6810.11.0010, 6810.11.0070, 6810.19.1200, 6810.19.1400, 6810.19.5000, 6810.91.0000, 6810.99.0080, 6815.99.4070, 2506.10.0010, 2506.10.0050, 2506.20.0010, 2506.20.0080. The HTSUS subheadings set forth above are provided for convenience and U.S. Customs purposes only. The written description of the scope is dispositive.

Tariff treatment

Based upon the scope set forth by the Department of Commerce, information available to the Commission indicates that the merchandise subject to these investigations is imported under the following provisions of the Harmonized Tariff Schedule of the United States ("HTS"): 2506.10.00, 2506.20.00, 6810.11.00, 6810.19.12, 6810.19.14, 6810.19.50, 6810.91.00, 6810.99.00 and 6815.99.40. The first two subheadings cover quartz that is in the form of a basic material; the provisions in chapter 68 cover building and flooring materials and other made-up articles in which quartz predominates by weight. The 2018 general rate of duty is free for HTS subheadings 2506.10.00, 2506.20.00, 6810.91.00, 6810.99.00, and 6815.99.40; 3.2 percent ad valorem for HTS subheading 6810.11.00; 3.9 percent for HTS subheading 6810.19.50; 4.9 percent for HTS subheading 6810.19.12; and 9 percent for HTS subheading 6810.19.14. Decisions on the tariff classification and treatment of imported goods are within the authority of U.S. Customs and Border Protection.

THE PRODUCT

Description and applications

Quartz surface products are a compacted stone composite building material used for countertop surfaces or aesthetic accents in residential, commercial, and industrial properties. Quartz surface products compete with quarried natural stone products, such as granite or marble.[18] Demand for quartz surface products has grown due to its improved aesthetic appeal, durability, stain and scratch resistance, heat tolerance, and anti-microbial properties.[19] The scope of these investigations covers both raw-material slabs and finished products.

Finished products include fabricated countertop surfaces, cut-to-size slabs used in the hospitality industry, and various other decoration products. Quartz surface products are utilized in commercial, residential, or industrial properties as countertops, tiles, bar surfaces, shower and tub surrounds, fireplace surrounds, walls, floors, bathroom vanities, and furniture surfaces.[20] Quartz surface products may be further worked to meet customer specifications.

Unadulterated quartz surface products are white with fine particulates. Manufacturing advances improved the appearance of quartz surface products and enabled producers to make quartz surface products that mimic natural stone or have unique patterns.

Producers of quartz surface products invest in the development of new collections and designs to attract customers–new designs allegedly have been copied by foreign competitors in a matter of only months.[21] These patterns require specialized machinery and design by teams of engineers whose end products are patented as intellectual property.[22] Figure I-1 shows several designed aesthetic and color options available to consumers of quartz surface products.

[18] Conference transcript, p. 52 (Davis); p. 106 (Smith); pp. 113-114 (Huarte); p. 119 (Shah); and p. 129 (Jorgensen).

[19] Conference transcript, p. 21 (Davis) and Silestone, "Quartz vs Granite Countertops," https://www.silestoneusa.com/quartz-vs-granite-countertops/ (accessed May 15, 2018).

[20] Conference transcript, p. 21 (Davis).

[21] Conference transcript, p. 24 (Davis) and p. 41 (Birdwell).

[22] Conference transcript, p. 20 (Davis).

Figure I-1
Quartz surface products: Samples of quartz surface products surface patterns

Source: Photo of product samples provided to the Commission by the petitioner.

Manufacturing processes

All domestically produced quartz surface products are made by using a patented production process and machinery developed by Breton S.p.A. ("Breton").[23] Some Chinese producers utilize equipment from Breton.[24] Other Chinese producers utilize machinery and a production process similar to that of domestic producers.[25]

Quartz surfaces are composed of three input ingredients: aggregates, binding agents, and additives. Aggregates account for 93 percent of the mass in a quartz surface.[26] The aggregate materials are quartz and silica minerals. The quartz and silica come from siliceous natural stone materials or artificial materials, such as glass or ceramic materials.[27] The binding

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[23] Conference transcript, p. 113 (Haurte).

[24] Petitioner's postconference brief, answers to staff questions pp. 14-15.

[25] Conference transcript, p. 85 (Kim).

[26] Caesarstone, "CaesarStone Quartz Surfaces: Fastest Growing Choice For Stylish, Durable, Kitchen & Bathroom Countertops," Newsroom, March 27, 2006, http://www.caesarstoneus.com/newsroom/press-releases/caesarstone-quartz-surfaces-fastest-growing-choice-for-stylish-durable-kitchen-bathroom-countertops/ (accessed May 15, 2018).

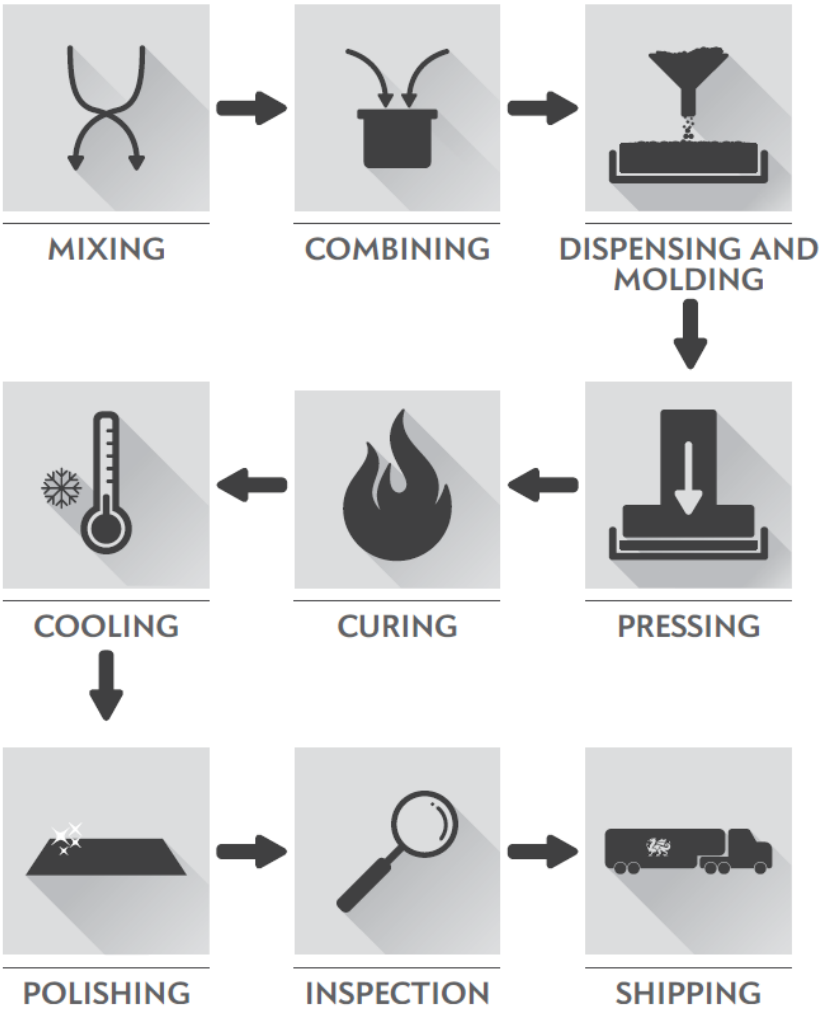
[27] Quarts and silica materials are plentiful, constituting 12 percent of the Earth's crust. Mottana, Annibale, Rodolfo Crespi, and Giuseppe Liborio, *Simon & Schuster's Guide to Rocks and Minerals*, edited

(*continued*...)

agent used in quartz surface products is polymer resin. Additives make surfaces more aesthetically appealing by allowing quartz surface products to exhibit various colors or patterns. Additives are other stone materials for pigmentation or larger particles of glass or metal flecks for visual effect.

As shown in figure I-2, not fabricated slabs of quartz surface products are manufactured in a nine-step process. Slabs are then transformed into fabricated quartz surface products through the fabrication process.

Figure I-2
Quartz surface products: Not fabricated slab manufacturing process schematic



Source: Petitioner's postconference brief, exh. 40.

(…*continued*)
by Martin Prinz, George Harlow, and Joseph Peters. New York, NY: Simon and Schuster, 1978, pp. 244-246.

Mixing and combining

Raw materials are inspected upon receipt at the production facility. The aggregate materials are stored in a silo system. Before use, the aggregate materials are crushed down to various particle sizes. Particle size impacts the aesthetic texture of the end product. Fine particles create a smooth quartz surface; whereas, large particles create a surface with visible crystal structures. The binding agents are stored in stainless steel tanks. Additives are transported in sacks and loaded into storage hoppers. The raw materials are transported to the mixing operations via a hermetic system of conveyor belts.

The production process begins when an engineer designates a pre-designed end product. Each end product has a unique formula that is pre-programmed into the production line. The automated system then extracts the raw materials from storage and transports them to the mixing system. The mixing system blends all of the ingredients into a consistent mixture, resembling damp sand.[28]

Dispensing, molding, and pressing

Next, the blended mixture is dispensed into a rubber mold. The rubber mold is passed through a distributing mechanism that shapes and forms the mixture into the desired dimensions. The distributing mechanism utilizes continuous weight control to ensure an even distribution.

The shaped mixture is then transported to the pressing operations. The material is placed into a vacuum-sealed chamber with a vibration system. Shaking the mixture removes gases from the slab that would otherwise weaken the structural integrity of the finished slab. The material is simultaneously compacted and shaken to the desired density to form a slab.

Curing and cooling

After compression, the slab is then baked at 90 degrees Celsius for 45 minutes.[29] The baking process hardens the slab to form the solid quartz surface. Next, the slab is air cooled in a storage area for 24 hours.

Polishing and inspection

After cooling, the slabs are measured, calibrated, and further worked to ensure they meet the desired dimensions. Disk and milling drills sand-off excess material. The company's logo and other identifying information are then stamped onto the bottom of the slab. After the slab is machine polished, the final product is examined for quality-control purposes. The final inspection checks for condition, shine, tone, color, aspect, and size. After final inspection, the finished slabs are either sent to a warehouse for storage or to a workshop to be cut to customer specifications.

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[28] Granite Countertops Seattle, "Manufacturing Process of Quartz," July 5, 2015, https://www.granitemarblewa.com/the-manufacturing-process-of-quartz/ (accessed May 15, 2018).

[29] Aggranite Quartz Countertops, "About," https://www.aggranitequartz.com/about (accessed May 15, 2018).

Fabrication process

The fabrication process transforms slabs of quartz surface products into products ready for installation. According to a small, independent fabricator, there are over 10,000 fabricators in operation in the United States.[30] Independent fabrication facilities fabricate a smaller amount of material than the petitioner.[31] Independent fabricators contend that, taken together, the independent fabrication industry has substantial equipment, labor, and expertise.[32]

The following information details the transformation process from slab into fabricated products.[33] Customer orders are created as a design using extensive information regarding size, edge, configuration, shape, various cutouts and openings, and the backsplash of the surface.

The design is transposed to the countertops using lasers and computer aided design ("CAD") software. Technicians measure and adjust the design to meet customer demands. The file is then sent to the production facility. The design gets overlaid onto image of the quartz slab to ensure the design and pieces match the desired end product.

Next, machines are programmed and the tools are assigned paths for the saw and water jet cutting. Computer networked control ("CNC") routers are programmed to cut edges and cutouts for sinks and faucets. The programmer checks to ensure the end product matches specifications provided.

Quartz slabs are pulled from inventory and moved to the cutting operation. The diamond blade saw cuts straight lines and waterjets cut arcs and circles into the slab. Cut parts are removed. After the saw and waterjet cutting, the CNC router machining begins by utilizing a crane, lasers, and vacuum cups to position the section for grinding and finishing operations on the edges and cutouts. The finished product is polished and detailed to ensure readiness for installation. The fabricated product is then ready for transportation.

DOMESTIC LIKE PRODUCT ISSUES

The petitioner proposed that the domestic like product be coextensive with the scope of these investigations, which included not fabricated slabs of quartz surface products and fabricated quartz surface products.[34] At the staff conference and in its postconference brief, the petitioner reaffirmed that the domestic like product should be co-extensive with the scope, and it should be a single domestic like product including quartz surface slabs and surfaces that have been fabricated.[35]

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[30] Reliance, Showcase, Absolute Stone, Universal Granite & Marble, Bedrock Quartz, and Cosmos' postconference brief, p. 6.

[31] Bruskin, Mstone, StoneVic USA, Universal, Polarstone, Branite Tech Inc., and J.G. Edelen Co.'s postconference brief, p. 15.

[32] Ibid.

[33] Reliance, Showcase, Absolute Stone, Universal Granite & Marble, Bedrock Quartz, and Cosmos' postconference brief, pp. 10-11.

[34] Petition, pp. 13-14.

[35] Conference transcript, p. 66 (Drake) and petitioner's postconference brief, pp. 4-7.

Respondent interested parties Bruskin International LLC ("Bruskin"), Mstone, LLC ("Mstone"), StoneVic-Kedin USA, Ltd. ("StoneVic USA"), Universal Stone ("Universal"), Polarstone US Inc. ("Polarstone"), Branite Tech Inc., and J.G. Edelen Co.[36] argue that custom-finished fully-fabricated quartz products are a separate like product from quartz slabs.[37] Respondent interested parties Reliance Granite and Marble, Corp ("Reliance"), Stone Showcase, Inc., Absolute Stone Corporation ("Absolute"), Universal Granite & Marble, Bedrock, and Cosmos Granite & Marble[38] agree that finished quartz surface products are different like products than not fabricated slabs of quartz surface products.[39] Respondent interested parties MSI and Arizona Tile take no position on domestic like product issues in this preliminary phase of these investigations, but note that they reserve the right to address domestic like product issues at a later time should these investigations proceed beyond the preliminary phase.[40]

INTERMEDIATE PRODUCTS

The domestic like product proposed by petitioners includes intermediate products (not fabricated slabs of quartz surface products) as well as downstream products (fabricated quartz surface products). The following presents information on these products relating to the Commission's five-factor semifinished product analysis.

Uses

Not fabricated slabs of quartz surface products are dedicated entirely to the production of fabricated quartz surface products. According to the petitioner, there is no use for slabs of quartz surface products other than to be converted into finished quartz surface products within the scope.[41] According to respondents, the type of quartz surface product is separate and distinct, and at the time of production the quartz slab is not dedicated to the production of a specific downstream article despite quartz articles having some degree of commonality.[42]

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[36] Branite Tech Inc. and J.G. Edelen Co. did not submit questionnaire responses to the Commission.

[37] Bruskin, Mstone, StoneVic USA, Universal, Polarstone, Branite Tech Inc., and J.G. Edelen Co.'s postconference brief, p. 1.

[38] Universal Granite and Marble did not submit a questionnaire response to the Commission. ***. Cosmos Granite & Marble provided separate questionnaire responses for each of its business entities: Cosmos Granite (DC) ("Cosmos (DC)"), Cosmos Granite (East), LLC ("Cosmos (East)"), Vivid Cosmos Graminte, LLC dba Cosmosgranite TX ("Cosmosgranite"), and Vivid Cosmos Granite, LLC ("Vivid Cosmos").

[39] Reliance, Showcase, Absolute Stone, Universal Granite & Marble, Bedrock Quartz, and Cosmos' postconference brief, p. 4.

[40] MSI and Arizona Tile's postconference brief, p. 3.

[41] Petitioner's postconference brief, p. 5.

[42] Bruskin, Mstone, StoneVic USA, Universal, Polarstone, Branite Tech Inc., and J.G. Edelen Co.'s postconference brief, exh. 1 p. 4.

