

# UNITED STATES INTERNATIONAL TRADE COMMISSION

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In the Matter of:	)	
	)	Investigation No.:
WOODEN BEDROOM FURNITURE	)	731-TA-1058 (Final)
FROM CHINA	)	

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Place: Washington, D.C.  
Date: November 9, 2004

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## THE UNITED STATES INTERNATIONAL TRADE COMMISSION

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 ) Investigation No.:  
 WOODEN BEDROOM FURNITURE ) 731-TA-1058 (Final)  
 FROM CHINA )

Tuesday,  
 November 9, 2004

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

The hearing commenced, pursuant to notice, at 9:31 a.m., before the Commissioners of the United States International Trade Commission, the Honorable STEPHEN KOPLAN, Chairman, presiding.

## APPEARANCES:

On behalf of the International Trade Commission:

Commissioners:

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 DEANNA TANNER OKUN, VICE CHAIRMAN  
 MARCIA E. MILLER, COMMISSIONER  
 JENNIFER A. HILLMAN, COMMISSIONER  
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Staff:

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On behalf of American Furniture Manufacturers  
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 Carpenters Local 721: UBC Southern Council of  
 Industrial Workers Local Union 2305: United Steel  
 Workers of America Local 193U: Carpenters  
 Industrial Union Local 2093: Teamsters,  
 Chauffeurs, Warehousemen and Helpers Local 991:  
 IUE, Industrial Division of CWA Local 82472:

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 WYATT BASSETT, Executive Vice President, Vaughan-  
 Bassett Furniture Company  
 KEITH R. SANDERS, Executive Vice President,  
 Operations, Bassett furniture Industries  
 NOEL L. CHITWOOD, President, American of  
 Martinsville  
 JOHN E. WENTWORTH, President, Moosehead  
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 IRWIN ALLEN, President and CEO, Michels-Pillioid  
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APPEARANCES: (Cont'd.)

On behalf of American Furniture Manufacturers Committee for Legal Trade and its individual members; Cabinet Makers, Millmen, and Industrial Carpenters Local 721; UBC Southern Council of Industrial Workers Local Union 2305; United Steel Workers of America Local 193U; Carpenters Industrial Union Local 2093; Teamsters, Chauffeurs, Warehousemen and Helpers Local 991; IUE, Industrial Division of CWA Local 82472:

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 KENNETH HERMAN BURNETTE, President, East Coast Plywood Company  
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MARIA YEE, Vice President, GZMYFL; Director, Pyla; and President, MYI  
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HARVEY J. SILVERSTONE, Corporate Secretary and General Counsel, Euromarket Designs, Inc., d/b/a Crate and Barrel

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P R O C E E D I N G S

(9:31 a.m.)

CHAIRMAN KOPLAN: Good morning. On behalf of the United States International Trade Commission, I welcome you to this hearing on Investigation No. 731-TA-1058 (Final), involving Wooden Bedroom Furniture From China.

The purpose of this investigation is to determine whether an industry in the United States is materially injured or threatened with material injury by reason of less than fair value imports of subject merchandise.

Schedules setting forth the presentation of this hearing, notice of investigation and transcript order forms are available at the Secretary's desk. All prepared testimony should be given to the Secretary. Do not place testimony directly on the public distribution table.

As all written material will be entered in full into the record, it need not be read to us at this time. All witnesses must be sworn in by the Secretary before presenting testimony.

I understand the parties are aware of the time allocations. Any questions regarding the time allocations should be directed to the Secretary.

1           Finally, if you will be submitting documents  
2           that contain information you wish classified as  
3           business confidential, your requests should comply  
4           with Commission Rule 201.6.

5           Madam Secretary, are there any preliminary  
6           matters?

7           MS. ABBOTT: No, Mr. Chairman.

8           CHAIRMAN KOPLAN: Very well then. Let us  
9           proceed with the opening remarks.

10          MS. ABBOTT: Opening remarks on behalf of  
11          Petitioner will be by Joseph W. Dorn, King & Spalding.

12          MR. DORN: This case is about \$3.8 billion  
13          of dumped imports of bedroom furniture from China that  
14          entered the United States from January 2001 to June  
15          2004. These imports contributed to the closing of  
16          over 65 U.S. factories that made wooden bedroom  
17          furniture and that employed over 18,000 workers.

18          Since January 2001, the U.S. Department of  
19          Labor has granted 53 applications for trade adjustment  
20          assistance. The Department determined that imports  
21          contributed importantly to the separation of over  
22          12,000 workers in plants that made bedroom furniture.

23          Chinese producer Dalien Huafeng is  
24          developing a 1.74 square mile industrial zone with 14  
25          million square feet of manufacturing, warehousing and

1 showroom facilities. The company admitted before this  
2 petition was filed that "the reason we built such a  
3 huge industrial zone for our U.S. exports is to force  
4 U.S. furniture manufacturers to close so as to make  
5 way for Chinese products."

6 Applying the three statutory criteria, there  
7 is no doubt that this industry is materially injured  
8 by reason of dumped imports from China. First, the  
9 volume of subject imports. China's share of imports  
10 from all countries increased from 31 percent in 2001  
11 to 54 percent in the first half of this year. From  
12 2001 to 2003, dumped imports jumped 148 percent or by  
13 over \$800 million. From the first half of 2003 to the  
14 first half of 2004, dumped imports jumped another 40  
15 percent or by \$250 million.

16 As noted in the preliminary determination,  
17 the market share of the subject imports rose steadily  
18 from 10 percent in 2000 to 28 percent in the first  
19 half of 2003. Their share continued to increase  
20 through the first half of 2004. Moreover, as the  
21 Commission also noted, the increase in the subject  
22 import market share was almost entirely at the expense  
23 of the domestic industry.

24 Second, the price effects of the dumped  
25 imports. The Commission found in its preliminary

1 determination that there is a moderate to high degree  
2 of substitutability between domestic products and  
3 subject imports and that price is a significant factor  
4 in the purchase decision.

5 In the preliminary determination, the  
6 Commission found underselling in 107 of 108 quarterly  
7 price comparisons. The prehearing report reflects  
8 large margins of underselling in all 112 quarters for  
9 which pricing data was collected in this final  
10 investigation.

11 As the Commission noted in its preliminary  
12 determination, the consistent underselling was  
13 accompanied by significant increases in shipments of  
14 the imported products and significant declines in the  
15 sales of the comparable domestic products. In that  
16 regard, please see Petitioners' confidential hearing  
17 exhibit, which I've handed up, which is based on the  
18 price comparison data in the prehearing report.

19 In its preliminary determination, the  
20 Commission noted that the data did not show a  
21 consistent pattern of significant price effects on a  
22 majority of the price comparison products. In this  
23 final investigation, however, the data show that  
24 domestic prices trended downward for seven of the  
25 eight products.

1           In addition, the average unit value for all  
2 U.S. shipments of domestic producers fell 7.6 percent  
3 from 2001 to 2003 and another 3.2 percent from the  
4 first half of 2003 to the first half of 2004. In  
5 addition, the domestic industry's gross profit margin  
6 declined. If not clear before, it is clear now that  
7 dumped imports have depressed domestic prices.

8           Finally, the impact of subject imports.  
9 Keep in mind that demand was strong and growing during  
10 the POI as indicated by the vast majority of the  
11 responses to your questionnaires. In addition,  
12 survivor bias understates the industry's downturn.  
13 Nevertheless, virtually every performance indicator is  
14 trending downward by a significant amount.

15           The combination of declining sales, unit  
16 shipment values and capacity utilization has been  
17 devastating to the bottom line. The domestic industry  
18 lost about half of its operating income from 2001 to  
19 2003. It lost another 10 percent in the first half of  
20 2004.

21           The handful of U.S. companies that oppose  
22 the petition include companies that still produce  
23 furniture in the United States, but that have become  
24 increasingly dependent on their Chinese suppliers.  
25 They have largely given up on the future of their U.S.

1 assets and production employees. Their primary  
2 interest is to grow by importing.

3 Petitioners, however do not want to become  
4 merchandisers for the Chinese. They want to preserve  
5 their U.S. assets and their U.S. employees. They want  
6 the dumping to stop.

7 Thank you.

8 CHAIRMAN KOPLAN: Thank you, Mr. Dorn.

9 Mr. Greenwald?

10 MS. ABBOTT: Opening remarks on behalf of  
11 Respondents will be by John D. Greenwald, Wilmer  
12 Cutler Pickering Hale & Dorr.

13 CHAIRMAN KOPLAN: Good morning.

14 MR. GREENWALD: Good morning, Chairman  
15 Koplan, Commissioners.

16 Mr. Dorn speaks for Petitioners. He does  
17 not speak for the U.S. wood bedroom furniture  
18 industry. You are still collecting data, but when all  
19 your data are in I believe that they will show that a  
20 majority of the U.S. producers that account for a  
21 majority of U.S. production either actively oppose or  
22 have refused to support this petition.

23 As Commissioners, you must take great care  
24 not to confuse the Petitioners' claims of injury and  
25 causation with the position of an industry that claims

1 neither. In fact, in their more candid moments, even  
2 Petitioners recognize that the problems that they  
3 complain about are a function of basic economics.

4 Specifically, the cost, the labor cost  
5 element, of wood furniture production is very large,  
6 and the demand is very sensitive to price. What this  
7 means is that because labor costs in the U.S. are so  
8 high and because wood bedroom furniture production is  
9 so labor intensive and because demand is so sensitive  
10 to price much of the imported furniture cannot be made  
11 efficiently in the United States.

12 Every single major U.S. furniture producer  
13 recognizes this. They have developed what are called  
14 blended sourcing strategies. La-Z-Boy, the largest of  
15 the Petitioners, is the latest convert to the notion  
16 of blended sourcing. Immediately after the Commerce  
17 Department issued its preliminary determination, La-Z-  
18 Boy's chief executive officer announced that Commerce  
19 Department's margins would not change the competitive  
20 landscape and that he was taking 75 percent of his  
21 production offshore.

22 The facts of this case do not support  
23 Petitioners' injury and causation claims. It is true  
24 that imports from China are up and U.S. production is  
25 down, but that is largely a function of choice by



1 domestic producers that are pursuing blended sourcing  
2 strategies.

3 As Petitioners follow these opening remarks  
4 and come up and make their case, I would ask you to  
5 keep the following basic questions in mind. First,  
6 why should the Commission conclude that dumped imports  
7 and not basic economics is driving developments in  
8 this industry? Major U.S. producers are pursuing  
9 blended sourcing strategies, and every one of them is  
10 explaining its decision in terms of labor costs.  
11 Isn't that in fact the crux of the matter before you?

12 Second, if, as I suspect they will,  
13 Petitioners say that they were forced to import from  
14 China because of Chinese producer dumping, why should  
15 you believe them? Isn't it true that U.S.  
16 manufacturers were in fact the first to go to China,  
17 and isn't it also true that they have a very strong  
18 incentive to source offshore product that they cannot  
19 produce efficiently in their own plants?

20 Third, if antidumping duties are imposed,  
21 don't basic economics and all the other evidence you  
22 have collected indicate that importers, including U.S.  
23 producers, will simply shift sourcing from China to  
24 other low wage countries?

25 Fourth, doesn't the evidence contradict

1       Petitioners' basic injury claim? The most surprising  
2       element of the prehearing report was the performance  
3       of the U.S. industry. It is clearly smaller over the  
4       period of investigation, but it is just as clearly  
5       stronger.

6                 Fifth, if Petitioners complain about import  
7       pricing, isn't it true that they in sourcing product  
8       from China are driving, insisting on the lowest  
9       possible price? When you look at the pricing trends  
10      that Mr. Dorn passed around in his confidential  
11      exhibit, isn't it true that the trends in fact do not  
12      reflect significant changes in producer pricing, but  
13      rather in the mix and the weights assigned to  
14      different producers in the tables?

15                These are only a few of the questions that  
16      are raised in this case. They all lead back to basic  
17      economics. The labor intensive nature of production,  
18      the resistance of consumers to price increases are  
19      driving the U.S. industry. As La-Z-Boy's CEO said,  
20      the dumping issue is not in fact relevant to what is  
21      happening.

22                Thank you.

23                CHAIRMAN KOPLAN: Thank you.

24                Madam Secretary, if we can have the first  
25      panel?

1 MS. ABBOTT: The first panel in support of  
2 the imposition of antidumping duties should please  
3 come forward and take their places.

4 The witnesses have been sworn.

5 (Witnesses sworn.)

6 CHAIRMAN KOPLAN: You may proceed.

7 MR. J. BASSETT: Good morning. My name is  
8 John Bassett. I am the president and CEO of Vaughan-  
9 Bassett Furniture Company and the chairman for the  
10 Committee for Legal Trade. I've been involved in the  
11 bedroom furniture business for 42 years. I am a  
12 former president of the American Furniture  
13 Manufacturers Association.

14 The Committee for Legal Trade has 25 member  
15 companies that produce bedroom furniture in the United  
16 States. During the period of investigation, our  
17 members operated over 50 factories in at least 14  
18 states.

19 As a businessman who is new to this process,  
20 I do not see how there could be any reasonable doubt  
21 that our domestic industry is materially injured by  
22 reason of dumped imports from China.

23 Since January 1, 2001, our members alone  
24 have been forced to close 25 bedroom plants and lay  
25 off over 5,000 bedroom employees. Exhibit 32 of our

1 prehearing brief lists over 65 plants that have closed  
2 in the bedroom industry since January 2001. Those  
3 plants employed over 18,000 workers.

4 Exhibit 31 lists 53 TAA certifications for  
5 separated workers. For each certification, the  
6 Department of Labor found that increased imports  
7 contributed materially to the layoff of workers in  
8 plants making bedroom furniture.

9 In short, the industry plants and workers  
10 have already been decimated by a mere tripling of  
11 imports from China over the period of investigation.  
12 If that's not material injury, then I don't know what  
13 is.

14 Contrary to our opponents, our injury has  
15 nothing to do with imports from countries other than  
16 China. China accounts for virtually the entire  
17 increase in the United States imports since 2001 as  
18 shown on the slide.

19 China's share of imports from all countries  
20 has steadily increased from 31 percent in 2001 to 51  
21 percent in the first half of this year. When it comes  
22 to imports of bedroom furniture, China is the 800  
23 pound gorilla. No other country comes close.

24 Our declining condition is due to one reason  
25 and one reason only. Dumped imports from China have

1 surged into the United States at lower and lower  
2 prices. It has nothing to do with the recent  
3 recession as alleged by Furniture Brands. Our  
4 industry has declined in a growing market for bedroom  
5 furniture.

6 It has nothing to do with allegedly better  
7 designs from China as claimed by the Furniture Retail  
8 Association. All bedroom designs are derivative. The  
9 Chinese did not create 18th century nor Victorian nor  
10 Early American styles or any other styles. They do  
11 not even have qualified furniture designers. They  
12 just find out what design is selling in the United  
13 States, copy it and offer it at a lower price.

14 The larger retailers went to China for one  
15 reason. Lower prices. It's that simple. No one in  
16 this room believes that Chinese products do not  
17 substantially undercut the prices of comparable  
18 furniture made in the United States.

19 Our petitioning companies have invested  
20 heavily to reduce our production cost to get closer to  
21 the Chinese prices. The dumped imports, however, have  
22 destroyed anticipated returns on those investments.  
23 The imports have sharply reduced our market share,  
24 sales, operating income and cash flow. This has  
25 forced us to close factories and lay off long-term,

1 loyal employees in small communities where alternate  
2 jobs are very, very difficult to find.

3 We feel an obligation to our remaining  
4 employees to do everything we can to protect their  
5 jobs. We are here to petition the government to  
6 enforce our trade laws and to stop the illegal pricing  
7 of imports of wooden bedroom furniture from China.

8 We welcome global competition and  
9 international trade. We understand that only the  
10 strong will survive, but selling at dumped prices is  
11 not strength. It is exploiting an unfair advantage.  
12 The Chinese are masters of the art, not only in  
13 furniture, but in over 50 other cases where  
14 antidumping orders have already been imposed.

15 We simply want the law applied as it has  
16 been with these other industries, thereby allowing us  
17 to compete on a level playing field. The Chinese are  
18 rapidly expanding capacity as we speak. That  
19 increased capacity is aimed at all bedroom slots that  
20 our petitioning companies still maintain.

21 Ladies and gentlemen, we desperately need  
22 your help. Thank you very much.

23 MR. CHITWOOD: Mr. Chairman, Commissioners,  
24 my name is Noel Chitwood. I've been employed by  
25 American of Martinsville since 1999, and I have served

1 as its president since June 2001.

2 American of Martinsville is located in  
3 Martinsville, Virginia. It is a division of La-Z-Boy,  
4 which has over \$2 billion in annual sales. Four other  
5 La-Z-Boy divisions are members of the Committee for  
6 Legal Trade that support this antidumping petition.

7 Dumped imports of bedroom groups from China  
8 has seriously injured La-Z-Boy's bedroom production  
9 operations and workforce. Since January 1, 2001,  
10 La-Z-Boy has closed or is in the process of closing 10  
11 plants that made bedrooms. Those plant closures  
12 eliminated approximately 2,400 jobs.

13 Steve Kincaid testified at the staff  
14 conference last November about the damage La-Z-Boy has  
15 suffered from dumped imports from China. Steve's  
16 impetus was on the four divisions that focus on the  
17 residential market segment. I will focus on the  
18 adverse impact that dumped imports have had on  
19 American of Martinsville.

20 Before discussing American of Martinsville,  
21 however, I would like to respond briefly to Mr.  
22 Greenwald's arguments based on his misquote of our  
23 CEO, Kurt Darrow, in the very first paragraph of his  
24 prehearing brief.

25 Contrary to Mr. Greenwald, Mr. Darrow did

1 not say, "The preliminary antidumping tariffs were  
2 insufficient to change the competitive landscape of  
3 domestic case goods manufacturing." What Mr. Darrow  
4 did say is that, "The competitive landscape of  
5 domestic case goods manufacturing is at risk."

6 Mr. Darrow then announced La-Z-Boy's closure  
7 of two more bedroom plants and the separation of over  
8 500 bedroom furniture employees. In addition, he  
9 explained weak profit margins attributable to lower  
10 sales volumes, poor capacity utilization and  
11 increasing cost of production.

12 In short, the document relied on by Mr.  
13 Greenwald indicates that La-Z-Boy had to close more  
14 bedroom plants and separate more bedroom workers due  
15 to low-priced imports from China.

16 La-Z-Boy joined this coalition over a year  
17 ago with the objective to protect American jobs, as  
18 well as its investment in U.S. production facilities.  
19 Nothing in that regard has changed. La-Z-Boy supports  
20 this petition to give its remaining U.S. production  
21 assets and employees a fair chance to survive.

22 The imposition of an antidumping order will  
23 offset the competitive disadvantage due to dumping.  
24 That will benefit La-Z-Boy's remaining U.S.  
25 manufacturing assets and U.S. workers. It will make a



1       tremendous difference to the future of my division,  
2       American of Martinsville. We now operate a single  
3       plant in Martinsville.

4                 In June 2002, we had to close the second  
5       plant in Chilhowie, Virginia. That plant was  
6       exclusively a wooden bedroom production facility. We  
7       closed the plant because we could not utilize enough  
8       of its capacity to keep it profitable. The plant  
9       employed about 500 workers. The workers were  
10      certified for trade adjustment assistance based on the  
11      Department of Labor's determination that imports  
12      contributed importantly to their separation.

13                Roughly 85 percent of our sales of wooden  
14      bedroom furniture are to hotels and roughly 15 percent  
15      are to assisted living facilities. Unlike the  
16      residential market, demand in the lodging industry  
17      market has declined since 2000. Increased imports  
18      from China have taken a larger share of a declining  
19      market.

20                The weak travel economy caused hotel chains  
21      to place more emphasis on reducing cost. They had to  
22      replace aging product, but they wanted to do so at the  
23      lowest cost possible. The emphasis on lowest price  
24      gave China the inroad it needed to increase its  
25      penetration of this market segment. Large, one-time

1 custom projects for four and five star hotel projects  
2 and repetitive programs for national chains have both  
3 been equally impacted by low-priced imports from  
4 China.

5 Mr. Greenwald states in his prehearing brief  
6 that imports from China are not a major factor in the  
7 institutional or hospitality markets. That statement  
8 is false. Beginning in about 2000, we have faced  
9 intense competition from a number of U.S. companies  
10 that source product from China.

11 Fairmont Design, a company with offices in  
12 California and Tennessee, owns and operates three  
13 plants in China. On its website it lists 30 U.S.  
14 hotels that it has supplied. C.F. Kent Hospitality is  
15 a U.S. company headquartered in California that  
16 operates its own plants in China. On its website it  
17 lists 45 U.S. hotels that it has supplied.

18 Cheng Meng Furniture Company produces  
19 hospitality furniture in Konshan Jiangsu Province in  
20 China. It has supplied numerous U.S. hotels such as  
21 the high profile Desert Ridge Marriott in Arizona.  
22 Decca Hospitality Furnishing supplies the U.S. market  
23 from its factory located in Dongguan, China. Its  
24 factory has over 900,000 square feet of manufacturing  
25 space and 850 employees. Its website lists over 25

1 U.S. hotels that it has supplied.

2           These Chinese factories generally do not  
3 design new products. They either copy designs that  
4 we've created alone or developed with our customers  
5 for national programs, or they bid on a design that a  
6 customer dictates for a one-time custom product. They  
7 have taken business from us by offering lower prices  
8 on essentially identical product.

9           Since January 1, 2001, we've lost multi-  
10 million dollar, high-profile, custom hotel projects to  
11 these companies. For example, we lost the Venetian  
12 Hotel to Decca Hospitality in 2003 and the Marriott  
13 Desert Ridge to Cheng Meng in 2002.

14           We've also lost sales to major national  
15 chains. For example, in 2003 we lost the Courtyard by  
16 Marriott, Residence Inn by Marriott and Towneplace  
17 Suites by Marriott programs to Fairmont Designs and  
18 Kimball Hospitality, which also imported the product  
19 from China. We also lost a sizeable competitive bid  
20 to C.F. Kent on Hilton Garden Inn product in 2002.

21           Imports from China have forced American of  
22 Martinsville to lower prices to keep its remaining  
23 business. The development of the new guestroom  
24 program for the Courtyard by Marriott is a prime  
25 example. The program was essentially completed in

1 November 2001 through a design partnership we  
2 developed with Marriott International.

3 American of Martinsville was awarded the  
4 program in November 2001 subject to continuing price  
5 negotiations. Due primarily to the introduction of  
6 low-cost Chinese product from competitors, final  
7 pricing was reduced by over 25 percent. When we could  
8 not reduce our prices any further, we lost the  
9 business in 2003.

10 The filing of this antidumping petition in  
11 October of last year, however, has already begun to  
12 benefit our company. Major hotel customers have  
13 advised us that they are reluctant to accept the risk  
14 of paying antidumping duties. As a result of less  
15 competition from China, we have already increased our  
16 sales, production, capacity utilization and  
17 employment.

18 The imposition of provisional duties at the  
19 end of June has made our product offerings more  
20 competitive. If final duties are imposed, we expect  
21 to hire back more workers and eventually to achieve  
22 full capacity utilization.

23 In addition, if final duties are imposed, we  
24 do not expect other Asian suppliers to replace imports  
25 from China. Factories in other Asian countries have

1 not been successful to date in our market segment, and  
2 we do not think they have the know-how to replace the  
3 Chinese factories at this time.

4 On behalf of American of Martinsville and  
5 its over 700 workers and on behalf of La-Z-Boy and its  
6 bedroom furniture workforce, we request that the  
7 Commission reach an affirmative determination.

8 Thank you.

9 MR. I. ALLEN: Good morning. My name is  
10 Irwin Allen. I am President and Chief Executive  
11 Officer of Michels and Pilliod Companies, which is  
12 based in Lynwood, California.

13 Until recently, we made wooden bedroom  
14 furniture at plants in Southern California and in  
15 Nichols, South Carolina. Within the past week, we  
16 were forced to close the South Carolina company for  
17 reasons that I will get to in a moment.

18 We sell at the lower price points in the  
19 market. The products that we make are often referred  
20 to as promotional priced, budget priced, value priced  
21 or economy priced. We're proud of the products that  
22 we make.

23 We make an excellent product for the price  
24 and provide real value for the money. Many of our  
25 products are bought by middle class families. But

1 many of our products are also bought by young people  
2 who are just getting started in life, or in some cases  
3 rent under sales and lease ownership arrangements,  
4 which is often referred to as rent to own. Some of  
5 our best customers are members of our armed forces,  
6 whose job satisfaction certainly doesn't come from  
7 living in luxurious surroundings.

8           In theory, you might think that our products  
9 would be somewhat less exposed to import competition  
10 from China because of the relatively high cost of  
11 shipping such products to the United States compared  
12 to the price at which it can be sold here. A wooden  
13 bedroom furniture set takes up a lot of space in the  
14 container in which it is shipped, which means that  
15 you're shipping a lot of air. The cost of ocean  
16 freight is, therefore, relatively high as a percentage  
17 of the value of the product at our price point.

18           So in theory, we should be insulated to some  
19 degree from the effects of Chinese imports. That's a  
20 nice theory. The reality is different, unfortunately.  
21 Imports from China have moved both up and down the  
22 range of price points and now are a major factor in  
23 all of them. We are seeing Chinese products being  
24 sold at incredibly low prices across the entire range  
25 of the products that we sell.

1           A high percentage of our products are so-  
2           called print products, which means that the lamination  
3           on the outside of the furniture is printed material  
4           rather than wood. Chinese veneered products, which  
5           are perceived by many customers as higher quality  
6           products, are now being sold in the lower range of our  
7           price point. Also, they are now warehousing on both  
8           coasts, which allows them to mitigate the freight  
9           issue with large container programs mixing different  
10          price points.

11           These developments have caused major damage  
12          to our business with large retailers with which we  
13          have worked for many years. The number of slots that  
14          are available to us at these retailers has been cut  
15          dramatically. This is a significant reason why we  
16          were forced to shut down our South Carolina company.

17           Can I have the slide, please?

18           In closing, there is one other issue that  
19          I'd like to talk about briefly. Our companies and  
20          others in the Coalition have paid a big price for  
21          supporting this case. When I say that, I don't just  
22          mean legal fees. We feel bad when we lose slots to  
23          Chinese imports.

24           As Americans, though, we feel especially bad  
25          because many large American retailers have chosen to

1 boycott members of the Coalition just because we have  
2 exercised our rights under the law by initiating this  
3 case.

4 From my perspective as a member of the  
5 Steering Committee of the coalition, it has been very  
6 difficult to recruit co-petitioners due to threatened  
7 retaliation by major retailers. From day one, the  
8 goal of the Furniture Retailers Association has been  
9 to influence domestic producers not to support our  
10 petition. We haven't been intimidated by the threats  
11 made by these retailers, but I can tell you that a lot  
12 of other domestic producers have been.

13 I'll be happy to answer any questions that  
14 you may have. Thank you.

15 MR. WENTWORTH: Good morning. My name is  
16 John Wentworth. I'm the president of Moosehead  
17 Manufacturing Company, which is headquartered in  
18 Monson, Maine.

19 Moosehead was founded by my grandfather in  
20 1947. I've been employed by the company for the past  
21 22 years, the last four as president. Moosehead has  
22 two plants making bedroom furniture, one in Monson and  
23 the other 18 miles in Dover-Foxcroft, Maine. We make  
24 both master bedroom and youth bedroom furniture.

25 Our company currently employs 194 people



1 with nearly 140 making bedroom furniture. The number  
2 of people making bedrooms is down from 180 in 2001.  
3 In fact, the Department of Labor granted trade  
4 adjustment assistance benefits to a group of 50 of our  
5 workers earlier this year. The reason for separation  
6 we cited on the application was imports from China.

7 I am here today because I feel such a strong  
8 responsibility to our community, our company and our  
9 remaining employees to do everything I can to save  
10 their jobs. Beginning in 2000, we began to see a  
11 large influx of imports of bedroom furniture from  
12 China. The imports have accelerated since then and  
13 have taken a substantial amount of business from us.

14 We have lost showroom spots at many of our  
15 most loyal customers. Retailers who have purchased  
16 bedroom suites from us for many years have replaced  
17 our products with Chinese imports due to lower prices.  
18 As a result, our shipments, sales revenue, employment  
19 and profitability have been severely impacted.

20 Access to retailers' slots is critical to  
21 our business because most of our sales are generated  
22 by suites that are exhibited on dealer showrooms.  
23 Without furniture on the showroom floors, customers  
24 would not see or consider purchasing our suites.

25 We do not offer internet or direct catalog

1 sales. Our website is designed to direct consumers to  
2 retailers who have samples of our products on their  
3 showroom floor. Sales of our bedrooms from in-store  
4 catalogs at retailers who do not display our furniture  
5 is a very small percentage of our sales. When there  
6 are sales from catalogs, it is usually a direct result  
7 of a consumer's positive reaction to a suite that is a  
8 floor sample and a desire to see what other pieces are  
9 available in that suite.

10 The consumers we target are interested in  
11 buying a complete suite, and our products are  
12 designed, manufactured, marketed and sold as suites.  
13 Our niche in the market has been as a low-cost, high  
14 value, solid wood furniture producer. The lumber for  
15 our furniture is harvested locally in Maine, and we  
16 offer our own fully-depreciated sawmill, which saves  
17 the lumber cost.

18 We are proud of our reputation for producing  
19 high-quality sawed wood furniture at a reasonable  
20 price. Solid wood imports from China, however, are of  
21 comparable quality and are sold at prices that are  
22 well below our production cost. Obviously we cannot  
23 compete with these prices.

24 As recently as 1999, we offered just one  
25 style of bedroom furniture. We now offer four

1 different bedroom styles -- Shaker, Mission, Cottage  
2 and Traditional. Since 2001, we have doubled the  
3 number of SKUs that we offer. We have added a new  
4 line of ash furniture to our traditional northern  
5 maple furniture selection, and we have also introduced  
6 two new birch lines.

7           Despite our greater product offerings and  
8 updated designs, there is nowhere for us to hide.  
9 Chinese producers make all the same styles with the  
10 same materials and then sell well below our prices.  
11 Despite our new product offerings, since 2001 our  
12 bedroom sales have been declining significantly.

13           We are doing everything we can to compete  
14 with imports from China. We have invested heavily in  
15 new computerized production machinery, and we believe  
16 we have state-of-the-art technology. Our productivity  
17 and efficiency have increased. We are constantly  
18 looking for new sources of revenue and have cut costs  
19 whenever possible.

20           I am by nature an optimist and it is hard  
21 for me to say this, but our financial picture looks  
22 very bleak. We cannot continue on this path much  
23 longer. The reason for our difficulties is dumped  
24 imports from China.

25           On behalf of Moosehead Manufacturing and our

1 194 employees, I urge you to make an affirmative  
2 determination in this case.

3 Thank you.

4 MR. BURNETTE: My name is Ken Burnette. I  
5 am the president, owner and founder of East Coast  
6 Plywood Company located in Rocky Mount, North  
7 Carolina. I am here to testify on behalf of hundreds  
8 of companies that supply raw materials and parts to  
9 U.S. producers of wooden bedroom furniture.

10 I started East Coast Plywood Company in 1986  
11 for the sole purpose of supplying plywood drawer  
12 bottoms to producers of wooden bedroom furniture.  
13 From 1986 until 2000, we enjoyed steady growth. Our  
14 production increased from 7,000 drawer bottoms per day  
15 in 1986 to 40,000 a day in the year 2000. Our sales  
16 increased from \$700,000 in 1986 to \$5.8 million in  
17 2000.

18 Since 2000, however, our sales and  
19 production of drawer bottoms have steadily declined as  
20 our customers have lost sales to dumped imports from  
21 China and have closed numerous plants producing  
22 bedrooms.

23 We have reduced our production workers from  
24 25 to about 16. Our sales and production are off  
25 about 20 percent from their 2000 peak. We have lost

1 sales to at least the following bedroom plants that  
2 have closed in the last several years: Athens  
3 Furniture, Athens, Tennessee; Broyhill Furniture,  
4 Rutherfordton, North Carolina; Drexel Heritage,  
5 Marion, North Carolina; Kincaid Furniture, Hudson,  
6 North Carolina; The Lane Company, Rocky Mountain,  
7 Virginia, and Alta Vista, Virginia;  
8           Lea Industries, Morristown, Tennessee,  
9 Waynesville, North Carolina, Marion, Virginia; Stanley  
10 Furniture, Weston, North Carolina; Thomasville  
11 Furniture's plants in Winston-Salem, North Carolina,  
12 and Thomasville, North Carolina; Universal Furniture  
13 Plants, Morristown, Tennessee, Marion, North Carolina;  
14 Vaughan Furniture, Galax, Virginia; and Vaughan-  
15 Basset's plant in Sumter, South Carolina.

16           My company and many others like it are  
17 suffering from the surge of dumped imports of bedrooms  
18 from China. I attended a meeting in Greensboro on  
19 August 12, 2003, which was attended by over 300  
20 suppliers of the bedroom furniture industry. Our  
21 company and over 100 other suppliers made financial  
22 contributions to pay for this antidumping petition.

23           On behalf of all of this industry's  
24 suppliers, we ask that you reach an affirmative  
25 determination.

Heritage Reporting Corporation  
(202) 628-4888

1 Thank you.

2 MR. W. BASSETT: Good morning. My name is  
3 Wyatt Bassett. I'm the executive vice-president of  
4 Vaughan-Bassett Furniture Company. Vaughan-Bassett  
5 was founded in 1919 by two of my great-grandfathers.  
6 We own and operate three plants in the southeastern  
7 United States that produce wooden bedroom furniture.  
8 These plants are located in Galax and Atkins,  
9 Virginia, and Elkin, North Carolina.

10 Unfortunately, we were forced to close our  
11 Sumter, South Carolina, plant last summer and lay off  
12 350 employees because of the dumped imports from  
13 China. As a result, our company now employs less than  
14 1,200 people, down from the 1,560 people when we filed  
15 this petition last year.

16 From the earliest days of the company,  
17 Vaughan-Bassett has specialized in the production of  
18 wooden bedroom furniture. We manufacture many  
19 different types and styles of bedroom furniture, but  
20 we concentrate in the mainstream designs such as Louis  
21 Philippe, Shaker and Mission where the majority of  
22 bedroom furniture sales are made.

23 Although business lost to dumped imports of  
24 bedroom furniture from China has forced us to start to  
25 manufacture other types of furniture such as dining

1 room furniture, currently over 90 percent of our total  
2 production is bedroom furniture.

3 Domestic production and subject imports  
4 compete for a limited number of bedroom slots in  
5 retail showrooms. Retailers generally fill a slot  
6 with a bedroom suite from one supplier and do not mix  
7 individual pieces of bedroom furniture from different  
8 suppliers.

9 Access to retail slots is critical for both  
10 U.S. and Chinese bedroom producers. Imports of  
11 bedroom suites from China are gaining market share  
12 with respect to almost every style at every price  
13 point. The Chinese strategy is to sell products that  
14 are identical from the perspective of the consumer,  
15 but at lower prices. They are clearly the price  
16 leaders in the market.

17 The Chinese are not trying to be style  
18 leaders. For the most part, they simply copy styles  
19 designed by U.S. or Chinese producers and capitalize  
20 on markets created by others by charging unbelievably  
21 low prices.

22 As correctly stated in a U.S. Government  
23 report attached to the brief filed by Crowell &  
24 Moring, Chinese producers "do not have design teams.  
25 Instead, they commonly copy existing products of

1 competitors that are selling well domestically or  
2 abroad."

3 In fact, the only way to determine whether a  
4 product is made in the U.S. or made in China is to  
5 look at the country of origin marking, if there is one  
6 and if you can find it. The fact is, however, that  
7 most consumers do not know and do not care whether a  
8 bedroom suite is made in China or the United States.

9 The public staff report reflects that a  
10 substantial majority of purchasers -- about 75 percent  
11 -- reported that U.S. and Chinese bedroom furniture is  
12 comparable in terms of quality. Because quality is  
13 comparable, the only consideration is price. Under  
14 these conditions of competition, dumped imports from  
15 China have quickly gained market share at the expense  
16 of U.S. product.

17 The large retailers participating in this  
18 case have argued that they have been forced to import  
19 from China because domestic producers will not  
20 manufacture distinct designs that are sold exclusively  
21 to a specific retailer.

22 This claim is untrue. Domestic producers  
23 have provided major retailers like Rooms To Go with  
24 exclusive geographic distribution protection for years  
25 For example, Rooms To Go refuses to buy our product if



1 its competitor, City Furniture, also has bought it.

2 In addition, domestic producers have  
3 provided specific products to retailers on an  
4 exclusive basis. Vaughan-Basset has produced  
5 exclusives for major retailers for decades.

6 The Chinese are not doing anything different  
7 in this regard. In fact, the retailers exaggerate the  
8 extent to which it is even possible to have an  
9 exclusive design in today's market. Rooms To Go might  
10 have an exclusive with a specific Chinese factory, but  
11 as soon as it is established as a good seller several  
12 other factories in China will start selling the same  
13 suite.

14 The Retailers Coalition has argued that the  
15 Chinese make certain furniture, such as hand-carved  
16 furniture, which is not made in the United States.  
17 That is simply not true. We have computerized carvers  
18 that can efficiently make carved pieces that are  
19 identical to anything that is carved by hand in China.  
20 Our carvers, however, are running way below capacity  
21 because our furniture with carving in the designs  
22 can't compete with the low prices of dumped imports.

23 The domestic industry has the ability to  
24 produce any type and style of bedroom furniture that  
25 is imported from China. In addition, it's false to

1 suggest that most imports from China are heavily  
2 carved. Most of the imports from China are  
3 traditional styles, such as Shaker, Mission, Cottage  
4 or Louis Philippe that have no carvings at all. In  
5 addition, much of the furniture that has the  
6 appearance of carved furniture is actually molded  
7 resins or, more simply stated, plastics which can be  
8 sourced from either China or the United States.

9 Contrary to the argument made by Furniture  
10 Brands in its brief that, "The principal culprit in  
11 softness is domestic demand," demand for bedroom  
12 furniture has been strong. Furniture Brand's argument  
13 is contradicted by all of the public data I have  
14 reviewed, most notably the data on durable goods  
15 expenditures, housing starts and home sales attached  
16 to our brief.

17 Furniture Brands cites a statement we made  
18 in our 2002 annual report as support for its argument.  
19 Furniture Brands neglects to point out that we also  
20 cited a dramatic increase in imports as a cause of our  
21 disappointing earnings in 2002. With the benefit of  
22 hindsight and complete information about imports, it's  
23 easy to see that most of the weak demand we  
24 experienced in 2002 was actually sales lost to dumped  
25 Chinese imports.

1           Vaughan-Bassett has been severely injured by  
2           the dumped imports from China. In 2002, dumped  
3           imports from China forced us to shut down most of our  
4           production in Atkins, Virginia, resulting in layoffs  
5           of almost 300 employees. The Department of Labor  
6           certified these former employees for trade adjustment  
7           assistance benefits.

8           In June of this year, dumped imports forced  
9           us to close our Sumter, South Carolina, plant,  
10          resulting in layoffs of 350 employees. The Department  
11          of Labor certified these former employees for trade  
12          adjustment assistance benefits in August of this year.

13          Our experience highlights a fundamental  
14          characteristic of this industry. Unlike high fixed  
15          cost industries such as steel or cement, furniture is  
16          a high variable cost industry. Unlike a blast furnace  
17          or cement kiln, furniture production machinery can be  
18          simply turned off when there is insufficient demand.  
19          Capacity can be reduced by eliminating a shift,  
20          working short weeks or laying off employees.

21          The most logical way to minimize losses is  
22          to close the plant rather than incur operating losses  
23          over time. That is what has occurred at Vaughan-  
24          Bassett and many other companies in the industry on a  
25          massive scale.

1                   We are doing everything we can to compete  
2 with dumped imports. From 1998 to 2002, we have  
3 invested over \$40 million in our plants. Our  
4 production equipment is state-of-the-art, and our  
5 employees are highly trained and skilled.

6                   We have computer controlled routers, rough  
7 mill equipment and carving machines. We have also  
8 reduced our shipping lead times considerably by  
9 virtually doubling our inventory in our highest volume  
10 products.

11                   We have invested not only in production  
12 equipment, but additional production space which makes  
13 us more efficient and additional warehouse space. Our  
14 Vaughan-Bassett Express or VBX program enables us to  
15 deliver most orders within 10 days of the order. We  
16 also offer competitive financing to help our customers  
17 sell our products. Despite our best efforts to  
18 compete, the imports from China continue to increase,  
19 and we continue to lose slots at our retail customers.

20                   I've traveled to China, and I've become well  
21 acquainted with the major Chinese producers. Every  
22 Chinese producer that I know of was expanding at least  
23 until we filed the antidumping petition. One company  
24 in particular, Dalien Huafeng in northern China,  
25 announced plans to increase its capacity to 5,000

1 containers a month. This is about 100,000 bedroom  
2 suites per month. To put that into context, 100,000  
3 bedroom suites a month is more than the top four or  
4 five U.S. manufacturers produce combined.

5 When we asked Dalien Huafeng how it could  
6 offer such low prices, they said that the low prices  
7 are the "tuition" it must pay to penetrate the U.S.  
8 market and replace U.S. producers.

9 Contrary to arguments made by the  
10 Respondents, we did not invite Lacquer Craft to video  
11 our production process, and we did not teach any other  
12 Chinese producer how to make bedrooms. We did extend  
13 the same quid pro quo courtesy to Lacquer Craft that  
14 we have extended to every other competitor, domestic  
15 and import, that has previously allowed us to tour  
16 their plant.

17 In conclusion, on behalf of Vaughan-Bassett  
18 and its almost 1,200 remaining dedicated employees, I  
19 urge the ITC to make an affirmative determination in  
20 this case.

21 Thank you.

22 MR. SANDBERG: Good morning. I'm John  
23 Sandberg. I'm the president of Sandberg Furniture  
24 Manufacturing Company. I represent the fourth  
25 generation in a family business that has existed since

1 1890 and in the bedroom business since 1918.

2           While some would have you believe that the  
3 furniture industry is one filled with dilapidated  
4 factories and outdated machinery, nothing is further  
5 from the truth. Our company has strived to be a  
6 leader in technology. We have continually invested in  
7 the newest and best machines available to produce the  
8 highest quality workmanship with world class  
9 efficiency.

10           We are based in Vernon, California, located  
11 just southeast of Los Angeles. We sell our products  
12 nationally, but our principal focus is, as you would  
13 expect, on the west coast market. We make products  
14 that are generally known in the industry as value  
15 products. I understand that the Commission may refer  
16 to this type of product as good quality furniture.

17           We are in somewhat better shape than most of  
18 our traditional west coast competitors. That is not  
19 saying very much because most of our traditional west  
20 coast competitors are gone. They have buckled and  
21 folded as extremely low-priced imports from China have  
22 flooded the west coast market. The west coast has  
23 drawn more than its fair share of these imports  
24 because for geographical reasons the cost of freight  
25 for these products is lower to the west coast.

1                   In just the last few years, a large number  
2 of west coast producers that have been in the business  
3 for a very long time have been forced to shut down  
4 their U.S. production operations permanently. These  
5 companies include Arbek, Blackhawk, Boyd, Kushwood,  
6 Orman Grubb, Wambold and Samuel Lawrence. If your  
7 database from questionnaire responses does not include  
8 these companies, then you do not have the full story  
9 of the decline of the industry on the west coast.

10                   Unlike those companies, Sandberg is still  
11 standing, but as imports from China have surged our  
12 fortunes also have taken a serious turn for the worse  
13 even though demand for furniture has been good on the  
14 west coast, as it has been nationally.

15                   As recently as 2000, we significantly  
16 expanded our production facilities to keep pace with  
17 growing demand. Soon thereafter, imports from China  
18 arrived in full force, forcing us not only to curtail  
19 our expansion plan, but also to close one of our  
20 existing facilities. As a result, about 10 percent of  
21 our workers lost their jobs.

22                   We can trace this downturn in our business  
23 directly to imports from China. We have had many  
24 major accounts drastically reduce the slots that they  
25 make available to us. Other longstanding customers

1 buy nothing from us anymore. We know for a fact that  
2 this is because they are purchasing imports from China  
3 instead.

4 As you might expect, I'd prefer not to  
5 identify these customers publicly. We have, however,  
6 given the Commission a great deal of specific  
7 information about this in our confidential response to  
8 your questionnaire.

9 Sandberg is committed to domestic  
10 manufacturing. Except for small quantities of  
11 bunkbeds, we have not imported bedroom furniture from  
12 China or anywhere else. But, we only have to look  
13 around us to see the handwriting on the wall. If fair  
14 trade is not restored to this market, we have little  
15 doubt that we will eventually be overtaken by the same  
16 forces that consumed our former west coast  
17 competitors.

18 Thank you for the opportunity to speak to  
19 you today.

20 MR. SANDERS: Good morning. My name is  
21 Keith Sanders. I'm Executive Vice President of  
22 Operations for Bassett Furniture Industries, which is  
23 headquartered in Bassett, Virginia.

24 I've been employed at Bassett since 1998,  
25 and I am responsible for manufacturing, sourcing,



1 logistics and customer service. Prior to Bassett, I  
2 worked for Ethan Allen Interiors, Inc. for over 20  
3 years and held similar positions there.

4 I'm here today to represent all the  
5 stakeholders of Bassett Furniture Industries,  
6 including the employees, the customers, the retailers  
7 and our stockholders. In our over 100 year history --

8 CHAIRMAN KOPLAN: Excuse me. If you could  
9 move that microphone a bit closer to you? Thank you.

10 MR. SANDERS: In our over 100 year history,  
11 we have sold more bedrooms than any other type  
12 furniture. Currently, about 30 percent of our sales  
13 are bedroom furniture. We operate two plants that  
14 produce bedrooms in the United States, one in Bassett,  
15 Virginia, and one in Mt. Airy, North Carolina,  
16 employing about 800 workers.

17 Bassett is one of the largest domestic  
18 producers of bedrooms. Our proud heritage as a U.S.  
19 manufacturer is in jeopardy, however. Increased  
20 imports from China since 2000 have severely injured  
21 our business, causing us to lose sales and market  
22 share, resulting in the closing of two plants in  
23 Bassett, Virginia, in early 2001 and one plant in  
24 Dublin, Georgia, in the spring of 2003.

25 These closings resulted in the layoff of 651

1 workers who were certified by the Department of Labor  
2 for TAA benefits based on an investigation confirming  
3 that the layoffs were caused by imports from China.

4 Our production and sales have declined  
5 significantly since 2000, as some of our biggest  
6 customers have switched to imports from China. There  
7 is no question that imports from China, not weak  
8 demand, is the cause of Bassett's injury.

9 In addition, the issue is price, not quality  
10 or service. An excellent example of our lost sales is  
11 to our long-time customer, JCPenney. From 1976 to  
12 1999, Bassett was Penney's number one supplier of  
13 bedrooms, reaching over \$1 billion in total sales.

14 In 1999, Bassett received the JCPenney  
15 Chairman Award. This award recognized Bassett for  
16 excellence in product development, planning and  
17 capacity, service, delivery and quality.

18 Beginning in 2000, however, there was a  
19 rapid decline in our sales of bedroom furniture to  
20 JCPenney. In 2000, we sold approximately \$26 million  
21 of bedrooms to Penney. The total declined to \$20  
22 million in 2001, \$9 million in 2002, \$4 million in  
23 2003. In 2004, our sales to JCPenney will be near  
24 zero. Thus, in four short years imports from China  
25 have taken all of Bassett's bedroom business with

1 JCPenney, declining from about 20 percent of Bassett's  
2 total sales of bedrooms to zero.

3           During the staff conference last year, Mr.  
4 McAlister, Penney's operation manager, confirmed that  
5 Bassett lost sales to Penney to imports from China,  
6 but Mr. McAlister asserted that the reason Penney  
7 decided to purchase bedrooms from China was because  
8 Bassett's furniture was of poor quality. We take  
9 strong exception to that statement.

10           Penney's decision to switch to Chinese  
11 imports was based on price, pure and simple. Every  
12 lot we ship to JCPenney has to pass an audit by their  
13 staff. Every packaging specification for every SKU  
14 has to pass a JCPenney packaging test at an  
15 independent testing laboratory before the first  
16 shipment.

17           We had JCPenney personnel in our plants  
18 constantly. We invited them into our processes. We  
19 took corrective action in response to every concern  
20 that was raised. We met with JCPenney staff level  
21 quality personnel regularly, reviewed issues, treated  
22 them like the valued customer they were. We did  
23 everything within our power to keep that business.

24           When Penney told us our price was too high,  
25 we redesigned the products to lower the cost and

1 enable us to offer a lower price. In fact, we reduced  
2 the price of our largest volume suites sold to Penney  
3 by 33 percent, yet when we bid for Penney's slots  
4 during the summer of 2002 Penney showed us about a  
5 half a dozen lower priced suites from China and told  
6 us we were not even in the ballgame even at prices  
7 reduced by 33 percent.

8 JCPenney has so much respect for Bassett's  
9 product and process qualities that in January of 2003  
10 they requested permission to bring 15 to 20 of their  
11 worldwide factory evaluators and auditors to tour our  
12 Mt. Airy, North Carolina, facility. They wanted to  
13 review an example of quality control processes and  
14 procedures in an outstanding plant, in the words of  
15 Mr. Richard Somers, who was Penney's corrective action  
16 manager at the time. Bassett's quality was never used  
17 as a reason for not doing business until after the  
18 antidumping petition was filed.

19 Further, product shipped to JCPenney was  
20 from the same common production that we shipped to all  
21 of our customers. Quality charge backs and returns  
22 from all of our customers are less than two percent,  
23 yet from JCPenney charge backs were consistently over  
24 five.

25 The reason for this was obvious when you

1 visit a JCPenney distribution center or one of the  
2 third party delivery services. Their handling was  
3 atrocious. They stacked furniture improperly, ignored  
4 printed directions on the carton and piled damaged  
5 cartons and damaged furniture on every aisle. On a  
6 visit to their Langhorn, Pennsylvania, facility, we  
7 learned they had no warehouse handling or loading  
8 standards, so we left them a copy of our handling  
9 procedures.

10 Despite the fact that everything we shipped  
11 to JCPenney passed audits conducted by their staff,  
12 was packaged to their standards and shipped by their  
13 approved transportation agent, they took no  
14 responsibility for their own handling and warehousing  
15 and charged every repair expense back to Bassett.

16 We did everything possible to keep  
17 JCPenney's business, including keeping an inventory of  
18 merchandise for immediate shipment. There is no doubt  
19 that JCPenney's decision to buy from China was due to  
20 the far lower prices.

21 We owe it to all of our stakeholders in  
22 Bassett Furniture to seek remedy against unfair  
23 pricing. We have 110 stores today and intend to have  
24 300. These stores will sell Bassett branded products,  
25 and if antidumping duties are imposed a substantial

1 majority of that bedroom will be produced in Bassett's  
2 domestic plants.

3 The cornerstone of our retail strategy is to  
4 offer the consumer an array of home decor room  
5 solutions at fair prices. Unfortunately, the downward  
6 trend of Chinese prices threaten not only our  
7 factories, but also the long-term viability of our  
8 stores.

9 As prices deflate, more pressure is being  
10 exerted on our ability to domestically produce bedroom  
11 products that will keep our stores competitive. If  
12 our petition is not successful and antidumping duties  
13 are not imposed on imports from China, Bassett will be  
14 driven out of production of the high volume mainstream  
15 products that are the bulk of the wooden bedroom  
16 furniture market. As a result, we will be forced to  
17 further reduce our domestic production capacity by  
18 closing more plants and laying off even more workers.

19 We have state-of-the-art, efficient plants  
20 dedicated to highly skilled employees, and we believe  
21 we can compete if the competition is fair. That's all  
22 we ask for.

23 Thank you.

24 MR. BROWN: Good morning. My name is Harold  
25 Brown. I am the president and part owner of three

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1 furniture stores in the Baltimore area which operate  
2 under the trade name Bassett Furniture Direct.  
3 Despite our name, we aren't owned by Bassett  
4 Furniture. We have a license to do business under the  
5 name Bassett Direct.

6 All of our products are sourced through  
7 Bassett, but we decide which products to sell.  
8 Bassett does not make that decision. As a result,  
9 even though we are a Bassett dealer, imports from  
10 China have played a key role in our purchase  
11 decisions.

12 Let me explain what that means in practice.  
13 Small retailers like me have to compete with companies  
14 like Rooms To Go that are major buyers of imports from  
15 China. I worked for Rooms To Go for approximately  
16 five years. In that regard, I would like to talk a  
17 little about the testimony that the Commission heard a  
18 year ago from Rooms To Go.

19 I was a little surprised to hear Mr. Seaman  
20 of Rooms To Go say that he doesn't really look for the  
21 lowest priced products. He said that he looks for  
22 products that have what he called a wow factor and  
23 testified that this is why Rooms To Go imports bedroom  
24 furniture from China.

25 He's right about that in a way, but the wow

1 factor they offer is price. Their entire business  
2 strategy is predicated on price and cheap credit  
3 terms. Everyone in the retail furniture business  
4 knows that.

5 Their business strategy is to offer the  
6 lower priced products within any given price point so  
7 they can move products quickly and in large volumes.  
8 That means that they have to obtain their products  
9 from the lowest price source of supply, and these days  
10 that clearly is China.

11 You don't have to take my word for that.  
12 Just look at their website. Among other things, you  
13 will see a banner at the top of every page that you  
14 open that says No Payment Plus No Downpayment And No  
15 Interest Until September 2006.

16 Beyond that, their website emphasizes three  
17 things -- low prices, the fact that their stores are  
18 designed so that people can see what a room will look  
19 like, and the fact that they can deliver in a matter  
20 of days.

21 Now, if we are to have any chance at  
22 competing with a company like Rooms To Go, we must  
23 have access to products that are comparably low  
24 priced. We know that, and Bassett knows that. Hence,  
25 we are constantly putting pressure on Bassett to offer



1 us bedroom furniture at competitive prices. We don't  
2 care whether they supply us with imported products or  
3 with domestically produced products. We just want  
4 quality products at prices that are at least  
5 reasonably priced comparable to what Rooms To Go is  
6 paying.

7 This means that Bassett either has to figure  
8 out a way to make products in the United States that  
9 are price competitive with the Chinese imports, or  
10 Bassett itself has to resort to imports to keep us  
11 competitive with the mass merchandisers.

12 Obviously they prefer to do the former and  
13 supply us with products that they manufacture  
14 themselves. Given the prices of the Chinese imports,  
15 it's frequently the case that they cannot do that. In  
16 short, we are a Bassett dealer, but we sell a lot of  
17 Chinese product. Three years ago, only three bedroom  
18 slots in our stores were dedicated to Chinese imports.  
19 Today, nine slots contain Chinese products.

20 Please keep retailers like me in mind when  
21 you consider claims that the domestic producers are  
22 responsible for a significant portion of the imports  
23 that have come in from China. You can't view those  
24 imports in a vacuum. The truth is that they have had  
25 no choice but to import some products so that

1       retailers like me have a fighting chance to compete  
2       with retailers like Rooms To Go.

3                   Thank you for giving me the opportunity to  
4       speak with you today.

5                   MR. LORING: Good morning. My name is Ken  
6       Loring. I'm the president of Boston Interiors. We're  
7       a family owned and operated furniture retailer that's  
8       been in the business for 25 years, now a \$38 million  
9       company. Our home office is located in Stoughton,  
10      Massachusetts. We have six stores located in the  
11      eastern Massachusetts area.

12                   As I said when I testified before the  
13      Commission a year ago, I think that the U.S. companies  
14      who brought this case are doing the right thing. I  
15      don't have anything against imported products per se.  
16      We've been buying and selling imported wooden bedroom  
17      furniture for as long as I can recall. We have  
18      imported Chinese bedroom furniture because it's  
19      necessary to be competitive.

20                   In that sense, the imports that have been  
21      coming to this country in the last few years from  
22      China are different from imports from other countries.  
23      Let me explain what I mean. Historically, this  
24      country has imported bedroom furniture from countries  
25      like Denmark and Italy. These countries were able to

1 take their share of the market in this country because  
2 they offered something new or at least different.

3 For example, in the 1980s furniture made in  
4 Scandinavian styles and designs became very popular.  
5 To some extent, it still is. Moreover, imports from  
6 countries like Denmark were never priced in a way that  
7 was totally out of line with the prices of furniture  
8 made in this country.

9 For this reason, from the standpoint of a  
10 retailer, these imports really complemented the  
11 products available from domestic producers. They were  
12 not a substitute for domestic products. They offered  
13 an alternative design or style for the customer.

14 I can tell you that imports from China are  
15 different in that regard. They're coming into this  
16 country at prices ranging from 30 to 50 percent lower  
17 than those of comparable U.S. products made to the  
18 same styles and design. Their quality is very  
19 similar.

20 The price comparison isn't comparing apples  
21 and oranges. The Chinese imports aren't different  
22 products aimed at a discrete segment of the market.  
23 These products are basically identical to U.S. made  
24 furniture. They are designed expressly to replace  
25 U.S. made furniture on the floors of mainstream

1 dealers like Boston Interiors.

2           These imported products are made as  
3 knockoffs or copies of bedroom furniture offered by  
4 U.S. producers. In big retail stores, the Chinese  
5 products are not complementing the domestic product.  
6 It's replacing it.

7           The furniture superstores that are using  
8 Chinese product to replace domestic products are using  
9 it because it allows them to be the lowest priced  
10 retailer. This gives them the competitive edge  
11 necessary to control the marketplace. You can imagine  
12 why they're opposed to a duty. It would take away  
13 their advantage in the market.

14           You should know, by the way, that most  
15 furniture retailers are not like these superstores.  
16 About 80 percent of retailers have no more than four  
17 stores, and about two-thirds have less than \$5 million  
18 in annual sales. The superstores are thus but a  
19 sliver of the retail market. They do not speak for  
20 furniture retailers as a whole.

21           Let me speak briefly about another issue  
22 that I think is of some interest to you. That is the  
23 question whether the availability of low-priced  
24 imports from China has expanded the market for bedroom  
25 furniture. This industry does not work that way.

1 Price has a very big effect on who gets the business.  
2 but almost no effect on the size of the market.

3 Demand for bedroom furniture is driven by  
4 life changing events. People decide to buy bedroom  
5 furniture when they graduate from school, get married,  
6 get divorced, have a child or buy a new home. They  
7 don't wake up in the morning, read a newspaper ad  
8 about furniture on sale and suddenly decide they want  
9 to buy bedroom furniture.

10 When a retailer advertises, it wants to  
11 increase its top of mind awareness. That is, it wants  
12 to raise its visibility among the pool of customers  
13 that are already in the market for bedroom furniture.

14 Big box stores do that by offering low  
15 price. Not all retailers do that. Boston Interiors  
16 doesn't, for example. That's the way most furniture  
17 is sold in this country these days. I think your  
18 eyebrows should go up if someone tries to tell you  
19 otherwise, especially if that someone represents a  
20 national chain.

21 In closing, as I said a few moments ago,  
22 competition between the domestic producers and imports  
23 from China is a zero sum game. Well, it's a zero sum  
24 game for retailers like Boston Interiors as well. If  
25 this case does not reverse or at least slow the trends

1 that we've seen over the past few years, we will have  
2 no choice but to buy more Chinese product.

3 I compete every day with the big box stores  
4 that rely on the advantage of imports. They elect to  
5 rely on low-priced Chinese products. If we don't  
6 follow in their tracks, we won't survive. It's as  
7 simple as that.

8 Thank you for your attention. I welcome any  
9 questions.

10 MR. DORN: Mr. Chairman, I would just point  
11 out that we have 700 letters that have been submitted  
12 to the Commission by various retailers across the  
13 United States supporting the petition just like Mr.  
14 Brown and Mr. Loring.

15 And now our final witness, Mr. Heinz.

16 CHAIRMAN KOPLAN: Thank you.

17 MR. HEINZ: Good morning. My name is Chris  
18 Heinz. I am the Political and Legislative Director of  
19 the United Brotherhood of Carpenters and Jointers of  
20 America. I am here on behalf of three of our locals  
21 who are co-petitioners in this investigation, as well  
22 as the thousands of other workers who have lost their  
23 jobs in the last several years to imports of wooden  
24 bedroom furniture from China.

25 Carpenters Local 721 represents employees of

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1 Michels & Company and Sandberg Furniture at their  
2 bedroom plants in California. Carpenters Local 2305  
3 represents the employees of Johnston-Tombigbee at its  
4 bedroom plant in Mississippi. These three companies  
5 are co-petitioners, along with our union.

6 In addition, we have represented the  
7 employees of Samuel Lawrence Furniture in Phoenix,  
8 Arizona, since we organized its workforce in February  
9 of 2000. At the time it was organized, the company  
10 employed 876 workers at two plants. The plants only  
11 produced wooden bedroom furniture. By the time this  
12 petition was filed in October 2003, the smaller of the  
13 two plants had closed, and we had only about 235  
14 workers left at the remaining plant.

15 The company steadily replaced U.S.  
16 production of bedrooms with imported bedrooms from  
17 China. The declining employment simply tracked the  
18 increase in imports from China. After a series of  
19 layoffs, Samuel Lawrence announced early this year  
20 that it would close its only remaining plant.

21 In anticipation of the announced closing,  
22 our local applied for trade adjustment assistance for  
23 the separated workers. On February 19, 2004, the  
24 Department of Labor found that increased imports  
25 contributed importantly to the separation of the

1 workers and certified them as eligible for trade  
2 adjustment assistance.

3           The plant stopped production this spring,  
4 and the only employees we have left are involved in  
5 warehousing imports from China. We have done the best  
6 that we can to help these workers by offering job  
7 placement services, among other things.  
8 Unfortunately, almost all these people are still on  
9 the street unemployed, and they are not wealthy  
10 people. They do not have the financial resources to  
11 cushion themselves against this kind of shock.

12           I understand that over 65 bedroom furniture  
13 plants have closed since January 1, 2001, and that  
14 these plants employed over 18,000 workers. I further  
15 understand that the Department of Labor has certified  
16 over 12,000 bedroom furniture workers as eligible for  
17 trade adjustment assistance.

18           There may be CEOs in this industry who think  
19 that these job losses are acceptable. The Carpenters  
20 Union does not. The antidumping statute is not there  
21 for just the benefit of CEOs and shareholders. It is  
22 there to protect U.S. production facilities and U.S.  
23 jobs.

24           Surely there can be no question in this case  
25 that a surge of unfairly priced imports from China has



1 decimated the American workforce producing wooden  
2 bedroom furniture. On behalf of the Carpenters Union  
3 and all bedroom furniture workers in this country,  
4 both organized and unorganized, I urge this Commission  
5 to reach an affirmative determination.

6 A negative determination in this case would  
7 be a sharp blow to the expectation of American workers  
8 that our trade laws are there to protect their jobs  
9 against unfair competition.

10 Thank you.

11 MR. DORN: That completes our direct  
12 presentation.

13 CHAIRMAN KOPLAN: Thank you very much. I  
14 want to thank all of the witnesses for their testimony  
15 this morning. I also appreciate the fact that we had  
16 each of your statements in advance of your direct  
17 testimony this morning.

18 I will begin the questioning. First, to  
19 begin I would like to explore with the domestic  
20 industry the nature, if any, of your importing  
21 activities. I'm referring to the producers that are  
22 here today. What I'm trying to get at is the role  
23 that imports, both subject and non-subject, have in  
24 each of your respective company's overall production  
25 and marketing strategies.

1                   First, what percentage of your company's  
2 imports take the form of imports of complete suites,  
3 and what percentage takes the form of imports of  
4 individual pieces?

5                   Before anyone responds, I would like to ask  
6 each of you to identify yourselves each time you  
7 respond to a question so that the reporter doesn't  
8 have to search out your name.

9                   Thank you. I'd like you all to start.

10                  MR. W. BASSETT: My name is Wyatt Bassett.  
11 I'm executive vice president for Vaughan-Bassett  
12 Furniture Company, and I'm going to try to remember  
13 each of the things you mentioned. Please remind me if  
14 I don't address something.

15                  CHAIRMAN KOPLAN: Let me repeat the question  
16 part of it.

17                  What percentage of your company's imports  
18 take the form of imports of complete suites, and what  
19 percentage takes the form of imports of individual  
20 pieces? That was the question.

21                  MR. W. BASSETT: First of all, we do very,  
22 very little importing of bedroom furniture. We  
23 currently don't import any bedroom furniture from  
24 China. We import a very small amount -- I believe  
25 less than two percent of our total sales in bedroom

1 furniture -- from other countries.

2 Everything we import in terms of bedroom  
3 furniture is brought in in terms of a group or a  
4 suite, not on an individual basis. The same is true  
5 of our domestic production.

6 CHAIRMAN KOPLAN: Thank you.

7 Let me say, as you respond if for purposes  
8 of the posthearing each of you can provide that  
9 information on an annual basis for the period we're  
10 examining, we'd appreciate it.

11 MR. W. BASSETT: Yes, sir.

12 CHAIRMAN KOPLAN: Thank you, Mr. Bassett.

13 Next? Mr. Chitwood?

14 MR. CHITWOOD: Mr. Chairman, Noel Chitwood  
15 with American of Martinsville.

16 At present, we're not importing any wood  
17 bedroom product from China. During the period in  
18 question we have imported guestroom furniture, but  
19 only on a limited basis, and it was included in our  
20 information that was submitted to the Commission.

21 CHAIRMAN KOPLAN: Thank you.

22 Who will go next?

23 MR. SANDERS: Keith Sanders, executive vice  
24 president of Bassett Furniture.

25 CHAIRMAN KOPLAN: Thank you.

1 MR. SANDERS: Yes, we do import furniture.  
2 As you heard Mr. Brown testify, we have retail stores.  
3 We're in competition. We're forced to do it as a  
4 defensive action.

5 Most of our imports are complete suites. I  
6 would have to get the specific information and details  
7 and give you that in the posthearing brief.

8 CHAIRMAN KOPLAN: Thank you very much.  
9 Next?

10 MR. I. ALLEN: My name is Irwin Allen. I'm  
11 president of Michels & Company and Pilliod.

12 We currently do not import any bedroom  
13 furniture. Early on in the period under investigation  
14 we imported a minimal amount, and we imported that in  
15 suites.

16 CHAIRMAN KOPLAN: Will you be able to  
17 quantify that for me for purposes of the posthearing?

18 MR. I. ALLEN: Yes.

19 CHAIRMAN KOPLAN: Thank you.

20 MR. SANDBERG: Mr. Chairman. I'm John  
21 Sandberg with Sandberg Furniture in Los Angeles.

22 We do not presently import any wooden  
23 bedroom suites from anywhere in the world. We produce  
24 everything domestically. We have in the past imported  
25 bunkbeds to coordinate with our groups.

1 CHAIRMAN KOPLAN: Thank you.

2 MR. WENTWORTH: Yes. I'm John Wentworth,  
3 president of Moosehead Manufacturing in Monson, Maine.  
4 We do not import any bedroom products at all.

5 CHAIRMAN KOPLAN: Does that complete the  
6 responses to this question? Is there anyone else?

7 (No response.)

8 CHAIRMAN KOPLAN: Thank you.

9 Let me stay with the industry witnesses. I  
10 note that the staff report at chapter 2, page 2,  
11 states, and I quote, "When asked if all pieces of a  
12 suite of wooden bedroom furniture are produced in the  
13 same country, 16 producers replied affirmatively and  
14 16 replied negatively."

15 Does your firm ever import individual pieces  
16 of bedroom furniture, which you then sell or market in  
17 conjunction with other pieces of bedroom furniture  
18 produced domestically?

19 If I can start again I guess with you, Mr.  
20 Bassett?

21 MR. W. BASSETT: Currently we don't import  
22 any pieces of bedroom furniture to combine with things  
23 we produce domestically.

24 Most recently in the past when we've done  
25 that has been with bunkbeds out of China. Because of

1 the low price of other imported bunkbeds out of China,  
2 we couldn't compete on price with the bunkbeds we  
3 produced domestically.

4 Again, currently we don't do any of that.

5 CHAIRMAN KOPLAN: Thank you.

6 Mr. Chitwood?

7 MR. CHITWOOD: Mr. Chairman, we do not  
8 import any product that we would then aggregate with  
9 other product to sell as a group.

10 CHAIRMAN KOPLAN: Okay.

11 MR. SANDERS: Keith Sanders again, Bassett  
12 Furniture.

13 We do not import any beds or any other parts  
14 of the bedroom that is a complete piece in a box.  
15 Anything we do import would have value added by us.

16 CHAIRMAN KOPLAN: All right.

17 MR. I. ALLEN: Irwin Allen. We do not  
18 import any pieces that we combine with domestically  
19 manufactured suites.

20 CHAIRMAN KOPLAN: Okay.

21 MR. SANDBERG: John Sandberg, and we do not  
22 presently and have in the past, as Vaughan-Bassett  
23 had, imported some bunkbeds to coordinate with  
24 existing pieces.

25 CHAIRMAN KOPLAN: All right.

1                   MR. WENTWORTH: John Wentworth for  
2                   Moosehead. We do not import any components or  
3                   complete suites at all.

4                   CHAIRMAN KOPLAN: Does that complete  
5                   everybody's testimony? Thank you.

6                   As a followup, are you finding that the  
7                   imports are providing a less expensive way to complete  
8                   parts of your bedroom suites and/or are the imports  
9                   simply expanding your lines to allow you to offer  
10                  products you never offered before?

11                  MR. W. BASSETT: Again, we don't currently  
12                  import any parts from China or complete pieces or  
13                  complete suites. The last time we did was with those  
14                  bunkbeds, and they replaced or copied domestically  
15                  made bunkbeds.

16                  CHAIRMAN KOPLAN: Thank you.

17                  Mr. Chitwood?

18                  MR. CHITWOOD: No. We have no experience  
19                  there.

20                  CHAIRMAN KOPLAN: Okay.

21                  MR. SANDERS: Could I have the question  
22                  again please, sir?

23                  CHAIRMAN KOPLAN: Sure. Are you finding  
24                  that the imports are providing a less expensive way to  
25                  complete parts of your bedroom suites and/or are the

1 imports simply expanding your line to allow you to  
2 offer products you never offered before?

3 MR. SANDERS: Not expanding our line. As I  
4 said earlier, all of our imports of bedroom products  
5 is strictly to give our retailers a shot at  
6 competition with the rest of the furniture industry.

7 CHAIRMAN KOPLAN: Okay.

8 MR. I. ALLEN: Like I said, early on we  
9 imported complete suites to expand our line.

10 CHAIRMAN KOPLAN: Could you just for the  
11 record identify yourself?

12 MR. I. ALLEN: Irwin Allen. I'm sorry.

13 CHAIRMAN KOPLAN: Thanks, Mr. Allen.

14 MR. SANDBERG: John Sandberg. As previously  
15 mentioned, on bunkbeds we certainly have the  
16 capability of making bunkbeds, but nowhere near the  
17 prices to what they're available from China.

18 CHAIRMAN KOPLAN: Thank you.

19 MR. WENTWORTH: John Wentworth for  
20 Moosehead. No, we do not import any components at  
21 all, any parts of suites.

22 CHAIRMAN KOPLAN: I believe that completes  
23 the responses to that question. Thank you.

24 The Respondent argues that every major  
25 company now has a sourcing strategy that includes



1 blends of domestic product and low-cost offshore  
2 wooden bedroom furniture. For example, the prehearing  
3 brief of the Furniture Retailers of America at pages 1  
4 and 2 makes that allegation.

5 I would like to hear from industry witnesses  
6 regarding the role of imports -- not just the subject  
7 imports -- in the industry's overall business sourcing  
8 strategy.

9 MR. W. BASSETT: I'd have to ask one  
10 question in how is a blended strategy being defined?  
11 What is meant by a blended strategy exactly?

12 CHAIRMAN KOPLAN: I would define it as  
13 having a mixture in a suite of both imported product  
14 and domestically manufactured product, but I'm open to  
15 being corrected in that definition by your industry  
16 definition.

17 MR. W. BASSETT: Okay. Using that  
18 definition, in the case that an imported piece would  
19 be mixed with the rest of the domestic suite, my  
20 experience is it still replaces a domestic piece that  
21 either was produced here first, but at a higher cost,  
22 or a piece that could be produced here.

23 The reason for putting in a piece, an  
24 imported piece, in replace of a domestic piece is  
25 simply to be more competitive on the price. There are

1 companies I know that have done this. Certainly I  
2 think Furniture Brands say they do it. Their plant  
3 closures and their employees they've laid off I think  
4 says a lot about the fact that it's replacing domestic  
5 production and not enhancing domestic production.

6 Samuel Lawrence did this pretty extensively  
7 first in mixing in pieces of a suite with domestically  
8 made product and later in bringing in the whole suite,  
9 and that's resulted in the complete shutdown of all  
10 domestic operations for Samuel Lawrence.

11 In the event that somehow you try to make  
12 the argument that it enhanced your domestic  
13 production, nevertheless the piece you're importing is  
14 reducing domestic production somewhere, be it in your  
15 company or some other company.

16 CHAIRMAN KOPLAN: Thank you for that. I see  
17 my red light has come on, so I'll allow you all to  
18 respond to me in my next round. I can come back to  
19 that.

20 Before I turn it over, just so I understand,  
21 does my definition of blending coincide with what the  
22 industry would call blending?

23 MR. W. BASSETT: I don't know that there's  
24 any one definition that the industry would agree on.

25 CHAIRMAN KOPLAN: Thank you very much.

1 I'll turn to Vice Chairman Okun.

2 VICE CHAIRMAN OKUN: Thank you, Mr.  
3 Chairman. Let me also join the Chairman in thanking  
4 all the witnesses for being here today. We very much  
5 appreciate you taking the time from your businesses to  
6 be with us today, for filling out the questionnaires,  
7 and I guess I would also remark that I'm glad to see  
8 that you've brought not only producers, but suppliers,  
9 laborers and retailers here to help us better  
10 understand the complete picture, so we very much  
11 appreciate that.

12 Let me start I think with one of the  
13 questions that Mr. Greenwald posed in his opening  
14 remarks because there was a lot of time spent in the  
15 briefs on it, and I assume we'll hear a lot more about  
16 it this afternoon.

17 And that is if we look at the figures in the  
18 staff report on the industry support for the petition  
19 and what Mr. Greenwald is saying about how much the  
20 figure would be, if we look at the information you  
21 could take away that those producers opposing the  
22 petition represent a greater proportion of the  
23 domestic production than those who support the  
24 petition.

25 I think I'm going to have to start, Mr.

1 Dorn, with you. I'd like to start with the industry,  
2 but just as a legal matter help me with your argument  
3 on how we take and should we take that into effect.  
4 Is it a condition of competition? Does it relates to  
5 the volume analysis or causation?

6 I'll probably have some followup questions,  
7 but let me start with that.

8 MR. DORN: I think according to the statute  
9 and your precedents, no, it's not really a relevant  
10 factor because what the Commission is supposed to be  
11 looking at is the impact of the imports on U.S.  
12 production establishments and the U.S. workforce.

13 The fact that the management of a company  
14 has decided to replace domestic production with  
15 unfairly priced imports from China is supportive of a  
16 finding that the domestic industry is being materially  
17 injured. The fact that the management happens to  
18 oppose the petition because it's inconsistent with  
19 their long-term strategy of displacing U.S. production  
20 and U.S. jobs with imports is irrelevant to the  
21 question you're supposed to decide.

22 I can't imagine there's any employee in the  
23 industry that does not support this petition. The  
24 problem is we don't have much organized labor here.  
25 You know, every labor union we can find is supporting

1 the petition.

2 You know, this statute is not just for the  
3 CEOs and for the shareholders, as Mr. Heinz testified.  
4 Your job is to look at the impact of unfairly priced  
5 imports on U.S. production facilities and U.S.  
6 workers.

7 I would also note in regard to that table  
8 that at least in the public version there was one  
9 mistake. I think it listed Hooker as opposing the  
10 petition. I think that needs to be corrected. Also,  
11 I would suggest that the final report reflect support  
12 by labor unions, as well as by the companies'  
13 management.

14 VICE CHAIRMAN OKUN: Okay. We'll follow up  
15 with staff on those particular points.

16 Let me just continue with that just for a  
17 moment though, because again one of the things that  
18 strikes me in reading this report, if you look at the  
19 volume of the Chinese imports and what the companies  
20 are doing, I'm trying to figure out how I separate out  
21 what we're going to hear this afternoon from companies  
22 who are U.S. producers who are going to say the  
23 blending strategy, however you define it, is helping  
24 the bottom line. The domestic industry is going to  
25 survive because they're able to import some products

1 that they couldn't otherwise compete in effectively.

2 I guess it's just that the facts of this  
3 case are a little different than a number of things.  
4 Not that we haven't seen this before, but I guess I  
5 just want to hear a little more on that again in terms  
6 of is it industry versus industry? If it's not, do we  
7 exclude a bunch of these guys as related parties?

8 I think as you stated in the beginning, Mr.  
9 Dorn, you don't believe that their interests lie in  
10 domestic manufacturing anymore.