Markets

Petitioners state there is no separate market for quartz slabs other than to be converted into finished quartz surface products prior to sale or sold for downstream fabrication into finished quartz surface products within the scope.[43] Respondents state that quartz slab is sold to intermediate customers including distributors, installers, and fabricators that distribute the product to other intermediaries or the ultimate end user.[44] According to questionnaire data collected from domestic producers of not fabricated slabs of quartz surface products, *** percent of U.S. shipments of quartz surface products were to fabricators and retailers, *** percent were to contractors and builders, and *** percent were to distributors in 2017.[45]

Characteristics and functions

According to the petitioner, all of the essential characteristics of quartz surface products are established in the slab production process. This includes the raw materials used, the color and design of the product, and the hardness, strength, smoothness, and porosity of the product. The petitioner states that there is no real change to these characteristics or functions during the fabrication process.[46] According to respondents, quartz slab is a raw material sold to processors that then further fabricate the slab into a variety of different products.[47]

Value

The petitioner states that, although fabrication does add some value to quartz surface products by converting it into its final form for installation, this value is small compared to the value created in the slab production process.[48] The petitioner also notes the distinction between the value added during the fabrication process and the value added during the installation process.[49] Respondents stated at the staff conference that the value added to slabs of quartz surface products in the production of fabricated quartz surface products is 35-40 percent for the hospitality industry.[50] According to questionnaire data collected from domestic firms that produce not fabricated slabs of quartz surface products, in 2017 the average unit

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[43] Ibid.

[44] Bruskin, Mstone, StoneVic USA, Universal, Polarstone, Branite Tech Inc., and J.G. Edelen Co.'s postconference brief, p. 4.

[45] Domestic firms that produce quartz slabs are Caesarstone, Cambria, and LG Hausys America, Inc. ("LG"). ***. *** domestic producer questionnaire.

[46] Conference transcript, pp. 66-67 (Drake) and petitioner's postconference brief, p. 5.

[47] Bruskin, Mstone, StoneVic USA, Universal, Polarstone, Branite Tech Inc., and J.G. Edelen Co.'s postconference brief, p. 3 and Reliance, Showcase, Absolute Stone, Universal Granite & Marble, Bedrock Quartz, and Cosmos' postconference brief, p. 10.

[48] Petitioner's postconference brief, p. 5.

[49] Conference transcript, pp. 64-65.

[50] Conference transcript, p. 110 (Murray).

value for not fabricated slabs was $*** and the average unit value for fabricated quartz surface products was $***.

Transformation processes

Not fabricated slabs of quartz surface products must be configured and cut to size in order to transform into a fabricated product. Fabrication may also require edging the cut sides and cutting holes in the slab for sinks and faucets. The design of the final product is transposed onto the slab using lasers and CAD software and then saws, water jets, and/or CNC machines cut the slab to the required specifications. After the quartz surface product is fabricated, the final product is polished and detailed.[51] Additional information regarding the manufacturing and fabrication of quartz surface products are presented above in the "manufacturing process" section.

[51] Petitioner's postconference brief, p. 6; Reliance, Showcase, Absolute Stone, Universal Granite & Marble, Bedrock Quartz, and Cosmos' postconference brief, pp. 10-11; Bruskin, Mstone, StoneVic USA, Universal, Polarstone, Branite Tech Inc., and J.G. Edelen Co.'s postconference brief, p. 16; and Reliance, Showcase, Absolute Stone, Universal Granite & Marble, Bedrock Quartz, and Cosmos' postconference brief, p. 16.

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PART II: CONDITIONS OF COMPETITION IN THE U.S. MARKET

U.S. MARKET CHARACTERISTICS

Quartz surface products, produced from ground quartz combined with polymer resins and pigments, are found in various interior hard surface applications including countertops, vanities, flooring, tiles, and other applications. The U.S. market for quartz surface products has expanded as the products have developed a reputation for offering consumers durable and low maintenance indoor surfaces, which are increasingly available in diverse patterns and color variations. The three current U.S. producers, Cambria, Caesarstone, and LG, are expecting Dal-Tile to enter the market as a fourth U.S. producer within the next year.[1] Importers vary in size and number in the hundreds, with larger importers typically serving a wider geographical area. The petitioner reported that U.S. market demand for quartz surface products has "skyrocketed" in recent years, and that most of the growth in U.S. market demand is being captured by foreign producers from China.[2]

There are many purchasers in the quartz surface products market. Most purchasers consist of distributors and/or fabricators that cut and edge quartz slabs for installation. Fabricated slabs are then installed in the designed end-use application by retailers, builders, or other contractors.

Apparent U.S. consumption of quartz surface products increased substantially during 2015-17. Overall, apparent U.S. consumption in 2017 was *** percent higher than in 2015.

CHANNELS OF DISTRIBUTION

U.S. producers and importers sold mainly to fabricators and retailers, as shown in table II-1. The petitioner stated that it sells to fabricators in certain areas of the United States, while in other areas of the United States the petitioner fabricates its own slabs and sells directly to purchasers. In certain areas of the United States the petitioner sells only to exclusive distribution partners so as to maintain consistent standards of quality and service.[3] Most importers sell locally or regionally to fabricators, retailers, builders, and contractors. Appendix D presents further detail on U.S. producers' and importers' U.S. shipments by channel of distribution.

Table II-1
Quartz surface products: U.S. producers' and importers' U.S. commercial shipments, by sources and channels of distribution, 2015-17.

* * * * * * *

[1] Conference transcript, p. 16 (Stoel).
[2] Conference transcript, pp. 13-14 (Meisner).
[3] Conference transcript, pp. 73-74 (Davis).

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GEOGRAPHIC DISTRIBUTION

U.S. producers and importers reported selling quartz surface products to all regions in the contiguous United States (table II-2). For U.S. producers, *** percent of sales were within 100 miles of their production facility, *** percent were between 101 and 1,000 miles, and *** percent were over 1,000 miles. In contrast, importers sold 75.8 percent within 100 miles of their U.S. point of shipment, 21.0 percent between 101 and 1,000 miles, and 3.2 percent over 1,000 miles.

Table II-2
Quartz surface products: Geographic market areas in the United States served by U.S. producers and importers

Region	U.S. producers	Importers
Northeast	3	27
Midwest	3	26
Southeast	3	44
Central Southwest	3	29
Mountain	3	31
Pacific Coast	3	37
Other[1]	2	9
All regions (except Other)	3	15
Reporting firms	3	73

[1] All other U.S. markets, including AK, HI, PR, and VI.

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

SUPPLY AND DEMAND CONSIDERATIONS

U.S. supply

Table II-3 provides a summary of the supply factors regarding quartz surface products from U.S. producers and from China. Both U.S. and foreign producers have increased capacity in response to growing demand for quartz surface products. U.S. producers experienced a decline in capacity utilization, driven primarily by the increase in total capacity. Chinese producers' capacity utilization increased. The ratio of inventories to total shipments remained higher for U.S. producers than for Chinese producers. Most U.S. producers' shipments are domestic, while most Chinese producers' shipments are to export markets, including the United States. All U.S. producers and the vast majority of Chinese producers reported being unable to switch from quartz surface products to alternative products.

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Table II-3
Quartz surface products: Supply factors that affect the ability to increase shipments to the U.S. market

	Capacity (1,000 *square feet*)		Capacity utilization (*percent*)		Ratio of inventories to total shipments (*percent*)		Shipments by market, 2017 (*percent*)		Able to shift to alternate products
Country	2015	2017	2015	2017	2015	2017	Home market shipments	Exports to non-U.S. markets	No. of firms reporting "yes"
United States	***	***	***	***	***	***	***	***	0 of 3
China	***	***	***	***	***	***	***	***	3 of 23

Note.--Responding U.S. producers accounted for virtually all U.S. production of quartz surface products in 2017. Responding foreign producer/exporter firms accounted for more than half of U.S. imports of quartz surface products from China during 2017. For additional data on the number of responding firms and their share of U.S. production and of U.S. imports from each subject country, please refer to Part I, "Summary Data and Data Sources."

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

Domestic production

Based on available information, U.S. producers of quartz surface products have the ability to respond to changes in demand with large changes in the quantity of shipments of U.S.-produced quartz surface products to the U.S. market. The main contributing factors to this degree of responsiveness of supply are the availability of an increasing amount of unused capacity, including the ability to add additional production lines,[4] and large inventories. Factors mitigating responsiveness of supply include relatively limited volumes of U.S. exports to non-U.S. markets that can be shifted to the United States, and an inability to shift production to or from alternate products.

Capacity increased for all U.S. producers in every year from 2015 to 2017. ***. ***. All three U.S. producers use specialized machinery developed by the Italian firm Breton S.p.A.[5] U.S. producers reported that they cannot produce any other products on the same equipment that is used to produce quartz surface products.

Exports constituted a relatively small share of U.S. producers' shipments. Reported export markets included ***.

U.S. producer *** reported that production constraints included mechanical issues, preventative maintenance, quality control, cleaning, changeover, and consumable replacements. *** reported operational production constraints, and *** reported that there were no production constraints.

[4] Conference transcript, p. 78 (Davis).
[5] Conference transcript, p. 113 (Huarte).

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Subject imports from China

Based on available information, producers of quartz surface products from China have the ability to respond to changes in demand with large changes in the quantity of shipments of quartz surface products to the U.S. market. The main contributing factors to this degree of responsiveness of supply are the demonstrated ability to rapidly increase capacity, as well as the ability to shift shipments from alternate markets. Factors mitigating responsiveness of supply include limited availability of unused capacity and limited inventories, in addition to a limited ability to shift production to or from alternate products.

Chinese producers' capacity increased by approximately 49.1 percent from 2015 to 2017.[6] Twenty of 23 responding Chinese producers reported that they are not able to switch production to other products using the same equipment as quartz surface products.[7] Chinese producers reported exports to other markets including Australia, Belgium, Brazil, Canada, Cyprus, Europe, Ireland, Israel, Italy, Korea, Malaysia, Mexico, New Zealand, Thailand, Singapore, South Africa, and the United Kingdom. Respondents reported that unlike U.S. producers, Chinese producers do not use production equipment from Breton S.p.A., but that they instead use more labor intensive processes.[8] In contrast, the petitioner reported that some Chinese producers do use Breton equipment.[9]

Imports from nonsubject sources

Nonsubject imports accounted for 45.4 percent of total U.S. imports in 2017. The largest sources of nonsubject imports during 2015-17 were Spain (15.9 percent of total U.S. imports), Israel (8.4 percent of total U.S. imports), and Canada (5.3 percent of total U.S. imports). Combined, these three countries accounted for 65.3 percent of nonsubject imports in 2017.

Supply constraints

Two of three producers reported supply constraints. ***.

Thirteen of 74 importers reported supply constraints. *** reported running out of inventory or supply of quartz countertops due to strong and increasing demand. *** reported that factories were at capacity and could not meet customers' needs. *** reported that U.S. producers only distribute through their own network to end users/fabricators, and that there are no domestically produced quartz surface products available to distributors, which forces distributors to source from foreign manufacturers. *** reported that the Breton technology

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[6] *** estimated that Chinese producers have approximately *** square feet of annual production capacity. Petitioner's postconference brief, exhibit 13.

[7] Of the three Chinese producers that reported the ability to switch production, *** did not specify which product it could switch to, *** reported the ability to switch to marble and granite countertops, and *** reported that only part of the labor force can be switched to other production lines.

[8] Conference transcript, pp. 17-18 (Stoel).

[9] Petitioner's postconference brief, Answers to staff questions, p. 14.

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used by U.S. producers is not capable of producing some of the manually decorated looks and volumes that are currently imported from China. *** added that "Cambria and another domestic producer" were not interested in selling to the company and that *** therefore decided to source from foreign producers. *** reported that U.S. producers do not have enough capacity to satisfy the market demand. *** reported difficulties with consistent supply in the United States along with increased lead times, stating that "U.S. dealers give preferential treatment to larger companies."

U.S. demand

Quartz surface products are a high performing, durable, and low maintenance interior surface product. Producers of quartz surface products have increasingly produced products with more diverse colors and aesthetic designs, which allow for unique appearances or realistic natural appearances that closely resemble, and better compete with, natural granite or natural marble as a high-end interior surface product. Based on available information, the overall demand for quartz surface products is likely to experience moderate-to-large changes in response to changes in price. The main contributing factors are the somewhat limited range of substitute products and the large cost share of quartz surface products in most of its end-use products. Demand has grown with increased remodeling activity (figure II-1) as well as an upward trend in the number of new development starts (figure II-2). Quartz surface products are also reported to be growing in market share against substitute countertop products such as granite.[10]

[10] Conference transcript, pp. 133-135 (Ginsburg).

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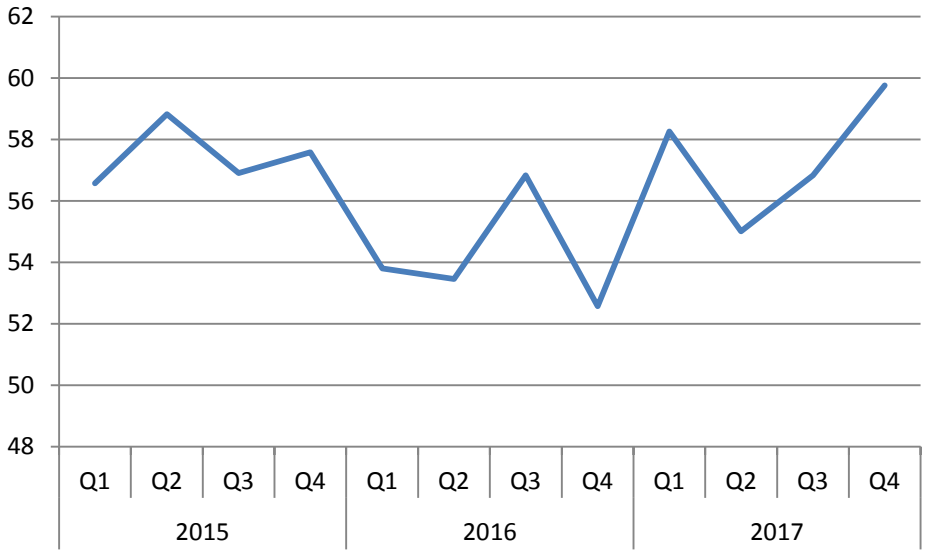
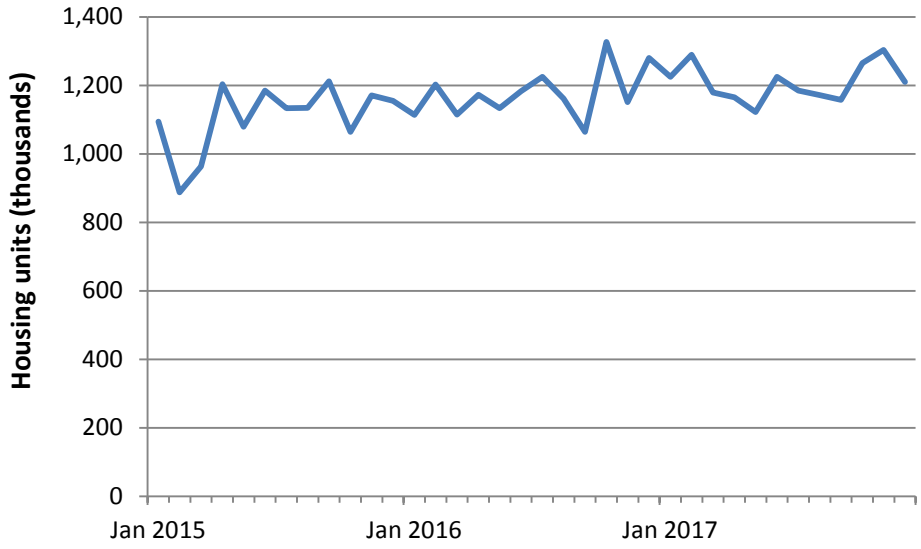
Figure II-1
Homeowner improvements: Remodeling market index, seasonally adjusted, January 2015-December 2017



Note.--An index of greater than 50 indicates an increase in remodeling activity. The largest numbers indicate the greatest rate of increase.

Source: National Association of Home Builders, Remodeling Market Index, Table 1, http://www.nahb.org/en/research/housing-economics/housing-indexes/remodeling-market-index.aspx, retrieved May 17, 2018.

Figure II-2
Housing: Seasonally adjusted new housing starts, monthly, January 2015-December 2017



Source: U.S. Census Bureau. https://www.census.gov/construction/nrc/historical_data/index.html , retrieved May 17, 2018.

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End uses and cost share

U.S. demand for quartz surface products depends on the demand for U.S.-produced downstream products. The vast majority of quartz surface products are used for countertops in kitchen, bathroom, and commercial applications. Other reported end uses include vanities, flooring, tiles, shower walls and pans, window sills, thresholds, basins, chairs, and cabinets.

Quartz surface products frequently account for a large share of the cost of the end-use products in which it is used. Estimated cost shares for quartz surface products in countertop end-uses usually ranged from 20 percent to 75 percent, with the costs of other inputs often being made up by a combination of fabrication (cutting and edging), labor for installation (measuring, diagramming, transporting, fitting, mounting, and adhering), and other material costs.[11]

Business cycles

Two of three U.S. producers and 22 of 76 importers indicated that the market was subject to business cycles or distinct conditions of competition. Firms reported that demand from the construction industry is seasonal. Spring and fall were cited as busy seasons for home renovations, and winter was cited as generally being a slower season for construction in most regions.

Demand trends

Most firms reported an increase in U.S. demand for quartz surface products since January 1, 2015 (table II-4). Explanations for the increase in demand included the high performance, low maintenance, and aesthetic qualities of quartz surface products.

Table II-4
Quartz surface products: Firms' responses regarding U.S. demand and demand outside the United States

Item	Increase	No change	Decrease	Fluctuate
Demand in the United States				
U.S. producers	3	---	---	---
Importers	59	2	4	10
Demand outside the United States				
U.S. producers	2	---	---	1
Importers	29	3	---	5

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

[11] Some outlier estimates of the cost share for quartz surface products in end-use products were as low as 10 percent, and other estimates were as high as 100 percent. The petitioner estimated that quartz surface products account for approximately *** percent of a fully installed countertop price. Petitioner's postconference brief, answers to staff questions, p. 13.

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Substitute products

Substitutes for quartz surface products vary depending on the end use and desired hardness and durability. For example, a countertop end use may require harder and more durable surfaces, which limits the available substitutes for quartz surface countertops. In contrast, a wall tile end use may allow for more substitutes with less durability. Reported substitutes include natural quartzite, natural granite, cement, natural marble, laminate, solid surface products, porcelain, ceramic, formica, glass, manufactured stone, sintered stone, cultured marble, and natural limestone. Most U.S. producers and importers reported that quartz surface products were substitutable with at least one other product. Among the various substitutes, natural granite is most commonly regarded as the closest substitute for quartz surface products.[12] Respondents reported that the high-end countertop market has increasingly shifted away from granite and towards quartz surface products.[13]

SUBSTITUTABILITY ISSUES

The degree of substitution between domestic and imported quartz surface products depends upon such factors as relative prices, quality (e.g., defect rates, aesthetic designs, etc.), and conditions of sale (e.g., price discounts/rebates, reliability of supply, etc.). Based on available data, staff believes that there is a high degree of substitutability between domestically produced quartz surface products and quartz surface products imported from China.

Lead times

Quartz surface products are primarily sold from inventory. U.S. producers reported that *** percent of their commercial shipments were sold from inventories, with lead times averaging 2 days. Importers reported that 84 percent of commercial shipments came from U.S. inventories, with lead times averaging 3 days. Approximately 10 percent of Importers' commercial shipments were produced-to-order, with lead times averaging 101 days, and less than 7 percent of importers' commercial shipments came from foreign inventories, with lead times averaging 64 days.

Factors affecting purchasing decisions

Purchasers responding to lost sales lost revenue allegations were asked to identify the main purchasing factors their firm considered in their purchasing decisions for quartz surface products.[14] Major purchasing factors identified by firms include availability, price, quality,

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[12] *** questionnaire response, section III-12(b).

[13] Conference transcript, p. 141 (Stoel).

[14] This information is compiled from responses by purchasers identified by *** in the lost sales lost revenue allegations, or from other U.S. firms that self-identified as purchasers after they were first identified as importers of quartz surface products. See Part V for additional information.

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reliability of source, and service. One purchaser reported that the character of the company leadership and reliability as business partners were important considerations in purchasing decisions.

Comparison of U.S.-produced and imported quartz surface products

In order to determine whether U.S.-produced quartz surface products can generally be used in the same applications as imports from China, U.S. producers, importers, and purchasers were asked whether the quartz surface products can always, frequently, sometimes, or never be used interchangeably. As shown in table II-5, all U.S. producers reported that quartz surface products from the United States and China are always interchangeable. Importers' responses were mixed, with comparable numbers of importers reporting that quartz surface products from the United States and China were always, frequently, or sometimes interchangeable. Very few importers reported that quartz surface products from China and the United States were never interchangeable.

Table II-5
Quartz surface products: Interchangeability between quartz surface products produced in the United States and in other countries, by country pair

Country pair	Number of U.S. producers reporting				Number of U.S. importers reporting			
	A	F	S	N	A	F	S	N
U.S. vs. subject countries:								
U.S. vs. China	3	---	---	---	22	16	25	4
Nonsubject countries comparisons:								
U.S. vs. nonsubject	3	---	---	---	16	15	19	2
China vs. nonsubject	3	---	---	---	16	17	17	2

Note.--A=Always, F=Frequently, S=Sometimes, N=Never.

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

Producers and importers were asked to assess how often differences other than price were significant in sales of quartz surface products from the United States, China, or nonsubject countries. As seen in table II-6, two U.S. producers reported that differences other than price were sometimes significant, and one U.S. producer, ***, reported that differences other than price were never significant.

Importers again had mixed responses, with a plurality of importers indicating that there were sometimes significant differences other than price between quartz surface products produced in the United States and in China. Importers cited differences in aesthetic appearance, availability, branding, colors, customer service and support, custom fabrication capability, delivery times, designs, distribution channels, quality, and slab size. Importer *** explained that certain appearances are created by the availability and use of certain raw materials and proprietary technology, which results in final products that are unique to certain manufacturers.

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Table II-6
Quartz surface products: Significance of differences other than price between quartz surface products produced in the United States and in other countries, by country pair

Country pair	Number of U.S. producers reporting				Number of U.S. importers reporting			
	A	F	S	N	A	F	S	N
U.S. vs. subject countries:								
U.S. vs. China	---	---	2	1	22	14	27	6
Nonsubject countries comparisons:								
U.S. vs. nonsubject	---	---	2	1	13	10	25	5
China vs. nonsubject	---	---	2	1	12	10	22	6

Note.--A = Always, F = Frequently, S = Sometimes, N = Never.

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

PART III: U.S. PRODUCERS' PRODUCTION, SHIPMENTS, AND EMPLOYMENT

The Commission analyzes a number of factors in making injury determinations (see 19 U.S.C. §§ 1677(7)(B) and 1677(7)(C)). Information on the alleged subsidies and dumping margins was presented in *Part I* of this report and information on the volume and pricing of imports of the subject merchandise is presented in *Part IV* and *Part V*. Information on the other factors specified is presented in this section and/or *Part VI* and (except as noted) is based on the questionnaire responses of three firms that accounted for all U.S. production of not fabricated slabs of quartz surface products during 2017.

U.S. PRODUCERS

The Commission issued a U.S. producer questionnaire to three firms based on information contained in the petition: Caesarstone, Cambria, and LG. All three firms provided usable data on their productive operations.[1] Staff believes that these responses represent all U.S. production of not fabricated slabs of quartz surface products during 2015-17. Table III-1 lists U.S. producers of quartz surface products, their production locations, positions on the petition, and shares of total production.

Table III-1
Quartz surface products: U.S. producers, their position on the petition, location of production, and share of reported production, 2017

Firm	Position on petition	Production location(s)	Share of production (percent)
Caesarstone	***	Richmond Hill, GA	***
Cambria	Support	Le Sueur, MN Belle Plaine, MN Greenfield, IN Thousand Palms, CA Kent, OH	***
LG	***	Adairsville, GA	***
Total			***

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

[1] The Commission also received a U.S. producer questionnaire from ***.

Table III-2 presents information on U.S. producers' ownership, related, and/or affiliated firms of quartz surface products. *** U.S. producers are related to nonsubject foreign producers of quartz surface products and *** U.S. producers are related to U.S. importers of quartz surface products. In addition, as discussed in greater detail below, *** U.S. producers directly import quartz surface products.

Table III-2
Quartz surface products: U.S. producers' ownership, related and/or affiliated firms

* * * * * * *

Industry events

Important events that have occurred in the quartz surface products industry since January 1, 2015 are summarized in table III-3.

Table III-3
Quartz surface products: Important industry events, since January 1, 2015

Date		Company / item	Action
Year	Month		
2015	May	Caesarstone	Officially began production operations at its new plant in Richmond Hill, Georgia on May 27, 2015.[1]
2016	June	LG	Added second production line in Adairsville, Georgia.[2]
2017	--	Cambria	Reduced the amount of production days from seven to five. Laid off 115 production employees.[3]
2017	June	Dal-Tile	Announced plans to open a quartz countertop factory in Dickson, Tennessee in fall of 2018.[4]

[1] "Caesarstone Opens US Plant." Caesarstone. May 27, 2015. Accessed May 15, 2018. http://www.caesarstoneus.com/newsroom/interior-design-events/events/caesarstone-opens-us-plant/.
[2] "LG Hausys NEWS: Viatera® Plant Expansion." LG Viatera. Accessed May 15, 2018. http://www.lgviaterausa.com/content/com.LG.file_depot.FileDepotFile/292/VTPR-d2.pdf.
[3] Conference transcript, p. 35 (Ward).
[4] Gadd, Chriss. "Dal-Tile Doubles down on Dickson: Product Revealed for Second Plant." Tennessean. October 24, 2017. Accessed May 15, 2018. https://www.tennessean.com/story/news/local/dickson/2017/10/24/dal-tile-doubles-down-dickson-product-revealed-second-plant/791137001/.

Changes experienced by the industry

Table III-4 presents U.S. producers' reported changes in operations since January 1, 2015. *** U.S. producer reported opening a plant, *** U.S. producers reported expansions and technology improvements, and *** U.S. producers reported prolonged shutdowns or curtailments over the period. In addition, domestic interested parties and respondent interested parties commented at the staff conference that Dal-Tile Distribution, Inc. ("Dal-Tile") will be opening a manufacturing facility in the United States in 2018.[2] According to Dal-Tile, ***.[3]

Table III-4
Quartz surface products: U.S. producers' reported changes in operations, since January 1, 2015

* * * * * * *

U.S. PRODUCTION, CAPACITY, AND CAPACITY UTILIZATION

Capacity increased by *** percent from 2015 to 2017, as ***. ***.[4] U.S. production of quartz surface products in terms of quantity increased by *** percent in 2017 compared with 2015. ***.

Increases in capacity outpaced increases in production, and capacity utilization declined by *** percentage points from 2015 to 2017. *** experienced the largest decline in capacity utilization, down *** percentage points from 2015 to 2017, while *** declined by *** percentage points, and *** capacity utilization declined by *** percentage points. None of the U.S. producers reported producing alternative products on the same machinery used to produce quartz surface products. Table III-5 and figure III-1 present U.S. producers' production, capacity, and capacity utilization.

Table III-5
Quartz surface products: U.S. producers' capacity, production, and capacity utilization, 2015-17

* * * * * * *

Figure III-1
Quartz surface products: U.S. producers' capacity, production, and capacity utilization, 2015-17

* * * * * * *

[2] Conference transcript, pp. 16 (Stoel) and 54 (Davis).
[3] Dal-Tile's U.S. importer questionnaire, question II-4.
[4] ***. Email from ***, May 3, 2018.

U.S. PRODUCERS' U.S. SHIPMENTS AND EXPORTS

U.S. producers' U.S. shipments of quartz surface products increased by *** square feet (approximately *** percent) from 2015 to 2017, as *** domestic producers increased their quantity and value of U.S. shipments every year during the period. U.S. producers' U.S. commercial shipments by quantity, which accounted for *** percent of all U.S. producers' U.S. shipments between 2015-17, increased by *** percent from 2015 to 2017. ***. *** reported internal consumption, which fluctuated from year to year but was overall *** percent higher by quantity in 2017 compared with 2015.[5] *** was the only U.S. producer to report transfers to related firms, which *** every year and were *** by quantity in 2017 compared with 2015.

Export shipments in terms of quantity more than *** from 2015 to 2017 driven by increases at ***. This was slightly offset by declines at ***. Export shipments accounted for an increasing share of U.S. producers' total shipments by quantity and were *** percent of total shipments in 2017. U.S. producers' total shipments of quartz surface products increased by *** square feet (approximately *** percent) from 2015 to 2017.

The average unit value for U.S. producers' U.S. shipments of quartz surface products was $*** per square foot in 2017, $*** lower than 2015 but $*** higher than 2016. ***. The average unit value for internal consumption was above the average unit value for U.S. commercial shipments in all periods, and both were higher than transfers to related firms. U.S. producers' U.S. shipments were $*** to $*** higher per square foot compared with export shipments for the years 2015-17. ***. The average unit value for total shipments decreased from $*** in 2015 to $*** in 2017, as average unit value for export shipments fell $*** over the period. Table III-6 presents U.S. producers' U.S. shipments, export shipments, and total shipments.

Table III-6
Quartz surface products: U.S. producers' U.S. shipments, export shipments, and total shipments, 2015-17

* * * * * * *

[5] ***. *** U.S. producer questionnaire, questions II-7, II-8, and II-9.

U.S. shipments by level of fabrication

U.S. producers' U.S. shipments of not fabricated slabs of quartz surface products increased by *** percent by quantity and by *** percent by value from 2015 to 2017 as *** firms increased slab shipments each year. Not fabricated slabs of quartz surface products accounted for an increasing share of U.S. producers' U.S. shipments and were *** percent in 2017. U.S. producers' U.S. shipments of fabricated quartz surface products increased by *** percent by quantity and by *** percent by value from 2015 to 2017. ***.

The average unit value of fabricated quartz surface products was between $*** and $*** higher per square foot than the average unit value for not fabricated slabs of quartz surface products, which was just over $*** per square foot each year. ***. Table III-7 presents U.S. producers' U.S. shipments by level of fabrication.

Table III-7
Quartz surface products: U.S. producers' U.S. shipments by level of fabrication, 2015-17

* * * * * * *

U.S. PRODUCERS' INVENTORIES

Table III-8 presents U.S. producers' end-of-period inventories and the ratio of these inventories to U.S. producers' production, U.S. shipments, and total shipments**.** *** U.S. producers increased their end-of-period inventories and 2017 end-of-period inventories were *** percent higher than 2015. ***. End-of-period inventories as a share of U.S. production increased by *** percentage points in 2017 compared with 2015. End-of-period inventories as a share of U.S. shipments in 2017 were *** percent (*** percentage points lower than 2015 but *** percentage points above 2016).

Table III-8
Quartz surface products: U.S. producers' inventories, 2015-17

* * * * * * *

U.S. PRODUCERS' IMPORTS AND PURCHASES

***. U.S. producers' imports and purchases of quartz surface products are presented in table III-9.

Table III-9
Quartz surface products: U.S. producers' direct imports, 2015-17

* * * * * * *

U.S. EMPLOYMENT, WAGES, AND PRODUCTIVITY

Table III-10 shows U.S. producers' employment-related data. U.S. producers added *** production and related workers (PRWs) between 2015 and 2017, an increase of *** percent, and total hours worked increased by *** hours or *** percent. *** U.S. producers increased the number of PRWs and total hours worked each year from 2015 to 2017.[6] Hours worked per PRW decreased by *** hours from 2015 to 2016 and then increased by *** hours to *** hours in 2017. Both wages paid and hourly wages increased from 2015 to 2017, *** percent and *** percent, respectively. Productivity remained relatively stable between *** square feet per hour and *** square feet per hour. Unit labor costs increased each year and were $*** per square foot higher in 2017 compared with 2015.