11 MR. DORN: Well, we made the argument in the  
12 preliminary determination that a couple of the  
13 producers that oppose this should be excluded from the  
14 domestic industry as related parties. I believe that  
15 you applied the Commission's normal criteria and  
16 looked at their trends compared to the industry trends  
17 and decided not to exclude those companies.

18 We'll certainly take a look at that again  
19 since we have the final staff report and look at all  
20 the data, but I would go back to the 1988 Act, which I  
21 think is pretty straightforward in telling the  
22 Commission that you're supposed to be looking at the  
23 U.S. production operations of these producers, not  
24 their overall operations, including imports.

25 We found it very strange that the

1 questionnaire in this case asked for profit and loss  
2 information for overall operations, including imports.  
3 We think that's irrelevant. We think that the 1988  
4 statute, the legislative history and your precedents  
5 do not suggest that you should be looking at the  
6 overall operations that include imports in determining  
7 whether the imports are increasing profits.

8           The question is whether imports are  
9 adversely affecting the U.S. production operations of  
10 the producer. We would ask the Commission to keep  
11 their eye on the ball. That's the statutory test.  
12 Under that test the Respondents lose, and they're  
13 going to do everything they can to take your eye off  
14 the ball and to change the statutory criteria and to  
15 apply a new test.

16           They don't cite any cases where that's been  
17 done before, and I don't think it has been done  
18 before.

19           VICE CHAIRMAN OKUN: Okay. I appreciate  
20 those. I may have some followup on some of those  
21 particulars and some of the precedent cited in  
22 Respondents' brief.

23           Let me turn to industry witnesses. When you  
24 were talking about the competition, and I think as  
25 you've described it where you'd see slots on a retail

1 floor that used to have your product, and now they  
2 have Chinese product. Are they selling the Chinese  
3 product well below? I mean, is the retail price well  
4 below what they were getting for your product? Do you  
5 know what I mean?

6 In other words, I understand what you're  
7 saying that they're selling it to the first line at a  
8 low price in your view, but my question is when it  
9 goes out to the consumer was there a difference from  
10 what they were selling your product for, the same  
11 product?

12 MR. W. BASSETT: I think there are two  
13 issues. One is are you comparing price points at the  
14 retailers and have the price points changed, or are  
15 they passing all the savings along? That's the other  
16 question.

17 VICE CHAIRMAN OKUN: Well, it may be that,  
18 although I guess the reason I'm asking is if I look,  
19 and obviously you all haven't seen the data, but the  
20 pricing data that we look at, you see a very big  
21 spread between the domestic product and the imported  
22 product.

23 We'll probably have a chance to talk about  
24 it. Is it really the same product? We can talk about  
25 what numbers are in the staff report, but I'm just



1 trying to understand and make sure in our pricing data  
2 that we've got apples to apples in terms of the  
3 product.

4 MR. W. BASSETT: I think with your specific  
5 pricing data I think on Louis Philippe and Mission you  
6 very definitely do have apples to apples. In  
7 situations where Chinese product of comparable quality  
8 has replaced a U.S. producer of comparable quality,  
9 you absolutely see the prices and the price points go  
10 down.

11 In some cases, product coming from China is  
12 not a one-to-one replacement with a specific company's  
13 product, but it competes with another domestic  
14 company's product. They don't necessarily replace.  
15 In that case you're dealing a little bit apples and  
16 oranges.

17 It's not necessarily that they're replacing  
18 my product that's selling for \$1,500 with a Chinese  
19 product for \$1,200. They might be replacing someone  
20 else's product who sold for \$2,000 with a comparable  
21 product that sells for \$1,500. In any case, they are  
22 underselling the domestic product.

23 In terms of passing that along to the final  
24 consumer, most but certainly not all of that is passed  
25 on to the final consumer. I think you'll see that

1 public statements of a number of retailers say that  
2 they make higher margins or improved margins on some  
3 of the imports.

4           Particularly, I think Haverty talks about  
5 their private label program, which has replaced some  
6 domestic brand name furniture with some of their own  
7 branded furniture from China and other countries, in  
8 which they don't pass all of that savings along to the  
9 consumer. Some of it has shown up in higher margins.

10           VICE CHAIRMAN OKUN: Okay. Do other  
11 producers want to comment on that in terms of the  
12 pricing and the comparability of the products that we  
13 have?

14           (No response.)

15           VICE CHAIRMAN OKUN: Okay, Mr. Bassett. You  
16 speak for them.

17           Maybe I could turn back then and just get a  
18 comment from one of our retailers on how they see it.  
19 I heard some talk about that, about what you're  
20 putting on your floor.

21           I see my time is going to run out, but maybe  
22 I could just get a couple of responses back there.

23           MR. BROWN: Yes, ma'am. Harold Brown,  
24 Bassett Furniture in Baltimore, Bassett Furniture  
25 Direct.

1           A prime example is a collection from Bassett  
2           called the Chateau Marse, which is Louis Philippe. A  
3           complete set would retail on our floor for \$2,500, and  
4           it's available at our competitors for \$995 because  
5           they're buying it for less than half of what we are  
6           because they are Chinese imports.

7           VICE CHAIRMAN OKUN: You talked about that  
8           on your floor you have both domestic and Chinese  
9           product. Do you have those two products competing on  
10          the same level or different?

11          MR. BROWN: No, ma'am.

12          VICE CHAIRMAN OKUN: Okay. Different price  
13          points.

14          MR. BROWN: No.

15          VICE CHAIRMAN OKUN: Okay. I think that's  
16          helpful.

17          My next question I think would take longer,  
18          and I see my yellow light is on. I'll have an  
19          opportunity to come back to these.

20          Thank you, Mr. Chairman.

21          CHAIRMAN KOPLAN: Thank you.

22          Commissioner Miller?

23          COMMISSIONER MILLER: Thank you, Mr.

24          Chairman, and let me join in welcoming all of the  
25          witnesses today. We do appreciate your willingness to

1 be here to help us understand your industry. It's  
2 very helpful, so thank you.

3 Actually, I want to follow up first with a  
4 quick question to Mr. Dorn before I go on to trying to  
5 understand the industry a little bit better. Just to  
6 follow up, Mr. Dorn, to the questions that Vice  
7 Chairman Okun asked you related to the industry  
8 support and opposition or company support and  
9 opposition for the petition.

10 Understanding your point about your view  
11 that it's not relevant to the ITC's proceeding, just  
12 as a matter of understanding the Commerce Department  
13 examined standing. Obviously they did so at the  
14 beginning of this case. Do they revisit standing at  
15 all in a case, or once done at the beginning of the  
16 point of initiation is that an issue which is resolved  
17 and not examined again?

18 MR. DORN: It's resolved and not examined  
19 again once the case is initiated.

20 COMMISSIONER MILLER: Okay. That's Commerce  
21 Department practice?

22 MR. DORN: That's correct. This case was  
23 unusual because we did have a polling of the industry  
24 and so the members of the steering committee, some of  
25 whom are here, were calling people and having people

1 join our coalition.

2 I think that what surprised us the most was  
3 the efforts of the retailers, which organized  
4 promptly, to try to persuade U.S. companies not to  
5 join the petition. As Mr. Allen was testifying, there  
6 have been threats. You join this coalition, you  
7 support the petition, it's going to adversely affect  
8 this retailer's relationship with your company.

9 We had folks that signed on and then changed  
10 their mind and would not support us because they just  
11 didn't want to upset their customers. We think that's  
12 a relevant consideration you ought to take into  
13 account here.

14 The other thing I would note here is the  
15 data are confidential of course at this point, but  
16 look at the share of imports accounted for by  
17 companies that do not produce furniture in the United  
18 States. Look at that share in 2001. Look at that  
19 share in 2003. Look at that share in 2004.

20 This is not a situation where the U.S  
21 producers are accounting for a surge in imports.

22 COMMISSIONER MILLER: All right. I just  
23 wanted to understand and get your answer on that  
24 particular question. I appreciate the comments.

25 Let me go on to ask the companies, if I

1       could, to help me understand just the pricing and  
2       marketing in the industry and how you compete not  
3       necessarily just against the imports from China, but  
4       among each other for that matter in terms of when  
5       you're making sales to your purchasers.

6               Really what I'm trying to understand is just  
7       how price competition works in the industry, price and  
8       sort of the marketing. I mean, do you go to a  
9       supplier that you've perhaps not supplied or a company  
10      that you've not supplied in the past and offered them  
11      a particular product at a particular price point, or  
12      is it more of a negotiated process between the  
13      different styles and designs that they may want to see  
14      and price.

15             I just want a better understanding of how  
16      the industry competes company to company, whether it's  
17      U.S. or an imported product that you're competing  
18      against.

19             Who wants to jump at a very open ended  
20      question? This is a matter of asking for education.  
21      Mr. Bassett?

22             MR. W. BASSETT: Well, I'll try to start  
23      answering, and you pull me back in the right direction  
24      if I start heading off of it.

25             I think the first thing to understand about

1 the furniture industry is that there is very little  
2 new under the sun in terms of style or design in the  
3 furniture industry. Virtually all furniture styles  
4 and designs are derivative.

5 As has been mentioned before, they don't  
6 call it 18th century because it was invented  
7 yesterday, because the style was originated in the  
8 18th century. The same with Victorian during the  
9 reign of Queen Victorian, Louis Philippe during the  
10 reign of Louis Philippe.

11 That makes the competition in the industry,  
12 whether it's between one domestic producer and another  
13 or between a domestic producer and an importer or  
14 between two different import suites. It comes down to  
15 price.

16 Typically we'll bring out new products.  
17 What we're trying to do, as well as our competition,  
18 both domestic and import is trying to do, is  
19 identifying what the market is out there looking for.  
20 We try to supply what the market is looking for.  
21 Obviously we're not the only ones who do that. We're  
22 not the only ones who do that well.

23 What you find frequently at furniture  
24 markets particularly is a particular style category  
25 will be hot at that particular market. In that case,

1 you're probably going to be able to shop for that  
2 style category among several producers.

3 Certainly if there's a hot style category  
4 out there and it's not offered among several  
5 producers, within a matter of weeks or months there  
6 will be several more producers, both domestic and  
7 import, who will offer that once they've identified  
8 that that's a style category that's going to be hot or  
9 going to be asked for in the marketplace.

10 We get shopped by retailers who come in and  
11 not only our furniture space, but in the space of a  
12 lot of cases a dozen or dozens of other manufacturers,  
13 again be them domestic or import. Again, because the  
14 styles are derivative, what we spend the time talking  
15 about with the retailers we're trying to sell is back  
16 to price. How competitive are we on that suite?

17 COMMISSIONER MILLER: And do you tend to  
18 offer a range of product? Do different producers  
19 offer a range of product from the good, better and  
20 best qualities, or do they tend to specialize in terms  
21 of where they fit in that spectrum?

22 MR. W. BASSETT: That's a hard question to  
23 answer. I think the industry certainly understands  
24 the concept of good, better, best. Manufacturers  
25 understand it. Retailers understand it.



1                   What there is no common definition of is  
2 what is good, better, best? Within our own line at  
3 Vaughan-Bassett, we have what we consider good,  
4 better, best. On a retailer's floor, they're going to  
5 have what they consider to be good, better, best.

6                   What I consider to be the top of my line in  
7 some cases is the bottom of the line at a particular  
8 retailer who buys it. In other cases what I consider  
9 to be the bottom of my line, the good category, might  
10 be the top of the line at a different retailer.

11                   Good, better, best is certainly understood  
12 in the industry, but there is no way to define what is  
13 good, better, best. In our case, we certainly offer  
14 good, better, best. We offer a pretty wide range of  
15 product. We compete in a pretty wide range out there.

16                   I'd have to let somebody else speak to see  
17 if it's good for their company.

18                   COMMISSIONER MILLER: Would anybody else  
19 like to address the question? Anybody?

20                   MR. I. ALLEN: Irwin Allen, Michels &  
21 Company.

22                   COMMISSIONER MILLER: Mr. Allen?

23                   MR. I. ALLEN: I'm sorry. Did I cut  
24 somebody off?

25                   COMMISSIONER MILLER: No.

1                   MR. I. ALLEN: As we said in our comments --  
2 as I said in my comments -- we work in the budget  
3 priced, value priced, promotionally priced.  
4 Therefore, in that area there is a range, okay? We  
5 don't make good, better, best, okay? We stay in the  
6 good, however that's defined.

7                   Now, what may be good -- we may infringe on  
8 the better price point of other manufacturers, but we  
9 stay pretty much within the realm. Our customers,  
10 retailers, expect to come to our showrooms to have  
11 product in that price point.

12                   I alluded to rent to own. There's a limit.  
13 There's a limit as to how high you can go because the  
14 consumer that buys our customers' furniture has a  
15 limit, has a range.

16                   If I'm going astray, stop me now.

17                   COMMISSIONER MILLER: No, but let me ask you  
18 this. You mentioned a moment ago when the retailer is  
19 coming to your showroom. Again, I'm trying to make  
20 sure I understand how the price competition happens.

21                   That retailer is visiting your showroom and  
22 Mr. Bassett's showroom and multiple different  
23 showrooms or the big markets to see what their options  
24 are and then pretty much, based on if they want to  
25 present a particular hot item, looking for whoever has

1 the best price on that item within their particular  
2 slice of the market, so to speak, from the good,  
3 better, best, you know, wherever they are in the price  
4 point range. Is that right?

5 MR. I. ALLEN: Yes. Correct, but certain  
6 retailers will shop our showroom, but will not shop in  
7 the higher price points, okay?

8 COMMISSIONER MILLER: Right. Right.

9 MR. I. ALLEN: They will come to us for a  
10 promotional product, okay, but they're not coming into  
11 us for solid wood 18th century or something like that.

12 COMMISSIONER MILLER: Okay. Let me ask one  
13 other quick question because I know my time is going  
14 to expire.

15 I'm curious. I think it was Mr. Loring who  
16 referenced the furniture superstores and how they fit  
17 into this. I'm interested in their general role in  
18 the market at this point in time. The Commission has  
19 seen a lot of cases where the big box retailers are  
20 having an impact on domestic industries in terms of  
21 the way they're using imports.

22 You said I think, Mr. Loring, that they are  
23 just a sliver of retail at this point. Would others  
24 agree with that? If they are a sliver of retail, is  
25 their impact on pricing still a sliver of an impact?

1                   MR. W. BASSETT: We're talking about what  
2 you're calling the big box stores?

3                   COMMISSIONER MILLER: Yes. Yes. I know the  
4 red light came on already. I shouldn't have even  
5 started down this road. I may have to come back to  
6 it.

7                   Mr. Bassett, would you agree with Mr.  
8 Loring's characterization that they're not having that  
9 much impact?

10                  MR. W. BASSETT: I would agree with the  
11 characterization, when you say big box stores, if  
12 you're talking about the big box mass merchandisers  
13 like Best Buy. If you're defining big box in that  
14 respect then I would say they have not been as into  
15 furniture as furniture stores.

16                  What sometimes we would commonly call big  
17 box furniture stores aren't big box stores like Best  
18 Buy. They're big retailers like Rooms To Go.

19                  COMMISSIONER MILLER: Right.

20                  MR. W. BASSETT: And it would be absolutely  
21 untrue for those big retailers.

22                  Quickly, I think one thing you have to  
23 understand about a lot of the big retailers is they're  
24 more likely to import product directly from China than  
25 a small retailer. The reason for that is if you're

1 bringing furniture directly from China, you have to do  
2 it on at a minimum a container-load basis. The bigger  
3 the store you are, the easier it is to bring in those  
4 container loads.

5 For any given product, a billion dollar  
6 store one container load might be less than one day's  
7 worth of sales. For an individual mom and pop store  
8 location or an independent, one container might be a  
9 year's worth of sales of a particular product. For  
10 that reason, the smaller stores can't as efficiently  
11 bring in those containers as the big store.

12 Now, what's happened with the imports is  
13 you're seeing a huge advantage that the big retailers  
14 have over the independents when it comes to selling  
15 imports because of that. Sometimes it's a 40 percent  
16 difference in what it costs them to land those imports  
17 versus an independent landing them through a domestic  
18 distributor one piece at a time or actually one group  
19 at a time.

20 COMMISSIONER MILLER: Okay. The red light  
21 has come on. If I have any further questions on this  
22 line I'll come back to it. There are lots of other  
23 issues obviously as well.

24 I appreciate your answers. Thank you.

25 CHAIRMAN KOPLAN: Commissioner Hillman?

1                   COMMISSIONER HILLMAN: Thank you. I, too,  
2 would join my colleagues in thanking you all very much  
3 for taking the time to be with us this morning and for  
4 all the information that's been presented to us in  
5 your questionnaire responses, in the briefs and in  
6 your testimony today.

7                   I guess I want to follow up a little too to  
8 make sure I understand this issue of price competition  
9 and how it's occurring and from a couple of  
10 perspectives.

11                   One, let me just make sure I understand how  
12 you price the product. Mr. Chitwood, I would also be  
13 particularly interested in whether there's differences  
14 in how products are priced in the institutional  
15 market, as opposed to in the retail market.

16                   Let me just start with when you price, you  
17 price a suite of furniture, but do you then include  
18 within that separate prices for each price, and does  
19 it matter what the components are of the suite in  
20 terms of what the prices for the individual pieces  
21 are?

22                   MR. CHITWOOD: Commissioner Hillman, we are  
23 I guess a little bit different in our markets  
24 obviously, but in terms of a suite of furniture it's  
25 like a guestroom of furniture.

1           On the residential side, you would say a  
2           suite of furniture in a guestroom. It would be  
3           similar. It would be headboards. It would be tables  
4           or other items that would go into a suite.

5           COMMISSIONER HILLMAN: So your price would  
6           be for a bedroom? I mean for a hotel bedroom that  
7           would presumably contain the exact same pieces for  
8           each room?

9           MR. CHITWOOD: Actually, our prices would be  
10          for each individual piece. However, we really  
11          wouldn't sell them that way.

12          Typically if you look at the Madison Hotel  
13          here in Washington, D.C., when we sold that product we  
14          sold the entire guestroom. We gave our customer  
15          pricing for each particular item. Now, in some rooms  
16          they had an upscale nightstand that they asked for us  
17          to make. We only made 12 of those.

18          Typically we sell entire rooms. We do price  
19          individually, but the way we sell it is with entire  
20          rooms.

21          COMMISSIONER HILLMAN: Okay. All right.  
22          And then are there certain pieces that you expect to  
23          make a higher profit on, or are there ones that are  
24          more cost effective selling within the suite?

25          MR. CHITWOOD: No. We look at profitability

1 on a project basis.

2           There are certain items. For example, a  
3 four or five star hotel may have 200 rooms at their  
4 hotel, and they may have 30 or 40 suites. The suites  
5 furniture would be probably more expensive. We may  
6 not be able to find the margin there that we would in  
7 the other guestroom furniture, so we judge  
8 profitability on a project basis overall.

9           COMMISSIONER HILLMAN: Okay. I would  
10 presume that's a little bit different than how the  
11 rest of you that are in the retail market?

12           MR. W. BASSETT: A little bit different, but  
13 I think it's the same idea.

14           We price our furniture by the suite. We  
15 figure out what we want to make on an entire suite  
16 sale of furniture because that's how we sell it. We  
17 individually price the pieces, but that's after we  
18 come up with the suite price. We divvy up that price  
19 between the individual piece in the group. For  
20 instance, if we figure we can sell a suite for \$1,000,  
21 we'll divide that \$1,000 by the different pieces of  
22 the suite.

23           The key thing for us in how we divvy up the  
24 prices between those pieces has to do with what kind  
25 of suite price we're trying to hit. The reason for



1 that is simple. Furniture is sold in suites.  
2 However, there is no one definition for what comprises  
3 a suite. In different geographic areas of the country  
4 you'll find different pieces comprising a suite.

5 When we sell in New York, we're most often  
6 asked to quote a suite as a dresser, a mirror, an  
7 armoire, a headboard and two nightstands. In the  
8 southeast, we're most often to quote a suite as a  
9 dresser, a mirror, a chest and a bed.

10 Some dealers in the southeast like to be  
11 quoted a dresser, mirror, nightstand and bed instead  
12 of a dresser, mirror chest and bed. For that reason,  
13 and because furniture suites are sold at price points,  
14 pretty much even number price points, we try to make  
15 the gaps between those pieces even numbers also.

16 For instance, our chest will often be priced  
17 \$100 more than the nightstand in that particular suite  
18 so that we can quote a price point chest way or a  
19 price point nightstand way. In any case, we're  
20 breaking it up by suite price.

21 In a letter Rooms To Go wrote to the  
22 Commerce Department of January 28 they write a fairly  
23 long letter, but the middle paragraph says that:

24 "Rooms To Go is the largest furniture  
25 retailer in the United States. We purchase bedroom

1 furniture from China, Indonesia, Brazil and other  
2 countries, as well as from U.S. manufacturers. We and  
3 most other retailers purchase, advertise, market and  
4 sell bedroom furniture as suites consisting of several  
5 pieces.

6 "When bedroom furniture is purchased from a  
7 Chinese manufacturer, the supply arrangements are  
8 based upon the various bedroom furniture pieces being  
9 combined to perform a suite. When we negotiate prices  
10 with our Chinese and other suppliers, those  
11 negotiations are conducted on a suite basis, not a  
12 piece basis. Although some consumers..." --

13 COMMISSIONER HILLMAN: Again, I understand  
14 that.

15 MR. W. BASSETT: Okay.

16 COMMISSIONER HILLMAN: I'm just trying to  
17 make sure I am understanding again how this price  
18 competition occurred.

19 So it's basically as I heard the testimony,  
20 you know, to the previous question it's sort of your  
21 Mission suite versus someone else's Mission suite, and  
22 that's how the competition is as to whether a retailer  
23 is going to purchase your product or John Bassett's  
24 product or anybody else's Mission product. It's going  
25 to be based on the price of that suite.

1                   Within that suite, once that sale is made  
2                   you're going to have an individual price for each.  
3                   You know, the dresser is this much. The bed is this  
4                   much. The armoire is this much. I'm getting nodding  
5                   heads. Does everybody agree that's how it's done?

6                   All right. Do volume discounts play a role  
7                   here for people? Is there an issue that if you're  
8                   purchasing more in terms of the number of suites that  
9                   the prices vary according to the volume?

10                   MR. W. BASSETT: In our case, in probably 99  
11                   percent of our sales everybody pays the same price.  
12                   Obviously if someone is doing a very large amount of  
13                   business they are going to have some leverage over us  
14                   as to what we will sell the suite to them for.

15                   Those kind of negotiations are done on an  
16                   individual basis. We don't have any volume prices set  
17                   up on our price list.

18                   COMMISSIONER HILLMAN: Okay. Mr. Chitwood?

19                   MR. CHITWOOD: Commissioner Hillman, let me  
20                   add to that. That's very important on the hospitality  
21                   side.

22                   I referred to the Courtyard by Marriott  
23                   program that we lost. That program involved 50 to 75  
24                   hotel projects. The pricing -- we gave much more  
25                   advantageous pricing for that type of program, as

1       opposed to one or two hotel projects.

2                   COMMISSIONER HILLMAN:   Okay.   All right.   So  
3       you're saying for you there is a bit of a volume I  
4       don't want to say discount issue, but a more  
5       competitive pricing for a large volume.

6                   I'm hearing Mr. Bassett saying on the retail  
7       side that's really not as big an issue, this issue of  
8       a volume discount.

9                   MR. CHITWOOD:   That's correct.

10                   COMMISSIONER HILLMAN:   Okay.   All right.  
11       Let me go to the issue that Vice Chairman Okun also  
12       raised, this issue of whether our pricing data really  
13       reflects sort of an apples to apple comparison.

14                   To some degree it's in response to some of  
15       the issues raised by Mr. Greenwald in his brief  
16       because he is basically making the point that if we  
17       look at the data, which we don't normally do, but  
18       broken down by individual manufacturers that we're  
19       seeing a decline in the volume of the sort of higher  
20       ended price product on the domestic production side  
21       and an increase in the somewhat lower priced product  
22       and, therefore, the weighed average of our data is  
23       showing a price decline even though within a given  
24       higher end category.

25                   I'm trying to make sure.   If I'm looking at

1 the product, the kind of products that we're pricing,  
2 I would presume that there can be somewhat of a range  
3 even within that product, depending on the quality of  
4 the hardware, the number of glides or slides for the  
5 drawers.

6 I mean, you all know this a lot better than  
7 I do, but I would presume that even within the  
8 products that we've described there are features that  
9 can be added or taken away that would change the price  
10 of that product, nonetheless keeping it within the  
11 kind of definitions that we're talking about.

12 I'm trying to understand whether I'm right,  
13 whether that's the case that you can do various things  
14 that would adjust the cost of producing the product,  
15 and, if so, how much is that variance within a given  
16 product area? Within a Mission suite of furniture,  
17 how much variance is there staying within kind of a  
18 general definition of what is that product?

19 MR. W. BASSETT: There is some of that. I  
20 know from working on the questionnaires myself, there  
21 are other defining characteristics beyond just Mission  
22 furniture or Louis Philippe furniture.

23 In a lot of cases there were dimension  
24 requirements that had to be met -- in other words, not  
25 all Louis Philippe dressers were going to fit into

1 this category -- or weight requirements. There were  
2 production material requirements so that you didn't  
3 confuse a solid piece of furniture with a solid veneer  
4 piece of furniture or a hardwood piece of furniture  
5 with a softwood piece of furniture, so the definitions  
6 when we looked at them were going to give a pretty  
7 good homogeneous product category.

8 I think one thing to understand about what's  
9 happened to the furniture industry though with the  
10 imports from China has been there's so much deflation  
11 that everyone in the industry is chasing price. If  
12 there's a decline in some of the higher priced  
13 products it's because the prices have fallen so much  
14 in our industry. I don't know of people who can sell  
15 higher products as well as they used to anymore.

16 Price is chasing I think a pretty  
17 homogeneous product requirement. In other words, if  
18 someone changes the specs to lower the price of  
19 something, the rest of the market are matching those  
20 specs and again trying -- it comes back to beating  
21 them on price.

22 COMMISSIONER HILLMAN: Would anyone here  
23 have a sense of how much, again within these product  
24 categories, the sort of bells and whistles or other  
25 features?

1           Are we talking it could change the price by  
2     five to 10 percent, or is it more like 20 to 30  
3     percent, depending on the number of smaller features  
4     that you would put in, given the way our products are  
5     priced?

6           MR. W. BASSETT: I'd make one statement. I  
7     know we had a product we produced domestically, and it  
8     was knocked off by a Chinese producer at a much lower  
9     price. We had to replace that product with another  
10    product in our line.

11           To the extent that we redesigned it and  
12    reengineered it and saved money over our original  
13    suite, that might have accounted for a few percentage  
14    points of our total price reduction.

15           COMMISSIONER HILLMAN: Less than 10?

16           MR. W. BASSETT: Absolutely less than 10.  
17    We sold the new product for 25 to 30 percent less than  
18    our original product. The vast majority of that price  
19    reduction came out of our profits, not out of savings  
20    because we changed the specs.

21           COMMISSIONER HILLMAN: I appreciate that. I  
22    have many issues yet to cover, but I thank you for  
23    those answers.

24           CHAIRMAN KOPLAN: Commissioner Lane?

25           COMMISSIONER LANE: Good morning. Welcome

1 to the hearing. It's sort of pleasant to deal with a  
2 subject that I know a little bit about rather than  
3 some product that I can't even pronounce.

4 I'd like to start first with Mr. Dorn. I  
5 haven't been a Commissioner very long, and I've been  
6 sort of struck by the animosity that has been  
7 exhibited in this case by the people who oppose the  
8 petition.

9 Is this normal? I mean, you've been doing  
10 trade cases a lot. Is this normal, or is this sort of  
11 unusual?

12 MR. DORN: I've been doing this for over 25  
13 years. I've ever seen anything like it. It's very  
14 unusual.

15 It was a big surprise to me, a big surprise  
16 to our coalition. It made it very difficult to sign  
17 people up to support the petition, a struggle to keep  
18 people from falling off the petition because they were  
19 being intimidated by retailers. I've never seen it  
20 before.

21 COMMISSIONER LANE: Okay. Thank you.

22 Now, the other question I had for you is we  
23 heard some testimony about some of the product coming  
24 in from China being made from resin or plastic. Now,  
25 is that still part of the like product?



1                   MR. DORN: Well, it's within the scope of  
2 the investigation. It's also within the like product.  
3 What we're talking about are just pieces, trim.

4                   I think Wyatt Bassett could probably answer  
5 that from a factual perspective better than I can.

6                   MR. W. BASSETT: When we say resin or say  
7 plastics, we're not talking about anywhere close to  
8 the entire piece of furniture. Where resins and  
9 plastics are being used are to replace wooden  
10 carvings. Now, the reason to use resins or plastics  
11 versus the wooden carvings, be they hand carved or  
12 machine carved, is not because there's anything  
13 superior about the plastic to the wood. It's simply a  
14 factor of price.

15                   The competition between our domestic product  
16 and Chinese product is obviously fierce. The  
17 competition between one Chinese producer and another  
18 Chinese producer is very fierce based on price.

19                   Even given that it's been claimed how low  
20 their labor rates are, it's interesting that that  
21 competition is so fierce that they've even started  
22 replacing their carved parts, wood carved parts, with  
23 resin parts, which are less expensive.

24                   COMMISSIONER LANE: Okay. I want to go to  
25 this concept about slots. I understand that there's a

1 lot of competition for the slots in the retail  
2 industry. Now, as a producer do you have to pay a  
3 retailer to get those slots? Tell me how that works.

4 Mr. Bassett, I'd like for you to tell us  
5 about that.

6 MR. J. BASSETT: I'm John Bassett. No, we  
7 do not pay a retailer for those slots, but those slots  
8 are critical to us. We call them real estate. If we  
9 don't have real estate on that dealer's floor, then  
10 we're not going to sell merchandise.

11 If you have three slots or five slots or six  
12 slots, obviously you have a much better chance of  
13 selling your product. We have watched those slots  
14 over the last three to four years diminish, and in  
15 many cases in the case of our company after the  
16 petition was filed we lost the largest customer we  
17 had. We used to have I think six slots on his floor.  
18 Today, ma'am, we have none.

19 COMMISSIONER LANE: Okay. Now I have a  
20 question for Mr. Sanders.

21 I think you stated that your company had  
22 lost substantial, if not all, of your business that  
23 you had with JCPenney. Now, when you lost all of that  
24 business was it one Chinese producer that replaced  
25 you, or did JCPenney deal with a number of Chinese

1 producers?

2 MR. SANDERS: I really can't answer that  
3 question other than when we were there we saw multiple  
4 suites from China. We didn't know specifically who  
5 the vendors were.

6 COMMISSIONER LANE: Okay. Thank you.

7 In the final phase of this investigation,  
8 and I'm not sure who to address this question to, a  
9 party requested that the Commission obtain separate  
10 data for joinery wooden bedroom furniture.

11 In your opinion, what are the major  
12 differences between joinery wooden bedroom furniture  
13 and wooden bedroom furniture that uses glue and metal  
14 connectors such as nails, screws and staples, and how  
15 prevalent is the joinery wooden furniture in the  
16 domestic market?

17 Mr. Wyatt Bassett?

18 MR. W. BASSETT: Thank you. Prior to this  
19 case I had never heard the term joinery furniture.  
20 It's not a commonly known or, to my knowledge,  
21 accepted term in the furniture industry.

22 For that reason, there's certainly nothing  
23 that we've ever been able to distinguish physically  
24 about the look of joinery furniture versus non-joinery  
25 furniture. In fact, in our production process we use

1 metal fasteners, things like screws and staples and  
2 nails to hold furniture together, but it's just to  
3 hold it together until the glue dries or sets. What's  
4 actually holding that furniture together is glue, not  
5 the metal fasteners, which is the same case with  
6 joinery furniture.

7 To the extent that we do have metal  
8 fasteners in our furniture, it's not exposed or  
9 visible when the furniture is being used in its normal  
10 state of use. In other words, you probably have to  
11 turn the piece of furniture upside down or look at the  
12 back of it or look at the interior of it and take it  
13 apart to find any of those pieces, so we've never  
14 drawn any distinction at all between what's being  
15 called here joinery furniture and the rest of the  
16 furniture that we make.

17 There's certainly a wide variety of prices  
18 and styles of non-joinery furniture and certainly a  
19 lot of that absolutely matches the styles you find in  
20 furniture and matches the prices you pay in joinery  
21 furniture.

22 MR. DORN: Commissioner Lane, I think if you  
23 look at the questionnaire response I think there was  
24 some confusion on the part of some Respondents. They  
25 thought the term joinery furniture referred to solid

1 wood furniture.

2 Mr. Wentworth specializes in solid wood  
3 furniture. Maybe he has a view on the difference  
4 between that and joinery furniture.

5 COMMISSIONER LANE: Okay. Mr. Wentworth?

6 MR. WENTWORTH: Right here.

7 COMMISSIONER LANE: Okay.

8 MR. WENTWORTH: Like Mr. Bassett, I too was  
9 a little confused when I first saw the designation of  
10 joinery furniture because I always assumed that we  
11 made essentially joinery furniture.

12 We make a solid wood product, and every  
13 component of it is joined with wood joints, whether a  
14 dovetail joint, a mortise and tenon, and yet we use  
15 screws, nails and staples to hold the unit together  
16 while the glue sets, just like Mr. Bassett said.

17 The term joinery is common in all wood  
18 furniture, and it's really no different from what we  
19 make from what I understand this particular  
20 designation is.

21 COMMISSIONER LANE: Okay. Thank you.

22 In the prehearing brief, Respondents have  
23 conceded that subject imports from China had been  
24 priced well below the comparable U.S. made product.  
25 However, Respondents argue that despite the

1 underselling, the record contains no serious evidence  
2 that U.S. producer prices generally have responded to  
3 Chinese producer prices.

4 Do you contend that U.S. producer prices  
5 have responded to Chinese producer prices? If so,  
6 what evidence on the record supports this conclusion?

7 MR. DORN: I'll address the evidence on the  
8 record, but unfortunately it's mostly confidential.

9 There is public information in the  
10 prehearing report that indicates that the average unit  
11 shipment value of domestic production went down 7.6  
12 percent from 2001 to 2003 and another 3.2 percent from  
13 the first half of 2003 to the first half of 2004.

14 I also think it's significant to look at the  
15 confidential hearing exhibit that I handed up during  
16 my opening remarks which shows a price effect which is  
17 that if you look at the two suites that are being  
18 compared. I should not mispronounce "suites" in front  
19 of my clients.

20 CHAIRMAN KOPLAN: I did.

21 MR. DORN: If you look at the trends of the  
22 domestic comparison product and the import comparison  
23 product, you can see the adverse price effect that the  
24 imports are having in terms of taking away market  
25 share.

1           The other thing that's going on, and the  
2 witnesses can speak to this, is, as Wyatt Bassett was  
3 explaining, when you get pressure on a Mission suite  
4 then you try to redesign your Mission suite to take  
5 some cost out to lower the price. That's been going  
6 on.

7           Also we have evidence of a declining gross  
8 profit margin, which basically means that producers  
9 haven't been able to maintain their margin between  
10 their cost of production and selling price, which is  
11 another price effect from the underselling.

12           COMMISSIONER LANE: Okay. Thank you. I'll  
13 wait until my next round. Thank you.

14           CHAIRMAN KOPLAN: Thank you, Commissioner.  
15 Commissioner Pearson?

16           COMMISSIONER PEARSON: Thank you, Mr.  
17 Chairman. I'd like to add my welcome to the panel.  
18 It has been very interesting hearing your  
19 comprehensive overview of the situation from a number  
20 of different perspectives. I found it helpful.

21           Let me begin with a question for Mr. Dorn  
22 and perhaps Mr. Malashevich by bringing your attention  
23 to page 3-3 of the confidential staff report. At the  
24 top of that page there is a discussion about the  
25 percentages of U.S. production represented by

1 Petitioners, by supporters of the petition and by  
2 opponents of the petition.

3 My observation is that a substantial  
4 percentage of the U.S. furniture industry appears to  
5 oppose this petition. Is it reasonable to assume then  
6 that if we were to decide this case in the affirmative  
7 that the resulting duties would harm those domestic  
8 producers that oppose the petition?

9 MR. DORN: No, because the legislative  
10 history to the 1988 statute makes it clear and tells  
11 the Commission that you are to focus on the domestic  
12 production facilities and domestic operations.

13 You're not supposed to look at the effect of  
14 imports on the import operations of domestic  
15 producers. That's clear. You don't have the  
16 discretion to go beyond the impact of imports on  
17 domestic operations.

18 There have been plenty of cases where you've  
19 acknowledged that. One I'm familiar with is Gray  
20 Portland Cement. We sat in the hearing room and heard  
21 the Respondents say well, the imports from Mexico are  
22 not harmful because most of the imports are being  
23 brought in by domestic producers.

24 Our counter to that was well, the impact of  
25 the lower prices from Mexico has been to cause



1       disinvestment in cement assets in the United States  
2       and so while the domestic producers were controlling a  
3       significant percentage of the imports, that was a  
4       significant salient symptom of the dumped imports and  
5       was clearly damaging the domestic industry. The  
6       Commission agreed with that position and ruled in  
7       favor of the domestic industry.

8                 In your recent case on Polyethylene Retail  
9       Carrier Bags you also had a lot of producer imports,  
10       and the Commission focused, as it should, on the  
11       domestic operations of those producers and found  
12       damage.

13                It also noted that even if a particular  
14       producer might be said to benefit from its imports of  
15       subject merchandise, those imports of subject  
16       merchandise are hurting other domestic producers.  
17       They're displacing production of other domestic  
18       producers, so in no sense can those producer imports  
19       be considered beneficial to the U.S. domestic  
20       production operations, which Congress has told you to  
21       focus on in making this analysis.

22                COMMISSIONER PEARSON: Okay. In light of  
23       that response, have I incorrectly interpreted the  
24       information in the top paragraph on page 3-3, which I  
25       have understood exclusively to U.S production of those

1 firms? I've interpreted this data to have no bearing  
2 at all on their imports.

3 MR. DORN: When you say 3-3, what is that?

4 COMMISSIONER PEARSON: Page 3-3.

5 MR. DORN: 3-3. Thank you.

6 Well, if you look at some of the companies  
7 who are listed as opposing the petition -- let's take  
8 a couple that are here today. Furniture Brands. I  
9 don't know what Lexington's position is, but they're  
10 here to testify on the other side so I assume they're  
11 going to oppose it.