Table III-10
Quartz surface products: U.S. producers' employment related data, 2015-17

* * * * * * *

[6] At the staff conference, the petitioner testified that it laid off 115 production employees since the summer of 2017. Conference transcript, p. 35 (Ward).

PART IV: U.S. IMPORTS, APPARENT U.S. CONSUMPTION, AND MARKET SHARES

U.S. IMPORTERS

The Commission issued importer questionnaires to 289 firms believed to be importers of subject quartz surface products, as well as to all U.S. producers of not fabricated slabs of quartz surface products.[1] Usable questionnaire responses were received from 79 companies, representing nearly two-thirds (65.6 percent) of U.S. imports from China in 2017 under HTS statistical reporting number 6810.99.0010.[2] Table IV-1 lists all responding U.S. importers of quartz surface products from China and other sources, their locations, and their shares of U.S. imports, in 2017.[3]

[1] The Commission issued questionnaires to those firms identified in the petition, along with firms that, based on a review of data provided by Customs, may have accounted for more than one percent of total imports under HTS statistical reporting number 6810.99.0010 in 2017.

[2] The coverage estimate was calculated as the quantity of imports of quartz surface products from China in 2017 reported in the U.S. importer questionnaire (39.6 million square feet) divided by the quantity of total U.S. imports from China reported for 2017 in Commerce's official import statistics (60.4 million square feet).

[3] The Commission also received U.S. importer questionnaires from eight firms that were excluded from the dataset due to data reconciliation and consistency issues: ***. The Commission received "NO" responses to the U.S. importer questionnaire from an additional 11 firms.

Table IV-1
Quartz surface products: U.S. importers, their headquarters, and share of total imports by source, 2017

Firm	Headquarters	Share of imports by source (percent)		
		China	Nonsubject sources	All import sources
Absolute	Cary, NC	***	***	***
Accolade	Montreal, QQ	***	***	***
Allied	Dallas, TX	***	***	***
Alpine	Chino, CA	***	***	***
Aracruz	Phoenix, AZ	***	***	***
Architectural	Spicewood, TX	***	***	***
Arizona Tile	Tempe, AZ	***	***	***
Atlas Stone	Carrollton, TX	***	***	***
Axial	Houston, TX	***	***	***
Bedrock	West Jordan, UT	***	***	***
Bedrosians	Fresno, CA	***	***	***
Beginyan's	North Hollywood, CA	***	***	***
Best Kitchen	Tukwila, WA	***	***	***
BMC	Houston, TX	***	***	***
Bruskin	Van Nuys, CA	***	***	***
Caesarstone USA	Charlotte, NC	***	***	***
Cheyenne	Salt Lake City, UT	***	***	***
Chistone	Naperville, IL	***	***	***
Cosentino	Coral Gables, FL	***	***	***
Cosmos (East)	Raleigh, NC	***	***	***
Cosmos Granite	Carrollton, TX	***	***	***
Cosmos Granite (DC)	Chantilly, VA	***	***	***
Crystal Stone	Azusa, CA	***	***	***
Cutting Edge	Murray, UT	***	***	***
Dal-Tile	Dallas, TX	***	***	***
Dell Corning	Spartanburg, SC	***	***	***
Direct	Suwanee, GA	***	***	***
Edgebanding	San Dimas, CA	***	***	***
Emgee	Ranway, NJ	***	***	***
Everest Stone	Addison, TX	***	***	***
EZI Group	Boylston, MA	***	***	***
Fine Stone	Alhambra, CA	***	***	***

Table continued on next page.

Table IV-1--Continued
Quartz surface products: U.S. importers, their headquarters, and share of total imports by source, 2017

Firm	Headquarters	Share of imports by source (percent)		
		China	Nonsubject sources	All import sources
FOB Charlotte	Fort Mill, SC	***	***	***
Francini	Sun Valley, CA	***	***	***
Granite, Marble, & Etc	Houston, TX	***	***	***
GS Granite	Roseville, MN	***	***	***
H and F	Orlando, FL	***	***	***
H&M	Burlington, NJ	***	***	***
Hanwha L&C	Atlanta, GA	***	***	***
Hilton Cabinets	Phoenix, AZ	***	***	***
Hirsch	Cranbury, NJ	***	***	***
Hotel Vanities	Mooresville, IN	***	***	***
KZ	San Jose, CA	***	***	***
LD	Tacoma, WA	***	***	***
LG	Atlanta, GA	***	***	***
Lode	Dallas, TX	***	***	***
Lone Star	Richland, WA	***	***	***
Lotte	La Palma, CA	***	***	***
Marble and Granite	Pompano Beach, FL	***	***	***
Marble Palace	Stockton, CA	***	***	***
Minagrex	Dallas, TX	***	***	***
MSl	Orange, CA	***	***	***
Mstone	Lagrange, GA	***	***	***
New Standard	Seattle, WA	***	***	***
One World	Beltsville, MD	***	***	***
Phipps	New York, NY	***	***	***
Piedrafina	Stockton, CA	***	***	***
Pinnacle	Abilene, TX	***	***	***
Polarstone	Buena Park, CA	***	***	***
Product Source	Woodstock, GA	***	***	***
Quartz Master	Bayonne, NJ	***	***	***
Quartz Stone	Van Nuys, CA	***	***	***
Reliance	Kenilworth, NJ	***	***	***
FOB Charlotte	Fort Mill, SC	***	***	***

Table continued on next page.

Table IV-1--Continued
Quartz surface products: U.S. importers, their headquarters, and share of total imports by source, 2017

Firm	Headquarters	Share of imports by source (percent)		
		China	Nonsubject sources	All import sources
Select Source	Asheboro, NC	***	***	***
Shine Surfaces	Darien, IL	***	***	***
Solid Imports	Campbell, CA	***	***	***
Stone	Tampa, FL	***	***	***
Stone Vic USA	Atlanta, GA	***	***	***
Stoneland	Maryland Heights, MO	***	***	***
Surface Warehouse	Austin, TX	***	***	***
Terra Villa	Kalamazoo, MI	***	***	***
Titan	North Hollywood, CA	***	***	***
TQS	Orlando, FL	***	***	***
Universal	Boulder, CO	***	***	***
Venture	Union, NJ	***	***	***
Vivid Cosmos	Charlotte, NC	***	***	***
World Rocks	Orange, CA	***	***	***
World Stone	Mesa, AZ	***	***	***
Wulff	Scottsdale, AZ	***	***	***
Total		100.0	100.0	100.0

Note.--Shares and ratios shown as "0.0" represent values greater than zero, but less than "0.05" percent.

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

U.S. IMPORTS

U.S. imports of quartz surface products increased by 69.8 percent by quantity (60.9 percent by value) from 2015 to 2017, as imports from both China and nonsubject sources increased.[4] U.S. imports of quartz surface products from China were 2.8 times larger in terms of quantity (2.7 times larger in terms of value) in 2017 compared with 2015, and imports from all other sources increased by 15.0 percent in terms of quantity (16.8 percent in terms of value) over the period. As a share of the quantity of all imports of quartz surface products, imports from China increased from one-third in 2015 to over one-half of imports (54.6 percent) in 2017. Nonsubject imports of quartz surface products were primarily from Spain and Israel.[5]

The average unit value for imports from China was less than the value for imports from nonsubject sources, and the divergence between unit values increased every year with a difference of $1.73 in 2015, $1.95 in 2016, and $2.31 in 2017. The average unit value of U.S. imports of quartz surface products from China fell by $0.39 over the period to $8.25 per square foot in 2017 while the average unit value of imports from all other sources increased $0.17 to $10.54 per square foot in 2017. As a ratio to U.S. production, imports from China increased from *** percent in 2015 to *** percent in 2017 while imports from all other sources decreased from *** percent to *** percent. Table IV-2 and figure IV-1 present data for U.S. imports of quartz surface products from China and all other sources.

[4] U.S. import data are based on official import statistics for "agglomerated quartz slabs of the type used for countertops" (statistical reporting number 6810.99.0010), adjusted to include questionnaire responses from 11 importers who reported in-scope quartz surface products imported under other statistical reporting numbers. U.S. importers reported 1.8 million square feet ($14.8 million) of in-scope quartz surface products imported under statistical reporting numbers other than 6810.99.0010 in 2015, 2.0 million square feet ($16.8 million) in 2016, and 3.0 million square feet ($26.8 million) in 2017.

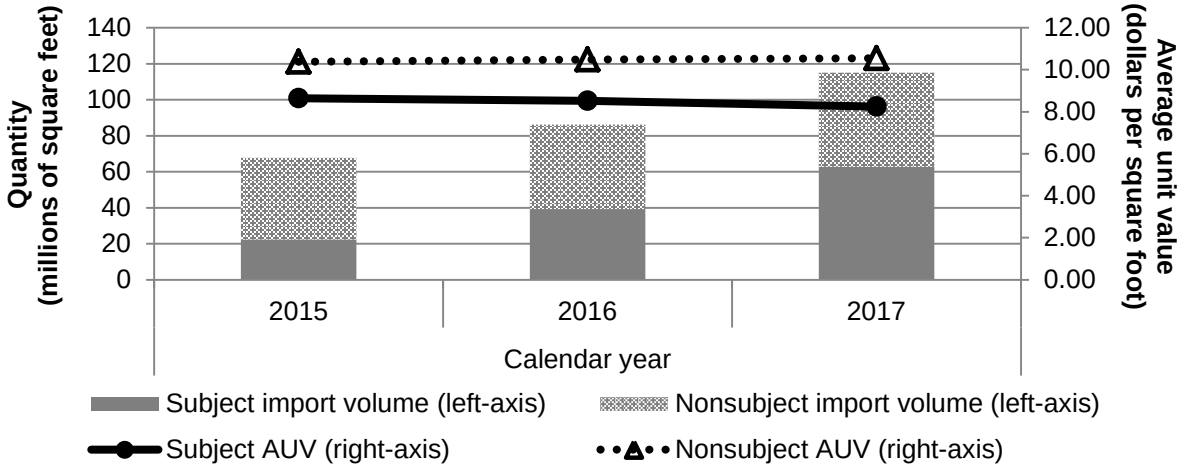
[5] According to official import statistics, in 2017 U.S. imports of quartz surface products from Spain were 18.3 million square feet ($191 million) and from Israel were 9.7 million square feet ($110 million), or 16.3 percent and 8.6 percent, respectively, of U.S. imports of quartz surface products under HTS statistical reporting number 6810.99.0010.

Table IV-2
Quartz surface products: U.S. imports, by source, 2015-17

Item	Calendar year		
	2015	2016	2017
	Quantity (1,000 square feet)		
U.S. imports from.--			
China	22,463	39,286	63,084
Nonsubject sources	45,532	47,288	52,353
All import sources	67,995	86,574	115,437
	Value (1,000 dollars)		
U.S. imports from.--			
China	194,215	335,144	520,663
Nonsubject sources	472,259	495,507	551,658
All import sources	666,474	830,652	1,072,320
	Unit value (dollars per square foot)		
U.S. imports from.--			
China	8.65	8.53	8.25
Nonsubject sources	10.37	10.48	10.54
All import sources	9.80	9.59	9.29
	Share of quantity (percent)		
U.S. imports from.--			
China	33.0	45.4	54.6
Nonsubject sources	67.0	54.6	45.4
All import sources	100.0	100.0	100.0
	Share of value (percent)		
U.S. imports from.--			
China	29.1	40.3	48.6
Nonsubject sources	70.9	59.7	51.4
All import sources	100.0	100.0	100.0
	Ratio to U.S. production		
U.S. imports from.--			
China	***	***	***
Nonsubject sources	***	***	***
All import sources	***	***	***

Source: Compiled from data submitted in response to Commission questionnaires and official import statistics under statistical reporting number 6810.99.0010, accessed on April 30, 2018.

Figure IV-1
Quartz surface products: U.S. import volumes and prices, 2015-17



Source: Compiled from data submitted in response to Commission questionnaires and official import statistics under statistical reporting number 6810.99.0010, accessed on April 30, 2018.

U.S. IMPORTERS' U.S. SHIPMENTS

U.S. importers' total U.S. shipments increased from 52.6 million square feet ($770 million) in 2015, to 64.8 million square feet ($882 million) in 2016, and to 82.0 million square feet ($1.1 billion) in 2017.[6] More than 98 percent of U.S. importers' total U.S. shipments during 2015-17 were commercial shipments. U.S. shipments of imports from China represented a growing share of total shipments, increasing from 22.0 percent in 2015 to 33.4 percent in 2016 and to 43.6 percent in 2017.

U.S. shipments by level of fabrication

The majority of U.S. importers' U.S. shipments of quartz surface products are not fabricated regardless of source of imports (more than 82 percent of the total quantity shipped in 2017). In 2017, 49 importers reported U.S. shipments of not fabricated slabs of quartz surface products and 45 importers reported U.S. shipments of fabricated quartz surface products (of these, 17 U.S. importers reported shipping both not fabricated slabs and fabricated quartz surface products). One-quarter of responding importers (19 firms) reported conducting fabrication activities on imports of quartz surface products in the United States.

From 2015 to 2017, the increase in the quantity of U.S. importers' U.S. shipments of not fabricated slabs of quartz surface products outpaced the increase in fabricated quartz surface products, up 56.6 percent and 51.8 percent, respectively. By import source, U.S. importers' U.S. shipments of not fabricated slabs of quartz surface products imported from China were 3.3

[6] U.S. importers' U.S. shipment data are based on responses to the Commissions questionnaire, which represent nearly two-thirds of U.S. imports from China during 2015-17 under HTS statistical reporting number 6810.99.0010.

times greater in 2017 compared with 2015, and U.S. importers' U.S. shipments of not fabricated slabs of quartz surface products imported from all other sources increased in terms of quantity by 11.5 percent over the period. U.S. importers' U.S. shipments of fabricated quartz surface products imported from China were 2.4 times greater in 2017 compared with 2015, and U.S. importers' U.S. shipments of fabricated quartz surface products imported from all other sources increased by 17.9 percent.

The average unit value of fabricated quartz surface products is higher than not fabricated slabs of quartz surface products, both of U.S. importers' U.S. shipments of quartz surface products imported from China and imported from all other sources. In 2017, the average unit value of U.S. importers' U.S. shipments of quartz surface products imported from China was $9.79 for not fabricated slabs of quartz surface products and $12.81 for fabricated quartz surface products. The average unit value for U.S. importers' U.S. shipments of quartz surface products imported from all other sources was even higher, $13.32 for not fabricated slabs of quartz surface products and $27.77 for fabricated quartz surface products in 2017.

Table IV-3 presents data on U.S. importers' U.S. shipments of quartz surface products by level of fabrication and source.

Table IV-3

Quartz surface products: U.S. importers' U.S. shipments, by level of fabrication and source, 2015-17

Item	Calendar year		
	2015	2016	2017
	Quantity (1,000 square feet)		
U.S. shipments: Subject.-- Not fabricated	9,037	17,235	29,606
Fabricated	2,546	4,395	6,180
All levels of fabrication	11,584	21,629	35,786
	Value (1,000 dollars)		
U.S. shipments: Subject.-- Not fabricated	81,244	160,893	289,979
Fabricated	31,572	50,771	79,151
All levels of fabrication	112,816	211,664	369,130
	Unit value (dollars per square foot)		
U.S. shipments: Subject.-- Not fabricated	8.99	9.34	9.79
Fabricated	12.40	11.55	12.81
All levels of fabrication	9.74	9.79	10.31
	Share of quantity (percent)		
U.S. shipments: Subject.-- Not fabricated	78.0	79.7	82.7
Fabricated	22.0	20.3	17.3
All levels of fabrication	100.0	100.0	100.0

Table continued on next page.

Table IV-3--Continued
Quartz surface products: U.S. importers' U.S. shipments, by level of fabrication and source, 2015-17

Item	Calendar year		
	2015	2016	2017
	Quantity (1,000 square feet)		
U.S. shipments: Nonsubject.-- Not fabricated	34,252	35,599	38,176
Fabricated	6,812	7,563	8,028
All levels of fabrication	41,064	43,162	46,204
	Value (1,000 dollars)		
U.S. shipments: Nonsubject.-- Not fabricated	476,817	477,467	508,428
Fabricated	180,786	193,025	222,918
All levels of fabrication	657,603	670,492	731,346
	Unit value (dollars per square foot)		
U.S. shipments: Nonsubject.-- Not fabricated	13.92	13.41	13.32
Fabricated	26.54	25.52	27.77
All levels of fabrication	16.01	15.53	15.83
	Share of quantity (percent)		
U.S. shipments: Nonsubject.-- Not fabricated	83.4	82.5	82.6
Fabricated	16.6	17.5	17.4
All levels of fabrication	100.0	100.0	100.0

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

NEGLIGIBILITY

The statute requires that an investigation be terminated without an injury determination if imports of the subject merchandise are found to be negligible.[7] Negligible imports are generally defined in the Act, as amended, as imports from a country of merchandise corresponding to a domestic like product where such imports account for less than 3 percent of the volume of all such merchandise imported into the United States in the most recent 12-month period for which data are available that precedes the filing of the petition or the initiation of the investigation. However, if there are imports of such merchandise from a number of countries subject to investigations initiated on the same day that individually account for less than 3 percent of the total volume of the subject merchandise, and if the imports from those countries collectively account for more than 7 percent of the volume of all such merchandise imported into the United States during the applicable 12-month period, then imports from such countries are deemed not to be negligible.[8] Based on questionnaire data, imports from China accounted for 50.1 percent of total imports of quartz surface products by quantity during 2017, or based on official U.S. import statistics, 56.4 percent of total imports of quartz surface products during 2017. Table IV-4 presents U.S. imports from April 2017 to March 2018, the 12 months preceding the filing of the petition.

Table IV-4
Quartz surface products: U.S. imports in the 12 months preceding the filing of the petition, April 2017 through March 2018

Item	April 2017 to March 2018			
	Questionnaire data		Official U.S. import statistics	
	Quantity (1,000 square feet)	Share of quantity square (percent)	Quantity (1,000 square feet)	Share of quantity square (percent)
U.S. imports from--				
China	42,312	50.1	68,220	56.4
Nonsubject sources	42,075	49.9	52,643	43.6
All import sources	84,387	100.0	120,863	100.0

Source: Compiled from data submitted in response to Commission questionnaires and official import statistics under statistical reporting number 6810.99.0010, accessed on April 30, 2018.

[7] Sections 703(a)(1), 705(b)(1), 733(a)(1), and 735(b)(1) of the Act (19 U.S.C. §§ 1671b(a)(1), 1671d(b)(1), 1673b(a)(1), and 1673d(b)(1)).

[8] Section 771 (24) of the Act (19 U.S.C § 1677(24)).

APPARENT U.S. CONSUMPTION

Table IV-5 and figure IV-2 present data on apparent U.S. consumption of quartz surface products. Apparent U.S. consumption of quartz surface products in terms of quantity increased by *** percent from 2015 to 2017 as U.S. producers' U.S. shipments, U.S. imports from China, and U.S. imports from nonsubject countries increased by *** percent, 180.8 percent, and 15.0 percent, respectively, over the period. Likewise, apparent U.S. consumption of quartz surface products in terms of value grew by *** percent from 2015 to $*** in 2017 as U.S. producers' U.S. shipments increased by *** percent, U.S. imports from China increased by 168.1 percent, and U.S. imports from nonsubject countries increased by 16.8 percent.

Table IV-5
Quartz surface products: Apparent U.S. consumption, 2015-17

Item	Calendar year		
	2015	2016	2017
	Quantity (1,000 square feet)		
U.S. producers' U.S. shipments	***	***	***
U.S. imports from.--			
China	22,463	39,286	63,084
Nonsubject sources	45,532	47,288	52,353
All import sources	67,995	86,574	115,437
Apparent U.S. consumption	***	***	***
	Value (1,000 dollars)		
U.S. producers' U.S. shipments	***	***	***
U.S. imports from.--			
China	194,215	335,144	520,663
Nonsubject sources	472,259	495,507	551,658
All import sources	666,474	830,652	1,072,320
Apparent U.S. consumption	***	***	***

Source: Compiled from data submitted in response to Commission questionnaires and official import statistics under statistical reporting number 6810.99.0010, accessed on April 30, 2018.

Figure IV-2
Quartz surface products: Apparent U.S. consumption, 2015-17

* * * * * * *

U.S. MARKET SHARES

By quantity, U.S. imports of quartz surface products from China increased in market share from *** percent of the market in 2015 to *** percent in 2017. At the same time imports from all other sources fell from being the largest share of U.S. consumption (*** percent of the market for quartz surface products in 2015) to *** percent in 2017. The market share for U.S. producers' U.S. shipments fell *** percentage points and was *** percent of the market based on quantity in 2017.

In terms of value, market share is *** and in 2017 U.S. producers' U.S. shipments hold the largest share of the market. U.S. producers' market share fell *** percentage points from 2015 to 2017 and was *** percent of apparent U.S. consumption in 2017. The market share for imports from nonsubject sources decreased by *** percentage points and was *** percent of the market based on value in 2017 while the market share for imports from China increased *** percentage points and was *** percent of the market based on value in 2017. U.S. market share data are presented in table IV-6.

Table IV-6
Quartz surface products: Market shares, 2015-17

* * * * * * *

PART V: PRICING DATA

FACTORS AFFECTING PRICES

Raw material costs

Quartz surface products usually consist of approximately 93 to 94 percent ground quartz.[1] Quartz is one of the most common minerals in the earth's crust, and it is also one of the hardest naturally occurring minerals. The remaining components of quartz surface products are a combination of resins, polymers, particulates, and pigments. The resins and polymers function as adhesives, while the particulates and pigments are applied to create diverse aesthetic appearances. Raw materials are mixed and pressed together into slabs of various thicknesses. U.S. producers' raw material costs accounted for approximately *** percent of the cost of goods sold (COGS), with COGS amounting to approximately *** percent of net sales in 2017.[2] *** reported increasing raw material costs from 2015 to 2017.

Transportation costs to the U.S. market

Transportation costs for quartz surface products shipped from China to the United States averaged 8.1 percent during 2017. These estimates were derived from official import data and represent the transportation and other charges on imports.[3]

U.S. inland transportation costs

Two U.S. producers reported that they typically arrange transportation to their customers, and one reported that the purchaser arranges transportation. LG and Caesarstone maintain production lines in Georgia, and Cambria maintains production lines in Minnesota.[4] Because quartz slab production lines are concentrated in these locations, inland transportation costs vary depending on the production, distribution center, and customer locations. U.S. producers reported that their U.S. inland transportation costs ranged from 1 to 9 percent of the cost of U.S.-produced quartz surface products. Fifty-eight of 71 importers reported that they typically arrange transportation to the purchaser. Importers reported a wide range of transportation costs, but most estimated that U.S. inland transportation accounted for 3 to 30 percent of the cost of quartz surface products.

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[1] See Part 1, The Product, for a more detailed description of the product and materials.

[2] See Part VI, Cost of goods sold and gross profit or (loss).

[3] The estimated transportation costs were obtained by subtracting the customs value from the c.i.f. value of the imports for 2017 and then dividing by the customs value based on the HTS subheading 6810.99.0010. C.i.f. and customs values were extracted from DataWeb on May 16, 2018.

[4] *** establishments are fabrication facilities that do not have slab production lines.

PRICING PRACTICES

Pricing methods

Quartz surface products are usually sold to retailers on either a transaction-by-transaction basis or by price list. Sales to distributors, large contractors/fabricators, and commercial developers may use contracts, price lists, or transaction-by-transaction methods. As presented in table V-1, U.S. producers and importers most frequently reported transaction-by-transaction and price list sales methods.

Table V-1
Quartz surface products: U.S. producers' and importers' reported price setting methods, by number of responding firms1

Method	U.S. producers	Importers
Transaction-by-transaction	2	52
Contract	2	17
Set price list	3	31
Other	1	7
Responding firms	3	77

[1] The sum of responses may not add up to the total number of responding firms as each firm was instructed to check all applicable price setting methods employed.

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

U.S. producers did not report any contract sales (table V-2). The contract sales that importers reported contained durations ranging from 2 days to 3 years. Six importers reported renegotiation of prices during the contract period. Thirteen importers reported contracts with fixed quantities and fixed prices, and eight importers reported contracts with fixed prices only. Four importers reported meet-or-release provisions in contracts.

Table V-2
Quartz surface products: U.S. producers' and importers' shares of U.S. commercial shipments by type of sale, 2017

Type of sale	U.S. producers	Importers
Long-term contracts	***	***
Annual contracts	***	***
Short-term contracts	***	***
Spot sales	***	***

Note.--Because of rounding, figures may not add to the totals shown.

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

In responding to lost sales and lost revenue surveys, purchasers provided a general description of their firms' method of purchase for quartz surface products. *** reported individual purchases, *** reported full truckload purchases based on monthly usage, and *** reported establishing long-term relationships with producers to source specific designs.

Sales terms and discounts

One U.S. producer typically quotes prices on a delivered basis, and two U.S. producers typically quote prices on an f.o.b. basis. Forty-three importers reported quoting prices on a delivered basis, and 33 reported quoting prices on an f.o.b. basis. One U.S. producer and 37 importers reported that they did not offer any discount policy. Two U.S. producers offered both quantity discounts and total annual volume discounts. Thirty-two importers offered quantity discounts, and 10 offered total annual volume discounts. Other discounts offered by 14 importers included client based discounts, rebates, first-time customer discounts, slab size discounts, discounts for discontinued colors, and discounts for products with defects.

All U.S. producers and most importers (37 of 75) frequently reported sales terms of net 30 days. Seventeen importers reported sales terms of net 60 days, 4 importers reported 2/10 net 30 days, and 41 importers reported other sales terms. The other sales terms that were cited included net 60-90 days, due on receipt, cash on delivery, 50 percent deposit with balance due at delivery, and other variations based on customers.

Price leadership

The petitioner, Cambria, is widely recognized as an industry leader in quartz surface products.[5] Leadership in quartz surface products is based on a combination of aesthetics, quality, and price. While the petitioner is a recognized leader in quality and design, no firms were identified as price leaders that could individually move market prices.

PRICE DATA

The Commission requested U.S. producers and importers to provide quarterly data for the total quantity and f.o.b. value of the following quartz surface products shipped to unrelated U.S. customers during 2015-17.

Product 1.-- White quartz surface products in slab form with a nominal thickness of 2 centimeters ("cm") without veining or movement and sold to distributors.

Product 2.--White quartz surface products in slab form with a nominal thickness of 3 cm with no veining or movement and sold to distributors.

Product 3.--White quartz surface products in slab form with a nominal thickness of 2 centimeters ("cm") without veining or movement and sold to firms other than distributors.

Product 4.--White quartz surface products in slab form with a nominal thickness of 3 cm with no veining or movement and sold to firms other than distributors.

[5] Conference transcript, p. 16 (Stoel).

Three U.S. producers and 79 importers provided usable pricing data for sales of the requested products, although not all firms reported price data for all products for all quarters.[6] Pricing data reported by these firms accounted for approximately *** percent of U.S. producers' shipments of quartz surface products and 16.5 percent of U.S. shipments of subject imports from China in 2017. Price data for products 1-4 are presented in tables V-3 to V-6 and figures V-1 to V-4.[7]

Table V-3
Quartz surface products: Weighted-average f.o.b. prices and quantities of domestic and imported product 11 and margins of underselling/(overselling), by quarters, 2015-17

	United States		China		
Period	Price (per square foot)	Quantity (square feet)	Price (per square foot)	Quantity (square feet)	Margin (percent)
2015:					
Jan.-Mar.	***	***	***	***	***
Apr.-June	***	***	***	***	***
July-Sept.	***	***	***	***	***
Oct.-Dec.	***	***	***	***	***
2016:					
Jan.-Mar.	***	***	6.11	20,284	***
Apr.-June	***	***	6.58	31,110	***
July-Sept.	***	***	6.44	49,787	***
Oct.-Dec.	***	***	5.78	60,156	***
2017:					
Jan.-Mar.	***	***	6.37	39,174	***
Apr.-June	***	***	6.25	91,625	***
July-Sept.	***	***	5.82	70,987	***
Oct.-Dec.	***	***	6.16	53,054	***

[1] Product 1: White quartz surface products in slab form with a nominal thickness of 2 centimeters ("cm") without veining or movement and sold to distributors.

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

[6] Per-unit pricing data are calculated from total quantity and total value data provided by U.S. producers and importers. The precision and variation of these figures may be affected by rounding, limited quantities, and producer or importer estimates.

[7] *** pricing increased for all four products, and accounted for approximately *** percent of the volume of domestic price data. *** pricing fluctuated for all four products, and accounted for approximately *** percent of the volume of domestic price data. *** did not report price data for any of the four products.

Table V-4
Quartz surface products: Weighted-average f.o.b. prices and quantities of domestic and imported product 2[1] and margins of underselling/(overselling), by quarters, 2015-17

Period	United States		China		
	Price (per square foot)	Quantity (square feet)	Price (per square foot)	Quantity (square feet)	Margin (percent)
2015:					
Jan.-Mar.	***	***	10.88	4,279	***
Apr.-June	***	***	9.43	25,815	***
July-Sept.	***	***	9.65	28,413	***
Oct.-Dec.	***	***	9.93	26,737	***
2016:					
Jan.-Mar.	***	***	10.40	25,461	***
Apr.-June	***	***	11.31	18,667	***
July-Sept.	***	***	10.96	21,291	***
Oct.-Dec.	***	***	9.84	16,337	***
2017:					
Jan.-Mar.	***	***	9.31	62,074	***
Apr.-June	***	***	9.14	64,026	***
July-Sept.	***	***	8.82	52,438	***
Oct.-Dec.	***	***	8.97	43,558	***

[1] Product 2: White quartz surface products in slab form with a nominal thickness of 3 cm with no veining or movement and sold to distributors.

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

Table V-5
Quartz surface products: Weighted-average f.o.b. prices and quantities of domestic and imported product 3[1] and margins of underselling/(overselling), by quarters, 2015-17

Period	United States		China		
	Price (per square foot)	Quantity (square feet)	Price (per square foot)	Quantity (square feet)	Margin (percent)
2015:					
Jan.-Mar.	***	***	10.68	238,092	***
Apr.-June	***	***	11.19	252,243	***
July-Sept.	***	***	10.58	320,590	***
Oct.-Dec.	***	***	9.96	398,223	***
2016:					
Jan.-Mar.	***	***	10.22	415,513	***
Apr.-June	***	***	10.11	446,662	***
July-Sept.	***	***	9.94	482,664	***
Oct.-Dec.	***	***	9.72	510,648	***
2017:					
Jan.-Mar.	***	***	9.85	584,215	***
Apr.-June	***	***	9.51	658,320	***
July-Sept.	***	***	8.94	676,237	***
Oct.-Dec.	***	***	8.96	783,814	***

[1] Product 3: White quartz surface products in slab form with a nominal thickness of 2 centimeters ("cm") without veining or movement and sold to firms other than distributors.

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

Table V-6
Quartz surface products: Weighted-average f.o.b. prices and quantities of domestic and imported product 4[1] and margins of underselling/(overselling), by quarters, 2015-17

Period	United States		China		
	Price (per square foot)	Quantity (square feet)	Price (per square foot)	Quantity (square feet)	Margin (percent)
2015:					
Jan.-Mar.	***	***	12.40	200,063	***
Apr.-June	***	***	12.37	240,206	***
July-Sept.	***	***	12.88	274,795	***
Oct.-Dec.	***	***	12.63	309,210	***
2016:					
Jan.-Mar.	***	***	12.32	392,283	***
Apr.-June	***	***	12.16	453,425	***
July-Sept.	***	***	11.76	475,876	***
Oct.-Dec.	***	***	11.82	476,791	***
2017:					
Jan.-Mar.	***	***	11.90	591,192	***
Apr.-June	***	***	11.49	656,703	***
July-Sept.	***	***	11.52	683,648	***
Oct.-Dec.	***	***	11.60	689,824	***

[1] Product 4: White quartz surface products in slab form with a nominal thickness of 3 cm with no veining or movement and sold to firms other than distributors.