12 I would refer you to the applications for  
13 trade adjustment assistance that are attached to our  
14 petition at Exhibit 31. Lexington Brands made it  
15 clear when it closed its flagship plant when it filed  
16 a certification with the Department of Labor that it  
17 was losing sales to imports from China.

18 It was shifting production to China. It  
19 didn't cite any other country. It just said all the  
20 imports were from China. The Department of Labor  
21 agreed that the imports contributed importantly to the  
22 separation of its workers.

23 Now, the fact that their management may  
24 oppose this petition does not mean that their U.S.  
25 production facilities were not hurt by the dumped

1 imports. They clearly were.

2 Furniture Brands, which opposes this  
3 petition, has filed 13 applications for trade  
4 adjustment assistance. It came to Washington, D.C.  
5 and asked the Department of Labor on 13 separate  
6 occasions for assistance for its workers and claimed  
7 that those workers lost their jobs because of imports  
8 from China.

9 Now, its applications often mentioned other  
10 countries in addition to China, but in every  
11 application it does mention China, and in every  
12 application where multiple countries are listed China  
13 is the first country listed.

14 Again, I think Furniture Brands' domestic  
15 operations have been hurt as much or more than any  
16 domestic producer in the industry. The fact that they  
17 oppose the petition because they want to continue to  
18 close plants and move more of their sourcing to China  
19 is evidence of injury to this domestic industry. It's  
20 not something the Commission can ignore just because  
21 they oppose the petition.

22 COMMISSIONER PEARSON: Okay. Those are  
23 somewhat interesting points, but still not exactly on  
24 target.

25 Mr. Malashevich, have you had a chance to

1 review the language that I'm referring to?

2 MR. MALASHEVICH: In the public version,  
3 yes, at the top of page 3-3. I do not have the  
4 confidential version with me.

5 COMMISSIONER PEARSON: Okay. The public  
6 version probably is good enough here because I can say  
7 that there is a substantial percentage of U.S.  
8 production that is opposing the petition, and  
9 obviously a meaningful percentage of the U.S. industry  
10 is supporting the petition.

11 Now, the basic question I have is given that  
12 the U.S. industry is to some degree split in its  
13 support or opposition to the position, if we decide  
14 this in the affirmative ought we to assume that there  
15 would be at least some damage to those firms that are  
16 opposing the petition?

17 MR. DORN: There would be some damage  
18 perhaps --

19 COMMISSIONER PEARSON: Mr. Malashevich,  
20 please?

21 MR. MALASHEVICH: Commissioner, I can't add  
22 to anything Mr. Dorn said on points of law.

23 The other way of looking at it is -- well,  
24 two ways of looking at it really is that, one, they  
25 remain U.S. producers at least in part, if not major

1 part, so the remaining U.S. operations of those  
2 players who also happen to be importers would benefit  
3 from imposition of the relief.

4 The only other thing I'd mention, and this  
5 really goes to an earlier question. Like Mr. Dorn,  
6 I've been doing this for a lot of years. As the  
7 Commission is aware, I spend time both on respondent's  
8 side and on petitioner's. I have never seen anything  
9 like the intimidation that's occurred in this case,  
10 and there is no question in my mind that the share of  
11 U.S. production represented by companies that would  
12 support the petition if not intimidated would be a lot  
13 higher than it is in the report. It's been  
14 outrageous.

15 COMMISSIONER PEARSON: I haven't been on the  
16 Commission long enough to have experienced the  
17 interactions of lots of industries with others when  
18 one part goes off and seeks a petition, but I can  
19 imagine that there are those issues that come to the  
20 fore with some regularity, but perhaps particularly  
21 intensely here. I don't know.

22 If the intimidation is the main issue here,  
23 wouldn't you think, and you can perhaps reply in the  
24 posthearing if you want. Wouldn't you think that the  
25 percentage of firms taking no position on the petition

1 would be larger?

2 I mean, what was particularly noteworthy to  
3 me was the percentage of the domestic industry that is  
4 actually opposing the petition. If I was a U.S. firm  
5 in that situation and I was having customer push back  
6 to supporting the petition, I might find it more  
7 convenient to align myself with those firms that take  
8 no position.

9 As I just said, here we have a substantial  
10 percentage of the industry expressing opposition to  
11 the petition.

12 Mr. Dorn?

13 MR. DORN: Well, if you look at who those  
14 large producers are that oppose us, look at what's  
15 happened to their domestic production operations over  
16 the last three years and their import operations in  
17 the last three years. I mean, what they're doing is a  
18 shift away from domestic production towards importing.

19 You know, an antidumping order would change  
20 their strategy to the extent that they would be less  
21 inclined to replace domestic production with imports.  
22 The focus of the statute is the impact of the dumped  
23 imports on the domestic production operations.

24 You're not here to protect their import  
25 operations. That's not a statutory criteria.

1                   COMMISSIONER PEARSON: If the Chairman will  
2                   indulge me very quickly?

3                   Could you please either now briefly or else  
4                   in the posthearing comment on whether we should  
5                   consider as a condition of competition the interesting  
6                   division of the industry on whether or not the  
7                   petition should go forward?

8                   MR. DORN: I'll be happy to address that in  
9                   the posthearing brief, but I don't see how it's a  
10                  condition of competition. It's a question of business  
11                  strategy, and to the extent that someone has a  
12                  business strategy of replacing domestic production  
13                  with imports because of lower prices, that, to me, is  
14                  great evidence of injury to the domestic industry as a  
15                  result of dumped imports, and that's the way the  
16                  Commission has looked at it in prior cases. And the  
17                  1988 legislative history could not be clearer. It  
18                  tells you, if you look at the domestic production  
19                  operations, and it recognizes that producers may  
20                  import in order to maintain some market share in the  
21                  face of unfair competition, but the Congress says  
22                  that's not a reason to go negative.

23                  MR. PEARSON: Okay. Well, thank you very  
24                  much, Mr. Dorn, and thank you for your indulgence, Mr.  
25                  Chairman.

1 CHAIRMAN KOPLAN: Thank you, Commissioner.

2 Mr. Heinz, I note that between 2001 and 2003  
3 the number of production and related workers declined,  
4 and you testified about that in some detail in your  
5 direct presentation, and that it further declined  
6 during the interim period. I also note that at the  
7 same time, the productivity of the U.S. industry has  
8 increased. My question to you is, in your opinion, is  
9 U.S. manufacturing of bedroom furniture becoming more  
10 automated?

11 MR. HEINZ: Mr. Chairman, I would have to  
12 probably answer that in writing in the brief. That's  
13 something I couldn't give you an answer to within that  
14 time period.

15 CHAIRMAN KOPLAN: That's fine. Could you do  
16 that post-hearing?

17 MR. HEINZ: Yes, I could.

18 CHAIRMAN KOPLAN: Thank you very much.

19 Let me turn to the Petitioners' prehearing  
20 brief. At pages 30 and 31, you argue that the level  
21 of nonsubject imports has been steady throughout the  
22 period examined. The Respondents, however, argue that  
23 imports from third countries have been up by \$122  
24 million over the period, with increases from Malaysia  
25 and Vietnam particularly sharp, and that their per



1 piece value is actually below that of the Chinese  
2 subject imports. I'm referring to the prehearing  
3 brief of Lacquer Craft at pages 6 and 7.

4           Putting aside the issue of competitive  
5 advantage for the moment, couldn't or wouldn't we  
6 expect U.S. producers and retailers who buy direct to  
7 simply shift production to these other third countries  
8 if we make an affirmative determination? What bearing  
9 should this have on our deliberations in this case? I  
10 note that in his direct testimony Mr. Chitwood said  
11 that factories in other Asian countries have not been  
12 successful to date in our market segment, meaning your  
13 market segment, Mr. Chitwood, and that you didn't  
14 think they had the know-how. But assuming, as I say,  
15 that you prevail in this case, why wouldn't this  
16 suddenly become much more attractive to them?

17           And I say this to you. This is why I'm  
18 struggling with it. I've heard you all say that there  
19 is a relationship where you're allowed to go over and  
20 see how the Chinese do their production, and they are  
21 also welcome to come over and visit plants here. So  
22 why wouldn't that kind of cooperation translate to  
23 these other countries as well? Mr. Bassett, you  
24 appear like you're eager to get a hold of the  
25 microphone.

1                   MR. WYATT BASSETT: I am because I'm the one  
2 who brought it up, and I want to make sure it's clear  
3 what was meant by what I said.

4                   CHAIRMAN KOPLAN: And I also, of course,  
5 want to hear from Mr. Chitwood.

6                   MR. WYATT BASSETT: And I'll hand it right  
7 back.

8                   In terms of being allowed, we're allowed to  
9 go over there, and they are allowed to come over here,  
10 that's not what I said, certainly not what I meant.  
11 It's not uncommon for domestic manufacturers to let a  
12 competitor see part of or all of your plant. It is  
13 industry practice and common courtesy that if someone  
14 is going to allow you to do that, you reciprocate.  
15 The same has been true of Chinese factories that we  
16 have visited in China, and as they have allowed us to  
17 see the interiors of their plant, we have not refused  
18 to allow them to see the interiors of our plant. We  
19 certainly haven't invited them over and told them all  
20 to come over and video tape what's going on in our  
21 plants.

22                   CHAIRMAN KOPLAN: I understand that.

23                   MR. WYATT BASSETT: In fact, that was so  
24 brash and something I never remember ever happening  
25 before. It changed our policy of reciprocating with

1 people who let us go through their plants when it  
2 comes to Chinese factories.

3 CHAIRMAN KOPLAN: Thanks. Mr. Chitwood?

4 MR. CHITWOOD: Chairman Koplan, I think our  
5 opinion on why other Asian countries, non-China Asian  
6 countries, wouldn't really take the place of China  
7 probably centers more on the ability to develop  
8 product in our marketplace. Probably different from  
9 some of the residential companies represented, we  
10 engineer between 1,200 and 1,500 new items of  
11 furniture a year. We sell custom product to different  
12 hotel groups and that type of thing. So it's not only  
13 the capability of making a quality product in a  
14 factory but engineering it, designing it, making sure  
15 that you're representing the designer's design  
16 integrity. So it's not that we don't see opportunity  
17 to actually manufacture a product there; we see the  
18 technical side lacking in other areas.

19 CHAIRMAN KOPLAN: Thank you. Do any of the  
20 other producers want to jump in on this one? Mr.  
21 Dorn?

22 MR. DORN: You asked about the legal  
23 relevance.

24 CHAIRMAN KOPLAN: Could you move the  
25 microphone a little closer?

1                   MR. DORN: Sure, sure. We think the  
2 Commission ought to be looking at the period of  
3 investigation, which is January 1, 2001, to June 30,  
4 2004, and if you do that, -- we couldn't have brought  
5 a case against Vietnam because imports from Vietnam  
6 were negligible. We couldn't have considered a case  
7 against Vietnam. Now they say that imports from  
8 Vietnam are going up sharply, and they are, from a  
9 very, very low base, but just to put it in  
10 perspective, from 2001 to 2003, imports from China  
11 went up \$836 million. Imports from Vietnam went up by  
12 \$45 million, \$836 million versus \$45 million. And  
13 imports from Malaysia increased by only \$69 million.

14                   This is not a Gerald Metals situation where  
15 we've targeted the wrong country. We've targeted the  
16 right country, and there is no precedent of applying -  
17 -

18                   CHAIRMAN KOPLAN: I wasn't suggesting one  
19 way or the other. I was asking the question, what  
20 will happen --

21                   MR. DORN: Right.

22                   CHAIRMAN KOPLAN: -- with respect to these  
23 countries who do have capability if you prevail?

24                   MR. DORN: Right, right.

25                   CHAIRMAN KOPLAN: A different question.

1 MR. DORN: Right. But my point is -- I  
2 think you asked about the legal relevance, and I think  
3 that the Commission should not be speculating as to  
4 what's going to happen in the future. Let's say that  
5 imports from Vietnam came in and replaced imports from  
6 China. We have recourse.

7 In Mexican Cement, Mexico supplied the  
8 Florida market. We got an antidumping order against  
9 Mexico. We filed a case against Venezuela when they  
10 came in and replaced Mexico, and that's the way the  
11 law operates, but that's not a reason for you to have  
12 gone negative in the case against Mexico because  
13 somebody speculated that Venezuela might replace those  
14 imports. That's not a legal consideration.

15 CHAIRMAN KOPLAN: I think you're carrying  
16 that a step beyond my question, though.

17 MR. DORN: Sorry.

18 CHAIRMAN KOPLAN: But I appreciate your  
19 response.

20 MR. DORN: Thank you.

21 CHAIRMAN KOPLAN: Thank you. Let me ask  
22 this. Although there has been a decline in retail  
23 outlets during the POI, it doesn't appear to me that  
24 that's resulted in a decline in retail sales, but  
25 Respondents argue that it has. I would like to hear

1 your response to their argument.

2 MR. WYATT BASSETT: I would say a couple of  
3 things. From what I've seen of the overall furniture  
4 business and certainly the bedroom segment of it,  
5 there is more bedroom furniture being sold today than  
6 there was a year ago or two years ago or three years  
7 ago or four years ago, and certainly even if that were  
8 true, it has had no impact on the volume of imports  
9 and the growth of the bedroom imports out of China.

10 CHAIRMAN KOPLAN: Anyone else want to get in  
11 on that one?

12 (No response.)

13 CHAIRMAN KOPLAN: Thank you. I understand  
14 that at pages 17 and 18 of the materials that are  
15 appended to your brief, entitled "Exceptions to the  
16 Prehearing Report," you state that in Table IV-4, U.S.  
17 importer shipments to the hospitality/institutional  
18 segment are believed to be seriously understated.  
19 Other than your citing references to bedroom furniture  
20 on the Web sites of certain few Chinese manufacturers  
21 or their related importers, do you have any actual  
22 evidence of significant quantities of additional  
23 subject imports being sold into this segment of the  
24 U.S. market?

25 I note, Mr. Chitwood, that you testified on

1 this point about your company's losing sales in the  
2 institutional market to Chinese imports, but I'm  
3 wondering if the Commission could be provided with any  
4 documentation you have of sales lost to the Chinese  
5 imports in that particular market segment.

6 MR. CHITWOOD: Excuse me, Mr. Chairman. In  
7 the hospitality segment?

8 CHAIRMAN KOPLAN: Yes.

9 MR. CHITWOOD: I think all of our response  
10 in the question was business loss in the hospitality  
11 segment, or maybe I don't understand the question.

12 CHAIRMAN KOPLAN: I appreciate what you have  
13 submitted thus far. I'm wondering whether there is  
14 any additional information that you have.

15 MR. CHITWOOD: We can try to provide an  
16 estimate in a post-hearing brief.

17 CHAIRMAN KOPLAN: That would be helpful.

18 MR. CHITWOOD: And I would also note that  
19 there is some confusion, I think, in terms of what  
20 hospitality furniture is and what it's not. At least  
21 one importer said that at the time of importation, it  
22 didn't know whether it was hospitality or  
23 nonhospitality because it would depend on where it was  
24 sold. So to the extent that folks aren't reporting  
25 imports in the hospitality column, it's understating

1 the impact in that segment of the market.

2 CHAIRMAN KOPLAN: To quantify? Thank you.  
3 I appreciate that. I see my yellow light has come on.  
4 I'll turn to Vice Chairman Okun.

5 VICE CHAIRMAN OKUN: Thank you, Mr.  
6 Chairman, and I, again, very much appreciate all of  
7 the answers I've heard. They have been very helpful  
8 in understanding some of the issues in this case. I  
9 do have some additional questions.

10 There are a number of allegations made by  
11 Respondents with regard to, I guess, the domestic  
12 industry's ability to compete in this market. I know  
13 some of you talked a little bit about it in your  
14 testimony, but let me just ask if I could have  
15 responses to a couple.

16 The first one is with regard to private  
17 labels. The Respondents allege that the domestic  
18 industry has been unwilling to develop private labels  
19 that retailers can sell under their own label, and, I  
20 guess, the question would be, among the producers  
21 here, have you developed furniture under private  
22 labels? Why or why not? And if anyone could give me  
23 an estimate of what portion of the market they think  
24 that is, that would be helpful as well. Mr. Bassett?

25 MR. WYATT BASSETT: I'll start by saying



1 we've never been asked to develop a private label by a  
2 retailer. What we have been asked to do is give them  
3 exclusive distribution on a product in their trading  
4 area, and we've done that. In fact, it's a pretty  
5 standard practice in the industry.

6 As well, in the past, there are retailers  
7 who have asked us for exclusive designs, which boil  
8 down to basically an exclusive version of a suit of  
9 furniture, and we've given that in the past to major  
10 retailers who have requested it. I don't know of any  
11 time we've ever been asked or turned down a retailer -  
12 - I never remember being asked by a retailer to come  
13 up with a private label for them.

14 VICE CHAIRMAN OKUN: Do you think it's a big  
15 portion of the market, the private label?

16 MR. WYATT BASSETT: I think, if you had  
17 asked me that question a year or two ago, I probably  
18 would have said absolutely not, and might have even  
19 asked exactly what you were talking about. I don't  
20 know that the term or practice of having private-label  
21 furniture was prevalent a few years ago. But given  
22 the amount of domestic product that's been replaced by  
23 Chinese private-label product, I would still say it's,  
24 -- from what I've seen, I'm having a tough time  
25 quantifying how big it is, but it's certainly growing

1 very growing very quickly, and I would probably point  
2 back to what Haverly has to say about it in their  
3 public statements.

4 VICE CHAIRMAN OKUN: Do you think it matters  
5 which segment you're in, the good, better, or best  
6 segment, the private label having more importance?

7 MR. WYATT BASSETT: I don't know why it  
8 would be more important in one than another, no.

9 VICE CHAIRMAN OKUN: Other producers,  
10 retailers, want to comment on the private label and  
11 whether they have been requested to produce private  
12 labels?

13 MR. SANDERS: I don't recall that we've ever  
14 been asked to provide a private label. We have given  
15 exclusives, as Mr. Bassett explained. That's the  
16 extent of it.

17 VICE CHAIRMAN OKUN: That was Mr. Sanders.  
18 Correct?

19 MR. SANDERS: I'm sorry.

20 VICE CHAIRMAN OKUN: Okay.

21 MR. CHITWOOD: Commission Okun, at American  
22 of Martinsville, we haven't been asked to provide a  
23 private-label product.

24 VICE CHAIRMAN OKUN: Okay. Mr. Allen or  
25 anyone on the back row back there?

1           MR. ALLEN: Yes. We have not been asked to  
2 provide private-label product. We've been asked for  
3 exclusive distribution in an area but not, per se, to  
4 a private-label line.

5           VICE CHAIRMAN OKUN: Okay. And when you're  
6 asked for exclusive distribution, have you been able  
7 to do that?

8           MR. ALLEN: Yes, but once again, as you get  
9 down into our price points, exclusivity is not that  
10 key a factor.

11          VICE CHAIRMAN OKUN: Okay. Mr. Sandberg?

12          MR. SANDBERG: We have been asked in the  
13 past to produce particular styles and designs for a  
14 particular customer, and they have never asked us to  
15 maintain that as a national exclusive suit for them,  
16 but only in their trading area in particular, and we  
17 were free to sell that to anyone else along the way.  
18 But, yes, we did develop particular suits; I wouldn't  
19 call it private label.

20          VICE CHAIRMAN OKUN: Okay. Yes, Mr.  
21 Wentworth?

22          MR. WENTWORTH: We have not been asked to  
23 produce any private labels. We having asked, like  
24 some of the others mentioned, to have distribution  
25 areas that are kept clean. Generally, that's a

1 function of our sales reps or the company strategy,  
2 however.

3 VICE CHAIRMAN OKUN: Okay, okay. All right.  
4 What about in terms of carving and inlaid furniture?  
5 I believe, in some of the testimony today, you talked  
6 about the automation that's available in your  
7 production to produce intricate furniture. Could I  
8 have more comments on that, those who do have the  
9 ability to produce carved, intricate furniture?

10 MR. WYATT BASSETT: We would certainly be  
11 one. We own two computer-controlled carving machines  
12 that each costs a little bit less than a half a  
13 million dollars. As I said before, they are currently  
14 not running anywhere close to capacity. In fact,  
15 there are several days in a given week we won't run  
16 them at all because we can't compete on the price of  
17 the carved furniture out of China.

18 This equipment will replicate exactly any  
19 hand carving from China or anywhere else. What you do  
20 to program these machines or to make carving on them  
21 is you hand carve a model, which is hand carved, and  
22 then program in that model into the machine, which  
23 will absolutely replicate that hand model. Again,  
24 these machines will do anything hand carving can do.  
25 You can carve at any angle. You can carve all the way

1 through. You can carve on the face of something.  
2 These machines have spindles on them that allow the  
3 carvings to turn a full 360 degrees so you can carve  
4 all the way around a piece of wood. Again, you can  
5 duplicate any hand carving exactly.

6 VICE CHAIRMAN OKUN: Do any other producers  
7 use similar equipment?

8 MR. SANDBERG: Commissioner, John Sandberg.  
9 In our product line, we're more considered the value  
10 priced, and for us to be able to compete with some of  
11 those styles and designs that our customers appreciate  
12 that can sometimes be a little more expensive, we  
13 incorporate what was referred to before as resin-and-  
14 plastic products that are finished and then attached  
15 to the furniture after the fact to give the effect of  
16 carving.

17 VICE CHAIRMAN OKUN: Okay.

18 MR. WYATT BASSETT: I would add one quick  
19 thing, that you don't have to own your own carving  
20 machines domestically to incorporate wood carvings  
21 into your product. Before we bought our machines, we  
22 sourced those carvings from carvers in North Carolina  
23 who are subcontractors who own these machines and  
24 specialize in them. When we thought we could do  
25 enough volume to buy our own machine and bring that

1 process in house, we started buying our own equipment.  
2 But anyone else out there who doesn't own their own  
3 equipment has been able to buy it from subcontractors  
4 throughout North Carolina. In the last few years,  
5 certainly the number and health of those  
6 subcontractors has gone down.

7 VICE CHAIRMAN OKUN: Okay. Mr. Chitwood?

8 MR. CHITWOOD: We're asked on occasion at  
9 American of Martinsville to provide a carved product.  
10 We can accomplish that in similar ways. We either  
11 purchase that -- we don't have the carving capability  
12 in our factory to actually carve the component. We  
13 would source that from another source, an outside  
14 source, and we use resin products quite a bit. We use  
15 polyurethane, polyester, and oftentimes polystyrene.

16 VICE CHAIRMAN OKUN: Okay. I appreciate  
17 those comments.

18 Let me ask about another condition of how  
19 pricing is set or how you work with your retailers. I  
20 know Commissioner Miller had asked about the big box,  
21 and I think you, Mr. Bassett, have gone through kind  
22 of a distinction between what you have described as  
23 Best Buy versus Rooms To Go, which would be a large  
24 retailer. Is there anything about the way that Rooms  
25 To Go can promote or offer their customers things

1 beyond just the actual price of the furniture; in  
2 other words, in terms of things -- I think someone  
3 mentioned competitive -- the no money down, no  
4 interest. Can you compete with them on that, being  
5 smaller?

6 MR. WYATT BASSETT: You're asking the  
7 retailers if they can't compete being smaller?

8 VICE CHAIRMAN OKUN: Well, I'm asking what  
9 you do when you're working with your retailers. Do  
10 you work with them to help them sell your furniture on  
11 the same type of terms --

12 MR. WYATT BASSETT: We do.

13 VICE CHAIRMAN OKUN: -- as these bigger --  
14 Rooms To Go, can do?

15 MR. WYATT BASSETT: We do. We try to do  
16 everything we can to help our retailers sell their  
17 furniture. For instance, we offer what we call our  
18 "VBX program," which guarantees delivery from our  
19 store to the retailer's store within 10 days on any  
20 VBX product and help them provide superior delivery.  
21 We actually have an in-house program we developed to  
22 allow the smaller independents to have the same  
23 financing package, that no, no, no, and offer it to  
24 their customers, that a Rooms To Go can offer to its  
25 customers.

1           We do everything we can to try to help our  
2     retailers sell the furniture. The one thing we can't  
3     overcome is, again, when a large retailer can import  
4     bedroom furniture by container loads, they are going  
5     to land that furniture into their store at about 40  
6     percent less or 30 percent less than a mom-and-pop  
7     retailer can import one suit of furniture at a time  
8     through a distributor here in the United States.  
9     There is no way a big retailer and a mom and pop that  
10    can be overcome. It's way too much. There is nothing  
11    we can do about it, obviously.

12           VICE CHAIRMAN OKUN: Okay. Any other  
13    producers able to comment on that, how you try to keep  
14    your business and compete?

15           MR. SANDERS: Keith Sanders at Bassett. At  
16    Bassett, we do help our dealers with the no, no, no's,  
17    as you call it, making sure that they have access to  
18    that sort of financing, those arrangements, at all of  
19    our stores.

20           VICE CHAIRMAN OKUN: Okay. My time is going  
21    to expire, but I'll try to have a chance to come back  
22    if my colleagues don't cover my other questions.

23    Thank you very much, Mr. Chairman.

24           CHAIRMAN KOPLAN: Thank you. Commissioner  
25    Miller?



1                   COMMISSIONER MILLER: Thank you, Mr.  
2 Chairman. Okay. The vice chairman just kind of  
3 started to go back to my earlier question on the  
4 superstores, but I want to come back again. I want to  
5 make sure I understand whether there has been any  
6 concentration occurring in the retail side for the  
7 furniture industry on the retail side and what the  
8 effect of the concentration has been. So I haven't  
9 been very good at asking the question, I think.

10                   First of all, I want to go back again to Mr.  
11 Loring's testimony. When you mentioned the furniture  
12 superstores, Rooms To Go, I assume you're talking  
13 about, are there other furniture superstores? Who are  
14 the furniture superstores? I get the sense, you know,  
15 and I think I know, that retailing in furniture  
16 industry is fairly regional and local. So I may live  
17 here in the Washington area, and I may go home to  
18 Indiana and kind of know who the big players are  
19 there. I don't know if I know who they are  
20 nationally. Who are the furniture superstores?

21                   MR. LORING: I think there are different  
22 retailers in each market that dominate the  
23 marketplace. In addition to those market players,  
24 there are a number of smaller retailers, which is what  
25 I was referring to. The smaller retailers represent a

1 large segment of the actual retail business that's  
2 done, not to say that the Rooms to Go and Levitz --  
3 there is a different major player in each market.  
4 Rooms To Go is strong in the southern market. You may  
5 find someone else in the Washington, D.C., market that  
6 you could tell me about that I'm not familiar with.

7           There are also a lot of smaller stores that  
8 are less than \$5 million stores that can't get the  
9 advantage of direct importing, and when they don't  
10 have the advantage of direct importing because they  
11 don't have enough volume, that gives the bigger store,  
12 who can import a container every day, a price  
13 advantage, and that's, in my opinion, why they are so  
14 opposed to this petition. They don't want to lose  
15 their advantage. They have a distribution advantage.  
16 They can get a specific product at a lower price than  
17 the other players in the market so they can be the  
18 cheapest guy on the street.

19           COMMISSIONER MILLER: Okay. And I certainly  
20 understand what you're talking about. I think, you  
21 know, the Commission has seen the effect of that kind  
22 of retail operation in many of its cases, and that's  
23 just what I'm trying to understand, is how much things  
24 are changing or have changed in the furniture  
25 industry and how much that is contributing to the

1 point here. When you say 80 percent of retailers have  
2 no more than four stores, and about two-thirds have  
3 less than \$5 million in sales, if you were to think  
4 about that over time, over the last three, four, five  
5 years, has that changed, or is that pretty much not  
6 changing that much in the furniture industry?

7 MR. LORING: I would say, and this opinion  
8 is unprofessional, just from my general experience in  
9 the business, the big players have gotten bigger.  
10 They have bought other stores. The Warren Buffets  
11 have purchased other chains of stores, and they  
12 continue to expand. As they expand, they expand their  
13 buying power, and that's all well and good on a level  
14 playing field, but if they are the ones who are  
15 bringing the product from China with exclusive designs  
16 and lower prices than everyone, they force everyone to  
17 that level.

18 I think what we're talking about is whether  
19 or not the U.S. manufacturers have been injured by  
20 that shift in producing power, and the shift in  
21 purchasing power has gone offshore. We're buying  
22 offshore product right now. We're in the middle of  
23 the range. We're not a small retail store; we're big  
24 enough to buy containers, certainly not the same  
25 volume that the big players do.

1                   COMMISSIONER MILLER: Okay. Anybody else  
2 want to add any comment just to help my understanding  
3 of the role of changes in the retail climate and what  
4 that has meant for your business?

5                   MR. BROWN: Yes, ma'am. Harold Brown,  
6 Bassett in Baltimore.

7                   COMMISSIONER MILLER: Yes. Thank you, Mr.  
8 Brown.

9                   MR. BROWN: You were asking about the big  
10 boxes, and the Haverty's of the world, if you will, I  
11 don't know, they have 80 or 100 stores or more today.  
12 Although they just went Chapter 11, there is a company  
13 called Rhodes that was what we would call a big player  
14 in the market. There is a company called Ashley that  
15 is now forming their own stores all over the Southeast  
16 and Texas that I know of. They are the big players,  
17 and they are just dominating the market and being able  
18 to buy at such low prices that they are harming the ma  
19 and pa's of the world.

20                   COMMISSIONER MILLER: Okay. If there are no  
21 other comments on that, let me go on to one or two  
22 other issues that I would like to touch on. First,  
23 Mr. Dorn, and I think the chairman started to ask you  
24 a question regarding the lost sales and revenues  
25 information we have in the staff report, it looks to

1 me, and there are cases where we don't get a lot of  
2 detailed information on lost sales and revenues, and  
3 that seems to be the case here with the exception of  
4 perhaps one company or so.

5 I assume that's because of the nature of the  
6 way business is done, but, I guess, I want somebody to  
7 explain why for this industry it's hard. Why did you  
8 have trouble answering that part of our questionnaire  
9 that asked for information on lost sales and revenue?  
10 Mr. Bassett?

11 MR. WYATT BASSETT: Well, you're right.  
12 It's not the way business is done in our industry.  
13 Commonly, retailers, big and small, come to furniture  
14 market, they shop around for a lot of different  
15 products, they take notes while they are there, and  
16 they certainly compare what else they are looking at.  
17 After they make their decision, they don't come back  
18 around and tell everybody who they didn't buy from,  
19 what they bought, why they bought it, why they didn't  
20 get the sale.

21 By the same token, when you lose a slot on a  
22 retailer's floor, what you generally see is you don't  
23 have someone call you and tell you, "I'm going to take  
24 your product off, I'm going to replace it with this  
25 other product, and I'm going to do it because of this

1 reason, this reason, and this reason." What happens  
2 is you see the sales start to trail off, and usually  
3 one day they stop ordering from you. You usually  
4 don't know exactly what's been replaced and who you've  
5 been replaced by.

6           What we've certainly seen over time, though,  
7 is the volume sales of our products going down. We've  
8 seen our placements, particularly on major retailers'  
9 floors, going down. I know the retailers here today  
10 can tell you what's happened with the slots and  
11 placements on their floors with domestic product  
12 versus import product. One big retailer down in  
13 Florida who is a competitor of Rooms To Go, City  
14 Furniture -- I was on one of their floors not long ago  
15 and counted, I believe, four domestic slots on their  
16 floor with the rest were import out of about 42 slots.  
17 The president of City Furniture told me -- four or  
18 five or six years ago, I asked him how many imports he  
19 bought, and he said he bought a total of four import  
20 suits. So his import slots have gone from four out of  
21 about 42 up to 37 or 38 out of 42. He never called us  
22 and told us he was swapping one slot for another, but  
23 it's very evident what happened.

24           So I think it's the nature of the business.  
25 We don't, in our end of the business, bid on projects

1 or bid on product and aren't lined up with other  
2 people that, at the end of the day, you find out that  
3 you've either gotten the bid or haven't gotten the  
4 bid. You see it in your sales volume.

5 COMMISSIONER MILLER: Okay. Any other  
6 producer want to comment? Mr. Chitwood?

7 MR. CHITWOOD: Yes, Commissioner Miller. We  
8 found it somewhat difficult to go back to our  
9 customers after the fact and ask them what was the  
10 final disposition of that particular project.  
11 Oftentimes, we had lost the business, and it went  
12 somewhere else. The information we receive through  
13 our sales staff or from internal folks at American of  
14 Martinsville trying to track that down that we  
15 submitted in our response was only as good as the  
16 response we got from our customers in the field.

17 Also, there was a bit of skepticism from our  
18 customers, asking, well, why are you asking? I think  
19 they felt like there may be some repercussion at some  
20 point in time down the road, typically if it's a  
21 situation where you've placed a purchase order for a  
22 hotel project, and it's three months away before it  
23 ships, so there was a reluctance to give that type of  
24 information. So the information we submitted to you  
25 was as accurate as we could make it, as we believe.

1                   COMMISSIONER MILLER: Well, I can appreciate  
2 the difficulty of going back after the facts and  
3 trying to get the answer. I think, in my experience  
4 with different industries, some, the market  
5 intelligence at the time of the loss is better than  
6 others, you know, just kind of how an industry  
7 operates and what it's market information is. So I  
8 just wanted to try to, from this industry, understand  
9 a little bit of why we see what we see in this  
10 particular part of the report.

11                   All right. The yellow light is on, so I  
12 won't pursue another question; perhaps one more if my  
13 colleagues don't touch on it. Thank you very much.

14                   CHAIRMAN KOPLAN: Commissioner Hillman?

15                   COMMISSIONER HILLMAN: Thank you. If I  
16 could just follow on a little bit because I share  
17 Commissioner Miller's questioning about why, in an  
18 industry in which we've seen the degree of loss of  
19 market share by the domestic industry, we have seen  
20 this small amount of lost sales reported than we might  
21 in other cases.

22                   Mr. Bassett, I guess, just to follow up,  
23 you're seeing your volume go down. You understand  
24 that you're losing slots. Do you then have your sales  
25 folks go out and call on these retailers and try to



1 find out what happened and whether there was anything  
2 you could do to get that business back?

3 MR. WYATT BASSETT: We have independent  
4 sales reps -- in our company, about 65 -- that call in  
5 every state and every territory in the country, and  
6 they frequently call their retailer base. We have  
7 about 4,500 active accounts. They are calling on them  
8 frequently, whether that particular account is buying  
9 from them or not. In most cases, they are trying to  
10 get on the floor.

11 What is unusual would be for a retailer  
12 account to tell our sales people or tell us back at  
13 the corporate office or during a furniture market what  
14 kind of buying decisions they made other than what  
15 they are doing with us. They certainly aren't free  
16 about sharing with us, telling us why they bought  
17 competitors' suits and what they liked better about  
18 competitors' suits or what the prices are of  
19 competitors' suits. I think most retailers would  
20 consider that privileged information, certainly from a  
21 supplier who is trying to get their business, so they  
22 are certainly not very --

23 COMMISSIONER HILLMAN: So is there an  
24 opportunity to go back to that retailer and say, "We  
25 used to be doing a lot of business together. We're

1 not doing as much business anymore. If I were able to  
2 do whatever, make certain changes, bring my costs  
3 down, lower the price on my particular suit to you,  
4 can we start doing business again?" There aren't  
5 those opportunities or what happens?

6 MR. WYATT BASSETT: Excuse me. There are  
7 those opportunities, and it's always an ongoing  
8 process. What it doesn't do is tie back to  
9 necessarily a conversation why we lost a particular  
10 slot six months before. But we're always asking them  
11 what we can do to better serve them, what we can do to  
12 get more business with them.

13 The only thing that's changed about that is  
14 in the last year a lot of the major retailers who  
15 shopped us every single furniture market no longer  
16 come to see us anymore, so that avenue of  
17 communication has certainly gotten worse in the last  
18 year since we filed the antidumping petition. A lot  
19 of them just don't come to see us, but we're always  
20 asking them what we can do. The subject that's a  
21 little bit sensitive is them sharing with us what they  
22 are doing with a competitor.

23 COMMISSIONER HILLMAN: Now, from the  
24 retailer's perspective, is their much communication  
25 from your end back to the U.S. producers of, again, if

1 you could lower your price by X, or if you could make  
2 these modifications, I would like to continue to sell  
3 your product, but this is what I need from you? Mr.  
4 Loring?

5 MR. LORING: Part of the process is probably  
6 unique to this industry. We go every six months to  
7 the market, and we have the opportunity to see  
8 approximately 3,000 distributors from all over the  
9 world, and we might see 50 or 60 of them and then go  
10 back home and make decisions as to who we're going to  
11 buy from. Those buy decisions take six months to  
12 implement.

13 So if I've ordered a group to come in from  
14 another country that's going to take four or five  
15 months to arrive, maybe they are not going to produce  
16 it for two months, so it's going to take six months to  
17 arrive, I'm not likely to call Wyatt and say, "By the  
18 way, I'm going to drop that suit in four months,"  
19 because it might injure my relationship with him.  
20 What has to happen is the new suit has to come in. I  
21 have to see if it works. If it does work, we might  
22 order more of it. Maybe they won't even deliver it.

23 So I might also keep the domestic product in  
24 the back, keep it going. So at no point am I ever  
25 going to burn my bridge. I might go back to him and

1 say, "Can you make this same product for me?" but I'm  
2 not sure that's really the way the game is played. I  
3 think you're trying to find something that's going to  
4 retail, and to a certain degree, it's a gut feeling,  
5 but it's not an exact science.

6 COMMISSIONER HILLMAN: Okay. I appreciate  
7 those answers.

8 I guess, if I could turn to another issue.  
9 Mr. Greenwald, in his brief, has raised this issue of  
10 how the Commission has accounted for what he is  
11 describing as "nonrecurring costs," that a number of  
12 producers in the industry have restructured, meaning  
13 closed facilities, started operations in China, done  
14 various other things, and as a result, having incurred  
15 what he is describing as a one-time hit on the  
16 financial side, and that the Commission should be  
17 taking those one-time, nonrecurring costs out of the  
18 operating income data in order to get a truer picture  
19 of what the operating income, the ongoing operations  
20 look like in terms of their financial perspective.  
21 And I wondered if either you, Mr. Dorn, or you, Mr.  
22 Malashevich, wanted to comment on what you make of  
23 this argument.

24 MR. DORN: Well, when we saw the argument,  
25 the first thing I did was went back to clients who

1 filled out the questionnaire to make sure on what  
2 basis they reported any restructuring charges or  
3 plant-closing charges and whether that was done  
4 consistently with audited financial statements and  
5 with GAAP principles. Everybody I've talked to said  
6 that it's the way they report in their audited  
7 financial statements, and it's required by GAAP. To  
8 the extent that somebody hasn't done it in accordance  
9 with audited financial statements and GAAP, we will  
10 certainly get that corrected ASAP. But I don't think  
11 that the Commission should be asking folks to provide  
12 data to the Commission that's contrary to the audited  
13 financial statements and contrary to GAAP, and we  
14 think that should be the position the Commission  
15 takes. We understand it's the position that the  
16 accounting officer always take in these cases.