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

Figure V-1
Quartz surface products: Weighted-average prices and quantities of domestic and imported product 1, by quarters, 2015-17

* * * * * * *

Figure V-2
Quartz surface products: Weighted-average prices and quantities of domestic and imported product 2, by quarters, 2015-17

* * * * * * *

Figure V-3
Quartz surface products: Weighted-average prices and quantities of domestic and imported product 3, by quarters, 2015-17

* * * * * * *

Figure V-4
Quartz surface products: Weighted-average prices and quantities of domestic and imported product 4, by quarters, 2015-17

* * * * * * *

Price trends

In general, prices for quartz surface products decreased during 2015-17, with the only exception being Product 1 from China which increased by *** percent. Table V-7 summarizes the price trends, by country and by product. As shown in the table, domestic price decreases ranged from *** to *** percent during 2015-17 while import price decreases ranged from *** to *** percent.

Table V-7
quartz surface products: Summary of weighted-average f.o.b. prices for products 1-4 from the United States and China

* * * * * * *

Price comparisons

As shown in table V-8, prices for product imported from China were below those for U.S.-produced product in all instances (*** square feet); margins of underselling ranged from *** to *** percent.

Table V-8
Quartz surface products: Instances of underselling and the range and average of margins, 2015-17

Source	Underselling				
	Number of quarters	Quantity[1] (1,000 square feet)	Average margin (percent)	Margin range (percent)	
				Min	Max
Product 1	12	***	***	***	***
Product 2	12	***	***	***	***
Product 3	12	***	***	***	***
Product 4	12	***	***	***	***
All Products	48	***	***	***	***

[1] These data include only quarters in which there is a comparison between the U.S. and subject product. Every quarter for each product contained comparable price data.

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

LOST SALES AND LOST REVENUE

The Commission requested that U.S. producers of quartz surface products report purchasers with whom they experienced instances of lost sales or revenue due to competition from imports of quartz surface products from China during 2015-17. Of the three responding U.S. producers, *** reported that they had to reduce prices and *** reported that they had to roll back announced price increases. *** U.S. producers also reported that they had lost sales. *** submitted lost sales and lost revenue allegations, identifying 14 firms where they lost sales or revenue (13 lost sales allegations and 1 lost revenue allegation). The lost sales allegations consisted of either a reduction in quartz slab sales, or in bids that were lost for specific development projects. The ***.

Staff contacted 14 purchasers and received questionnaire responses from 4 purchasers. Responding purchasers reported purchasing *** square feet of quartz surface products during 2015-17 (table V-9).

Table V-9
Quartz surface products: Purchasers' responses to purchasing patterns

* * * * * * *

During 2015-17, responding purchasers purchased *** percent of quartz surface products from U.S. producers, *** percent from producers in China, and *** percent from all other nonsubject countries. Of the responding purchasers, *** reported increasing purchases from domestic producers, *** provided price data indicating an increase in domestic purchases but reported a decreasing share of domestic purchases, and *** reported not purchasing any domestic product.[8] *** explained that the increase in purchases of domestically produced quartz surface products was based on growth in consumer demand. *** indicated a decline in domestic purchasing patterns as measured by market share, explaining that the firm would have purchased more domestically produced product had it not been for the introduction of quartz surface products from China to the U.S. market. *** explained that it did not purchase domestically produced quartz surface products because U.S. producers were not interested in selling to the firm when it entered the quartz surface products market.

Three purchasers, ***, reported an increase in purchases of quartz surface products from China. *** explained that purchasing from China increased because its initial supplier was unable to fully supply the company as a single source. *** additionally explained that current trends and fashions were major considerations in supplier partnerships and purchasing

[8] Purchaser *** reported that it did not know the sources of its quartz surface products, and it did not indicate any response to the changes in purchasing patterns question aside from constant purchases of "unknown sources." Of the four responding purchasers, two purchasers indicated that they did not know the source of at least some of the quartz surface products they purchased.

decisions. *** explained that its purchases of imports from China increased due to price. *** explained that the increase in purchases of quartz surface products from China was solely based on price, and that cost-conscious customers did not care about the product quality (table V-10).

Table V-10
Quartz surface products: Changes in purchase patterns from U.S., subject, and nonsubject countries

Source of purchases	Did not purchase	Decreased	Increased	Constant	Fluctuated
United States	1	1	1	---	---
China	---	---	3	---	---
All other sources	1	---	1	---	---
Sources unknown	---	---	---	2	---

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

Of the four responding purchasers, *** reported that, since 2015, they had purchased imported quartz surface products from China instead of U.S.-produced product. Both purchasers reported that subject import prices were lower than U.S.-produced product, and that price was a primary reason for the decision to purchase imported product rather than U.S.-produced product. The same two purchasers estimated the quantity of quartz surface products from China purchased instead of domestic product; quantities ranged from *** square feet to *** square feet (table V-11).

Table V-11
Quartz surface products: Purchasers' responses to purchasing subject imports instead of domestic product

* * * * * * *

Of the four responding purchasers, one reported that U.S. producers had reduced prices in order to compete with lower-priced imports from China (table V-12); two purchasers reported that they did not know, and one reported that U.S. producers had not reduced prices to compete with subject imports. The estimated price reduction was *** percent.

Table V-12
Quartz surface products: Purchasers' responses to U.S. producer price reductions

* * * * * * *

In responding to the questionnaires, some firms provided additional information regarding the quartz surface products market. Importer *** reported that its customer base is mainly general contractors and retail customers. Importer *** reported that imports from

China were based on product quality, the ability of its Chinese supplier to be responsive and produce large quantities quickly, and the ability of the supplier to make immediate changes and deliver custom fabrication to the quartz surface products. Multiple importers reported that the quartz surface products' value and quantity data were estimated in the absence of perfect data and record keeping of imports from various countries.

PART VI: FINANCIAL EXPERIENCE OF U.S. PRODUCERS

BACKGROUND

Three U.S. producers (Caesarstone, Cambria, and LG) provided financial data on their operations on quartz surface products. *** accounted for the majority of total net sales value in 2017 (*** percent), followed by *** (*** percent), and *** (*** percent). Revenue primarily reflects commercial sales, but also includes transfers to related firms and internal consumption. ***.[1] On a value basis in 2017, internal consumption and transfers accounted for approximately *** percent of total sales. Internal consumption and transfers are included, but not shown separately in this section of the report. All firms reported a fiscal year end of December 31 and their financial results on the basis of generally accepted accounting principles.

OPERATIONS ON QUARTZ SURFACE PRODUCTS

Table VI-1 presents aggregated data on U.S. producers' operations in relation to quartz surface products. Table VI-2 shows the changes in average unit values of select financial indicators. Table VI-3 presents selected company-specific financial data.

Net sales

Based on table VI-1, the quantity and value of net sales increased from 2015 to 2017. As shown in table VI-3, *** reported increasing net sales, by quantity and value, from 2015 to 2017. ***.[2] ***.[3]

From 2015 to 2017, the average unit net sales value decreased by *** percent from $*** per square foot in 2015 to $*** per square foot in 2017. As shown in table VI-3, *** reported increasing unit net sales value from 2015 to 2017.[4] ***.[5]

Table VI-1
Quartz surface products: Results of operations of U.S. producers, 2015-17

* * * * * * *

Table VI-2
Quartz surface products: Changes in AUVs, between fiscal years

* * * * * * *

[1] ***. Email from ***, May 7, 2018. *** Email from ***, May 18, 2018.
[2] Email from ***, May 7, 2018.
[3] Email from ***, May 9, 2018.
[4] ***.
[5] Email from ***, May 11, 2018.

Table VI-3
Quartz surface products: Select results of operations of U.S. producers, by company, 2015-17

* * * * * * *

Cost of goods sold and gross profit or (loss)

As shown in table VI-1, the average COGS to net sales ratio ranged from *** percent in 2015 to *** percent in 2017. On a company-specific basis, ***.[6] Raw material costs represented the largest component of COGS, accounting for between *** percent and *** percent of total COGS from 2015 to 2017.[7] [8] As shown in table VI-3, the average unit raw material cost irregularly increased from $*** in 2015 to $*** in 2017. *** reported increasing unit raw material costs from 2015 to 2017.[9] Raw materials consist of silica, resin binder, pigments and various other raw materials such as ***. As a share of total raw material costs, silica varied from *** percent to *** percent, resin binder varied from *** percent to *** percent, pigments varied from *** percent to *** percent, and other raw materials varied from *** percent to *** percent of the total raw material costs.[10]

Other factory costs ("OFC") were the second largest component of COGS, accounting for between *** percent and *** percent of total COGS from 2015 to 2017, while direct labor accounted for between *** percent and *** percent of total COGS in the same period.[11] As shown in table VI-3, the average unit OFC increased from $*** in 2015 to $*** in 2017. On a

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[6] ***. Email from ***, May 11, 2018.

[7] ***. Email from ***, May 7, 2018.

[8] In regards to the final composition mixture of raw materials, Cambria testified that "You start out with general formulas, but {it takes} trial and error to get {a} esthetic you're looking for {along with} the resultant physical chemistry that ensures you still have the durability value in the product, i.e., resistance, sustain, hardness, this type of thing. . . So it does affect the pricing as you manipulate those raw materials, but the variances are disciplined and determined by the performance of the product and so there is a limit to that sway or that drift of raw material formulation." Conference transcript, pp. 88 (Davis).

[9] ***. Email from ***, May 11, 2018.

[10] U.S. producers' questionnaire responses, question III-9b.

[11] In regards to the labor activities in the automated manufacturing process, Cambria testified that "they are some aspects where labors are physically intervening on the product, but mostly, they're operating computer interface and activating technology and equipment, different unit operations, whether it be distributors or presses or ovens or cooling towers, this type of things and they're monitoring that throughout and intervening appropriately through the production line. And then there's the removal of the slab. It weighs you know 600 pounds, so there's removing of the slab with cranes and forklifts and this type of thing, so there's the warehousing handling teams that are driving fork trucks and moving cranes and this type of things. And then there's crews to do loading and the physical work to load the products on the trucks and this type of thing, so it's a combination". Conference transcript, pp. 83-84 (Davis).

company-specific basis, ***. The average unit direct labor costs irregularly decreased from $*** in 2015 to $*** in 2017. On a company-specific basis, ***. ***.[12]

The industry's gross profit increased from $*** in 2015 to $*** in 2017. The increase in total net sales value was greater than the increase in COGS from 2015 to 2017. On a company-specific basis, ***.

SG&A expenses and operating income or (loss)

As shown in table VI-1, the industry's SG&A expense ratio (i.e., total SG&A expenses divided by total net sales value) increased from *** percent in 2015 to *** percent in 2017. As shown in table VI-3, the average unit SG&A expenses increased from $*** in 2015 to $*** in 2017. On a company-specific basis, ***.[13]

The industry's operating income increased from $*** in 2015 to $*** in 2016 before decreasing to $*** in 2017. On a company-specific basis, ***.

Other expenses and net income or (loss)

Classified below the operating income levels are interest expense, all other expense, and all other income, which are usually allocated to the product line from high levels in the corporation. Interest expenses accounted for the majority of other expenses and increased from $*** in 2015 to $*** in 2017. ***.[14] ***.[15]

By definition, items classified at this level in the income statement only affect net income or (loss). Net income decreased from $*** in 2015 to $*** in 2017. On a company-specific basis, ***. The trend in net income or (loss) for the aggregated U.S. industry from 2015 to 2017 primarily reflects the data of ***.

Variance analysis

A variance analysis is most useful for products that do not have substantial changes in product mix over the reporting period and the methodology is most sensitive at the plant or firm level, rather than the aggregated industry level. Because of the wide variation in product mix and unit values between firms, a variance analysis is not presented. The discussion of COGS, gross profit, SG&A expenses, and operating income, which reflects differences in cost structures among the firms, as shown in tables VI-1 and VI-2, mirrors the results of a variance analysis in this proceeding. That is, the ***.

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[12] Email from ***, May 7, 2018.

[13] ***. Email from ***, May 7, 2018.

[14] ***. Email from ***, May 11, 2018.

[15] U.S. producer's questionnaire response of ***, question III-10.

CAPITAL EXPENDITURES AND RESEARCH AND DEVELOPMENT EXPENSES

Table VI-4 presents capital expenditures and research and development ("R&D") expenses by firm. Capital expenditures decreased by *** percent from 2015 to 2017. As shown in table VI-4, ***.[16] ***.[17] ***.[18]

R&D expenses decreased from $*** in 2015 to $*** in 2016 before increasing to $*** in 2017. ***.[19] ***.[20]

Table VI-4
Quartz surface products: Capital expenditures and R&D expenses for U.S. producers, by firm, 2015-17

* * * * * * *

ASSETS AND RETURN ON ASSETS

Table VI-5 presents data on the U.S. producers' total assets and their operating return on assets.[21] Total assets increased from $*** in 2015 to $*** in 2017. The return on assets decreased from *** percent in 2015 to *** percent in 2017. ***.[22] ***.[23] ***.[24]

Table VI-5
Quartz surface products: Value of assets used in production, warehousing, and sales, and return on assets for U.S. producers by firm, 2015-17

* * * * * * *

[16] U.S. producers' questionnaire response of ***, question III-13.
[17] U.S. producers' questionnaire response of ***, question III-13. ***. Email from ***, May 7, 2018.
[18] Email from ***, May 9, 2018.
[19] U.S. producers' questionnaire response of ***, question III-13.
[20] U.S. producers' questionnaire response of ***, question III-13.
[21] With respect to a company's overall operations, staff notes that a total asset value (i.e., the bottom line number on the asset side of a company's balance sheet) reflects an aggregation of a number of assets which are generally not product specific. Accordingly, high-level allocation factors were required in order to report a total asset value for quartz surface products
[22] U.S. producers' questionnaire response of ***, question III-12.
[23] Email from ***, May 18, 2018.
[24] U.S. producers' questionnaire response of ***, question III-12.

CAPITAL AND INVESTMENT

The Commission requested U.S. producers of quartz surface products to describe actual or potential negative effects of imports of quartz surface products from the subject country on their firms' growth, investment, ability to raise capital, development and production efforts, or on the scale of capital investments. Table VI-6 presents U.S. producers' responses in a tabulated format and table VI-7 provides the narrative responses.

Table VI-6
Quartz surface products: Actual and anticipated negative effects of imports on investment and growth and development

* * * * * * *

Table VI-7
Quartz surface products: Narratives relating to actual and anticipated negative effects of imports on investment and growth and development, since January 1, 2015

* * * * * * *

PART VII: THREAT CONSIDERATIONS AND INFORMATION ON NONSUBJECT COUNTRIES

Section 771(7)(F)(i) of the Act (19 U.S.C. § 1677(7)(F)(i)) provides that—

> *In determining whether an industry in the United States is threatened with material injury by reason of imports (or sales for importation) of the subject merchandise, the Commission shall consider, among other relevant economic factors*[1]*--*
>
> *(I) if a countervailable subsidy is involved, such information as may be presented to it by the administering authority as to the nature of the subsidy (particularly as to whether the countervailable subsidy is a subsidy described in Article 3 or 6.1 of the Subsidies Agreement), and whether imports of the subject merchandise are likely to increase,*
>
> *(II) any existing unused production capacity or imminent, substantial increase in production capacity in the exporting country indicating the likelihood of substantially increased imports of the subject merchandise into the United States, taking into account the availability of other export markets to absorb any additional exports,*
>
> *(III) a significant rate of increase of the volume or market penetration of imports of the subject merchandise indicating the likelihood of substantially increased imports,*
>
> *(IV) whether imports of the subject merchandise are entering at prices that are likely to have a significant depressing or suppressing effect on domestic prices, and are likely to increase demand for further imports,*
>
> *(V) inventories of the subject merchandise,*

---

[1] Section 771(7)(F)(ii) of the Act (19 U.S.C. § 1677(7)(F)(ii)) provides that "The Commission shall consider {these factors} . . . as a whole in making a determination of whether further dumped or subsidized imports are imminent and whether material injury by reason of imports would occur unless an order is issued or a suspension agreement is accepted under this title. The presence or absence of any factor which the Commission is required to consider . . . shall not necessarily give decisive guidance with respect to the determination. Such a determination may not be made on the basis of mere conjecture or supposition."