17 MR. MALASHEVICH: The only thing I would  
18 add, Commissioner, is that I have in front of me the  
19 FASB Standard No. 144, and I won't bore you by reading  
20 it. It makes the Federal Register notice sound like a  
21 John Grisham novel in terms of its narrative, but,  
22 nevertheless, it makes very clear that, depending upon  
23 the circumstances, accounting for the impairment and  
24 disposal of long-lived assets can apply both above the  
25 operating income line as well as below the operating

1 income line, depending upon the circumstances, and  
2 they give some examples.

3 COMMISSIONER HILLMAN: I don't think there  
4 is any dispute over the proper accounting treatment of  
5 it, and I think our staff would agree that, Mr. Dorn,  
6 everything you have just said is accurate, that that's  
7 the way GAAP asks everybody to account for it, and  
8 traditionally that is the way the Commission has  
9 accounted for it.

10 I think Mr. Greenwald's argument is more  
11 just that given, again, the huge volume of imports by  
12 domestic producers and given the degree to which there  
13 has been this significant shift away from solely U.S.  
14 manufacturing to these blended operations with some  
15 operation, et cetera, that we should look at this  
16 differently than we do traditionally, and it's more  
17 that, which I guess I would describe as somewhat more  
18 of a legal argument than an accounting argument that  
19 perhaps if I could ask you to address in the post-  
20 hearing just so I hear your response on the legal side  
21 to whether that is appropriately a response that the  
22 Commission should take in light of the surrounding  
23 facts on this.

24 MR. DORN: I'll address that in my post-  
25 hearing brief. It is an inappropriate response, and

1 it would make no sense at all to ignore the adverse  
2 effect on operating results, the impact of these plant  
3 closings that are due to the imports.

4 COMMISSIONER HILLMAN: I would have  
5 suspected that's what you would have said.

6 Mr. Bassett, you looked like you wanted to  
7 add something.

8 MR. JOHN BASSETT: Yes. When we closed our  
9 Sumter, South Carolina, operation, we charged off \$8.7  
10 million. Now, that was a charge-off from the assets  
11 of my company, and I had to explain that to my  
12 directors, and I had to explain that to my  
13 stockholders.

14 I'm not an accountant. How can you suggest  
15 that that's not a detriment? I mean, we lost \$8.7  
16 million because we had to close that factory because  
17 of imports from China. I don't know any other way to  
18 say it.

19 COMMISSIONER HILLMAN: I appreciate that  
20 answer. I do. Thank you.

21 Again, Mr. Dorn, I don't believe that there  
22 is any dispute over the proper accounting for it. I  
23 think it's more of a sort of legal policy issue, which  
24 is why I would ask you to just touch on it, if you  
25 could. I'm not surprised by the answer I've heard. I

1 would like to see it laid out, and specifically to  
2 respond to some of the cases -- I won't comment on how  
3 old they are -- that are nonetheless raised in Mr.  
4 Greenwald's brief.

5 MR. DORN: They are rather old, but we'll  
6 comment. Thank you.

7 COMMISSIONER HILLMAN: I think they all  
8 preceded the '88 act, but I won't go there for right  
9 now. I'll only ask you to comment.

10 A couple of things I wanted to just get a  
11 little bit of a sense to make sure I don't leave here  
12 with an impression that's different from how  
13 significant the numbers are. One is this issue of the  
14 use of plastic resin, whatever you want to call it,  
15 for carvings. If I were to look at all of the bedroom  
16 furniture out there that's got carvings on it, can  
17 anybody give me a ball park estimate of how much of it  
18 would be actual wood carving as opposed to how much of  
19 it is the resin?

20 MR. WYATT BASSETT: I don't think I could  
21 give you a ball park estimate. What I could tell you  
22 is certainly the use of resin is becoming more and  
23 more prevalent to replace hand carvings or machine  
24 carvings, and, again, there is one big reason for it:  
25 It's cheaper to use a piece of plastic.



1                   COMMISSIONER HILLMAN: Anybody out there  
2                   have a sense of the carvings that you would just look  
3                   at and see what portion are likely to be wood and what  
4                   are resin?

5                   (No response.)

6                   COMMISSIONER HILLMAN: Okay. All right.  
7                   Then the other one, I just wanted a little sense of  
8                   how significant it is, is this issue that you  
9                   commented on, the number of distressed producers that  
10                  have been taken over, purchased, during the POI, and  
11                  because we don't have data on the presale of the  
12                  companies, our data may be skewed. Again, it's sort  
13                  of survivor bias, but it's a little different here in  
14                  the sense of these are companies that have been  
15                  purchased. I'm just trying to get a ball park sense  
16                  of how significant is that. What portion of our data  
17                  would be affected?

18                 MR. DORN: I think I would need to do that  
19                 in the post-hearing after having all of the data in  
20                 front of me rather than taking a wild guess right  
21                 here.

22                 COMMISSIONER HILLMAN: Do you understand  
23                 what I'm asking?

24                 MR. DORN: I understand the question.

25                 COMMISSIONER HILLMAN: I'm just trying to

1 put it into the proper perspective.

2 MR. DORN: Sure.

3 COMMISSIONER HILLMAN: I appreciate those  
4 answers. Thank you.

5 CHAIRMAN KOPLAN: Commissioner Lane?

6 COMMISSIONER LANE: Thank you. I would like  
7 to start with Mr. Bassett, I think. Have you tried to  
8 sell to retailers, but because of the terms of the  
9 exclusivity agreement, you have not been able to do  
10 that?

11 MR. JOHN BASSETT: Yes. When you are  
12 selling furniture, especially to a larger retailer,  
13 the first thing that they usually ask you, ma'am, is  
14 the price. They want to know what it costs. The  
15 second thing they want is protection or exclusivity.  
16 They don't want any other retailer, and it depends on  
17 who they are and how broad that exclusivity is, they  
18 don't want any other retailer or competitor to have  
19 what they are proposing to buy from you. Obviously,  
20 that eliminates, or it certainly diminishes, their  
21 competition, and it restricts the buying public from  
22 being able to competitively price your product in that  
23 marketplace. So, yes, ma'am, that happens quite  
24 often.

25 COMMISSIONER LANE: And have you dealt with

1 some retailers that -- I can understand a distance  
2 exclusivity, but are there some that are just blanket  
3 exclusivity, that if you sell to that particular  
4 retailer, you can't sell to any other retailer in the  
5 entire country?

6 MR. JOHN BASSETT: I don't know of any of  
7 them the entire country, but I do know that there are  
8 retailers that will restrict you by states, so if they  
9 have an operation in a state, let's say, the State of  
10 Virginia, if you sell to that particular retailer,  
11 their requirement is you can sell to no other one in  
12 that state. Now, if they are in multiple states,  
13 obviously that includes multiple states.

14 COMMISSIONER LANE: Does anybody else want  
15 to add to that?

16 MR. WYATT BASSETT: I would add one quick  
17 thing, which is nobody has ever requested us to give  
18 them exclusive distribution on one of our suits  
19 nationally. It's always be within their own trading  
20 area.

21 COMMISSIONER LANE: Okay. Thank you. Has  
22 the reduction in the workforce of U.S. producers been  
23 the result of increased productivity due to  
24 technological developments and significant capital  
25 expenditures by domestic producers, as Furniture

1 Brands argues?

2 MR. WYATT BASSETT: I can answer for  
3 Vaughan-Bassett. During the nineties, particularly  
4 the middle to somewhat latter half of the nineties, we  
5 were increasing our productivity dramatically and  
6 increasing our employment. It's only been in the  
7 last, roughly, four years to maybe five years that  
8 we've had to actually cut our employment, and actually  
9 our biggest productivity gains were prior to that  
10 time.

11 Most of the equipment, the vast majority of  
12 the labor-saving equipment, that we purchased, we  
13 purchased prior to 2000. We've been buying computer-  
14 controlled routers for more than 15 years. We started  
15 purchasing our carving machines before that. We  
16 started putting in our computer-controlled rough-ins  
17 in the early nineties. But during the nineties, while  
18 we were dramatically increasing that productivity, we  
19 were also increasing our employment. What's led us to  
20 decrease our employment in the last few years has been  
21 a loss of volume, particularly the loss of volume to  
22 China.

23 COMMISSIONER LANE: Does anybody else want  
24 to comment on that question?

25 MR. WENTWORTH: Yes. John Wentworth for

1       Moosehead. We started buying computer-controlled  
2       machinery about 12 years ago, and our initial reason  
3       for buying it was the accuracy and the quality of the  
4       product that we could make with the machinery, not so  
5       much to reduce labor. In a couple of instances, the  
6       total number of people in a department was shifted  
7       from the machine, or cutting area, to the assembly and  
8       finish area, and we elected to put more value into the  
9       look of the finish and the assembly.

10               The effect of the computer-controlled  
11       machinery is, at the beginning of the operation, it  
12       removes people from hazardous situations and produces  
13       a consistent product. Although it does reduce some  
14       labor, that labor has been shifted to other areas of  
15       the factory. We only started reducing our labor  
16       probably three years ago, when our sales started to  
17       drop.

18               COMMISSIONER LANE: Okay. Thank you.

19               MR. SANDERS: Keith Sanders, Bassett. I  
20       think all of us manufacturing guys would like to think  
21       that we're out there increasing productivity every  
22       day, and we all work hard to do it, but the fact is,  
23       we have not been able to increase productivity fast  
24       enough to offset the prices we're seeing in China.

25               MR. CHITWOOD: Commissioner Lane, at

1 American of Martinsville, efficiency hasn't been the  
2 reason we've lost employees; it's been lower-cost  
3 product from China.

4 COMMISSIONER LANE: Okay. Thank you. The  
5 next question I have, and I think it will probably be  
6 best addressed by Mr. Malashevich: The Coalition of  
7 China Furniture Producers asserts in its brief that  
8 the tremendous growth in China's economy will absorb  
9 the growth in Chinese production capacity for wooden  
10 bedroom furniture. Can you comment on that, please?

11 MR. MALASHEVICH: Well, I'll say two things.  
12 First of all, I think that that claim is largely  
13 contradicted by the information that the Commission  
14 has collected already, albeit as incomplete as it is,  
15 through the vehicle of the foreign producers'  
16 questionnaires. I cannot recall offhand exactly what  
17 is confidential and what is not, so I would like to  
18 reserve the possibility of commenting further on those  
19 in our post-hearing brief.

20 But what came across my desk this morning,  
21 an e-mail on a completely unrelated matter that had to  
22 do with products the Commission doesn't often  
23 consider, a steel product, but a number of private  
24 vendors that sell statistics, market forecasts, et  
25 cetera, has indicated that apparently there is a

1 consensus that the Chinese government is about to  
2 announce imminently some kind of currency action on  
3 the exchange rate.

4 Also, it's well know, and it's been well  
5 reported in the popular press, that the government has  
6 been increasing interest rates in order to cool down  
7 the rate of growth internally.

8 So I think the combination of these factors  
9 would make the claim that all of the increased  
10 capacity that has been reported to the Commission -- I  
11 don't know how much has not been reported to the  
12 Commission -- would be absorbed internally. It just  
13 is not plausible to me.

14 COMMISSIONER LANE: Okay. Thank you. Okay.  
15 Would you please comment, somebody, and I'm not sure  
16 who would be best to answer this, on the Respondents'  
17 contention, and that was the Furniture Retailers of  
18 America, that domestic producers drove the  
19 establishment of the wooden bedroom furniture industry  
20 to China?

21 MR. WYATT BASSETT: I disagree with it.  
22 Certainly, major retailers like Rooms To Go and Value  
23 City were importing directly from China very early on  
24 without the help, I would say, in most cases of a  
25 domestic producer. In any case, they were bringing

1 containers directly to their stores from China into  
2 their stores.

3 To the extent the domestic producers have  
4 imported product from China, it's been to try to  
5 maintain market share and try to maintain slots on  
6 dealers' floors. As Harold Brown said, I think,  
7 ultimately, in the case of Bassett Furniture, if they  
8 are going to compete with the other retailers out  
9 there who are importing from China, their retailers  
10 are not going to be able to compete if they don't have  
11 some of the same low-priced Chinese product.

12 I think the same is true for domestic  
13 producers. As we have very clearly lost a ton of that  
14 volume and a ton of that market share, it's been one  
15 method of trying to keep some of that space on  
16 dealers' floors. Unfortunately, that strategy still  
17 leads toward the destruction of our domestic capacity  
18 and the damage to our domestic industry.

19 COMMISSIONER LANE: Okay. Thank you. Mr.  
20 Chairman, that's all the questions I have.

21 CHAIRMAN KOPLAN: Thank you, Commissioner.  
22 Commissioner Pearson?

23 COMMISSIONER PEARSON: Thank you, Mr.  
24 Chairman.

25 I would like to raise a question about



1 related parties in the domestic industry. Should the  
2 Commission assume that importation by U.S. producers  
3 is now typical; and, therefore, we should not exclude  
4 any U.S. producers as related parties, or should we  
5 perform a producer-by-producer analysis using our  
6 standard methodologies?

7 MR. DORN: I would suggest, Commissioner,  
8 that we do a standard analysis using the standard  
9 criteria, just as you did in the preliminary  
10 determination. In doing that, you determined not to  
11 exclude any domestic producers as related parties. As  
12 I said earlier, we'll examine the data again. We may  
13 not argue that any should be excluded, or we may argue  
14 that a couple of should be excluded, but it will be  
15 based on the final data in the record.

16 COMMISSIONER PEARSON: Okay. But you've  
17 basically said what you wanted to say on this. I  
18 wanted to give you a chance to clarify and elaborate,  
19 if you wished.

20 MR. DORN: No. We think that this case,  
21 just like any other case, you have a set of criteria  
22 that you apply in determining whether to exclude a  
23 domestic producer, and we'll address those criteria,  
24 to the extent that we think it's appropriate.

25 COMMISSIONER PEARSON: Thank you. Now, we

1 have a data discrepancy that perhaps you can help  
2 clarify. You don't need to go into it now because  
3 this would be something for the post-hearing, but I'm  
4 referring to Table II-1 in the confidential staff  
5 report and Tables III-3 and III-4. Basically, what's  
6 going on is that the one table shows that purchasers  
7 in the United States have been buying more pieces of  
8 furniture from U.S. manufacturers over the period of  
9 investigation. The purchasing by purchasers of U.S.  
10 furniture is going up. Okay?

11 The other tables show that the domestic  
12 industry reports shipping and producing less furniture  
13 during this same period, and those trends seem, to me,  
14 somewhat contradictory. I certainly don't pretend to  
15 understand them. So if you can shed any light on that  
16 -- if you would like to comment now, that would be  
17 fine, but I understand a detailed response might have  
18 to wait.

19 CHAIRMAN KOPLAN: Your microphone?

20 MR. DORN: Excuse me. I only have the  
21 public version of the report in front of me, so I  
22 would rather respond to that in the post-hearing  
23 brief.

24 COMMISSIONER PEARSON: Okay. Well, the  
25 trends, we can talk about, and the one trend for what

1 the purchasers are saying is going up and the trend  
2 that the domestic industry, in terms of sales and  
3 shipments, indicates is going down, so something is  
4 going on.

5 MR. DORN: I would note that the public  
6 version of the report says the responding purchasers  
7 accounted for less than a third of the value of  
8 apparent U.S. consumption, so your data base is not  
9 all that broad for the purchasers' questionnaires.

10 COMMISSIONER PEARSON: Right.

11 MR. DORN: But I'll be happy to look at the  
12 data -- a response.

13 COMMISSIONER PEARSON: If there is any more  
14 light that can be shed on it, that would be  
15 appreciated.

16 Another methodology question. In our  
17 preliminary determination, the Commission relied  
18 primarily on value figures for determining volume,  
19 which is something we don't do all of the time, and  
20 that was done on the basis of the parties more or less  
21 agreeing that the value figures were the best way to  
22 assess the import volumes and the domestic share of  
23 volumes. Do Petitioners still agree that this is the  
24 best way to proceed, or would you suggest some  
25 variation?

1           MR. DORN: Well, given the fact that the  
2 official import data is provided in value, we think  
3 it's the most practical way to proceed. We think that  
4 using the value data understates the degree of the  
5 import penetration. If you were using quantity data,  
6 the import penetration would be even greater, but  
7 given the practical situation of having the value data  
8 and not quantity data in the import data, we think  
9 that value is the way to go.

10           COMMISSIONER PEARSON: We do have some  
11 information also measured in pounds or tons. Are  
12 there instances in which that's a useful measure, or  
13 are we best to ignore that?

14           MR. DORN: I think you have some pounds and  
15 pieces for individual importers' questionnaires, but  
16 the coverage is not that great, and so we would  
17 suggest that you use the official import data as has  
18 been done in the prehearing report, and when you do  
19 that, that limits you to using value data.

20           COMMISSIONER PEARSON: Okay. Thank you very  
21 much. Mr. Chairman, I have no further questions at  
22 this point.

23           CHAIRMAN KOPLAN: Thank you, Commissioner.

24           Let me make sure my colleagues are all -- I  
25 have one question left, but before I ask that

1 question, let me just say to you, Mr. Heinz, that I  
2 think Commissioner Lane has adequately covered my  
3 question about automation with the industry witnesses,  
4 so I'm going to let you off the hook on that one, and  
5 there is no need for you to submit post-hearing unless  
6 you disagree with all of them completely, you know. I  
7 see that you don't. Thank you, though.

8           Now, my last question is for Mr.  
9 Malashevich. Beginning on page 4 of the prehearing  
10 brief of Furniture Brands International, they have a  
11 section called "The Industry's Turn to Imports." They  
12 argue on page 5 that the price differentials between  
13 subject imports and domestically produced bedroom  
14 furniture have been able to, and I quote, "open up  
15 markets that would otherwise go unserved. They make  
16 accessible to those of lower incomes what they would  
17 otherwise be unable to afford. They make it possible  
18 to offer to those of higher incomes intricate and  
19 sophisticated products at prices that they would  
20 otherwise find unacceptable if based on U.S.  
21 production costs."

22           They mention, and I can't get into the  
23 dollars here, but they mention Louis Philippe-style  
24 sleigh beds, and they mention mission-style dressers,  
25 and they also mention mirrors.

1           They thus allege, it appears to me, that  
2           subject imports have helped increase total U.S. demand  
3           for wooden bedroom furniture. I note that the  
4           Commission's staff report states, and I quote, and  
5           that's in Chapter 2, that "staff concurs with much of  
6           this group's reasoning that demand is likely to be  
7           more elastic than is typically found in Title VII  
8           cases --" that's, I think, at page 33 in Chapter 2 "--  
9           than is typically found in Title VII cases but  
10          believes that its figures are too large." Could you  
11          respond to Furniture Brands' argument for me?

12                 MR. MALASHEVICH: Yes, Mr. Chairman. I'll  
13          try to do so to the best of my ability here and  
14          perhaps add to that at a later point.

15                 CHAIRMAN KOPLAN: I appreciate that.

16                 MR. MALASHEVICH: Specifically, in the case  
17          of the Furniture International Brands' brief, it's  
18          basically an assertion based on their own experience.  
19          I didn't see any empirical support. It's one player's  
20          opinion of market behavior, and they are entitled to  
21          their opinion, but there is no indication that it  
22          applies broadly to the market as a whole.

23                 As part of Petitioners' prehearing brief,  
24          there is an exhibit or an appendix that addresses the  
25          issue of price elasticity at a high degree of detail,

1 and I won't burden you with repeating all of that  
2 here, but we'll be happy to interact with staff if  
3 they have any questions about the sources we relied on  
4 or the analysis.

5 The prehearing brief of Petitioners also  
6 notes staff's remarks in the prehearing report and  
7 takes issue with staff in suggesting a lower range of  
8 price elasticity of demand than staff or Respondents  
9 estimated, although I would agree that even our lower-  
10 end range is higher than one would find in industrial  
11 products, for example, that the Commission comes up  
12 with.

13 But still, beyond that, also part of  
14 Petitioners' prehearing brief is an exhibit where we  
15 looked at all of the drivers of demand in this  
16 industry. We looked at housing starts. We looked at  
17 other measures of macro-economic activity that, I  
18 think, all parties would agree have an influence on  
19 demand, and we found that over the period of  
20 investigation the percent change in those indicators  
21 was right on the mark with the percent change in  
22 aggregate apparent consumption for wooden bedroom  
23 furniture, as staff has calculated it.

24 So it seems to me that if there is this  
25 extraordinary price elasticity of demand out there,

1 you would find consumption of the furniture growing at  
2 much substantially greater rate than the various  
3 driving indicators of economic activity. That's not  
4 what we found.

5 CHAIRMAN KOPLAN: Thank you very much for  
6 that response. I look forward to that in the  
7 post-hearing. With that, I have no further questions,  
8 I just would like to thank each of you for both your  
9 direct presentations and your detailed responses to  
10 all of our questions and I'll turn to Vice Chairman  
11 Okun.

12 VICE CHAIRMAN OKUN: Thank you,  
13 Mr. Chairman.

14 A couple of things. One, just a follow-up  
15 on the demand question, Mr. Malashevich. I had heard  
16 what you were just saying and it seemed consistent  
17 with what has been testified and what's on the record  
18 with regard to apparent consumption and I think the  
19 one distinction is, Mr. Chitwood, what you were saying  
20 is institutional followed a different demand trend  
21 during the period, if I understood that.

22 But the one thing, and I don't know if  
23 Mr. Brown or Mr. Loring, both from the retailers,  
24 could comment on it is whether there is any data that  
25 would tell us whether the demand growth has come



1 primarily in the value end of the market. Since both  
2 retailers, I think, indicated that's where you are, if  
3 you could comment on that and any producers if they  
4 have anything to say about that, again, whether the  
5 growth and demand over the period of investigation is  
6 spread among good, better, best or is it focused  
7 primarily on the lower value end of the market?

8 Any comments on that?

9 And, Mr. Malashevich, you're welcome to  
10 comment on that as well, but let me hear from the  
11 retailers first.

12 MR. MALASHEVICH: I have no data on that  
13 particular question anyway.

14 VICE CHAIRMAN OKUN: Okay. Okay.

15 MR. LORING: The information I have would be  
16 just in my particular stores, which is really not an  
17 indication of what the marketplace is. Maybe  
18 Mr. Brown could respond to.

19 MR. BROWN: I really don't have enough  
20 information for you.

21 VICE CHAIRMAN OKUN: Okay. Okay. All  
22 right. Well, it looks like we're lacking information.

23 Okay. Mr. Dorn, just one question and it  
24 might be one you want to talk about post-hearing, but  
25 I thought I'd give you an opportunity to comment on it

1 and that is in the staff report in Chapter 6, we  
2 collected data and broke it down by the bigger  
3 companies, over 200 million, the smaller companies,  
4 and there are differences in how companies did based  
5 on how big they were. And I wondered whether you  
6 wanted to make any comments on that with regard to how  
7 the commission analyzes impact in this industry.

8 MR. DORN: Frankly, I'd rather not wing it  
9 because I really haven't studied that data and  
10 I couldn't say anything very intelligent right now.

11 VICE CHAIRMAN OKUN: Okay. And then just --  
12 I know you've said you're going to look at related  
13 parties to determine -- you would have us apply the  
14 traditional tests we usually do, but if you could go  
15 through all of these in terms of the importers and the  
16 U.S. producers who are importing and take a look at  
17 them, I'd appreciate it.

18 MR. DORN: We'll certainly do that.  
19 Thank you.

20 VICE CHAIRMAN OKUN: Okay. And with that,  
21 there may be other questions, but I really appreciate  
22 all the information you've given this afternoon. I've  
23 learned a great deal. Thank you.

24 CHAIRMAN KOPLAN: Thank you.

25 Commissioner Miller?

1                   COMMISSIONER MILLER: Thank you.

2                   Just a couple -- one quick and then one  
3 other sort of question.

4                   Following up, the main question I had  
5 remaining related to the issue regarding the financial  
6 information and Wilmer Cutler's suggestions regarding  
7 Respondents' general comments about the non-recurring  
8 costs. The only thing I wanted to add to the question  
9 that Commissioner Hillman already posed to you, which  
10 I understand you'll address post-hearing, is that  
11 there is a suggestion that these financials have been  
12 developed in a way that's not consistent with  
13 commission practice, so do address the commission  
14 practice question as well, if you would, and our  
15 treatment of non-recurring costs.

16                  MR. DORN: We'll certainly do that.

17                  COMMISSIONER MILLER: Thanks. Then I do  
18 note in our staff report that it does state that most  
19 of the large producers have stated that they produce  
20 other kinds of wooden furniture in their facilities  
21 that produce bedroom furniture, wooden bedroom  
22 furniture, the large ones.

23                  This case only relates to wooden bedroom  
24 furniture, but this may be a curiosity question as  
25 much as anything else or wanting to understand why.

1 Are imports a factor with respect to other kinds of  
2 wooden furniture and, if not, why not? What is it  
3 about bedroom furniture that has lent itself?

4 MR. WYATT BASSETT: Imports have very  
5 definitely been a factor in other furniture segments  
6 other than bedroom furniture. For instance, we owned  
7 a chair factory that we had to shut down approximately  
8 four years ago because the imports had taken over  
9 virtually all chair production in the U.S. and when  
10 I say chair production, I don't mean upholstered  
11 chairs like we're sitting in now, I'm talking about  
12 dining room chairs. Virtually all dining room chairs  
13 today are imported. If you go back 20 years ago, 30  
14 years ago, you'll find that every major furniture  
15 company that sold dining room made their own chairs.  
16 That's changed entirely. That industry is gone.

17 Occasional tables would fall into the same  
18 category. Virtually every major furniture producer  
19 who sold occasional tables 15, 20 years ago, today  
20 have closed all their occasional table plants and all  
21 that product has been imported.

22 I think the difference in the bedroom  
23 industry versus these other industries is to a large  
24 extent looking at these other industries there's  
25 really little or nothing left to save, if you were to

1 look at these industries in terms of domestic  
2 production. That's not true with bedroom. We've  
3 closed a substantial amount of our production but  
4 there is a majority of it still existing.

5 In the case of what we produce in our own  
6 plants, as little as probably five years ago the  
7 plants that we produced bedroom furniture in, we  
8 produced only bedroom furniture in. It's because  
9 we've lost volume in bedroom furniture that we've had  
10 to put other product categories of furniture into  
11 those plants to try to keep them busy and keep them  
12 filled up.

13 In our case, where we might have produced  
14 100 percent bedroom furniture in our bedroom plants  
15 five years ago, today it's still 90 percent, it's the  
16 overwhelming amount of what we produce in those  
17 plants, 90 and 95 percent, and I think what you'll  
18 find throughout our company is true throughout the  
19 industry, that in the plants where bedrooms produced,  
20 traditionally, the overwhelming majority of what's  
21 produced in that plant, up to all of it has been  
22 bedroom furniture.

23 COMMISSIONER MILLER: And is that because of  
24 the nature of the manufacturing process itself or just  
25 because you as a furniture producer have chosen to

1 concentrate in that particular part of the market?

2 MR. WYATT BASSETT: I think anyone who has  
3 gotten into the bedroom business to produce bedroom  
4 furniture, you set those bedroom plants up to most  
5 efficiently produce bedroom. They're not necessarily  
6 going to be the most efficient place to produce dining  
7 room, but they will be the most efficient place to  
8 produce bedroom.

9 MR. JOHN BASSETT: Can I address this?

10 COMMISSIONER MILLER: Yes. Yes,  
11 Mr. Bassett.

12 MR. JOHN BASSETT: Furniture from China  
13 started generally with occasional. Those are coffee  
14 tables, end tables, et cetera. That industry has  
15 disappeared in this country virtually. Then it went  
16 to dining room and, of course, with dining room went  
17 chairs, dining room chairs as well as tables, chinas  
18 and that. Then it started into bedroom. Bedroom was  
19 later on the scale.

20 We as an industry did not know about the  
21 antidumping law in this country until May 2003. The  
22 possibility of that fact, our own ignorance,  
23 possibility we were not informed by the Department of  
24 Commerce what the law said. So after we were informed  
25 in 2003, May, we formed this coalition in early July

1 of that same year, less than 60 days later. So we  
2 knew we still had a bedroom industry left in this  
3 country, so why try to revive something that's gone?  
4 We were trying to preserve something that we still  
5 have and we found out about this law and what it said.  
6 And, frankly, we were shocked. We were shocked that  
7 nobody had ever told us. Nobody had ever informed us.  
8 And we realized we had an obligation to our employees.

9 This is the number one reason we filed this  
10 petition is because the people who work in our plants,  
11 ma'am. And we asked ourselves as CEOs one question:  
12 why should our employees lose their jobs because of  
13 what might be an illegal act?

14 We have to look them in the eye and answer  
15 that question to them. We can't turn our backs on  
16 people who have been faithful to us, in our case, up  
17 to three generations unless we can answer that  
18 question and we're not going to be intimidated, we're  
19 not going to be threatened, we're not going to be  
20 punished, and we're not going to be boycotted until we  
21 get that answer because that's our responsibility as a  
22 CEO and a citizen of this country.

23 COMMISSIONER MILLER: Okay. I appreciate  
24 that answer. It was your comment, Mr. Basset, about  
25 90 percent of your plant being devoted to bedroom

1 furniture that sort of -- I jotted it down and it made  
2 me want to know the answer to the question. I like to  
3 know the bigger picture sometimes even if our job is  
4 to look at the more narrow picture and I appreciate  
5 it.

6 Thank you. I have no further questions.  
7 I appreciate all your testimony.

8 CHAIRMAN KOPLAN: Thank you.

9 Commissioner Hillman?

10 COMMISSIONER HILLMAN: Thank you. Just one  
11 final question. I hope to get back to actually the  
12 question that I started at, which is just to make sure  
13 I understand and that our record reflects your sense  
14 of this issue of the pricing data and how pricing  
15 competition occurs. And, again, I'm trying to  
16 anticipate what we're going to hear from the  
17 Respondents and get a sense from you all before we  
18 hear that testimony because, as I mentioned this  
19 morning, one of the arguments that the Respondents  
20 make is that -- and again, I'll read it directly,  
21 "That the record contains no serious evidence that  
22 U.S. producer prices responded to Chinese producer  
23 prices." In other words, the argument is that prices  
24 may have gone down a little bit, but it was not in  
25 response to the Chinese and that average unit values,



1 which is one of the broad brushes of data that we look  
2 at, have gone down, but that those reductions in  
3 average unit values are a function of the fact that  
4 the high priced product has gone down in volume, so  
5 that that is skewing the numbers and that overall the  
6 prices haven't, in fact, gone down all that much; that  
7 most of you have not in fact reduced your prices and  
8 that there is not good evidence on the record to  
9 suggest that to the degree that there are price  
10 declines that they are in response to the Chinese.

11 I don't think anybody is arguing about  
12 whether you've lost share. You've lost market share.  
13 I don't think there's any dispute about that. The  
14 numbers, I think, are very clear on what's happened on  
15 the volume side. What have the Chinese done? They've  
16 taken share.

17 The issue I'm trying to make sure I get you  
18 on the record on and give you an opportunity to say is  
19 have you lowered prices in response to the Chinese  
20 product or have you not increased prices in response  
21 to the Chinese or what, if anything, can you point me  
22 to that suggests that your prices are being directly  
23 affected by the Chinese prices?

24 I definitely understand on the volume side.  
25 It's prices in specific and how they get set in

1 relation to the Chinese prices that I think it would  
2 be helpful to make sure we have an understanding from  
3 your perspective.

4 I'll start with you, Mr. Bassett.

5 MR. WYATT BASSETT: I'll try to briefly add  
6 what I can, I think, to it. I didn't think there had  
7 been any argument in this industry that mass deflation  
8 has occurred. If it's not already on the record, we  
9 certainly will put on the record statements by  
10 Furniture Brands' CEO that said -- and I won't go long  
11 with this, I promise, it's quite apparent that imports  
12 have completely changed the price-value relationship  
13 in our industry. We're experiencing price deflation.  
14 High quality products manufactured offshore are being  
15 sold at a price substantially lower than domestic made  
16 products of similar quality.

17 COMMISSIONER HILLMAN: I don't think there's  
18 any dispute that your prices are here and the Chinese  
19 prices are here. What I'm trying to understand is are  
20 those Chinese prices causing price movements of any --  
21 up, down, sideways, in domestic prices and where do  
22 I see that? How do I know that the Chinese prices are  
23 affecting your prices?

24 MR. WYATT BASSETT: The answer is yes. For  
25 several years prior to actually last winter to last

1 spring, when you all made your preliminary  
2 determination, we had been unable to get any price  
3 increases on our product. We for the last year in the  
4 spring for first time in a long time got even a modest  
5 price increase on our product. We haven't been able  
6 to do that.

7           During that same time, our material costs  
8 have gone up pretty dramatically. In addition to  
9 that, when we've replaced suites that have stopped  
10 selling because of competition from the imports from  
11 China, we've had to replace them at up to 35 percent  
12 less than the price of the product they were  
13 replacing. So perhaps we haven't lower the price on  
14 an exactly suite, but what happens is it stops selling  
15 because of the price competition and when we replace  
16 it, we have to replace it with a drastically lower  
17 priced suite if we're going to compete for that.

18           The other thing I would note quickly is the  
19 nature of our industry which is we're a very high  
20 variable cost industry. If we reduce our prices very  
21 much, it's going to put us underwater. What you see  
22 happening, I think, in the data you do have is see  
23 some price decrease and then what happens is what  
24 makes better sense for operation is if we're going to  
25 have to reduce prices to where we're showing a loss,

1       instead of maintaining that loss over time, we will  
2       close factories and reduce capacity. I think that's  
3       where a lot of it will show up.

4               We cannot reduce prices dramatically effect  
5       and keep our heads above water. What we have to do is  
6       reduce capacity. We came out with a couple of years  
7       ago a line of furniture called Barnburners and the  
8       reason they have that name is for one reason only and  
9       that's because they're such a hot price. They were  
10      brought out directly to compete with the low priced  
11      imports out of China and to try to hang onto volume we  
12      were losing and replace volume that we had already  
13      lost to those low priced imports. Those Barnburners  
14      were at lower price points than we had been at for  
15      years prior to that.

16             COMMISSIONER HILLMAN: Okay. Are there  
17      others that want to comment on this issue of where do  
18      I see the Chinese prices actually affecting U.S.  
19      prices?

20             MR. SANDERS: Yes, ma'am. Keith Sanders,  
21      Bassett. I believe I mentioned in my statement a  
22      specific example where we went to J.C. Penney and said  
23      33 percent reduction on the Louis Philippe group and  
24      they told us we were not even in the ball game.

25             Further, I could say that in our practice

1 today of trying to introduce new bedroom suites, we  
2 used to think that our price point was about a \$1000  
3 bedroom suite. Now, we're backing up and saying how  
4 can we offer an \$800 bedroom suite. I have a plant on  
5 the bubble right now. If I can't do that, that plant  
6 won't survive.

7 COMMISSIONER HILLMAN: Okay. Mr. Chitwood?

8 MR. CHITWOOD: Commissioner Hillman, our  
9 Courtyard by Marriott example that I cited in my  
10 testimony is a prime example of where we saw lower  
11 pricing, we had to move down to meet that pricing.  
12 That product was identical, we didn't provide any  
13 substitute, it was essentially identical, same  
14 specifications, the price was driven down with the  
15 competing product from China roughly 25 percent.

16 Now, we still actually make that. We lost  
17 that program. We still actually make that for some  
18 customers that want to buy it directly from us and we  
19 have to sell it at a considerably higher price, but  
20 that's a clear example of where the price has just  
21 simply gone down 25 percent on essentially like or  
22 same product.

23 COMMISSIONER HILLMAN: Okay. Any others?

24 I'm sorry, Mr. Allen?

25 MR. ALLEN: We're in the peanut gallery

1 here. We've seen margin erosion. We've had price  
2 increases from our suppliers that we've been unable to  
3 pass on because of the pricing of the Chinese  
4 products. So I think that's another factor that  
5 should be considered. And we're starting to see more  
6 price increases from our suppliers than we've ever  
7 seen before and we cannot move on our pricing,  
8 therefore, you have margin erosion and, as Wyatt said,  
9 we're a variable cost industry. Therefore, you start  
10 cutting, you start cutting.

11 COMMISSIONER HILLMAN: Mr. Dorn, if I could  
12 ask in the post-hearing for you again, as a legal  
13 matter, I understand the sort of factual and policy  
14 issues, to just address the appropriateness of our  
15 looking at the data in the way that Mr. Greenwald has  
16 suggested. Again, this issue of looking at individual  
17 producer data and whether they're in sort of higher  
18 end and looking at prices in that form as opposed to  
19 in the more aggregated form that the commission  
20 typically looks at it.

21 I would just ask you to address it in the  
22 post-hearing, in essence respond to his argument as  
23 well as to the confidential data that's been submitted  
24 supporting them on this issue of what's happened to  
25 individual prices as opposed to the aggregate AUV

1 data.

2 MR. DORN: We'll explain why you should  
3 follow your normal methodology.

4 COMMISSIONER HILLMAN: Okay. I appreciate  
5 that. But, like I said, if you can specifically  
6 address what's in this brief, I think that would be  
7 helpful to us.

8 With that, I have no further questions,  
9 Mr. Chairman, but I would join everyone else in  
10 thanking our witnesses very much. It's been extremely  
11 helpful testimony and we thank you.

12 CHAIRMAN KOPLAN: Thank you.

13 Commissioner Lane?

14 Commissioner Pearson?

15 COMMISSIONER PEARSON: I have one question,  
16 Mr. Chairman.

17 I would like to get some feedback on the  
18 outlook for demand for wooden bedroom furniture in the  
19 United States. The information we have available  
20 indicates that over the period of investigation we've  
21 seen relatively robust growth in demand as measured by  
22 U.S. consumption value.

23 Starting, perhaps, with those of you in the  
24 retail business, could you discuss what you see for  
25 overall demand?

1                   And then I'd be happy for comments also from  
2                   the manufacturers, but understand that I'm most  
3                   interested not in what you expect to sell in this  
4                   complicated marketplace, but rather what you see  
5                   happening to consumption overall.

6                   MR. BROWN: With the manufacturing and  
7                   building of homes at such a rapid pace -- this is Mr.  
8                   Brown. Harold Brown. Yes. There is always going to  
9                   be a demand for bedroom furniture. Our problem is is  
10                  that the pricing and where it's coming from is the  
11                  issue here and the domestic people cannot keep  
12                  manufacturing furniture and sell it at the price that  
13                  they need to and that's forcing them to go to imports.