(VI) the potential for product-shifting if production facilities in the foreign country, which can be used to produce the subject merchandise, are currently being used to produce other products,

(VII) in any investigation under this title which involves imports of both a raw agricultural product (within the meaning of paragraph (4)(E)(iv)) and any product processed from such raw agricultural product, the likelihood that there will be increased imports, by reason of product shifting, if there is an affirmative determination by the Commission under section 705(b)(1) or 735(b)(1) with respect to either the raw agricultural product or the processed agricultural product (but not both),

(VIII) the actual and potential negative effects on the existing development and production efforts of the domestic industry, including efforts to develop a derivative or more advanced version of the domestic like product, and

(IX) any other demonstrable adverse trends that indicate the probability that there is likely to be material injury by reason of imports (or sale for importation) of the subject merchandise (whether or not it is actually being imported at the time).[2]

Information on the nature of the alleged subsidies was presented earlier in this report; information on the volume and pricing of imports of the subject merchandise is presented in *Parts IV* and *V*; and information on the effects of imports of the subject merchandise on U.S. producers' existing development and production efforts is presented in *Part VI*. Information on inventories of the subject merchandise; foreign producers' operations, including the potential for "product-shifting;" any other threat indicators, if applicable; and any dumping in third-country markets, follows. Also presented in this section of the report is information obtained for consideration by the Commission on nonsubject countries.

[2] Section 771(7)(F)(iii) of the Act (19 U.S.C. § 1677(7)(F)(iii)) further provides that, in antidumping investigations, ". . . the Commission shall consider whether dumping in the markets of foreign countries (as evidenced by dumping findings or antidumping remedies in other WTO member markets against the same class or kind of merchandise manufactured or exported by the same party as under investigation) suggests a threat of material injury to the domestic industry."

THE INDUSTRY IN CHINA

The Commission issued foreign producers'/exporters' questionnaires to 281 firms believed to produce and/or export quartz surface products from China.[3] Usable responses to the Commission's questionnaire were received from 43 firms:[4] 20 firms reported production of quartz surface products and 24 firms reported exports of quartz surface products to the United States.[5] These firms' (producers and exporters combined) exports to the United States accounted for approximately 41.0 percent of U.S. imports of quartz surface products from China in 2017.[6] According to estimates requested of the responding producers in China, the production of quartz surface products in China reported in questionnaires accounts for approximately 28.0 percent of overall production of quartz surface products in China.[7] Table VII-1 presents information on the quartz surface products operations of the responding producers in China.

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[3] These firms were identified through a review of information submitted in the petition and contained in proprietary Customs records.

[4] The Commission received "NO" responses to the foreign producer questionnaire from an additional 15 firms.

[5] One firm, Hirsch Glass (Dalian) Co., Ltd. ("Dalian"), is both a producer and a resale exporter. Three firms that responded to the Commission's questionnaires reported exports to the United States, but these firms did not export quartz surface products to the United States in 2017. These firms are not included from table VII-2 (summary data for exporters in China during 2017): ***.

[6] The coverage estimate was calculated as the quantity of exports of quartz surface products from China in 2017 reported in the foreign producer questionnaires (25.9 million square feet) divided by the quantity of U.S. imports from China in 2017 (63.1 million square feet).

[7] The estimates of total production of quartz surface products in China were provided by nine of the responding Chinese producers. The remaining 11 responding producers did not provide estimates or did not know its share of production in China for 2017. One Chinese producer, ***, estimated that it accounted for 100 percent of all production in China during 2017, which staff did not include in its estimate of total production of quartz surface products during 2017. Overall, the estimates provided by Chinese producers do not appear to be accurate. One firm *** estimated that it accounted for *** percent of total Chinese production of quartz surface products during 2017, while *** produced nearly the same amount during 2017 but estimated that it accounted for approximately *** percent of total production of quartz surface products in China during 2017. Foreign producer questionnaire, question II-6.

Table VII-1
Quartz surface products: Summary data for producers and exporters in China, reported production, shares of production, exports to the United States, share of exports to the United States, total shipments, and share of total shipments exported to the United States, 2017

Firm	Production (1,000 square feet)	Share of reported production (percent)	Exports to the United States (1,000 square feet)	Share of reported exports to the United States (percent)	Total shipments (1,000 square feet)	Share of firm's total shipments exported to the United States (percent)
Biyu	***	***	***	***	***	***
Bosun	***	***	***	***	***	***
Dalian	***	***	***	***	***	***
EDG	***	***	***	***	***	***
Ersten Surfaces	***	***	***	***	***	***
Hercules	***	***	***	***	***	***
Hexingtai	***	***	***	***	***	***
Interock	***	***	***	***	***	***
Jingwei	***	***	***	***	***	***
Lafite	***	***	***	***	***	***
Leda	***	***	***	***	***	***
Loyalty	***	***	***	***	***	***
One Stone	***	***	***	***	***	***
Pengxiang	***	***	***	***	***	***
Qinhui	***	***	***	***	***	***
Rongguan	***	***	***	***	***	***
Teltos	***	***	***	***	***	***
Thinking Industries	***	***	***	***	***	***
Wayon Stone	***	***	***	***	***	***
Wei Sheng	***	***	***	***	***	***
Total	48,323	100.0	21,779	100.0	45,934	47.4

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

Table VII-2 presents information on the quartz surface products operations of the responding exporters in China.[8] The exports to the United States were not produced by these firms, but were reported as resales to the United States during 2017.

Table VII-2
Quartz surface products: Summary data for exporters in China and share of exports, 2017

Firm	Exports to the US (1,000 sq. ft.)	Share of reported exports (percent)
Bestone	***	***
Dalian	***	***
Franco	***	***
Haobo	***	***
Injoy	***	***
KBI	***	***
Lexiang	***	***
Lode	***	***
Luck Stone	***	***
Maoshuang	***	***
Multi-family Stone	***	***
Realho	***	***
Shihui	***	***
Shunsen	***	***
Smarter Stone	***	***
Stone Vic Xiamen	***	***
Sun Young	***	***
Sunrise Stone	***	***
Vatro	***	***
Yeyang	***	***
Yiqing	***	***
Total	4,112	100.0

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

[8] The Commission received 23 responses from firms that indicated exports to the United States during 2015-17. Twenty-one of the 23 responding firms indicated exports to the United States during 2017. Foreign producer questionnaire, question II-9.

Changes in operations

As presented in table VII-3, producers in China reported several operational and organizational changes since January 1, 2015, including *** plant openings and *** expansions and technological improvements.

Table VII-3
Quartz surface products: Chinese producers' reported changes in operations, since January 1, 2015

* * * * * * *

Operations on quartz surface products

Capacity in China increased by 49.1 percent from 2015 to 2017, and production increased by 92.1 percent from 2015 to 2017. Capacity utilization increased by 19.0 percentage points from 2015 to 2017. In addition, end-of-period inventories increased by 96.1 percent from 2015 to 2017. In its postconference brief, the petitioner estimated that annual Chinese quartz surface products production capacity was approximately 7.7 billion square feet per year.[9]

Capacity in China increased by 49.1 percent from 2015 to 2017, and production increased by 92.1 percent from 2015 to 2017. Capacity utilization increased by 19.0 percentage points from 2015 to 2017. In addition, end-of-period inventories increased by 96.1 percent from 2015 to 2017.

Total shipments of the responding Chinese producers increased by 113.2 percent from 2015 to 2017. Home market shipments increased by 35.1 percent from 2015 to 2017, while shipments to all other markets increased by 57.9 percent from 2015 to 2017.

Chinese exports of quartz surface products to the United States increased overall by 185.0 percent from 2015 to 2017. As a share of the responding Chinese producers' total shipments, exports to the United States increased by 11.9 percentage points from 2015 to 2017. Exports of quartz surface products to countries other than the United States decreased by 7.6 percentage points from 2015 to 2017. Other export markets identified include Argentina, Hong Kong, and Canada. Projections indicate that capacity, production, shipments, and inventories will fluctuate, while home market shipments will increase during 2018-19.

Table VII-4 presents information on the quarts surface products operations of the responding producers and exporters in China.

[9] The petitioner provided this information based on publicly available information, including websites of more than 400 Chinese quartz products producers. Petitioner's postconference brief, exhibit 13.

Table VII-4
Quartz surface products: Data for producers in China, 2015-17, and projections for calendar years 2018 and 2019

Item	Actual experience			Projections	
	Calendar year				
	2015	2016	2017	2018	2019
	Quantity (1,000 square feet)				
Capacity	38,131	45,721	56,847	48,365	50,081
Production	25,154	34,094	48,323	37,801	39,617
End-of-period inventories	2,899	5,374	5,684	5,307	4,181
Shipments:					
Home market shipments:					
Internal consumption/ transfers	4,318	5,203	5,835	5,980	6,168
Commercial home market shipments	3,270	5,297	8,339	8,852	9,339
Total home market shipments	7,588	10,501	14,174	14,832	15,508
Export shipments to:					
United States	7,642	12,542	21,779	15,816	17,384
All other markets	6,320	6,635	9,981	8,507	9,250
Total exports	13,961	19,177	31,760	24,322	26,634
Total shipments	21,550	29,678	45,934	39,154	42,141
	Ratios and shares (percent)				
Capacity utilization	66.0	74.6	85.0	78.2	79.1
Inventories/production	11.5	15.8	11.8	14.0	10.6
Inventories/total shipments	13.5	18.1	12.4	13.6	9.9
Share of shipments:					
Home market shipments:					
Internal consumption/ transfers	20.0	17.5	12.7	15.3	14.6
Commercial home market shipments	15.2	17.8	18.2	22.6	22.2
Total home market shipments	35.2	35.4	30.9	37.9	36.8
Export shipments to:					
United States	35.5	42.3	47.4	40.4	41.3
All other markets	29.3	22.4	21.7	21.7	22.0
Total exports	64.8	64.6	69.1	62.1	63.2
Total shipments	100.0	100.0	100.0	100.0	100.0
	Quantity (1,000 square feet)				
Resale exported to the United States	1,810	4,169	4,112	4,807	4,890
Total exports to the United States	9,452	16,711	25,891	20,622	22,273
	Ratios and shares (percent)				
Share of total exports to the United States.--					
Exported by producers	80.8	75.1	84.1	76.7	78.0
Exported by resellers	19.2	24.9	15.9	23.3	22.0
Adjusted share of total shipments exported to the United States	43.9	56.3	56.4	52.7	52.9

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

Alternative products

As shown in table VII-5, responding firms in China produced other products on the same equipment and machinery used to produce quartz surface products. Nearly *** production capacity was devoted to in-scope quartz surface products production. The *** Chinese firms that reported out-of-scope production accounted for *** percent of total production in 2017.

Table VII-5
Quartz surface products: Overall capacity and production on the same equipment as subject production by producers in China, 2015-17

* * * * * * *

Exports

According to Global Trade Atlas, the leading export markets for quartz surface products from China are Argentina, the United States, and Hong Kong (table VII-6). During 2017, Argentina was the top export market for quartz surface products from China based on quantity, accounting for 27.1 percent, while the United States was the second largest export market for quartz surface products from China, accounting for 16.4 percent. Hong Kong was the third largest export market for quartz surface products from China based on quantity, accounting for 7.5 percent.

During 2017, the United States was the top export market for quartz surface products from China based on value, while Canada was the second largest export market for quartz surface products from China. Argentina was the third largest export market, based on value, for quartz surface products from China.

Table VII-6
Articles of cement, concrete, or artificial stone, nesoi: Exports from China, 2015-17

Destination market	Calendar year		
	2015	2016	2017
	Quantity (short tons)		
Exports from China to the United States	97,727	151,456	190,362
Exports from China to other major destination markets.--			
Argentina	173,924	172,960	314,047
Hong Kong	115,603	94,748	87,009
Canada	32,343	46,909	58,150
Bangladesh	387	611	51,252
Vietnam	11,152	17,556	41,868
Guinea	22,163	14,133	38,889
Korea	19,111	31,802	38,146
Australia	20,793	23,355	36,951
All other destination markets	273,817	239,583	303,165
Total exports from China	767,020	793,113	1,159,840
	Value (1,000 dollars)		
Exports from China to the United States	429,130	325,399	477,827
Exports from China to other major destination markets.--			
Argentina	41,382	39,221	71,899
Hong Kong	34,573	31,894	39,733
Canada	89,150	65,078	77,319
Bangladesh	2,599	785	5,273
Vietnam	8,374	9,502	18,168
Guinea	877	629	1,551
Korea	18,322	33,986	51,339
Australia	42,039	40,744	43,008
All other destination markets	660,397	405,407	617,705
Total exports from China	1,326,843	952,644	1,403,821

Table continued on next page.

Table VII-6--Continued
Quartz surface products: Exports from China, 2015-17

Destination market	Calendar year		
	2015	2016	2017
	Unit value (dollar per short tons)		
Exports from China to the United States	4,391	2,148	2,510
Exports from China to other major destination markets.--			
Argentina	238	227	229
Hong Kong	299	337	457
Canada	2,756	1,387	1,330
Bangladesh	6,712	1,284	103
Vietnam	751	541	434
Guinea	40	45	40
Korea	959	1,069	1,346
Australia	2,022	1,745	1,164
All other destination markets	2,412	1,692	2,038
Total exports from China	1,730	1,201	1,210
	Share of quantity (percent)		
Exports from China to the United States	12.7	19.1	16.4
Exports from China to other major destination markets.--			
Argentina	22.7	21.8	27.1
Hong Kong	15.1	11.9	7.5
Canada	4.2	5.9	5.0
Bangladesh	0.1	0.1	4.4
Vietnam	1.5	2.2	3.6
Guinea	2.9	1.8	3.4
Korea	2.5	4.0	3.3
Australia	2.7	2.9	3.2
All other destination markets	35.7	30.2	26.1
Total exports from China	100.0	100.0	100.0

Source: Official exports statistics under HS subheading 6810.99 as reported by China Customs in the IHS/GTA database, accessed May 15, 2018.

U.S. INVENTORIES OF IMPORTED MERCHANDISE

Table VII-7 presents data on U.S. importers' reported inventories of quartz surface products. U.S. importers' end-of-period inventories of imports from China increased from 2015 to 2017 by 193.8 percent.[10] During 2015-17, U.S. importers' end-of-period inventories of imports from nonsubject sources increased by 30.7 percent. Total U.S. importers' end-of-period inventories of imports from all sources increased by 77.3 percent during 2015-17.

Table VII-7
Quartz surface products: U.S. importers' inventories, 2015-17

Item	Calendar year		
	2015	2016	2017
	Inventories (1,000 square feet); Ratios (percent)		
Imports from China			
Inventories	6,071	11,255	17,837
Ratio to U.S. imports	41.2	42.6	42.2
Ratio to U.S. shipments of imports	52.4	52.0	49.8
Ratio to total shipments of imports	52.4	52.0	49.8
Imports from nonsubject sources:			
Inventories	14,921	15,448	19,502
Ratio to U.S. imports	34.9	35.4	39.2
Ratio to U.S. shipments of imports	36.3	35.8	42.2
Ratio to total shipments of imports	36.1	35.5	41.8
Imports from all import sources:			
Inventories	20,992	26,703	37,338
Ratio to U.S. imports	36.5	38.1	40.6
Ratio to U.S. shipments of imports	39.9	41.2	45.5
Ratio to total shipments of imports	39.7	41.0	45.3

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

[10] U.S. importer *** reported inconsistent data in its 2016 end-of-period inventories compared to its 2017 beginning-of-period inventories. U.S. importer *** also reported inventories that were inconsistent with its imports and shipments. *** U.S. importer questionnaires, question II-5a.

U.S. IMPORTERS' OUTSTANDING ORDERS

The Commission requested importers to indicate whether they imported or arranged for the importation of quartz surface products from China after January 1, 2018 (table VII-8). Responding importers reported 21,698 square feet of arranged imports of quartz surface products from China and 16,035 square feet of arranged imports of quartz surface products from nonsubject sources during 2018. Arranged imports from China accounted for 57.5 percent of total arranged imports of quartz surface products during 2018.

Table VII-8
Quartz surface products: Arranged U.S. imports, January 2018 through December 2018

Item	Period				
	Jan-Mar 2018	Apr-Jun 2018	Jul-Sept 2018	Oct-Dec 2018	Total
	Quantity (1,000 square feet)				
Arranged U.S. imports from.-- China	7,861	8,587	4,030	1,315	21,793
Nonsubject sources	9,306	4,913	1,678	140	16,037
All import sources	17,167	13,499	5,709	1,455	37,830

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

ANTIDUMPING OR COUNTERVAILING DUTY ORDERS IN THIRD-COUNTRY MARKETS

There are no known trade remedy actions on quartz surface products in third-country markets. One foreign producer *** reported third-country trade actions, but it did not provide any information regarding the trade action.[11] At the Commission's preliminary conference, counsel for the petitioner stated they were aware of a dumping case that was filed in the European Union in 2013, but that within six months, the petitioners withdrew the petition for unknown reasons.[12]

INFORMATION ON NONSUBJECT COUNTRIES

Table VII-9 presents global export data of cement, concrete, or artificial stone articles, including quartz surface products. The value of global exports of cement, concrete, and artificial stone articles increased by 5.6 percent from 2015-2017 (table VII-9). China was the largest global exporter of these products, based on value, and accounted for 37.7 percent of global exports in 2017. The largest global exporters based on value of cement, concrete or artificial stone articles were, in descending order of magnitude, China, Spain, Germany, Poland, and Canada.

[11] *** foreign producer questionnaire, question II-7.
[12] Conference transcript, p. 63 (Meisner).

Table VII-9
Quartz surface products: Global exports by exporter, 2015-17

Exporter	Calendar year		
	2015	2016	2017
	Value (1,000 dollars)		
United States	127,866	115,481	126,478
China	1,326,843	952,644	1,403,821
All other major reporting exporters.-- Spain	353,362	389,359	474,782
Germany	300,771	321,083	348,168
Poland	99,279	111,839	177,818
Canada	150,806	155,315	156,109
Malaysia	216,310	181,972	136,126
Netherlands	54,247	61,951	106,237
Mexico	80,493	78,358	105,483
Italy	130,718	97,730	93,193
United Kingdom	57,186	61,917	58,550
Belgium	32,806	37,088	47,700
All other exporters	593,120	642,446	486,376
Total global exports	3,523,807	3,207,183	3,720,841
	Share of value (percent)		
United States	3.6	3.6	3.4
China	37.7	29.7	37.7
All other major reporting exporters.-- Spain	10.0	12.1	12.8
Germany	8.5	10.0	9.4
Poland	2.8	3.5	4.8
Canada	4.3	4.8	4.2
Malaysia	6.1	5.7	3.7
Netherlands	1.5	1.9	2.9
Mexico	2.3	2.4	2.8
Italy	3.7	3.0	2.5
United Kingdom	1.6	1.9	1.6
Belgium	0.9	1.2	1.3
All other exporters	16.8	20.0	13.1
Total global exports	100.0	100.0	100.0

Source: Official exports statistics under HS subheading 6810.99 as reported by China Customs in the IHS/GTA database, accessed May 15, 2018.

APPENDIX A

FEDERAL REGISTER NOTICES

The Commission makes available notices relevant to its investigations and reviews on its website, www.usitc.gov. In addition, the following tabulation presents, in chronological order, *Federal Register* notices issued by the Commission and Commerce during the current proceeding.

Citation	Title	Link
83 FR 17675 April 23, 2018	*Quartz Surface Products From China; Institution of Anti-Dumping and Countervailing Duty Investigations and Scheduling of Preliminary Phase Investigations*	https://www.gpo.gov/fdsys/pkg/FR-2018-04-23/pdf/2018-08412.pdf
83 FR 22613 May 16, 2018	*Certain Quartz Surface Products From the People's Republic of China: Initiation of Less-Than-Fair-Value Investigation*	https://www.gpo.gov/fdsys/pkg/FR-2018-05-16/pdf/2018-10533.pdf
83 FR 22618 May 16, 2018	*Certain Quartz Surface Products From the People's Republic of China: Initiation of Countervailing Duty Investigation*	https://www.gpo.gov/fdsys/pkg/FR-2018-05-16/pdf/2018-10533.pdf

APPENDIX B

LIST OF STAFF CONFERENCE WITNESSES

CALENDAR OF PUBLIC PRELIMINARY CONFERENCE

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

Subject: Quartz Surface Products from China

Inv. Nos.: 701-TA-606 and 731-TA-1416 (Preliminary)

Date and Time: May 8, 2018 - 9:30 a.m.

Sessions were held in connection with these preliminary phase investigations in the Main Hearing Room (Room 101), 500 E Street, SW., Washington, DC.

OPENING REMARKS:

In Support of Imposition (**Luke Meisner**, Schagrin Associates)
In Opposition to Imposition (**Jonathan T. Stoel**, Hogan Lovells US LLP)

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

Schagrin Associates
Washington, DC
on behalf of

Cambria Company LLC

Martin E. Davis, President and Chief Executive Officer,
Cambria Company LLC

Jim T. Ward, Chief Financial Officer, Cambria Company LLC

Rebecca Shult, Vice President, Intellectual Property, Cambria Company LLC

Jon L. Grzeskowiak, Director of A&D and Process Operations,
Cambria Company LLC

Michael Birdwell, Chief Operating Officer, Floform Countertops LLC

In Opposition to the Imposition of
Antidumping and Countervailing Duty Orders (continued):

Sam Marchese, Chief Executive Officer, Consolidated Supply Co.

Roger B. Schagrin)
Luke Meisner)
) – OF COUNSEL
Christopher T. Cloutier)
Elizabeth E. Drake)

In Opposition to the Imposition of
Antidumping and Countervailing Duty Orders:

Hogan Lovells US LLP
Washington, DC
on behalf of

M S International, Inc.

Rupesh Shah, President, M S International, Inc.

Matthew Haurte, Vice President of Business Development, Arizona Tile

Dr. Mitchell Ginsburg, Associate Principal, Charles River Associates

Jonathan T. Stoel)
Craig A. Lewis)
) – OF COUNSEL
Jared R. Wessel)
Michael Jacobson)

Harris Bricken McVay, LLP
Washington, DC
on behalf of

Reliance Granite and Marble Corp.;
Stone Showcase Inc.; Absolute Stone;
Universal Granite & Marble Inc.;
Cosmos Granite & Marble; and
Bedrock Quartz

Jugal Ladda, President and CEO, Reliance Granite and Marble Corp.

Vineet Malik, President and CEO, Stone Showcase Inc.

In Opposition to the Imposition of
Antidumping and Countervailing Duty Orders (continued):

Victor E. Torres, President and CEO, Absolute Stone

Alan Jorgensen, President and CEO, Bedrock Quartz

William E. Perry) – OF COUNSEL

Sandler, Travis & Rosenberg, P.A.
Washington, DC
on behalf of

Bruskin International LLC – Belstone Products
MGroup Corp.
StoneVic-Kedin USA Ltd.
Universal Stone Inc.

Scott Smith, President, Briskin International LLC – Belstone Products

H. David Murray, President and CEO, MGroup Corp.

Andrew (Drew) Murray, Vice President of Business Development, MGroup Corp.

Patricia (Patti) Murray, Chief Financial Officer, MGroup Corp.

Ashley Skeen, Vice President, StoneVic-Kedin USA Ltd.

Marek Skovranek, Owner & President, Universal Stone Inc.

Michael Cozart, Director of Field Operations, Universal Stone Inc.

Kristen Smith)
David Craven)
) – OF COUNSEL
Emi Ito Ortiz)
Sarah Yuskaitis)

REBUTTAL/CLOSING REMARKS:

In Support of Imposition (**Roger B. Schagrin**, Schagrin Associates)
In Opposition to Imposition (**Jonathan T. Stoel**, Hogan Lovells US LLP;
and **Kristen Smith**, Sandler, Travis & Rosenberg, P.A.)

APPENDIX C

SUMMARY DATA

Table C-1
Quartz surface products: Summary data concerning the U.S. market, 2015-17
(Quantity=1,000 square feet; Value=1,000 dollars; Unit values, unit labor costs, and unit expenses=dollars per square foot; Period changes=percent--exceptions noted)

	Reported data			Period changes		
	Calendar year			Calendar year		
	2015	2016	2017	2015-17	2015-16	2016-17
U.S. consumption quantity:						
Amount	***	***	***	***	***	***
Producers' share (fn1)	***	***	***	***	***	***
Importers' share (fn1):						
China	***	***	***	***	***	***
Nonsubject sources	***	***	***	***	***	***
All import sources	***	***	***	***	***	***
U.S. consumption value:						
Amount	***	***	***	***	***	***
Producers' share (fn1)	***	***	***	***	***	***
Importers' share (fn1):						
China	***	***	***	***	***	***
Nonsubject sources	***	***	***	***	***	***
All import sources	***	***	***	***	***	***
U.S. imports from:						
China:						
Quantity	22,463	39,286	63,084	180.8	74.9	60.6
Value	194,215	335,144	520,663	168.1	72.6	55.4
Unit value	$8.65	$8.53	$8.25	(4.5)	(1.3)	(3.3)
Ending inventory quantity	***	***	***	***	***	***
Nonsubject sources:						
Quantity	45,532	47,288	52,353	15.0	3.9	10.7
Value	472,259	495,507	551,658	16.8	4.9	11.3
Unit value	$10.37	$10.48	$10.54	1.6	1.0	0.6
Ending inventory quantity	***	***	***	***	***	***
All import sources:						
Quantity	67,995	86,574	115,437	69.8	27.3	33.3
Value	666,474	830,652	1,072,320	60.9	24.6	29.1
Unit value	$9.80	$9.59	$9.29	(5.2)	(2.1)	(3.2)
Ending inventory quantity	***	***	***	***	***	***
U.S. producers':						
Average capacity quantity	***	***	***	***	***	***
Production quantity	***	***	***	***	***	***
Capacity utilization (fn1)	***	***	***	***	***	***
U.S. shipments:						
Quantity	***	***	***	***	***	***
Value	***	***	***	***	***	***
Unit value	***	***	***	***	***	***
Export shipments:						
Quantity	***	***	***	***	***	***
Value	***	***	***	***	***	***
Unit value	***	***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***
Inventories/total shipments (fn1)	***	***	***	***	***	***
Production workers	***	***	***	***	***	***
Hours worked (1,000s)	***	***	***	***	***	***
Wages paid ($1,000)	***	***	***	***	***	***
Hourly wages (dollars per hour)	***	***	***	***	***	***
Productivity (square feet per hour)	***	***	***	***	***	***
Unit labor costs	***	***	***	***	***	***
Net sales:						
Quantity	***	***	***	***	***	***
Value	***	***	***	***	***	***
Unit value	***	***	***	***	***	***
Cost of goods sold (COGS)	***	***	***	***	***	***
Gross profit or (loss)	***	***	***	***	***	***
SG&A expenses	***	***	***	***	***	***
Operating income or (loss)	***	***	***	***	***	***
Net income or (loss)	***	***	***	***	***	***
Capital expenditures	***	***	***	***	***	***
Unit COGS	***	***	***	***	***	***
Unit SG&A expenses	***	***	***	***	***	***
Unit operating income or (loss)	***	***	***	***	***	***
Unit net income or (loss)	***	***	***	***	***	***
COGS/sales (fn1)	***	***	***	***	***	***
Operating income or (loss)/sales (fn1)	***	***	***	***	***	***
Net income or (loss)/sales (fn1)	***	***	***	***	***	***

Notes:

fn1.--Reported data are in percent and period changes are in percentage points.
fn2.--Undefined.

Source: Compiled from data submitted in response to Commission questionnaires and official import statistics under statistical reporting number 6810.99.0010, accessed on April 30, 2018.

APPENDIX D

CHANNELS OF DISTRIBUTION

Table D-1
Quartz surface products: U.S. producers' U.S. shipments by channel of distribution, 2015-17

* * * * * * *

Table D-2
Quartz surface products: U.S. importers' U.S. shipments, by channel of distribution and source, 2015-17

Item	Calendar year		
	2015	2016	2017
	Quantity (1,000 square feet)		
U.S. shipments: Subject to.-- Distributors	1,209	1,960	2,584
Fabricators and retailers	7,941	15,076	26,028
Contractors and builders	2,158	3,944	6,214
Manufacturers	***	***	***
Other end users[1]	***	***	***
All channels of distribution	11,584	21,629	35,786
	Value (1,000 dollars)		
U.S. shipments: Subject to.-- Distributors	10,234	18,400	24,385
Fabricators and retailers	74,738	142,057	255,149
Contractors and builders	24,768	43,560	77,529
Manufacturers	***	***	***
Other end users[1]	***	***	***
All channels of distribution	112,816	211,663	369,128
	Unit value (dollars per square foot)		
U.S. shipments: Subject to.-- Distributors	8.47	9.39	9.44
Fabricators and retailers	9.41	9.42	9.80
Contractors and builders	11.48	11.05	12.48
Manufacturers	***	***	***
Other end users[1]	***	***	***
All channels of distribution	9.74	9.79	10.31
	Share of quantity (percent)		
U.S. shipments: Subject to.-- Distributors	10.4	9.1	7.2
Fabricators and retailers	68.6	69.7	72.7
Contractors and builders	18.6	18.2	17.4
Manufacturers	***	***	***
Other end users[1]	***	***	***
All channels of distribution	100.0	100.0	100.0

Table continued on next page.

Table D-2--Continued
Quartz surface products: U.S. importers' U.S. shipments, by channel of distribution and source, 2015-17

Item	Calendar year		
	2015	2016	2017
	Quantity (1,000 square feet)		
U.S. shipments: Nonsubject to.-- Distributors	10,469	8,519	7,694
Fabricators and retailers	26,842	30,870	34,526
Contractors and builders	3,632	3,625	3,766
Manufacturers	---	---	---
Other end users[1]	121	147	218
All channels of distribution	41,064	43,162	46,204
	Value (1,000 dollars)		
U.S. shipments: Nonsubject to.-- Distributors	130,065	108,758	104,171
Fabricators and retailers	472,511	496,770	558,412
Contractors and builders	53,849	63,147	65,836
Manufacturers	---	---	---
Other end users[1]	1,178	1,817	2,927
All channels of distribution	657,603	670,492	731,346
	Unit value (dollars per square foot)		
U.S. shipments: Nonsubject to.-- Distributors	12.42	12.77	13.54
Fabricators and retailers	17.60	16.09	16.17
Contractors and builders	14.83	17.42	17.48
Manufacturers	---	---	---
Other end users[1]	9.71	12.33	13.43
All channels of distribution	16.01	15.53	15.83
	Share of quantity (percent)		
U.S. shipments: Nonsubject to.-- Distributors	25.5	19.7	16.7
Fabricators and retailers	65.4	71.5	74.7
Contractors and builders	8.8	8.4	8.1
Manufacturers	---	---	---
Other end users[1]	0.3	0.3	0.5
All channels of distribution	100.0	100.0	100.0

[1] The most frequently reported type of other end users were homeowners, sample products, and internal consumption/transfers.

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