14                  COMMISSIONER PEARSON: But based on what  
15                  you're actually seeing sold in the marketplace, the  
16                  sales are good? Sales rising? Or am I putting words  
17                  into your mouth?

18                  MR. BROWN: Yes, sir. They are rising.

19                  COMMISSIONER PEARSON: Okay.

20                  MR. LORING: I would say that we see sales  
21                  rising at the inflation rate. I don't see any  
22                  tremendous increase, but, again, we have a very small  
23                  picture of what's happening in the Boston market.

24                  COMMISSIONER PEARSON: Okay. And that was  
25                  Mr. Loring.



1 Any others?

2 Mr. Bassett?

3 MR. WYATT BASSETT: I'll give it a shot. In  
4 the last few years, we've seen the conditions for a  
5 very good bedroom market, historically low interest  
6 rates, great housing starts. Nothing we've looked at  
7 on the horizon shows that changing. There are some  
8 people, I think BDO Seidman is one who makes  
9 projections about what's going to happen in the future  
10 and I think they show continued growth like we've been  
11 seeing.

12 COMMISSIONER PEARSON: Does anyone know, do  
13 we have on the record the information from the analyst  
14 that you just mentioned, BDO Seidman?

15 MR. WYATT BASSETT: I don't know. I read it  
16 some time in the last few weeks or months. I don't  
17 know if it's on the record.

18 COMMISSIONER PEARSON: Mr. Dorn, would it be  
19 possible to get that for the record?

20 MR. DORN: I'll inquire into that. I'm not  
21 familiar with the document, but we'll check into that.

22 COMMISSIONER PEARSON: Okay.

23 MR. CHITWOOD: I'd like to maybe speak to  
24 the lodging industry in terms of demand over the next  
25 year or so, what we see. The last few years have been

1 challenging, if you look at what  
2 PricewaterhouseCoopers has and I could share this with  
3 you or enter into the record. They see growth next  
4 year in revpar, revenue per available room. That's  
5 the way you generally look at revenue growth in the  
6 lodging industry.

7 It has been negative for the last three  
8 years and it is now turning positive. Next year,  
9 2005, should turn positive at a greater rate.

10 Our growth in our company over the last four  
11 or five months has exceeded what you would see there,  
12 thanks to the preliminary determination, but we could  
13 share this with you in the post-conference record if  
14 you would like.

15 CHAIRMAN KOPLAN: Mr. Bassett?

16 MR. JOHN BASSETT: I don't know what the  
17 demand is or what it will be, but I know in the last  
18 18 months with our company we have closed one factory.  
19 I'm the CEO of also Webb Furniture Company. We've  
20 closed one of our two factories. A competitor there  
21 in town, Vaughn Furniture Company, has closed two  
22 factories. Many of our bedroom factories are now  
23 running or have run in the last 18 months on short  
24 time, even the ones that continue to operate.

25 Maybe the demand has been up, but it

1 certainly hasn't been our demand.

2 COMMISSIONER PEARSON: I appreciate that.

3 Any other comments?

4 (No response.)

5 COMMISSIONER PEARSON: I would just observe  
6 that it was pointed out that bedroom furniture gets  
7 purchased when there are life changing events. We can  
8 hope that perhaps with the election behind us people  
9 who have been staying up all night will now want to  
10 get some sleep and the demand for bedroom furniture  
11 might increase.

12 Mr. Chairman, I have no further questions.

13 CHAIRMAN KOPLAN: Thank you, Commissioner  
14 Pearson.

15 Let me see if there are any other questions  
16 from the dias.

17 Seeing that there are none, just for the  
18 record, it's my understanding that counsel on both  
19 sides now have Commerce's final antidumping duty  
20 margins that has just come out? Is that correct?

21 Do you have it, Mr. Dorn?

22 MR. DORN: Yes, Mr. Chairman.

23 COMMISSIONER PEARSON: Mr. Greenwald, you  
24 have it?

25 Thank you.

1 All right. Now, let me turn to staff and  
2 see if staff has any questions.

3 Mr. Deyman?

4 MR. DEYMAN: I'm George Deyman, Office of  
5 Investigations. The staff has no questions.

6 CHAIRMAN KOPLAN: Thank you.

7 Mr. Greenwald, before I release the panel,  
8 do you have any questions of these witnesses?

9 MR. GREENWALD: No questions.

10 CHAIRMAN KOPLAN: Thank you.

11 With that, I want to thank all of you for  
12 your testimony this morning and your presentations and  
13 responses to our questions. It was extremely helpful.

14 We will take a break and come back at 2:00.

15 Let me just remind you that the room is not  
16 secure, so any BPI materials that you have with you,  
17 you should take with you.

18 Thank you very much.

19 (Whereupon, a lunch recess was taken from  
20 1:09 p.m. until 2:03 p.m.)

21 //

22 //

23 //

24 //

25 //



1 and, if you find injury, it will do much harm. Let me  
2 explain why.

3 First, to put this in context. The  
4 representative of La-Z-Boy disavowed his chairman's  
5 statement, saying I had misinterpreted it, so  
6 I suppose he disavowed my interpretation of his  
7 chairman's statement. What I'd like to do is to ask  
8 him whether he will disavow my reading from La-Z-Boy's  
9 10-Q for the period ended July 24, 2004.

10 In that, La-Z-Boy says, "The initial ruling  
11 on tariff for Chinese manufacturers on dumping of wood  
12 bedroom furniture in the U.S. is not expected to slow  
13 down the shift in domestic production to China and  
14 other countries."

15 And in that same statement, La-Z-Boy  
16 announced its intention to shift 75 percent of its  
17 sourcing offshore.

18 When that statement was issued, the average  
19 dumping margin found by Commerce was 12.91 percent.  
20 It is now 8.64 percent, one of the major producers has  
21 been given a de minimis margin, most of the others in  
22 the low single digits.

23 This case is not about dumping. It never  
24 has been and the final determinations by Commerce make  
25 it perfectly clear.

1                   What this case is about is the most  
2                   fundamental economics and, frankly, Petitioners'  
3                   unwillingness to come to grips with them the way the  
4                   majority of the U.S. industry has.

5                   The economics of wood bedroom furniture  
6                   production are driven by labor.

7                   Now, I understand that some of the  
8                   commissioners have visited plants. When I went in  
9                   there, the sense I had was being in the middle of a  
10                  beehive and to give you a notion of what it's really  
11                  like, that is a carving room. In an efficient Chinese  
12                  plant --

13                  Can we have the inlay room now?

14                  That is an inlay room. The difference, the  
15                  driving force in production, especially for the more  
16                  worked items, is the difference in labor costs.  
17                  Nothing more, nothing less. And nothing in the  
18                  Department of Commerce's final determination will  
19                  affect this labor rate or labor cost differential.

20                  Most companies, including most of  
21                  Petitioners, are going to blended sourcing strategies  
22                  because they recognize and they accept the economics  
23                  of production. The other side of the economic  
24                  equation is on demand and there what you have, as you  
25                  heard and as you will hear throughout the course of

1 our testimony, is demand that is greatly sensitive to  
2 price. Simply put, U.S. industry cannot pass on the  
3 price increases that they might like to pass on. The  
4 market will disappear if they try and do that.

5 Now, this is a predicate for the testimony  
6 that's going to follow. What I would like to do now  
7 is to turn the microphone over to Lynn Chipperfield of  
8 Furniture Brands International, who will talk to you  
9 about the problems this case raises from a producer's  
10 point of view, a domestic producer's point of view.

11 MR. CHIPPERFIELD: Thank you. Good  
12 afternoon. I appreciate the opportunity to be here  
13 with you today. My name is Lynn Chipperfield. I am  
14 the Senior Vice President and Chief Administrative  
15 Officer of Furniture Brands International.

16 Furniture Brands is the largest residential  
17 furniture manufacturer in the United States. We sell  
18 our furniture under several very well known brand  
19 names: Broyhill, Thomasville, Drexel Heritage,  
20 Henredon, Lane, Maitland-Smith and Pearson. Our  
21 company operates 35 domestic manufacturing facilities  
22 and we employ nearly 17,000 employees in our North  
23 Carolina, Virginia and Mississippi based operations.

24 We also believe we are the largest domestic  
25 manufacturer of wooden bedroom furniture. About



1 80 percent of our wooden bedroom furniture is  
2 manufactured in our domestic facilities. The  
3 remaining 20 percent is imported from abroad,  
4 primarily from the Far East.

5 I'd like to make two points in my testimony  
6 this morning. The first is that imports are not to  
7 blame for the difficulties that furniture  
8 manufacturers have been having domestically over the  
9 last several years. And, secondly, imports have  
10 actually been a benefit to our industry domestically  
11 because they've given us access to products and  
12 consumers that we wouldn't otherwise be able to serve.

13 My experience with the International Trade  
14 Commission is limited to my testimony at the  
15 preliminary conference about a year or so ago, but  
16 I suspect that my appearance here today is somewhat  
17 unusual because I expect that in most of these types  
18 of cases the domestic industry is largely unified in  
19 its support of seeking tariffs on products coming in  
20 from offshore. So you are justified, I guess, in  
21 wondering why the industry's largest domestic  
22 production is asking you so strongly not to impose  
23 these tariffs.

24 First, I should point out, as we do in our  
25 brief, that the domestic industry is not unified in

1 its support of this effort. I obviously have not seen  
2 the numbers, but I am confident that if you consider  
3 those who oppose this effort and those who take no  
4 position, you will find that the petitioning group is  
5 a minority and possibly even a small minority of the  
6 domestic manufacturing group. This is in no way an  
7 industry effort.

8 I understand that the role of the commission  
9 is to determine whether the domestic industry has been  
10 materially injured or is threatened with material  
11 injury by reason of these imported products. There is  
12 no doubt that many in our domestic industry have had a  
13 difficult time over the last several years, but it's  
14 the "by reason of" language that I would like to  
15 address in the first part of my remarks.

16 Blaming imports of wooden bedroom furniture  
17 from China is an exercise in finding the simplest and  
18 most convenient excuse. Numerous factors having  
19 nothing to do with imported products from China have  
20 contributed to the challenges that all of us have  
21 faced over the last several years.

22 Commissioner Miller asked about the changes  
23 in the retail climate. Let me give you a few examples  
24 of what's been going on over the last several years.  
25 Dozens of major retailers have gone out of business.

1 Names that you may recognize: Heilig-Meyers,  
2 Montgomery Ward, Sears Home Life, all out of business.

3 Five days ago, Rhodes, the thirteenth  
4 largest furniture retailer in the country filed for  
5 bankruptcy. Hundreds of smaller retailers have  
6 slipped out under the radar screen and gone out of  
7 business over that period of time.

8 This has put pressure on sales. It has  
9 increased bad debt write-offs and it has taken  
10 hundreds of thousands of advertising dollars out of  
11 the market so consumers are not being reminded as much  
12 that they need to buy furniture.

13 While all of this is going on, we have seen  
14 the rise of the strong regional players that you  
15 heard about earlier this morning: Haverty's, City  
16 Furniture, Rooms To Go and there are many others.  
17 As these retailers have become stronger, they have  
18 put more pricing pressure on their manufacturing  
19 suppliers. Earnings are under pressure, sales volume  
20 has been threatened.

21 And while all this has been going on, many  
22 manufacturers have countered this trend by going into  
23 their own retail business. Again, names you would  
24 recognize: Thomasville, Ethan Allen, Drexel Heritage,  
25 La-Z-Boy. This has further reduced the number of

1 retail outlets available to producers who have not  
2 expanded into their own retail operation.

3           And while all that's been going on, we've  
4 seen the rise of a whole new series of companies  
5 getting into the furniture retail business: Wal-Mart,  
6 Sam's, Costco, Pier 1, Crate and Barrel, Restoration  
7 Hardware, Z Gallerie, Ikea, Pottery Barn, you could go  
8 on and on with all of these new players. Retailers  
9 are entering into the market and putting even greater  
10 pricing pressure on manufacturers and on retailers.

11           And while all this has been going on, we  
12 have been fighting a battle against raw material  
13 pricing. Anything related to energy has gone up,  
14 whether it's polyurethane foam or sealants or solvents  
15 and steel prices, obviously, have been affected as  
16 well.

17           And at the same time we have also been going  
18 through one of the longest and one of the softest  
19 periods of business that we've ever experienced in our  
20 industry and I know there was some conversation about  
21 this this morning. I want to put some numbers on  
22 this.

23           The American Furniture Manufacturers  
24 Association, which is the primary trade group in our  
25 industry, according to their numbers, in the 30-year

1 period from 1971 to the end of the year 2000, the  
2 compound annual growth rate of our industry was about  
3 6 percent. A good deal of that growth came during the  
4 mid and late '90s.

5 In the subsequent three-year period, from  
6 the end of the year 2000 to the end of the year 2003,  
7 our compound annual growth was approximately 1  
8 percent. We have had to adjust our expectations and  
9 our operations in a major way.

10 And now in light of all those factors, the  
11 Petitioners have suggested to you that they believe  
12 they are losing business and closing plants and  
13 running out of money because of imports of wood  
14 bedroom furniture from China.

15 I have no doubt that there are companies in  
16 our industry who aren't making any money, but pointing  
17 the finger at Chinese imports when it's really just a  
18 matter of finding a way to compete in the challenging  
19 transitional environment that I've just described is  
20 really just an exercise in scapegoating and we would  
21 suggest that the commission can't find under these  
22 circumstances that there's a causal link between the  
23 imports and the damage to the industry.

24 Having said that, I want to share with you  
25 one extraordinarily negative effect that has occurred

1 related to this antidumping effort. When this effort  
2 was commenced, domestic manufacturers, including us,  
3 began hedging our bets. We began going to other  
4 countries in the Far East, primarily in Vietnam,  
5 seeking alternative sourcing arrangements and the  
6 petitioner companies did this as well.

7           The Chinese manufacturers are entrepreneurs  
8 and they began establishing new capacity in other  
9 countries, primarily Vietnam. Our import resources  
10 now tell us that there is an additional \$1.6 billion  
11 FOB in case goods manufacturing capacity in Vietnam  
12 that is either on line or coming on line as a direct  
13 result of the threatened imposition of tariffs on  
14 furniture from China.

15           In an environment where we already had too  
16 much manufacturing capacity, this additional capacity  
17 is a killer and it could cost more jobs than this  
18 effort was ever intended to save.

19           The evidence simply doesn't support the  
20 conclusion that the domestic industry has been  
21 threatened with material injury because of imports.  
22 As a matter of fact, the evidence is to the contrary.

23           The increase in inventories has helped the  
24 domestic industry compete and gain access to consumers  
25 that we would otherwise not be able to serve. It has

1 made it possible for us to offer certain products to  
2 consumers at lower prices than we would have to charge  
3 had we manufactured those products ourselves here in  
4 the United States. This has enabled us to broaden our  
5 product offerings and generate and then satisfy  
6 increased demand.

7 Imports have also helped us in an overall  
8 financial success. That in and of itself isn't  
9 important except insofar as it contributes to our  
10 ability to maintain a healthy production capability  
11 here in the United States.

12 As I said, we have 35 manufacturing plants  
13 and 17,000 employees. Eighty percent of our  
14 production is still here in the United States. We  
15 don't believe that this effort is in the best  
16 interests of our employees or in the best interests of  
17 the consumers or in the best interests of this  
18 industry. It will simply increase the price of  
19 furniture. It will put a lid on consumer demand. It  
20 will weaken our domestic manufacturing operations and  
21 it will result in the transfer of more manufacturing  
22 to countries in the Far East other than China.

23 To be blunt, thanks, we don't need any help.  
24 We don't need any protection and we're asking you  
25 please don't do us any favors. We ask that you enter

1 a finding that there has not been any material injury  
2 to the domestic industry as a result of imports and  
3 that you let us go back to work and get on with the  
4 business of competing in the international  
5 marketplace.

6 I can see that I still have a green light.  
7 I would like to -- there is one thing that I want to  
8 talk about and that is the blended strategy. I am not  
9 sure but I know when we started talking about a  
10 blended strategy, I don't know if we invented the term  
11 or not, but a lot of other people are talking about it  
12 now.

13 A blended strategy simply means that you  
14 manufacture in the United States what you can  
15 manufacture efficiently and cost effectively in the  
16 United States; and you source products that you can't  
17 manufacture efficiently here. It is not a blend of  
18 products within collections because you can't do that.  
19 You can't mix and match domestic products and source  
20 products within a certain collection.

21 I am sure you were planning on asking me  
22 that question. But since the light was still green, I  
23 thought that I would address that. I am finished now.

24 CHAIRMAN KOPLAN: I assume, Mr. Greenwald,  
25 that you have a blended strategy for the green light.



1                   MR. GREENWALD: I do and we are going to go  
2 to my right now.

3                   CHAIRMAN KOPLAN: You have to share the  
4 green light, then.

5                   MR. DONDERO: Good afternoon, I thank you  
6 for the opportunity to testify here this afternoon.  
7 My name is Harvey Dondero. I am the President and CEO  
8 of Universal Furniture International, Inc. We are  
9 owned by Lacquer Craft Manufacturing in China, one of  
10 the seven mandatory respondents in this case; and one  
11 of the largest manufacturers of residential furniture  
12 in China.

13                   Today, I am going to focus my testimony on  
14 labor costs in furniture production. The thing we  
15 have to ask ourselves is: Why are retailers, and why  
16 are you as producers, importing so much product from  
17 the Far East, specifically China? The answer to that  
18 is a fundamental question in furniture manufacturing.

19                   The inescapable fact is that furniture  
20 manufacturing is labor intensive; whether it be a  
21 simple product or a complex product, it is labor  
22 intensive. It is a hand-crafted product. If we look  
23 at the cost structures, we see that in the United  
24 States, the finished product's labor content is about  
25 50 percent. If we look at the factory that we run in

1 China, the labor content is about 10 percent.

2           So if you take a simple example: If you have  
3 a \$1,000 product, there is \$500 of labor in that in  
4 the United States; there's probably less than \$50 of  
5 labor in that product in China. If you add \$100 to  
6 get it back to the United States, you have a \$650  
7 product, which, in simple terms, means that you have  
8 saved at least 35 percent for the consumer.

9           This is the dynamics of why people are  
10 importing. It is a hand-crafted product. The wage  
11 rates are lower. In addition to this, our 10 percent  
12 of labor includes not just a simple product, but we  
13 have been able to give the consumer a lot more complex  
14 product.

15           As was noted earlier, highly intricate  
16 carvings, intricate veneer inlays, fantastic finishes  
17 with a lot of human touch to it, applied moldings and  
18 better quality. These are the factors that we can  
19 include in the product, and make a better product that  
20 the consumer has embraced in this country from  
21 importing, over the last few years.

22           It has also been shown that Universal -- in  
23 our history, we have a history of following labor  
24 rates. We used to manufacture bedrooms in the United  
25 States. We used to manufacture bedrooms in Taiwan and

1 Singapore. We are now manufacturing bedrooms in  
2 China.

3 It is in our interest to follow the lowest-  
4 wage rate; and if the duty rates, in this case, were  
5 onerous, we would move again because that is the way  
6 that we give the consumer the best value. Each time  
7 we have moved, we have expanded our markets and  
8 increased our demand. But one thing is clear, we  
9 would not be able to return to the United States.  
10 That is not what the marketplace wants.

11 Thank you.

12 MR. SPOONER: Good afternoon, my name is  
13 Craig Spooner. I am the Chief Financial Officer for  
14 Lexington Furniture. I have been with that company  
15 for six year since 1999 operating in that capacity.  
16 Our company, Lexington, has been and continues to be a  
17 domestic manufacturer and we operate several factories  
18 in the United States. We are also an importer and  
19 have been doing that for several years as well,  
20 probably dating back to the mid-1990s as an importer.

21 The Petitioner approached Lexington  
22 Furniture last year, asking for our company's support.  
23 It was a position that we considered carefully before  
24 ultimately deciding not to join because our sense was  
25 that any tariff imposed on bedroom furniture being

1 manufactured in China would not be sufficient enough  
2 to move furniture production back to the U. S.  
3 factories; and, in fact, more likely, it would simply  
4 cause the move of production to other Asian countries.

5           It was suggested earlier this morning that  
6 that was difficult, and perhaps even impossible to do.  
7 And I can tell you just for our company, as I can't  
8 speak for others, but a move of production from China  
9 to other Asian countries is exactly what we would do  
10 at our company. I would also like to -- there were  
11 several questions this morning about companies'  
12 factories being pressured by customers, retail  
13 customers, to not support the petition; and I just  
14 want to make a point to say that Lexington Furniture  
15 was never pressured in that way by a single customer.

16           Our decision not to support the petition was  
17 for exactly the reason that I mentioned. There are  
18 certain products that we do manufacture domestically  
19 and we would expect that we would continue to  
20 manufacture those products domestically. There are  
21 certain unique characteristics about those products.  
22 For instance: solid wood construction, custom or  
23 multiple finishes that we offer. And, again, we would  
24 expect to manufacture those products domestically.

25           We have found that, principally because of

1 the differences in labor rates between the U. S. and  
2 Asian countries, that there are products being  
3 produced in Asia, the quality and price level that our  
4 U. S. factories can't match; and that had led us,  
5 several years ago, to go down an importing strategy as  
6 part of our company's overall strategy.

7 Our strategy, really in summary, is to  
8 continue to offer its retail customers a product that  
9 provides the greatest value for consumers regardless  
10 of where that product is manufactured, in the U. S. or  
11 in Asia, or anywhere else on the globe because we  
12 believe that that approach makes our company stronger.

13 For those reasons, and the reasons I  
14 mentioned earlier, Lexington Furniture opposes the  
15 petition.

16 MR. SEAMAN: Thank you. My name is Jeffrey  
17 Seaman. I am the founder and President of Rooms To  
18 Go. Rooms To Go started 14 years ago. We are the  
19 largest U. S. furniture retailer; we have about 100  
20 stores in the southeast and Texas and about 6,000  
21 associates.

22 About ten years ago, many U. S.  
23 manufacturers went to China to import bedrooms. They  
24 did this because they wanted to see if, with the lower  
25 labor costs, they could manufacture certain types of

1 bedrooms over there that they could not commercially  
2 manufacture here. So their goal was: Make it in  
3 China, or some other Asian countries; pay the ocean  
4 freight; bring it into the United States, I guess put  
5 a middle-man markup, I think Wyatt said 30 to 40  
6 percent and then resell it to retailers.

7           The product was extremely successful and,  
8 you know, within no time large U. S. retailers, who  
9 had been searching other products over there and  
10 distributors, soon followed. We figured that if a  
11 manufacturer all they were going to do was buy product  
12 from China and mark it up and resell it, we certainly  
13 don't need them to do that for us. So we went  
14 directly ourselves and by passed the 30- to 40-percent  
15 middle-man markup and brought it directly to  
16 consumers.

17           If it was strong before, now it was  
18 positively incredible. When this happened, this led  
19 to a complete renaissance in U. S. bedroom business.  
20 I can't speak for other people, but I would say that  
21 there has been tremendous growth on the retail side of  
22 the amount of bedrooms being sold. For us, all of a  
23 sudden, we could get product overseas in the middle-  
24 price range, which is the area that -- we sell  
25 average-priced furniture at Rooms to Go.

1                   So, in the middle-price range, we can get  
2 products now that have better scaling, better  
3 sharpening, better veneer work, more carving, much  
4 better finishings and much, much better quality. So  
5 this had a profound impact on our business in two  
6 ways. The first is, I heard a lot of testimony this  
7 morning that the imports of Chinese bedrooms, or the  
8 imports in general, are driving down the retail price  
9 of bedrooms.

10                   In our experience, that is completely  
11 untrue. Our evidence is exactly the opposite.  
12 Because we can put so much more into a product  
13 overseas than we could previously get domestically, at  
14 least from our sources, we excited our existing  
15 customer base and our average bedroom sale went from a  
16 little over \$1,500 to a little over \$1,700.  
17 So instead of it going down, it actually went up  
18 because we were able to provide some incredibly new,  
19 exciting products.

20                   The second is, and this was referred to this  
21 morning also. It is a wild factor, that we believe,  
22 or any retailer, if you come up with an exciting new  
23 product, or an improvement of an existing product, you  
24 will bring existing customers into the market, someone  
25 who wasn't going to buy before is now going to buy.

1                   Not everybody needs a new bedroom, so some  
2 people buy new bedrooms just because they want to and  
3 if you have an exciting just out-there product, that  
4 while they have their hand-me-down dresser or their  
5 old dresser that is fully functional, well, if they  
6 see something that they love, they are going to throw  
7 out their old dresser and buy it. If they don't see  
8 something to love, they are going to keep it. So, in  
9 that way, you do bring new customers into a market.

10                   A quick analogy is televisions. Imagine  
11 that you have three TVs and, all of a sudden, they  
12 have these new great flat-screen TVs. Now, do you  
13 really need another TV? No. But you want a flat-  
14 screen TV, so you go out and buy it. You didn't need  
15 it but you wanted it and the same thing is true with  
16 furniture. And really I don't think the Petitioners  
17 understand our consumer. One of the things that I  
18 heard Wyatt say today is that many of the styles  
19 haven't change in 200 years.

20                   Well, that's ridiculous. I mean styles have  
21 changed in 200 years and we have them on our floor.  
22 So, this "wow" factor, this part of just always trying  
23 to bring something better to the consumer, is  
24 extremely significant. Furniture retailers have  
25 always complained that we are battling for a shrinking



1 piece of the customer's dollar and you can image with  
2 iPods and flat-screen TVs and everything else, it's  
3 true. I am getting the sign.

4 Okay, the other major point that I wanted to  
5 make was that almost anything we can buy in China, we  
6 can buy elsewhere. And we brought all these dressers  
7 in today to just illustrate that point. Rooms To Go  
8 has always sourced bedrooms. They are along the  
9 walls, and I have pictures for you, too. Rooms To Go  
10 has always sourced bedrooms from many countries  
11 overseas.

12 At the outset of the petition, in order to  
13 hedge our bets, we moved items that we were currently  
14 having produced in China to Vietnam, Indonesia,  
15 Thailand, Malaysia, *et cetera* and the prices are just  
16 about identical. I have pictures before you that show  
17 two dressers. These are illustrations of two things  
18 that Rooms To Go sent the blueprints on and moved in  
19 the last year.

20 This picture here, I don't know if you want  
21 to ask me later, but it just shows you the price that  
22 we are paying -- the previous price in China and the  
23 price that we are paying today in Vietnam and the  
24 price that we are paying in Indonesia.

25 Petitioners are all over the place in South

1 Asia, our agents and our buyers run into them all the  
2 time. They were scrambling to move product away from  
3 China to avoid the results of their own petition and  
4 move it to Vietnam, Indonesia and other countries.  
5 They did not and they know that they cannot make these  
6 bedrooms over here and they did not try to bring them  
7 back here.

8 We have a message left by a representative  
9 of the La-A-Boy Company, who was selling us a bedroom  
10 that was made in China that our buyer was worried  
11 about getting. So, just to illustrate this point, we  
12 brought this one-and-a-half minute voice-mail tape  
13 that we had played at the previous hearing.

14 CHAIRMAN KOPLAN: Just for the record, has  
15 that material been given to the other side, including  
16 the voice mail?

17 MR. SEAMAN: It was given at the staff  
18 conference; the transcript was given. Yes, is the  
19 answer.

20 CHAIRMAN KOPLAN: Yes on both?

21 MR. SEAMAN: Yes.

22 CHAIRMAN KOPLAN: Thank you.

23 (WHEREUPON, the following voice-mail tape  
24 was played:

25 "Hey, Al, it's Mark Katzman. Good morning,

1 it is 9:30 on Wednesday. I have a long discussion with  
2 Lee regarding our conversation last night.

3 Regretfully, there is no way. We tried to pull out of  
4 this agreement that we signed along with a few other  
5 people, but that is not happening.

6 "We have already, with this suite, have  
7 backup plans. There are people over there right now  
8 and we have secured the plant, I believe, in Vietnam.  
9 This is what I am being told. In case of anything  
10 that might happen to raise the price of this  
11 furniture, we are securing time and space for a number  
12 of our best-selling suites in Vietnam; and we could be  
13 more specific with you.

14 "We were hoping that Jack Richardson, the  
15 President and I could come down to Atlanta and meet  
16 with you, if at all possible. If you can give me a  
17 call back, I have some dates and, hopefully, we could  
18 work.

19 "So there is things that we have been  
20 working on to back this up is what I am trying to say,  
21 so the ugly stuff can't happen once you buy this  
22 furniture from us, so give me a call back. I am at:  
23 201-750-1122.

24 "Thanks, by."

25 MR. SEAMAN: Look, Rooms To Go is an

1 American retailer. We have 6,000 American associates  
2 in the southeast. We buy 50 percent of our product  
3 here. If we could buy bedrooms for the United States  
4 and sell them, we would. Okay, we buy them all over  
5 the world. We buy a little bit -- whatever we could  
6 buy, we do, but it is very little.

7           If the production from China were cut off,  
8 it would cause, in the medium term, tremendous  
9 disruptions and shortages; it would limit consumers  
10 choices; and it would probably create a loss of  
11 business for a lot of retailers and distributors, plus  
12 the sales; and, hopefully, avoid but possibly job  
13 losses.

14           Thanks.

15           MR. RIDLEY: My name is Clarence Ridley and  
16 I am Chairman of Haverty Furniture Companies.  
17 Haverty's has 115 retail stores in 15 states; we have  
18 about 4,200 employees. My family has managed our  
19 company for 120 years. We would prefer to deal with  
20 domestic producers, all things being equal.

21           Now, for at least the 75 years prior to  
22 2000, Haverty relied upon the sale of well-known  
23 factory brands to demonstrate quality to our customers  
24 and we advertise factory brands as part of our  
25 advertising. In 2000, we decided to change our

1 strategy to feature our own brand names as: Haverty's  
2 Collections and Haverty's Premium Collection, as well  
3 as brands of a few major domestic producers, such as  
4 Barnhardt, Broyhill and La-Z-Boy.

5 At the end of this year, our own Haverty's  
6 brands will constitute more than 50 percent of our  
7 total sales. When we decided to develop our brands,  
8 we found our domestic vendors were unwilling to  
9 produce furniture to our specs for sale under our  
10 brands. We made several efforts, during these early  
11 years of our brand development, but received very  
12 little interest from our own domestic vendors. Here  
13 are two illustrious examples of our efforts, and I can  
14 supply more post-hearing.

15 One, when we were developing a youth bedroom  
16 suite for our Haverty's brand in 2001, we contacted  
17 Brian Edwards of Lea Industries with whom we had an  
18 important vendor relationship, including youth  
19 products. Lee responded that they were unwilling to  
20 supply the requested goods from their domestic  
21 facilities. Second, we asked Steve Robertson of  
22 Keller Manufacturing, in the spring of 2001, to  
23 produce bedroom goods for sale under our Haverty's  
24 brands.

25 At that time, Keller had an important vendor

1 relationship with us, but was unwilling to make the  
2 goods. In contrast, Chinese producers were quite  
3 willing to make furniture to our specs for sale under  
4 our Haverty's brands.

5 As to the suites above and similar bedroom products,  
6 Haverty's contacted Universal Furniture, Pulaski  
7 Furniture and Schonning (ph) Furniture, which sourced  
8 their goods from China and they were quite willing to  
9 make the product.

10 As a result, as we undertook development of  
11 our own brands, we began to rely and to rely  
12 successfully upon imported goods. Thank you.

13 MR. McALISTER: Good afternoon, my name is  
14 James McAlister. I am the Vice President of Quality  
15 Assurance for JCPenney Purchasing Corporation.  
16 JCPenney has an extensive quality-control inspection  
17 program for all the products that it sells, including  
18 wooden bedroom furniture. We have a detailed manual  
19 that we will give to all of our suppliers that  
20 describes JCPenney's quality standards and our  
21 acceptable level of defects.

22 We work with each of our suppliers to make  
23 sure that they understand the manual and are able to  
24 comply with our quality requirements. We provided our  
25 furniture quality standards manual as an attachment to

1 our importers' questionnaire response.

2           Until the end of the 1990s, JCPenney  
3 purchased the vast majority of wood and bedroom  
4 furniture that we sold from domestic manufacturers.  
5 In 1999, we received a large number of complaints from  
6 our customers regarding furniture defects. In  
7 response to these complaints, JCPenney audited seven  
8 U. S. furniture suppliers, including Bassett and  
9 Stanley, in three of our distribution centers over a  
10 30-day period on the details of several of the  
11 importers' questionnaire responses.

12           Our quality-control inspectors found  
13 numerous quality problems, including manufacturing  
14 defects and packaging-related defects, that resulted  
15 in damaged furniture. For JCPenney's seven U. S.  
16 suppliers, as a whole, our auditors found a failure  
17 rate of over 50 percent. This failure rate was  
18 unacceptable to JCPenney. In response, JCPenney  
19 increased the number of quality-control inspectors  
20 from six to twenty and we changed our prior practice  
21 of randomly examining lots to examining each and every  
22 lot at the factory.

23           Some domestic producers, such as Basset and  
24 Pulaski, attempted to evade the inspections by  
25 changing their shipping patterns. Between 2001 and

1 2003, JCPenney conducted 934 audits of U.S. producers  
2 of bedroom furniture. The overall failure rate for  
3 U.S. bedroom furniture was 22.6 percent. During the  
4 same 2001-2003 period, JCPenney also conducted 690  
5 audits of manufacturers of imported bedroom furniture,  
6 including manufacturers located in China and other  
7 countries such as Thailand.

8           The overall audit-failure rate for the  
9 imported bedroom furniture was 1.9 percent.  
10 Subsequent to our audits, findings of unacceptably  
11 high failure rates for the domestically produced  
12 bedroom furniture, JCPenney offered numerous  
13 suggestions for the U. S. producers to improve  
14 quality; and we asked them to provide us with the  
15 corrective action plan. Generally, our domestic  
16 suppliers, such as Bassett and Pulaski, were quite  
17 resistant to our quality-control program.

18           In contrast, our Chinese suppliers embraced  
19 the program and asked us to visit their factories and  
20 assist them with their internal audits to insure that  
21 they understood our quality requirements and were  
22 doing everything that they could to comply.

23           Because of the continued unacceptable rate  
24 of quality problems with the domestic product, the  
25 domestic producers failure to correct these quality



1 problems, and the dramatically lower audit-failure  
2 rate for the imported product, JCPenney has had no  
3 choice but to decrease purchases of domestic-produced  
4 wooden bedroom furniture and increase the purchases of  
5 imported bedroom furniture from China, as well as  
6 other countries. Thank you.

7 MR. GREENWALD: To close at least our part  
8 of the presentation, there are two other witnesses  
9 that want to follow.

10 But, for this group, what I would like to do  
11 is to then go to the issue of how do the numbers that  
12 you have before you in the pre-hearing report, which  
13 by the way is an excellent piece of work. I have  
14 generally been critical of reports in the past. This  
15 one is first rate.

16 How does it fit with what you have heard?  
17 First, on injury. If there was a surprise in the  
18 numbers, to me, it was that the industry, as a whole,  
19 is doing as well as it is. And then when you begin to  
20 deconstruct the numbers and go down and find out who  
21 is doing what and how well are people doing, it is  
22 perfectly clear that companies that have developed  
23 efficient, blended strategies, are doing very well  
24 indeed.

25 It is obviously true that plants have

1 closed; that U. S. production is down. But the point  
2 is that you have before you an industry that is doing  
3 what industries should do in the face of international  
4 competition. They are restructuring. So what you  
5 have, in fact, is a smaller domestic industry but a  
6 stronger domestic industry.

7 Now, when I said that the numbers on  
8 injuries, the financial performance of the U. S.  
9 industry is better than I had expected, in fact it is  
10 understated because so many of the costs that have  
11 been loaded on current operations are, in fact, non-  
12 recurring costs. We can get into a back-and-forth  
13 about accounting but it seems to me, at the very  
14 least, you should know to what extent companies that  
15 have loaded costs onto their continuing operations  
16 have, in fact, loaded non-recurring costs on; and,  
17 therefore, understated the strength of the continuing  
18 operations.

19 I mean, in a word, the data that you have in  
20 front of you says one thing loudly and clearly and  
21 that is: blended sourcing works. It is the future for  
22 the U.S. industry.

23 MR. REILLY: May I have a time check please?

24 MS. ABBOTT: Thirty-nine minutes elapsed.

25 MR. REILLY: Thank you.

1           Good afternoon, Mr. Chairman and members of  
2           the Commission. For the record, I am John Reilly and  
3           I am appearing on behalf of the Furniture Retailers.

4           I will begin by addressing the results of  
5           the blending strategy that Mr. Chipperfield and  
6           witnesses have explained. I am referring now to  
7           detailed information that we provided on pages 10 and  
8           11 of the Furniture Retailers' brief. The firms that  
9           have most fully implemented the strategy, and they  
10          account for a significant share of U. S. producers'  
11          sales, are prospering, actually, quite mightily both  
12          as U. S. producers and as blended-producer importers.

13          The combined sales and profits of these  
14          companies, U. S. manufacturing operations, have  
15          increased and so have the importing profits that they  
16          have produced; they are doing well on all fronts.

17          Now, in addition, Mr. Greenwald indicated  
18          that firms that either actively opposed the petition,  
19          or have not lent their support to it, make up possibly  
20          a majority of domestic production. We expected that  
21          that will be the case when the numbers are all in.  
22          These firms also, if the Commission aggregates the  
23          data that is presently on the record, will be found to  
24          be doing well and prospering both as domestic  
25          producers and as importers. So the blending strategy,

1 clearly, for those firms that have completed  
2 implementing it, has been quite successful.

3 Now, how do we feel about the future? Well,  
4 as far as the future is concerned, we believe that the  
5 blending strategy has every probability of complete  
6 success. First of all, producers accounting for a  
7 substantial share of domestic production have already  
8 completed their transition and are prospering.

9 In addition if the Commission looks at the  
10 financial information provided for the combined  
11 domestic production and importing operations of the  
12 domestic producers, they will find that the sales have  
13 remained stable throughout the period of  
14 investigation, and profits have remained high  
15 throughout the period of investigation.

16 What this means is that the adoption of the  
17 blending strategy, and the profits produced by  
18 importing, is underwriting the costs in achieving this  
19 transition. And the numbers I just quoted, we believe  
20 include substantial transition costs above the  
21 operating profit line; so that the prosperity that I  
22 am talking about, if you are thinking about continuing  
23 operations, may, in fact, be understated.

24 Now, the next thing that I would like to  
25 talk about is sourcing. This is important as far as

1 the effect of any action to limit imports from China  
2 would be concerned. The alternatives to importing  
3 from China do not entail domestic production. They  
4 entail shifting to third countries.

5 Now, in the public staff report, it is noted  
6 that total actual and expected imports from Brazil,  
7 Indonesia and Malaysia. Mexico and Vietnam, during the  
8 second half of 2004, amounted to some \$322 million.  
9 That is 66 percent of the imports from China.

10 If you look at the figures for 2003, Census  
11 Imports have imports from these countries equal to  
12 only 36 percent of imports from China. But, even more  
13 to the point, the annual rate of importation, implied  
14 by the \$322 million in orders for six months, is \$645  
15 million for these five low-cost producing countries.  
16 That exceeds the total volume of imports from China in  
17 2001; and is more than two-thirds of the total volume  
18 of imports from China in 2003.

19 In addition, looking at Vietnam,  
20 specifically, their annual rate of importation implied  
21 by the six-month figures, is now in excess of \$200  
22 million. Now, Petitioners have noted that high  
23 variable costs mean that their strategy is to reduce  
24 production rather than to cut price to the point where  
25 they would not be making money or contributing to

1 variable costs. Fair enough.

2 But with average dumping margins in the  
3 eight-percent range, elastic demand and ready access  
4 to lower third country supplies, applying dumping  
5 margins at that level, will not have any significant  
6 beneficial effect on you as far as prices. We  
7 estimate roughly well below one percent. So this  
8 makes the point that it is not dumping that the  
9 domestic producers are having a problem dealing with.  
10 It's costs and international competition.

11 Thank you and I will be happy to address any  
12 questions.

13 MR. GREENWALD: How much time do we have  
14 left, Madame Secretary.

15 MS. ABBOTT: Sixteen minutes remaining.

16 MR. GREENWALD: All right. We have two  
17 other groups, one on the joinery furniture. I don't  
18 know whether the chair would like to do this  
19 altogether because they have a discrete-like product  
20 issue; and another group represented by Mr. Jaffe.

21 All right, could we proceed with Mr. Jaffe  
22 and then --

23 CHAIRMAN KOPLAN: The Chair would like to do  
24 it in 16 minutes.

25 MR. JAFFE: Thank you, good afternoon.

1 Matthew Jaffe with the law firm of Crowell & Moring on  
2 behalf of the Coalition of Certain Chinese Furniture  
3 Producers, a loose coalition of about 56 Chinese  
4 companies.

5 The Coalition supports the testimony  
6 provided today by other parties in opposition to the  
7 petition, but our perspective is slightly different.  
8 The Coalition companies don't export significant  
9 quantities of wood bedroom furniture to the United  
10 States and some don't export to the United States at  
11 all. And, yet, Petitioners have asked the Commission  
12 to find that companies fitting the Coalition's pattern  
13 of trade, little or no exports to the United States.  
14 pose a threat to the U. S. industry.

15 If you understand the market that the  
16 Coalition, and companies like it primarily serve that  
17 is in China, you will see that they don't pose a  
18 threat at all. For example, on pages 60 to 61 of the  
19 Petitioners' brief, they bandy about a number  
20 involving how many furniture companies there are in  
21 China. I am going to select the one in the middle,  
22 the one that says 50,000 companies because that is the  
23 one that was cited by the director of the China  
24 National Furniture Association.

25 I think it is important to put this number

1 in perspective. The population in China is 1.3  
2 billion people. That is: If you take the United  
3 States's population, the population of the European  
4 Union and you combine it and you double it, that is  
5 pretty much the population in China. Now, take the  
6 math and you do the 50,000 relative to the 1.3  
7 billion, you will see that if you brought it to the  
8 United States, there should be about 11,000 furniture  
9 establishments in the United States. Well, the U. S.  
10 1997 Census counted close to 20,000 furniture and  
11 related-product manufacturing facilities in the United  
12 States.

13 In other words, the United States has more  
14 than twice the number of furniture establishments; and  
15 I notice that there is also a negligible percentage of  
16 these U. S. producers who have responded to the  
17 Commissioner's questionnaire.

18 Second, Petitioners' brief, on page 64, said  
19 the Chinese industry is extremely dependent on the U.  
20 S. market. Again, I must disagree. I think it was  
21 Mr. Loring, with Boston Interiors, who said the demand  
22 for bedroom furniture is driven by life-changing  
23 events. Well, all of China is experiencing a life-  
24 changing event. What we are seeing across China is a  
25 rising in disposable income of Chinese consumers and



1 we are seeing new housing-reform laws, which permit  
2 the Chinese urban citizen to purchase their own home  
3 and apartment.

4           And the average income in China is only  
5 \$1,000 to \$2,000 a year. But if you look at the CIA  
6 World Book and you notice the purchasing-power parity  
7 calculations, that climbs to about \$5,000 a year. And  
8 along the coast, the GDP per capita is much higher. In  
9 Shanghai, it is \$4,500; and in Shunzen, it is above  
10 \$5,000. The World Bank has noted that 60 million  
11 families in China have an annual income of \$12,000 and  
12 expects that to rise over the next decade to about 150  
13 million families.

14           Home construction in China has reached 1.2  
15 per billion square meters annually, which is roughly  
16 the equivalent of a space for five million families;  
17 and a recent survey in Shanghai found that 75 percent  
18 of those asked would prefer to buy wood furniture.  
19 That is up nearly 20 percent over a figure from a  
20 previous survey.

21           In other words, when the pre-hearing staff  
22 report indicates that two-thirds of the furniture  
23 purchased in China remains in China that is accurate,  
24 and that number is going to grow.

25           The last point I would like raise is that

1 China is not one of the greatest threats but one of  
2 the greatest opportunities to U. S. furniture  
3 manufacturers. In 2003, China joined the top ten for  
4 the export destination for U. S. furniture. If you  
5 add Hong Kong, it is ranked No. 6. I think the Triat  
6 (ph) Business Journal, located in North Carolina,  
7 indicated that Chinese consumers are buying about \$6.3  
8 million worth in North Carolina furniture a year and  
9 that was almost three times what they bought in 2002.  
10 Ethan Allen recently opened their seventh store in  
11 China; Ikea is looking to add at least to ten.

12 Mr. Greenwald, in his introduction,  
13 indicated that this was a case about basic economics.  
14 He is correct. If you put China in proper perspective,  
15 basically economics show that the Chinese industry  
16 does not pose a threat.

17 Thank you.

18 MR. ZAUCHA: Hi, I'm Jerry Zaucha. I am  
19 here with a panel on behalf of Maria Yee, Inc., a  
20 California company with affiliates in Hong Kong and  
21 China that design and distribute joinery furniture  
22 that they make in their factory in China.

23 We are a niche panel, if you will. We are  
24 here to urge the Commission to determine that joinery  
25 is a separate-like product; and regardless of whether

1 the Commission determines that joinery furniture is a  
2 separate-like product, that the Commission exclude  
3 joinery from any affirmative determination of injury.

4           Appearing with me here today are: Maria and  
5 Peter Yee, who founded and operate Maria Yee, Inc.;  
6 and, by the way, Maria is also the designer. She will  
7 tell you that she does not copy any U. S. furniture;  
8 and also, two of their customers: Room and Board, and  
9 Crate and Barrell. You will be given, during the  
10 course of the presentation, two visual aids. One is a  
11 couple of pictures demonstrating what joinery is.

12           In addition, Maria has with her a joinery  
13 kit, which if she has time at the end of our panel's  
14 presentation, she will try to physically walk you  
15 through what joinery is and how it is done. Maria?

16           MS. YEE: My name is Maria Yee, founder and  
17 president of Maria Yee, a California company that  
18 designs and distributes furniture manufactured in  
19 China, using traditional Chinese joinery techniques.

20           I was born and raised in China and was  
21 forced to work in the rock quarry at the age of 15  
22 during the Cultural Revolution. In 1998, I came to  
23 the United States and became a U. S. citizen, visiting  
24 cousins of San Francisco, the 142-years old Hyan --  
25 icon. I realize that although China's antique joinery

1 furniture was a very popular, no one knew -- featuring  
2 a school -- sign was available in the U. S.

3 I first tried to find Chinese joinery  
4 exports in the U. S. and checked with the respected  
5 North Brennan (ph) Street School in Boston and the  
6 College of the Redwoods in Fort Bragg, California but  
7 found no exports. I returned to China and worked with  
8 an old master to come up with my updated Chinese  
9 horseshoe chair. I didn't show it to cousins.

10 They were shocked to learn that my pieces  
11 were not antiques and immediately asked if I could  
12 fill an order for several pieces. This is how my  
13 friendship business was started. For the past ten  
14 years, I have created my own California contemporary  
15 style, many say with a touch of Asian influence. All  
16 my furniture is done in classic joinery construction.

17 What is joinery furniture? It is a  
18 furniture of 100 percent solid wood, handcrafted with  
19 interlocking joints that are so precise and tight that  
20 fasteners are not needed any bit. It is the use of  
21 solid wood and the absence of fasteners that defines  
22 joinery furniture. I would demonstrate it for you,  
23 how joinery furniture is crafted, after our  
24 presentations. Maria Yee's joinery furniture has a  
25 distinctive quality, durability and design integrity,

1 which, in our experience, makes it entirely different  
2 from non-joinary furniture.

3 Non-joinary furniture is mass produced.  
4 Joinary furniture is hand made by experienced  
5 craftsmen. Let me demonstrate about the clear  
6 distinction between joinary and non-joinary furniture.  
7 If it uses fasteners, it is not joinary. Thank you.

8 MR. YEE: My name is Peter Yee. My wife,  
9 Maria, and I produce and distribute exclusively  
10 classic Chinese joinary furniture of Maria Yee's own  
11 designs.

12 The lack of experienced craftsmen in the U.  
13 S. led us to form a company in Hong Kong, Pyla HK  
14 Ltd., and to operate a subsidiary in China, Quando  
15 (ph) Maria Yee Furniture Ltd. Maria Yee's design is  
16 distinct in form and separate in structure from any U.  
17 S.-made furniture. It is the demand quality for our  
18 unique joinary furniture that has propelled our  
19 growth, not dumping.

20 Because of the complete dichotomy between  
21 joinary and non-joinary furniture, we have to develop  
22 an extensive training program for our customers. Our  
23 product does not compete with furniture manufactured  
24 in the U. S. We believe no U.S. manufacturer produced  
25 classic joinary furniture. There are simply not

1 enough experienced craftsmen. Therefore, Maria Yee  
2 does not cost any manufacturing-job loss.

3 The Petitioners complain of being hurt by  
4 large quantity of cheap bedroom suites from China.  
5 Joinary furniture is hand crafted. It can not be  
6 produced massively-like non-joinary furniture.  
7 Because joinary furniture demands experienced  
8 craftsmen and superior quality hard wood, it is priced  
9 higher than non-joinary furniture.

10 MR. FREEMAN: My name is Steve Freeman. I  
11 am the Vendor Resource Manager for Room and Board,  
12 Inc., a \$130 million U.S. furniture retailer based in  
13 Minneapolis.

14 When making purchasing decisions, Room and  
15 Board first looks to domestic manufacturers. In fact,  
16 over 80 percent of the furniture Room and Board sells  
17 is manufactured by domestic sources. In the mid-  
18 1990s, Room and Board decided to introduce joinary  
19 furniture. We looked for a partner in the U. S. Not  
20 finding any meeting our needs, we found and began  
21 working with Maria Yee, Inc.

22 Maria Yee uses solid Chinese hard words to  
23 create joinary pieces that resemble an intricate  
24 three-dimensional puzzle. The quality and uniqueness  
25 of this joinary furniture commands a premium. A

1 prepared full statement is being provided for the  
2 record.

3 I would be happy to answer any questions  
4 that the Commission may have.

5 MR. SILVERSTONE: My name is Harvey  
6 Silverstone. I am the General Counsel and Senior Vice  
7 President of Crate and Barrell that is located in  
8 Chicago.

9 We began our business in 1962 and entered  
10 the furniture business in 1980. Crate and Barrell is  
11 committed to using U. S. manufactured products; and  
12 sources the vast majority of its furniture, including  
13 90 percent of its upholstered furniture, here in the  
14 United States.

15 In fact, we are so committed to U.S.-sourced  
16 products that we are currently building a 200,000-  
17 square-foot facility in North Carolina. However, when  
18 a product that we decide to offer is unavailable in  
19 the U.S., we naturally look elsewhere. The joinery  
20 furniture supplied by Maria Yee to Crate and Barrell  
21 is an example of such a product. Crate and Barrell's  
22 upscale customers appreciate the durability,  
23 simplicity and purity of joinery furniture and are  
24 willing to pay for these attributes.

25 I will also be submitting a full statement

1 in support of Maria Yee's being excluded from this  
2 petition. I would be delighted to answer any  
3 questions the Commission may have. Thank you.

4 MR. SIMOES: Thank you. Hopefully, Maria  
5 can do her demonstration a bit later, if she gets a  
6 chance.

7 MR. GREENWALD: That concludes our direct  
8 testimony. We would be delighted to take your  
9 questions.

10 CHAIRMAN KOPLAN: Thank you all very much.  
11 We very much appreciate your presentation; and I  
12 notice that you still have the green light if you want  
13 to give that back to Mr. Chipperfield.

14 MR. CHIPPERFIELD: I'll yield the balance of  
15 my green light.

16 CHAIRMAN KOPLAN: Okay, and with that, I  
17 will turn to Vice Chairman Okun.

18 VICE CHAIRMAN OKUN: Thank you, Mr. Chairman  
19 and let me also just take the opportunity before I  
20 start my questions to welcome this panel. We very  
21 much appreciate you being here again. I think it was  
22 very helpful to have so many different parts of the  
23 industry and purchasers covered here today, and the  
24 cooperation you have given in filling out  
25 questionnaires and producing a good staff report, so I



1 very much appreciate that.

2 We have had a chance to talk with a number  
3 of you. But Mr. Greenwald, I am going to start with  
4 you with regard to kind of one of the central premises  
5 you have made in terms of what we make of this  
6 industry, and how we evaluate the imports in this  
7 industry of domestic producers who import? You kind  
8 of led with that.

9 What I want to start with you is a 1988 Act  
10 and while I know citing it to you, you already know  
11 it, and I rarely like to go into any long recitations  
12 of the law when I know you know it. But given that  
13 there are lot of your clients who may not have read  
14 it, I want to go through it, and then I want to have  
15 you respond on how we apply it in this case.

16 I would note, in this instance, the  
17 legislative history of the 1988 Act. Congress notes  
18 that it is clarifying, and I quote: "In light of  
19 concerns, certain commissioners may or may not be  
20 applying the law in accordance with congressional  
21 intent."

22 That always catches my attention as a  
23 Commissioner. And I am up here to figure out: Well,  
24 what was it that Congress didn't like what was  
25 happening and why did they change it?

1           The report on this on a finance committee in  
2 connection with the Omnibus Trade and Competitive Act  
3 of 1988 stated that, and I quote: "In assessing the  
4 impact of imports on domestic producers, the ITC  
5 should consider only the domestic production  
6 facilities and operations of domestic producers.

7           "If a domestic producer also imports, the  
8 ITC should consider only those facilities of that  
9 producer which are related to the production of the  
10 like product."

11           Going further: "For example, profits earned  
12 by a domestic producer, due to products which it  
13 imports to meet competition, should not be the basis  
14 of a negative determination of injury. The domestic  
15 industry may be materially injured by reason of unfair  
16 imports, even if some producers themselves import to  
17 stay in business."

18           The report of the Ways and Means Committee  
19 made the same point. "Finally, this section clarifies  
20 that for an operation, or import operations, domestic  
21 producers are not to be considered in measuring the  
22 impact of imports on the domestic industry. For  
23 example, profits earned by a domestic producer due to  
24 products which it imports to meet competition, should  
25 not be the basis of a negative determination of

1 industry.

2 "The domestic industry may be materially  
3 injured by reason of unfair imports, even if some  
4 producers themselves import in order to stay in  
5 business."

6 And after you respond, Mr. Greenwald, I will  
7 also act Mr. Reilly to do so as well, given your  
8 arguments regarding impact, okay?

9 MR. GREENWALD: We are not saying, nor have  
10 we ever said, that we want you to look at the overall  
11 operations in assessing injury. What we want you to  
12 do, however, is to look at the operations of domestic  
13 producers that also have succeeded in a blended  
14 strategy.

15 The core behind the idea of blending your  
16 sourcing is that you produce in the United States what  
17 you can produce efficiently in the United States; and  
18 you import what you can't produce efficiently in the  
19 United States.

20 But what I am asking this Commission to do  
21 is to understand that companies within an industry  
22 make decisions about their long-term interests, both  
23 at their domestic operations and their foreign  
24 sourcing.

25 The question comes: If through blending

1 strategies, you can succeed in restructuring so that  
2 your domestic operations are sounder, more solid and  
3 better prepared for the long term, you should not find  
4 injury because decisions have been made by companies  
5 to source off-shore what they can't produce  
6 efficiently in the United States.

7 Let me just finish. If this case is simply  
8 about -- if it was formulaic: Has U. S. production  
9 gone down? It's clear. Have imports gone up? Again,  
10 clear. But injury analyses are not that formulaic.  
11 What you have to ask yourself and what I am urging you  
12 to look at is: Is the U. S. industry better off?  
13 From a domestic-producer point of view, is it a  
14 stronger industry, albeit smaller, with blending  
15 strategies or not?

16 If the answer to that question is: Yes, it  
17 is better off, then it seems to me that you must deny  
18 the petition.

19 MR. SILVERMAN: If I may, this is Bill  
20 Silverman from the Service and Retailers Group. If  
21 you look at page 11 of our brief, we follow up on  
22 John's point to show that by looking at those domestic  
23 producers, who also do some blending, if you just look  
24 at their domestic operations, that is to say following  
25 the Ways and Means instructions, you will find an

1 important picture.

2 I don't want to get into the APO aspect of  
3 it. But if you look at page 11, we answered your  
4 question.

5 VICE CHAIRMAN OKUN: Mr. Reilly, did you  
6 have any anything?

7 MR. REILLY: Yes, I am glad that I am not a  
8 lawyer. The point I was making is that the firms that  
9 have successfully completed the transition to a  
10 blended strategy, and that includes the sample that we  
11 noted on pages 10 and 11 of the brief, and also a  
12 larger group of firms which includes our sample, that  
13 either oppose, or do not support the petition, are  
14 prospering as domestic manufacturers.

15 If you take this group and look at the  
16 result of their domestic manufacturing operations, you  
17 would find them doing well both in terms of volume and  
18 in terms of profitability. If you subdivide the  
19 industry and start looking at various pieces of it,  
20 you would find one major segment, which arguably may  
21 account for the majority of domestic production, that  
22 is actually doing well in domestic manufacturing  
23 operations.

24 There is a second component, I guess you  
25 could say that is in the process of transition and are

1 incurring the costs of transition; and their domestic  
2 manufacturing operating results reflect the disruption  
3 and the transition costs to the company of such  
4 action. But the outcome of those actions should be a  
5 return to prosperity once the process is complete.

6 The other group, the large group that has  
7 completed the process, has shown what can be achieved.  
8 In economic terms, that is the point that I was  
9 making.

10 VICE CHAIRMAN OKUN: And in terms of the  
11 Commission's needing to evaluate the industry as a  
12 whole, how do you square that with this? What I hear  
13 is separating out the companies who are successful, or  
14 who have chosen to import and are doing well, and  
15 saying that somehow we should take how they have done  
16 and say the rest of the industry may not be doing as  
17 well, but that shouldn't matter?

18 MR. GREENWALD: No, of course, it should  
19 matter, but what you are asking yourself in that  
20 question is actually: What is causing problems for  
21 companies where problems exist?

22 So it is much more a causation than an  
23 injury because you are asking yourself: What is going  
24 on in the industry as a whole? And if what you have  
25 is a group of companies that are successful in their

1 blending strategies, and let's say hypothetically they  
2 are doing well and another series of companies are  
3 doing less well but are in the process of  
4 transitioning to a blended production, or sourcing  
5 strategy where they focus their U. S. production on  
6 what they can do in the United States efficiently,  
7 then it seems to me that you have sort of answered the  
8 question of what's going on and why.

9 VICE CHAIRMAN OKUN: Okay. Obviously, we  
10 have some more data coming in as well. I will analyze  
11 that, keeping in mind what you are arguing today and  
12 the legislative history that I think is also on point.

13 Oh, the yellow light. Hmmmm, well, it has  
14 thrown me off up here. I am going to have to stop now  
15 but I will have an opportunity to come back.

16 Thank you very much. I am sorry actually  
17 that I didn't have a chance to talk to the rest of  
18 you. I will on another round. Thank you.

19 Chairman KOPLAN: Thank you so much, Vice  
20 Chairman Okun. I will turn to Commissioner Miller.

21 COMMISSIONER MILLER: It is hard to know  
22 where to go after that, Mr. Chairman. And I thank you  
23 as well, and let me join in welcoming the witnesses  
24 and expressing my appreciation for your being here and  
25 hearing your stories.

1                   It is hard to resist the temptation to go  
2 down the road of further talking about the legal  
3 standard that you are trying to fit -- I hear your  
4 story, Mr. Greenwald, that we have to put the facts to  
5 the statute. Your story is perfectly understandable.  
6 Fitting it into the statutory scheme, I think is a  
7 little harder.

8                   Perhaps, in part, because the Commerce  
9 Department didn't define dumping. They found dumping,  
10 I take it, as a granted; therefore, that the imports  
11 are less than fair value and go from there. So let me  
12 try to turn to some of the industry witnesses and see  
13 if I can explore a little bit further about the  
14 marketing conditions and the demand, as you have seen  
15 it in the last three years, and kind of go into some  
16 of the industry questions instead for the moment.

17                   Maybe I will come back to the legal ones,  
18 but I am going to leave them for the moment.

19                   Mr. Chipperfield, your description of your  
20 company's experience was very interesting and what you  
21 have seen in the market, in terms of the changes in  
22 the retail environment in particular. You picked up  
23 on that as being something that I was interested in.  
24 And you basically pointed out all these things as  
25 contributing to the price pressure that your company



1 is seeing.

2 I think we have struggled a little bit to  
3 understand just how that price pressure comes through  
4 to the companies. Help me a little bit, if you can,  
5 just in terms of how you feel, or how these changes in  
6 the retail environment have changed the way you market  
7 your products and how you feel about the price of  
8 competition, or you felt the price of competition to  
9 the extent you did from imported products?

10 MR. CHIPPERFIELD: Sure, the way of doing  
11 business in the past is no longer the way we are doing  
12 business today. A lot of the retailers who were  
13 selling products to us and who a lot of the  
14 manufacturers in this country were selling products  
15 to, simply don't exist any more.

16 Heilig-Meyers, at one time, was the largest  
17 furniture manufacturer, the largest furniture retailer  
18 in the United States and they went bankrupt. All of  
19 those stores closed. So that left a lot of  
20 manufacturers who sold a lot of furniture to Heilig-  
21 Meyers having to move out and compete for what has  
22 been described by the Petitioner as the slots on the  
23 retail floors, and other retailers who were picking up  
24 that business.

25 I am not saying that the business went away.

1 People buy furniture. If they are not going to buy it  
2 at one store, they will buy it at a different store.  
3 But what it does is it gives the remaining retailers  
4 greater control in the negotiation of price with the  
5 manufacturers. They have more manufacturers to choose  
6 from now, so they can play one manufacturer against  
7 another and negotiate price. So it makes it a little  
8 bit more difficult when you have lost business and you  
9 are going somewhere else trying to find business.

10 We now have another -- and that goes to my  
11 comment about organizations like Haverty's and Rooms  
12 To Go, which are controlling a good deal of the retail  
13 space now. What we have now is manufacturers who are  
14 going in to establish their own retail business.  
15 You've got Ethan Allen and Thomasville, Drexel  
16 Heritage, or that sort of thing.

17 That puts even greater pressure on smaller  
18 manufacturers who don't have the capital, or who might  
19 not have the brand name that would justify opening up  
20 a single-branded store. Combine that with all of the  
21 other retailers, Wal-Mart, Costco, Crate and Barrell,  
22 Pier One, it has created a very, very competitive  
23 environment out there for the manufacturers and that  
24 has not only -- during a time when consumer demand was  
25 initially off, has created pressures not just at the

1 revenues but at the earnings.

2 COMMISSIONER MILLER: Okay, and for your  
3 company when you make decisions. I am not sure. I  
4 can't recall whether you said when you began  
5 importing, or using imported products.

6 MR. CHIPPERFIELD: We have been importing  
7 for awhile. But about three or four years ago, our  
8 imports represented probably less than 10 percent of  
9 our revenues. Today, it is about 30 percent.

10 COMMISSIONER MILLER: Okay. To the extent  
11 that you had companies, like Mr. Stevens described his  
12 experience in deciding to import directly rather than  
13 buying from manufacturers who may have begun  
14 importing, I want to understand how that dynamic  
15 entered into the decision to do more importing, or did  
16 it?

17 There are a number of things obviously that  
18 you are pointing out.

19 MR. CHIPPERFIELD: Sure. I just want to  
20 emphasize that our choice is still here in the United  
21 States. It's been said that we've given up on  
22 manufacturing here and nothing could be further from  
23 the truth.

24 It's so much easier to manufacture here.  
25 You have total control over quality, total control

1 over raw materials, logistics, and all the rest of  
2 those things that make it so difficult to import  
3 product from overseas.

4 When our designers design a new piece of  
5 furniture, I'm not sure how they know it, but they  
6 know what the consumer is going to pay for that item  
7 of furniture. They just intuitively know this is a  
8 499 or 599 item, however they know that. So we start  
9 with that and then we go to our domestic facilities  
10 and we say can you make this product and with a  
11 certain reasonable profit margin enable us to hit that  
12 price point.

13 If we find that they can't, we take that  
14 same product offshore and we make the same inquiry of  
15 the offshore manufacturers: Can we buy this product  
16 from you for X dollars, sell it for Y and hit that  
17 price point?

18 So it's all about starting with what the  
19 consumer is going to pay for the products. I'm not  
20 sure if I've answered the question or not. It does  
21 raise a very important point, though, that the  
22 products we're importing from offshore are our  
23 products. These are products that we design, we  
24 negotiate price with the manufacturers in China, we  
25 tell them how much we plan on paying for it, they make

1 it for us and they ship it over here. These aren't  
2 products that we're going and picking off the shelf  
3 some place in China simply because they're  
4 inexpensive. They're products that we've designed.

5 COMMISSIONER MILLER: And how would you  
6 describe -- is there a way to characterize the  
7 products that you would usually find it more efficient  
8 to produce overseas than in the U.S.?

9 MR. CHIPPERFIELD: Oh, yes.

10 COMMISSIONER MILLER: Just take that design  
11 to your facilities versus the Chinese?

12 MR. CHIPPERFIELD: Yes. I think the easier  
13 way to answer that, let me just sort of flip it over  
14 the other way. In an ideal manufacturing environment,  
15 you make one product and you make a million of them  
16 and you're very efficient, you spit them out all day  
17 long.

18 We don't do that. We have hundreds,  
19 thousands of different items of furniture that we  
20 manufacture. The balancing act is in trying to make  
21 your domestic manufacturing operations as efficient as  
22 you can so you design certain lines of furniture, for  
23 lack of a better term, you call them plant runners.  
24 These are items of furniture that you can manufacture  
25 here, you can manufacture them in quantity and its

1 very efficient and it makes your domestic  
2 manufacturing operations more efficient.

3           What you can't do that way you may wind up  
4 seeking sourcing opportunities for because if you were  
5 to try to manufacture them domestically it would make  
6 your plants much less efficient, so you have this  
7 alternative. In order to satisfy the demand in the  
8 marketplace for the consumers, they want certain kinds  
9 of furniture, in order to satisfy that demand, you  
10 have this alternative for offshore sourcing where you  
11 can find these products and still manufacture  
12 efficiently here in the United States.

13           COMMISSIONER MILLER: Okay. That's helpful.  
14 I kind of want to see if any of the other producers  
15 would like to kind of help me in the same way.

16           Mr. Spooner, perhaps you could elaborate on  
17 changes you've seen in the market in the last three or  
18 four years, in the retail environment, and what has  
19 had the biggest impact on your business.

20           MR. SPOONER: Thank you for restating the  
21 question because we've covered a lot of turf there and  
22 I wasn't sure exactly where we wanted to go.

23           COMMISSIONER MILLER: I know. It's a big  
24 open ended question, I'm just trying to see what  
25 I learn.

1                   MR. SPOONER: Well, I think that to the  
2 point of what has happened to prices and what our  
3 company has done to react to price changes, I think  
4 that our reaction has been to not reduce prices of  
5 domestically made product. We've elected to rather  
6 keep prices where they are and the product sells what  
7 it sells. But we have had to react to deflation in  
8 the industry and we've done that by developing,  
9 designing and then sourcing that product from  
10 factories in Asia. So that point has come up a couple  
11 of times today and I think that's been our approach to  
12 it. We've not changed what we do domestically. We've  
13 allowed that process to continue on and we source  
14 lower priced, you could say higher value product, from  
15 Asian factories.

16                   I think that there's been a lot made of this  
17 Chinese imports whether it's U.S. factories importing,  
18 but I think probably the more compelling issue taking  
19 place in our industry today is retailers going direct  
20 to Asia and I think that's shaped a lot of what has  
21 happened to our industry as well. I think it's forced  
22 many of us to improve our business because we're  
23 competing on a model that doesn't fit today. I think  
24 that the two-step model versus perhaps the three-step  
25 model, if that makes sense, is where this industry is

1 evolving to.

2 COMMISSIONER MILLER: All right. I may  
3 refine my questions and even get back to some of the  
4 legal ones in the next round, but I appreciate your  
5 answers to the questions I have at this point.

6 Thank you.

7 CHAIRMAN KOPLAN: Thank you.

8 Commissioner Hillman?

9 COMMISSIONER HILLMAN: Thank you,  
10 Mr. Chairman.

11 I, too, would join my colleagues in thanking  
12 you all very much for being here. We very much  
13 appreciate it.

14 I guess I want to start with just a couple  
15 of things where I'm trying to make sure that I'm  
16 hearing your testimony in light of the record that we  
17 have before us.

18 Maybe if I could start first with you,  
19 Mr. Dondero, you mentioned this issue that -- and  
20 Mr. Greenwald is clearly basing a lot of this case on  
21 this issue that everybody is driven to China because  
22 of this huge discrepancy in labor and then the  
23 significance of labor costs within the overall  
24 structure of the furniture industry. And I heard your  
25 testimony saying in the U.S., it's 50 percent, labor



1 is 50 percent of the cost, and in China it's something  
2 like 10.

3 I mean, I have to say, I don't want to go  
4 into the individual numbers, but I just look at our  
5 data that's on the record, that's from a wide variety  
6 of U.S. producers, and just crunch the numbers in  
7 terms of what percentage of total cost of goods sold  
8 or other costs come from labor, and it's nowhere close  
9 to the 50 percent number that you're suggesting; it's  
10 in fact much closer to the 10 percent number that  
11 you're suggesting from China.

12 Again, I don't want to go into the exact  
13 numbers because it does involve confidential data, but  
14 I'm trying to make sure I understand how significant  
15 this issue is of this inexorable drive to find lower  
16 labor costs.

17 We've obviously seen a lot of things going  
18 on in the industry in terms of increases in  
19 productivity, but I'm just not seeing the kind of  
20 numbers that you're suggesting.

21 MR. DONDERO: I think you have to make an  
22 apples to apples comparison. Look at the product  
23 complexities and make sure that you're comparing the  
24 same types of products. Some of the products in the  
25 back of the room here that have been brought in, over

1 on this wall, the first one, I believe, that product  
2 made in the United States with its intricacies would  
3 probably have a lot higher content than maybe some of  
4 the figures that you're seeing. I've not seen those  
5 figures, so I don't know.

6 There are some capital intensive products  
7 made in the United States and I'm sure that would  
8 result in a lower labor factor, but I would be very  
9 surprised if some of those products carried the  
10 characteristics that we would make in our factories  
11 that would require the number of man hours to make  
12 that product.

13 I think I would have to say that would be a  
14 discrepancy.

15 COMMISSIONER HILLMAN: And, again, I'm  
16 trying to make sure I get an accurate picture from  
17 your perspective of how you see it. I mean, do you  
18 have a sense -- I had asked earlier this morning -- of  
19 the portion of the product, again, either sold totally  
20 in the U.S. market or at least coming in from China  
21 that involves these kind of carvings of wood that are  
22 added to the product? I mean, you're saying some of  
23 them are more intricate. I'm trying to understand how  
24 significant is that.

25 MR. DONDERO: I don't know the breakdown of

1 the products that carry carvings per se, but you've  
2 got to remember that there are other aspects to making  
3 furniture which give it the characteristics that the  
4 consumer desires. Some of those are the veneer inlays  
5 we've talked about, which is very labor intensive, as  
6 you saw in the picture here earlier. There's also  
7 finishing steps that require hundreds of people to  
8 execute on our finishing lines. There's also applied  
9 moldings. There's bending of wood. There's a lot of  
10 other hand steps that go into the production of  
11 furniture that make that product labor intensive and  
12 would elevate the price of that product in the United  
13 States on labor content.

14 And, again, I can't give you the breakdown  
15 of those products within that, but it's more than just  
16 carvings.

17 COMMISSIONER HILLMAN: Okay.

18 MR. REILLY: Commissioner Hillman, this is  
19 John Reilly. There's one point I wanted to make about  
20 the data the commission has collected and that is the  
21 nature of the financial reporting that's required.

22 The direct labor line item includes only  
23 part of the labor cost involved in a factory. The  
24 factory overhead account will include some labor,  
25 supervisory labor, for example, and the selling

1 expense account may include some labor associated with  
2 selling and the factory G&A account may also include  
3 labor. Maybe a better measure would be wages paid to  
4 production and related workers, if you can relate to  
5 that the P&L statement, but even that may to some  
6 extent understate the labor costs because of the  
7 supervisory and executive personnel that would not be  
8 included.

9 Thank you.

10 MR. GREENWALD: Commissioner Hillman,  
11 I don't know whether you've had a chance to look it  
12 over, but we actually crunched, I think, the same  
13 numbers that you have at page 15, the bottom of 15 and  
14 16 of our brief. And what I would urge you to do is  
15 to look at the labor cost differential as a percentage  
16 of the cost of goods sold and you will see without  
17 divulging anything confidential that it is at least in  
18 my judgment significant.

19 COMMISSIONER HILLMAN: In fairness, we have  
20 revised data since the pre-hearing report because some  
21 of the financial data has now been revised, so the  
22 numbers I'm looking at would be based on the revised  
23 data.

24 All I'm saying is I'm hearing a story that  
25 makes it sound as though labor is 50 percent or more

1 of the cost and the numbers I'm looking at --  
2 I understand Mr. Reilly's point, I understand that,  
3 but would not result in the kind of differential that  
4 you're describing in terms of labor being anywhere  
5 near that significant a component of the total cost of  
6 producing furniture on average.

7 MR. GREENWALD: Let me again -- the numbers  
8 that I was working off of and the numbers you have in  
9 our brief are the numbers of hours of production  
10 workers, wages paid to production workers, average  
11 wages, and then cost of goods sold. And what you can  
12 do is a very easy transposition. You get an average  
13 hours per piece, you get an average -- and this is all  
14 for the U.S., so it's not the same complex type of  
15 furniture, you get an average hours worked per piece,  
16 an average wage paid for those hours, and then you  
17 compare the existing rate in China. As a matter of  
18 fact, what we did in our analysis --

19 COMMISSIONER HILLMAN: I understand.

20 MR. GREENWALD: Okay.

21 COMMISSIONER HILLMAN: And I see the brief.  
22 I'm just saying I think the story I'm hearing is  
23 painting an extreme that isn't reflected in our data.  
24 That's what I'm telling you because I think if you  
25 just look at what our numbers would show, U.S.

1 producers' labor costs as a percentage of their COGS  
2 and then what COGS are versus what raw materials are,  
3 wouldn't come up to anywhere near the numbers that  
4 you're describing. That's all I'm saying.

5 I understand the point, I just think it's very  
6 overstated in comparison to what our data would  
7 suggest.

8 I'm still trying to understand it and maybe,  
9 Mr. Seaman, if I can come back to you, whether from  
10 your perspective you have a sense of what portion of  
11 the product coming in from China would have these high  
12 sort of labor value added parts to them. From your  
13 perspective, how much of it has this hand carving, not  
14 resin, not something else, but actual hand carving,  
15 has specialty veneering. I mean, obviously, a lot of  
16 product has veneer and there's a lot of veneering  
17 being done in the U.S., so I'm trying to understand  
18 how much of it has something unique from China that  
19 adds a specific additional labor component to the  
20 production.

21 MR. SEAMAN: I'm not sure what percent the  
22 labor factor would be. I could tell you that the  
23 value overseas is significantly more than 20 percent,  
24 the price comparison. If something costs a dollar  
25 here, it's most likely going to cost 80 cents or less

1 overseas. So I'm not sure what the labor piece is,  
2 but, you know, just from a retail perspective, it's  
3 not really just carving and inlays that count. It's  
4 shaping and scaling and finishing. It's flexibility.  
5 It's quality.

6 The quality that we're getting overseas is  
7 far better than the quality we're getting in the U.S.  
8 I don't know if that's a labor factor or it's a  
9 function of new factories or new management processes.  
10 I'm not really sure.

11 Also, China is not the most competitive on  
12 several of these products, so, you know, sometimes the  
13 comparison is between the U.S. and Brazil, the U.S.  
14 and Malaysia, the U.S. and Thailand. So I don't know  
15 that I could answer just for China.

16 The only thing we see as retailers is if we  
17 have a set of blueprints with a set of specs and we  
18 price it out, we're most likely to get -- for most  
19 handwork, we're most likely to get the best prices in  
20 Asia. And so what we do is we then design products  
21 that take advantage of some of these capabilities.

22 COMMISSIONER HILLMAN: Okay. All right.  
23 I appreciate those answers.

24 I guess if I can then go -- oh, dear, that  
25 yellow light is on. Okay.

1 I will have to pick up on the next round.

2 Thank you, Mr. Chairman.

3 CHAIRMAN KOPLAN: Thank you, Commissioner  
4 Hillman.

5 Would you like a time check, Madam Vice  
6 Chairman?

7 Commissioner Lane?

8 COMMISSIONER LANE: Can we start the green  
9 light again, Mr. Secretary?

10 Thank you.

11 My first question is for Mr. Chipperfield.  
12 I believe that you said, and it's in your written  
13 testimony, that you have 17,000 employees in North  
14 Carolina, Mississippi and Virginia and you operate 35  
15 domestic manufacturing factories.

16 What percentage of those number of employees  
17 are devoted to wooden bedroom furniture that is the  
18 subject of this proceeding today?

19 MR. CHIPPERFIELD: Let me start this way.  
20 Of the 35 manufacturing plants that we have today, 15  
21 of them are what we call case goods factories. That  
22 means wood furniture. And 20 of them are upholstery  
23 manufacturing factories. So let's take the upholstery  
24 factories out.

25 Upholstery requires more labor than case



1 goods. I'm kind of working through the number in my  
2 head as I'm talking here, I don't have an exact number  
3 for you. Case goods consists of a number of different  
4 kinds of furniture. You can have bedroom, dining room  
5 and then occasional furniture which includes end  
6 tables, coffee tables, wall units, entertainment  
7 centers, that sort of thing. That's a very long way  
8 of telling you I have no idea what the percentage is  
9 of the employees that we have manufacturing bedroom  
10 furniture and part of the reason for that is because  
11 in our case goods manufacturing plants someone may be  
12 manufacturing bedroom furniture for six months and  
13 then start manufacturing dining room furniture after  
14 that. It depends on the length of the runs in the  
15 plants.

16 COMMISSIONER LANE: Okay. Do you think that  
17 in the post-hearing you can break that number down?  
18 Because I think in your next paragraph you said that  
19 80 percent of your wooden bedroom furniture is  
20 manufactured in your domestic factories.

21 MR. CHIPPERFIELD: That's right.

22 COMMISSIONER LANE: And so I'm trying to  
23 figure out how much of your 17,000 employees are  
24 devoted to wooden bedroom furniture.

25 MR. CHIPPERFIELD: We can get the number for

1 you or at least get pretty close to it, keeping in  
2 mind that we don't have, for example, an employee who  
3 is a bedroom furniture employee at all times, but at  
4 any given point in time, I think we can peg a number  
5 for you.

6 COMMISSIONER LANE: Okay. Thank you.

7 Now, I have questions for the witnesses from  
8 Haverty and Crate and Barrel.

9 Do you have exclusive agreements with your  
10 producers that have specific terms that either  
11 distancewise or the line that are restrictive to the  
12 producers?

13 MR. RIDLEY: Commissioner Lane, I'm Clancy  
14 Ridley from Haverty's or Clarence Ridley, as it says,  
15 from Haverty's. I would say that most of the  
16 furniture that we buy for sale under our brands,  
17 perhaps all of it, is made for our exclusive use  
18 within our defined territories. We lay out as part of  
19 the negotiation with someone who is going to make our  
20 goods where they cannot sell it to anybody else and  
21 that's primarily the states in which we operate and  
22 adjacent states because we're expanding our geographic  
23 footprint constantly. Like next week, we move into a  
24 new state for us, Ohio. And so that would have been  
25 excluded for the last year or two as we negotiated

1 exclusive arrangements.

2 Now, we certainly allow those manufacturers  
3 to sell outside of our area and we encourage them to  
4 do so because unless we have a proprietary design  
5 they're making, it reduces the cost of production per  
6 unit and we get a better price.

7 COMMISSIONER LANE: Okay. Now, do you have  
8 those same negotiating points with your foreign  
9 producers?

10 MR. RIDLEY: Well, we currently buy our  
11 imported goods through agents. We are just beginning  
12 to negotiate directly with the Chinese manufacturers,  
13 but when we deal through agents, it's either for goods  
14 that will bear our name, which is about half of our  
15 goods, or it's something else. And if we're dealing  
16 with a well known name that we advertise, we would  
17 like to get exclusive commitments, but we probably  
18 can't for at least some of the goods we buy from them,  
19 even though they're made in China or any of the other  
20 13 countries that we import from.

21 Have I adequately addressed your point? I'm  
22 not certain I have.

23 COMMISSIONER LANE: Well, let me make sure  
24 I understood this. If you're dealing with a domestic  
25 producer, you do demand exclusivity within your area

1 that you are selling in and if you are dealing with a  
2 foreign or an agent for a foreign company, you'd like  
3 to, but you don't necessarily get an exclusive  
4 agreement.

5 MR. RIDLEY: I would say that's just  
6 backwards.

7 COMMISSIONER LANE: Oh, okay.

8 MR. RIDLEY: If we are -- all of our --  
9 virtually all of our Haverty's branded products,  
10 Haverty's collections and Haverty's premium  
11 collections are made of imported goods, at least in  
12 the wooden furniture sector. And all of that that I'm  
13 aware of is made for us solely within our territories,  
14 which are the southeast, southwest, and middle west.

15 Some domestic producers will meet our  
16 requirement for exclusivity, or I should say our  
17 request, and some will not. For example, a lot of the  
18 Broyhill product we show can be purchased by a lot of  
19 dealers and sold directly in competition with us on  
20 the same block in each of our cities. So we decide to  
21 buy that product not because we like a lot of  
22 competition but because we need it in our marketing  
23 estimate in order to offer an attractive line of goods  
24 for our customer.

25 COMMISSIONER LANE: Okay. Thank you.

1 Now, the gentleman from Crate and Barrel.

2 MR. SILVERSTONE: Yes. Thank you. Crate  
3 and Barrel, unlike some of our retail competition,  
4 does not buy from many of the fine manufacturers that  
5 have been here today. What we do try to do is buy  
6 from a very small cadre of domestic manufacturers  
7 where possible and even a small cadre of foreign  
8 manufacturers where possible to try to get exclusive  
9 branding so to speak over the entire national chain of  
10 Crate and Barrel.

11 Crate and Barrel now, in addition to the  
12 stores that we have all over the country, we also have  
13 a very successful catalog that sells both upholstered  
14 and case good furniture as well as an Internet now  
15 that's selling case good and upholstered furniture.

16 So therefore, to the extent possible, we do  
17 try to get exclusivity on a country-wide basis.

18 COMMISSIONER LANE: Okay. Thank you.

19 Now, the gentleman from J.C. Penney? I'm  
20 sorry, I can't keep track of who spoke but I can sort  
21 of remember the company that you represent.

22 MR. MCALISTER: James McAlister, J.C.  
23 Penney.

24 COMMISSIONER LANE: Okay. Thank you.

25 When you went to a different supplier rather

1 than the domestic producer and you went to a foreign  
2 producer, did you sell the bedroom furniture at  
3 basically the same price that you had been selling it  
4 before?

5 MR. MCALISTER: I'd have to provide that in  
6 post because I'm head of quality, I'm not part of the  
7 sales, I'm not a buyer.

8 COMMISSIONER LANE: Okay. Okay. And  
9 speaking of quality, you heard this morning one of the  
10 witnesses talk about the problem with the quality that  
11 J.C. Penney had talked about, that was because of  
12 J.C. Penney didn't have a good mechanism or a good  
13 system at their end of the operation that resulted in  
14 quality problems. How do you respond to that

15 MR. MCALISTER: Back in 1999, we actually  
16 through my testimony we discussed that we started to  
17 find that we had a number of customers that were  
18 calling in with complaints. At that point, we went  
19 into our distribution center and started to do audits  
20 and we ran the defects from those audits and came up  
21 with 50 percent.

22 Statistically, what we normally do with all  
23 of our suppliers is we do random statistical audits,  
24 which means that we're in there every fourth or fifth  
25 different lot cut that they're producing and then

1 doing one of our statistical audits on it.

2 At that time, when we found that the  
3 percentage was going so high, we went back into the  
4 seven top suppliers that we were doing business with  
5 here domestically, and we told them that we were going  
6 to come in and we were going to look at every lot  
7 number and we were going to inspect each and every one  
8 of those.

9 At the time that we did that, we actually  
10 went in and met with all of those suppliers and the  
11 dates on all of that was back in September of 2000.  
12 We ran individual meetings in North Carolina with the  
13 seven different suppliers and we actually covered with  
14 them all of the defects. We actually had pictures  
15 that we showed them within that context of that  
16 meeting. They were fairly embarrassed by all of this  
17 and we gave them what the defective rates were.

18 At that time that we covered all of that, we  
19 also told them at that point that we were going to  
20 start to come in there and do the 100 percent, so for  
21 the witness, for Mr. Sanders that was talking about  
22 that earlier today, he did attend that particular  
23 meeting that we had in year 2000. He did see all of  
24 the defects and he was aware of the problems that were  
25 happening.

1           The failure within Bassett was that they  
2 would not come back in and put in a final statistical  
3 audit and because of that their numbers continued to  
4 run high. As a matter of fact, for year 2001, Bassett  
5 ran a 16.8 percent defect rate. For 2002, it was a 29  
6 percent; and for 2003, it was a 15.38 percent defect  
7 rate.

8           COMMISSIONER LANE: Okay. Thank you.

9           My time is up.

10          CHAIRMAN KOPLAN: Thank you, Commissioner.

11          Commissioner Pearson?

12          COMMISSIONER PEARSON: Thank you,

13          Mr. Chairman.

14          Greetings to the afternoon panel. I've very  
15 much enjoyed your comments and I find myself at least  
16 as confused as I was this morning.

17          Let me begin by offering greetings to  
18 Mr. Freeman. You've come in from Minneapolis?

19          I'm a Minnesotan, so that's why the special  
20 greeting. I note that the Vikings did not do  
21 particularly well when you left town. I hope there's  
22 no causal relationship there.

23          MR. FREEMAN: Probably not.

24          COMMISSIONER PEARSON: We'd better not blame  
25 the Vikings on anyone.



1 MR. FREEMAN: I did bring the cold weather,  
2 though.

3 COMMISSIONER PEARSON: It had to be coming  
4 some time.

5 Let me go back to an issue that I discussed  
6 this morning with the Petitioners. Tonight I'm going  
7 to go home and my wife is going to ask me what I did  
8 today and I'm going to tell her, well, this morning, I  
9 heard the domestic wooden bedroom furniture industry  
10 explain why they're being materially injured by  
11 imports from China and this afternoon I heard another  
12 part of the domestic industry explain why they would  
13 be materially injured if we go ahead and vote in the  
14 affirmative.

15 I must be missing something. When there's  
16 that much chaff around, there's got to be some wheat  
17 somewhere.

18 The question, I guess, is is it correct that  
19 you were saying that you will be hurt if the duties go  
20 into effect?

21 Mr. Chipperfield?

22 MR. CHIPPERFIELD: Yes, I think we will.  
23 We've already seen the increase in additional  
24 manufacturing capacity in Vietnam that's arisen as  
25 Chinese manufacturers have shifted their resources and

1 developed more manufacturing in Vietnam. And I think  
2 when the tariffs are imposed we'll pay the tariffs and  
3 keep on going. I mean, that's not -- it will damage  
4 us, but it's something that we can absorb.

5           What concerns me, what concerns us as a  
6 company, is the long term, what happens to this  
7 industry now that we've got all of this additional  
8 manufacturing capacity and we're trying to keep our  
9 domestic factories going? And that's where I see the  
10 real danger here.

11           I also see danger in the demand area. We're  
12 trying to get this industry sort of back on track. We  
13 have had some very difficult times over the last three  
14 years or so and we're hoping that we can get consumer  
15 demand back and having the threat of increased prices  
16 at retail because of the imposition of tariffs,  
17 I think, could put a damper on that demand.

18           COMMISSIONER PEARSON: Any comment from  
19 other U.S. manufacturers regarding whether or not you  
20 would be injured by the imposition of duties?

21           MR. SPOONER: Craig Spooner with Lexington  
22 Furniture. I think the fundamental difference comes  
23 down to those companies that have changed their  
24 business strategy and those that have not and I think  
25 for companies like Furniture Brands and ourselves that

1 have made some adjustment to their business strategy  
2 the imposition of duties makes us somewhat less  
3 effective.

4 COMMISSIONER PEARSON: Okay. Mr. Greenwald,  
5 if I could ask a question of you and perhaps other  
6 counsel who are present in this panel, I discussed  
7 this morning the language in the confidential staff  
8 report page 3-3 that gave the percentages, at this  
9 point in our investigation, of how we are measuring  
10 the portion of the domestic industry that's supporting  
11 the petition and the portion not supporting.

12 Do you have any guidance for me on that?  
13 I mean, for instance, in the hypothetical situation  
14 that an investigation would show that more than half  
15 of U.S. production of an industry was opposed to a  
16 petition, does that have implications? Does the  
17 statute give us guidance on what to do in that  
18 situation or is that particular issue irrelevant to  
19 the statutory guidance?

20 MR. GREENWALD: No, it's not irrelevant.  
21 Your statutory guidance is to find whether there is  
22 material injury by reason of subject imports to the  
23 industry as a whole. Now, there is this  
24 minority/majority question, but let's just say  
25 hypothetically that a majority -- the U.S. producers

1 that account for the majority of U.S. production say  
2 to you imports are not the problem, that seems to me  
3 to be almost dispositive. I cannot imagine why in  
4 this era our government would decide that it knows  
5 better than the majority, the producers accounting for  
6 the majority of U.S. production. So I think you have  
7 to consider it.

8 It is true, as Commissioner Okun said, that  
9 the statute has a focus on domestic operations, but  
10 what you're hearing from domestic producers that  
11 account for a very, very large part of domestic  
12 production is don't do this to us, it will do more  
13 harm than it will do good.

14 COMMISSIONER PEARSON: And I can explain  
15 I have no training in the law, so I can ask these  
16 perfectly silly questions and you will humor me with a  
17 response.

18 MR. MARCUSS: I wonder if I might add to  
19 that response.

20 COMMISSIONER PEARSON: Please.

21 MR. MARCUSS: Because it relates to a  
22 question that Commissioner Okun raised about the  
23 legislative history where in the Senate report it  
24 states that profits earned by a domestic production  
25 due to imports which it imports to meet competition

1 should not be the basis of a negative determination of  
2 injury.

3           The point here is that imports -- it's not  
4 so much that imports help the profits of the domestic  
5 industry and therefore because the domestic industry  
6 that imports is more profitable by virtue of imports  
7 and therefore there is no injury, the point is that  
8 the imports help expand the market. It helps the  
9 domestic producers who import to reach consumers that  
10 it otherwise could not reach. As a consequence, those  
11 imports do not cause injury.

12           The point is not that those imports cause  
13 greater profits and therefore produce a more healthy  
14 domestic industry, that's the very thing that the  
15 legislative history suggests is irrelevant, the point  
16 is that those imports, because they expand domestic  
17 demand for these producers are simply not a cause of  
18 injury at all. At all.

19           They don't displace domestic production, is  
20 another way to put that. If you find more consumers  
21 as a consequence of being able to import from abroad  
22 than you would otherwise be able to find if you had to  
23 produce the same product in the United States and sell  
24 it at a price necessary to be profitable in the United  
25 States, the imports are expanding the market and

1 therefore are utterly irrelevant to the injury  
2 question.

3 COMMISSIONER PEARSON: Okay. This morning  
4 I raised a question regarding the divergent views, the  
5 dichotomy in views, within the U.S. industry. Does  
6 that somehow reflect a condition of competition within  
7 the industry that we ought to consider in our analysis  
8 or is it not a condition of competition?

9 MR. GREENWALD: Well, it's a condition of  
10 competition and it goes further than that. It goes to  
11 the question of how you deconstruct all the aggregate  
12 data. The commission has performed aggregations.  
13 Sometimes they just don't work and when you have  
14 aggregate data, for example, if I can use the pricing  
15 analysis, that shows price trends converging when all  
16 the individual company data does not show that, it  
17 seems to me you have to go behind the aggregate data.

18 So, yes, the short answer is that it is a  
19 condition of competition. It is also very relevant to  
20 your causation and to your injury question. If a  
21 majority of the U.S. industry says we're not injured,  
22 that's pretty compelling testimony and if a majority  
23 says we're not injured by reason of the imports you're  
24 investigating, that's pretty compelling testimony.

25 COMMISSIONER PEARSON: I would welcome a

1 summation of that discussion in the post-hearing  
2 briefs.

3 My light has changed and this time I'll stop  
4 on time.

5 CHAIRMAN KOPLAN: Thank you, Commissioner.

6 And I want to thank you all for your  
7 testimony and answers to our questions thus far.

8 Let me begin with the industry witnesses  
9 from the Furniture Retailers of America.

10 On page 7 of your pre-hearing brief, and  
11 I quote, you argue that "The Petitioners cannot blame  
12 imports from China for the alleged difficulties  
13 suffered by some of their domestic operations when it  
14 is the domestic producers themselves who drove the  
15 establishment of the Chinese wooden bedroom furniture  
16 industry and are now contributing substantially to the  
17 increase in imports of wooden bedroom furniture."

18 And it goes on, but there's some BPI that  
19 follows that.

20 I note that the domestic industry's imports  
21 accounted for between approximately a quarter to a  
22 third of the subject imports throughout the period of  
23 investigation, staff report in Chapter 4, page 10.

24 I would like to know how does your theory  
25 about the importance of domestic producers'

1 importations account for the fact that a substantial  
2 majority of the subject imports during the period of  
3 investigation were not imported by domestic producers?

4 Mr. Seaman, could we start with you?

5 MR. SEAMAN: I'm not 100 percent sure  
6 I understand the question. I can only relate to our  
7 own experiences.

8 CHAIRMAN KOPLAN: The question is if a very  
9 substantial majority of these people are not  
10 importing, what does that do to your argument?

11 MR. SEAMAN: Is that Petitioners are not  
12 importing?

13 CHAIRMAN KOPLAN: If the domestic producers,  
14 not just talking about Petitioners, if the domestic  
15 producers are not importing, most of them are not  
16 importing, what does that do to your argument?

17 MR. SEAMAN: Which argument? I mean,  
18 I don't know if it was my argument, but --

19 CHAIRMAN KOPLAN: That they have themselves  
20 to blame, I believe is your argument.

21 MR. SEAMAN: Well, if you're asking me  
22 personally, I would not say they have themselves  
23 100 percent to blame.

24 CHAIRMAN KOPLAN: Okay.

25 MR. SEAMAN: I think they are partially to



1 blame. We have bought from some of the Petitioners in  
2 the past and we have found the Petitioners themselves  
3 to be incredibly inflexible in some of the things that  
4 Rooms To Go has asked for. We have a lot more  
5 flexibility going overseas and we have better quality  
6 overseas, but I'm not sure that I --

7 CHAIRMAN KOPLAN: Could you be specific as  
8 to when you say --

9 MR. SEAMAN: Flexibility?

10 CHAIRMAN KOPLAN: Yes.

11 MR. SEAMAN: Here's an example. This one  
12 goes to quality more than price. About three or four  
13 years ago, five years ago, we discovered that the way  
14 we handled dressers in our warehouse was we were  
15 damaging the corners ourselves because our warehouses  
16 are large and fast moving, that we were crushing the  
17 corners of the box and a corner of the dresser. So  
18 with our own internal quality control, we put together  
19 a team to study this and they came up sort of a box  
20 within a box to encase the dresser. The box was \$5  
21 more.

22 We went to all of our suppliers at the time,  
23 and one of the Petitioners who was our largest bedroom  
24 supplier, and nobody wanted to use the box, they  
25 didn't want to have two boxes and so forth and we

1 insisted. We said, look, you've really got to use the  
2 box, we're not blaming you, we'll pay the difference,  
3 but we ourselves are damaging it and we ask you to us  
4 the box.

5 Nobody agreed to use the box.

6 CHAIRMAN KOPLAN: Now, excuse me. That was  
7 five years ago?

8 MR. SEAMAN: I'll get the exact --  
9 approximately. Approximately. Maybe four. And so  
10 our overseas producer said, okay, you want the box,  
11 it's \$5 more, we'll put the box in. And so that was  
12 like, you know, one of several factors that just saved  
13 us money. I mean, it wasn't even a price issue, just  
14 an internal issue.

15 The other thing about inflexibility was  
16 about half of our stores are in Florida and the looks  
17 in Florida are dramatically different than the looks  
18 in the rest of the country, they're much lighter, we  
19 use lighter woods, lighter colors.

20 And so very few of the domestic producers  
21 would make us small batches of Florida style furniture  
22 for us to sell. We'd have to buy these giant batches  
23 and we didn't want to buy the giant batches until we  
24 had a proven entity, where our overseas suppliers  
25 would make as small a batch as we wanted. There are

1 many examples.

2 CHAIRMAN KOPLAN: Would you provide those  
3 examples in detail for purposes of the post-hearing,  
4 giving dates?

5 MR. SEAMAN: Yes.

6 CHAIRMAN KOPLAN: Frankly, I'm interested in  
7 the period beginning in 2001 through the first half of  
8 2004.

9 MR. SEAMAN: So when we provide the data, it  
10 should just be for that period?

11 CHAIRMAN KOPLAN: Yes. I would appreciate  
12 that.

13 MR. SEAMAN: Okay.

14 CHAIRMAN KOPLAN: Could I hear from the  
15 other industry witnesses that were with you on this  
16 panel? From the FRA? That would be Mr. Ridley and  
17 Mr. McAlister as well.

18 MR. RIDLEY: This is Clarence Ridley and I'd  
19 be pleased to address that. The point that I had been  
20 making in my brief remarks was that when we decided to  
21 make a complete change of course in the year 2000 we  
22 went to our domestic producers and said we want you to  
23 make goods for us that we will advertise under our  
24 brand name and that will be exclusive to us and our  
25 territories and they initially said it's not in our

1 interests to make goods bearing your brand when for  
2 all these years you have been very successful  
3 promoting our brand as part of the value proposition  
4 you offer to your customers.

5           You come in Haverty's, a well known store,  
6 and you buy a -- you know, any of the domestic brands  
7 we have been selling for the prior 115 years. And  
8 particularly in the last 70 or 75, we had highlighted  
9 the value of the factory brands we were selling. Once  
10 we changed our minds, we weren't taken seriously  
11 initially by our domestic producers, so we had to go  
12 to alternative sources and we suddenly found that  
13 companies like -- there are many of them here, I'd say  
14 Magnuson, Pulaski, I mentioned Schnadig and Universal,  
15 they said we'd be glad to make product to your specs,  
16 to meet your value proposition of style, finish,  
17 quality, price, for sale under your name, not ours,  
18 and we'll do it starting right now.

19           So it was the failure of the domestics to be  
20 willing to deal with us on our terms when we switched  
21 to our name rather than their name.

22           CHAIRMAN KOPLAN: Thank you.

23           Now, Mr. McAlister, Commissioner Lane  
24 discussed with you the quality issue that you talked  
25 about in your direct presentation.

1 MR. MCALISTER: Yes.

2 CHAIRMAN KOPLAN: Let me ask you in relation  
3 to this question, have you had an opportunity to look  
4 at the pre-hearing brief of the Petitioners as it  
5 relates to the discussion of Bassett Furniture's  
6 relationship with J.C. Penney?

7 MR. MCALISTER: Yes, I have.

8 CHAIRMAN KOPLAN: You have.

9 MR. MCALISTER: Yes.

10 CHAIRMAN KOPLAN: Okay. Let me just ask you  
11 a couple of things about that. For example, they say  
12 at page 24, during the time of their relationship with  
13 you, with your company, that they employed three  
14 full-time workers whose sole job was to work with  
15 Penney's inspectors to make certain that Penney was  
16 pleased with the quality of Bassett's products.

17 Is that true or not?

18 MR. MCALISTER: No, it's not true.

19 CHAIRMAN KOPLAN: Not true?

20 MR. MCALISTER: No. As I've stated, we were  
21 having an awful lot of problems. We had a very high  
22 defect rate. We went in to Bassett and we went in to  
23 not such Bassett, but there were seven domestic  
24 suppliers that we worked with, and we had a meeting  
25 that we had in North Carolina.

1                   CHAIRMAN KOPLAN: I understand that, but  
2                   you're saying that they never assigned full-time  
3                   workers whose job it was to work with your inspectors?

4                   MR. MCALISTER: Yes. No, they would have  
5                   assigned inspectors that would have worked with us.

6                   CHAIRMAN KOPLAN: They would have?

7                   MR. MCALISTER: Yes, they did. But what  
8                   they didn't do was install a final statistical audit  
9                   which was the basis of our program. And we asked them  
10                  to do that a number of different times. I actually  
11                  have a quote here, that Joe Williams, who is the  
12                  director of quality for Bassett told Don Culver, who  
13                  is my quality assurance area manager for the Atlanta  
14                  area, that Bassett would not install a final  
15                  statistical audit and that was per Joe Williams. He  
16                  said the cost for the internal quality system was a  
17                  concern with Bassett. Because of their reluctance to  
18                  install a quality system, their fail percent remained  
19                  high.

20                  CHAIRMAN KOPLAN: My light is about to go  
21                  on. Let me ask you this.

22                  MR. MCALISTER: Okay.

23                  CHAIRMAN KOPLAN: If I recall correctly, you  
24                  mentioned in your direct, when you mentioned  
25                  statistical audit, you mentioned 1999.

1                   MR. MCALISTER: 1999 is when we did the  
2 first audit.

3                   CHAIRMAN KOPLAN: They allege that before  
4 J.C. Penney began importing from China in 1999 Bassett  
5 received the J.C. Penney Chairman's Award by which  
6 J.C. Penney recognized Bassett for "excellence in  
7 product development, planning and capacity, service,  
8 delivery and quality."

9                   Is that true or not?

10                  MR. MCALISTER: That is true and that was in  
11 1998 that that was given and it was given by the  
12 buying department, not by the quality assurance  
13 division.

14                  CHAIRMAN KOPLAN: Thank you very much.

15                  MR. MCALISTER: You're welcome.

16                  MR. SILVERMAN: I might add, Mr. Chairman,  
17 that's outside the measuring period, isn't it?

18                  CHAIRMAN KOPLAN: Yes, it is, but your  
19 client started back in 1999 talking about the  
20 statistical audits and I just wanted to pick up on  
21 that because there was a reference to this award in  
22 that same year that he referred to.

23                  I see my light is on. I'll turn to Vice  
24 Chairman Okun.

25                  VICE CHAIRMAN OKUN: Thank you.

1                   And, again, thank you so much for all the  
2 information you've given us this afternoon. Let's  
3 see.

4                   Mr. Ridley, let me just go back to you just  
5 in terms of the private label because I spent some  
6 time this morning with the Petitioners and it could  
7 be, you know, we don't have everyone in the room, so  
8 I don't know exactly who has requested private labels  
9 from whom.

10                   But I guess my question would be, when you  
11 go to a private label, just so that I understand the  
12 private label in the industry, I mean, were you asking  
13 for a product that would have been priced lower? You  
14 were trying to buy a lower priced product to put your  
15 label on to put in your stores?

16                   MR. RIDLEY: No. Our Haverty's Collection  
17 and Haverty's Premium Collections basically mirror in  
18 price range our factory branded goods and that's  
19 intentional. We don't intend to have our name  
20 associated with either a low end product or a product  
21 that's priced out of the range that people expect from  
22 us.

23                   So when we went to manufacturers, what we  
24 wanted to do was to begin making our store name,  
25 Haverty's, consonant with product value. Instead of



1 saying come to Haverty's for a Vaughn or Broyhill  
2 product, we want to say come to Haverty's and get  
3 famous brand names such as Haverty's Premium  
4 Collections, you know, it may be La-Z-Boy, Bernhardt,  
5 but we wanted to invest the name Haverty's Collections  
6 with the kind of association in the consumer's mind,  
7 our customer's mind, that it was of equal value or  
8 greater value than some of the names they've been  
9 buying with us.

10 Our survey showed in most cities in which we  
11 operated the name Haverty's had more value than almost  
12 all the brand names we sold on our floor and we  
13 thought that was a wasting asset, we ought to harvest  
14 that confidence that the consumers had and it's been  
15 very successful.

16 VICE CHAIRMAN OKUN: And when you say very  
17 successful, can you give me a sense -- if you've  
18 already answered this question, let me know, because  
19 at this point in the afternoon I forget what may have  
20 been asked, in terms of private labels, how big a part  
21 are they of the market and does it matter if you're  
22 talking about good, better, best?

23 MR. RIDLEY: Well, okay. We make within our  
24 Haverty's Collection good, better, best. We serve the  
25 middle and upper middle market. We don't sell much in

1 the way of promotional goods and we don't sell goods  
2 that you buy at a place that has interior decorators  
3 come in, for example. And our customers are women who  
4 know our store and they come in for what we call  
5 better goods.

6 Now, I don't know what the prevalence is in  
7 the market of private label. I know that our private  
8 label sales run rate is 46 percent now and we expect  
9 it to be a little over 50 percent at the end of the  
10 year. That's a rapid increase from zero at the  
11 beginning of 2001.

12 We make a little better markup. We're a  
13 public company and this is all public information. We  
14 make a little better markup on our Haverty's branded  
15 goods, so in our store, they have a very good name.

16 VICE CHAIRMAN OKUN: Okay. Does anyone else  
17 want to comment on the private label?

18 Mr. Chipperfield, is something that you  
19 could comment on in terms of Furniture Brands?

20 MR. CHIPPERFIELD: On the private label  
21 issue, we get asked all the time if we'll private  
22 label products for retailers and we generally do not  
23 because we sell under our own brand names and we want  
24 to promote our brand names. Those are very important  
25 to us.

1           If you're not being asked by a retailer to  
2 private label, then you should be a little worried  
3 because what they're saying is I would not want to put  
4 my name on that product. You should be asked by a  
5 retailer, it tells you something good about the  
6 quality of your product.

7           We have resisted private labeling for years.  
8 We are only now beginning to talk about that with some  
9 of our larger customers. It's in the negotiation  
10 stages, but for our business, it's a very, very small  
11 part right now.

12           VICE CHAIRMAN OKUN: Okay. Mr. Seaman, if  
13 I could go back to you on the Rooms To Go product and  
14 you were talking, I think, earlier both in response to  
15 questions and in your testimony about I guess what you  
16 see as having brought in a product that consumers like  
17 and that's been good for you.

18           I guess the one thing that I'm trying to  
19 make sense of in terms of what Mr. Marcuss started  
20 saying about, you know, is this a market where the  
21 Chinese product grew the market.

22           I hear a lot of different things here. On  
23 the one hand, I hear, well, it's because they've got  
24 intricate carvings and inlay and therefore you can  
25 bring in this really good product or we're talking

1 about labor costs, but if I look at the pricing, the  
2 spread, I mean, how different it is, I'm just trying  
3 to understand what that means. If it's a better  
4 quality product, why the prices?

5 MR. SEAMAN: Well, the prices are going up,  
6 not down in our store.

7 VICE CHAIRMAN OKUN: There's a huge  
8 difference.

9 MR. SEAMAN: It probably is very different  
10 in all different cases, I would guess. I agree  
11 partially with the statement that -- the growth of  
12 imports, the market did not grow as fast as the growth  
13 of imports, but the market for bedrooms definitely has  
14 grown.

15 At Rooms To Go, our percent of sales in  
16 bedrooms is a lot higher than it was three years ago  
17 compared to other products and our average ticket has  
18 gone up like mid 1500s to high 1700s. So the  
19 customers are recognizing this product and are paying  
20 more for it. So really, to take advantage of what's  
21 available, it's not just in China, but in several  
22 countries, to take advantage of it, we're designing as  
23 many features into these bedrooms as we can within an  
24 existing price range. We don't want to be too  
25 expensive, we have our defined market, but within that

1 market we're trying to put as much into it as we can.  
2 And so that's what we've done and it's been very, very  
3 successful.

4 So I would say that because the percent of  
5 sales of bedrooms has increased in relation to sofas  
6 or other products in the store, I feel we're clearly  
7 bringing new customers that we would not have brought  
8 otherwise. I don't know if it's a one-for-one  
9 replacement.

10 VICE CHAIRMAN OKUN: And I guess a little  
11 bit of the disconnect I'm trying to make sense of --  
12 it does not seem like looking at the data and hearing  
13 the testimony that this is a case where the domestic  
14 industry is only left in the niche of the high end.  
15 I mean, clearly high end domestic manufacturers. But  
16 I've heard a lot of talk about the value part, the  
17 good, better part, and that that, at least in some of  
18 the briefs from Respondents, it's seen as a category  
19 where the domestics ought to be fairly successful,  
20 because it's highly automated. So why -- that's what  
21 I'm trying to figure out. Why are their numbers going  
22 down so far?

23 MR. SEAMAN: I don't know. I mean,  
24 I believe that the domestic manufacturers for the most  
25 part cannot compete with the overseas manufacturers.

1 I just believe --

2 VICE CHAIRMAN OKUN: In all categories?

3 MR. SEAMAN: No, no. In bedrooms.

4 VICE CHAIRMAN OKUN: It doesn't matter?

5 MR. SEAMAN: Certainly, we're sort of at the  
6 medium and upper medium category in our stores and  
7 within that category, they just cannot. If they  
8 could, we would buy it.

9 VICE CHAIRMAN OKUN: They can't compete  
10 because they can't bring the same product in or can't  
11 compete because they can't sell it at the same price?

12 MR. SEAMAN: They can't sell the product  
13 that the consumers are desiring today for a price  
14 that's even close. They can't even -- you know,  
15 I think the disparity keeps widening, too, because  
16 it's so easy to add features overseas, we keep adding  
17 the features. And so the types of bedrooms that we're  
18 able to provide today for the money are so much better  
19 than we provided a few years ago. Even overseas  
20 compared to overseas.

21 I'm not a producer, so I don't know if it's  
22 a labor issue or if it's all these brand new factories  
23 and state-of-the-art automation. I'm not sure, but  
24 the combination package makes it very hard for these  
25 domestic producers to produce. And if they could, we

1 would buy it because it's very difficult to buy  
2 overseas. We have to carry a lot more inventory,  
3 there are long lead times, it's difficult travel.

4 VICE CHAIRMAN OKUN: Mr. Chipperfield?

5 MR. CHIPPERFIELD: Yes. I wonder if I could  
6 make a point here and this points out one of the  
7 problems with the very nature of this case and that is  
8 the assumption that furniture is a commodity and it's  
9 not. It's not about price. It's not like cold rolled  
10 steel or anything like that where it's all basically  
11 the same, it's just a matter of how much you're going  
12 to pay for it.

13 Furniture is very different. It's about  
14 quality, it's about style, it's about manufacturing,  
15 it's about value and the consumer has become very  
16 demanding. The consumer knows what she wants. And if  
17 you can satisfy the consumer, you can get the price.  
18 It's not all about price. It's like saying coffee is  
19 all about price, but somehow I still pay three bucks  
20 to go to Starbucks. It's not about the price. It's  
21 about what you give the consumer for that and imports  
22 have enabled us to satisfy a greater amount of the  
23 consumer demand by expanding our product line into  
24 areas that we would not be able to satisfy if we were  
25 trying to do that simply through domestic production.

1                   VICE CHAIRMAN OKUN: I'll try to get in one  
2 final quick thing here which is, Mr. Silverman, you  
3 had talked about Chinese home market demand and what  
4 the future might be in China for imports. Again,  
5 reading China is always difficult, but the one  
6 question I had is to what extent if you have any sense  
7 of what the bedroom furniture manufacturers for the  
8 Chinese market -- my impression is it's different and  
9 it may be even different manufacturers than those who  
10 are manufacturing for the Chinese versus the export  
11 market for a number of different reasons and I wonder  
12 if you included -- you may already have a breakdown of  
13 that, but I wondered if you did.

14                   MR. SILVERMAN: Let me just say all short  
15 Jewish lawyers are not the same. I think that was  
16 Mr. Jaffe.

17                   VICE CHAIRMAN OKUN: Oh, Mr. Jaffe. I'm  
18 sorry. Mr. Silverman, you usually make such good  
19 arguments, I just thought it was you, but Mr. Jaffe --

20                   CHAIRMAN KOPLAN: I'll stipulate to that.

21                   (Pause.)

22                   VICE CHAIRMAN OKUN: You've stunned  
23 Mr. Jaffe. He wasn't listening.

24                   MR. JAFFE: No, no. I thought you were  
25 complementing me by calling me Mr. Silverman.



1 VICE CHAIRMAN OKUN: Well, I was.

2 MR. JAFFE: We do not have a breakdown.  
3 What we have looked at is we know that relative to the  
4 information that you've collected, we've seen exactly  
5 from the pre-hearing staff report those major Chinese  
6 producers that service the United States. What we're  
7 saying here is that most of the capacity, however,  
8 that is talked about here with respect to the 50,000  
9 furniture producers, and I think it would be  
10 considerably less with regard to the wood bedroom  
11 furniture producers, are servicing China but we don't  
12 have the exact statistics on what is the breakdown  
13 there.

14 VICE CHAIRMAN OKUN: Okay. Thank you very  
15 much.

16 Thank you, Mr. Chairman.

17 VICE CHAIRMAN OKUN: Thank you, Madam Vice  
18 Chair. I didn't mind you moving into the red zone on  
19 that one.

20 Commissioner Miller?

21 COMMISSIONER MILLER: Thank you,  
22 Mr. Chairman.

23 Mr. Greenwald, I've been thinking about your  
24 comments a couple of times here in response, I think  
25 it was, to Commissioner Pearson about -- you said a

1 couple of times it's the majority of the industry says  
2 it's not being injured. That's a compelling basis for  
3 the commission to make a negative determination. So  
4 I've been thinking about that and I've been trying to  
5 think about previous cases, we've obviously had a lot  
6 of cases where the industry was involved in importing  
7 and I even remember a similar counsel, probably not  
8 you, making exactly that same comment. I would invite  
9 you to look at precedents on the cases. I know you  
10 cited a couple, but I think more recent precedents  
11 would be useful on the issue of industry imports and  
12 where it's clear that it's had an impact on the  
13 commission's decision.

14 But my specific question, other than just  
15 inviting you in the post-hearing brief to address any  
16 precedents that you think are relevant, doesn't the  
17 statute essentially protect against the situation  
18 you've described with the provisions of the Department  
19 of Commerce having to determine the support of the  
20 industry?

21 MR. GREENWALD: No, they're two completely  
22 separate issues. The first is is there standing to  
23 proceed? It is decided by the department, if they  
24 poll within, I think, 20 days of the petition and that  
25 decision is dispositive. You can't revisit it, you

1 can't go back to it, the case proceeds. But that  
2 question is very different from the question is the  
3 industry injured by reason of the dumped imports. And  
4 that is the question that you have to wrestle with.

5 If producers accounting for the majority of  
6 U.S. production say, no, we are not injured by reason  
7 of dumped imports, that's got to mean something. They  
8 presumably know what's going on with them or not. And  
9 I don't know why that wouldn't be one of the relevant  
10 economic factors, all of which you are to consider.  
11 As a matter of fact, I don't know why that wouldn't be  
12 one of the most relevant economic factors. They are  
13 telling you what their business is about and the issue  
14 here really comes down to a minority of U.S.  
15 production, saying in effect don't allow the  
16 majority -- or interfere with the majority's ability  
17 to pursue blended sourcing, to restructure sensibly,  
18 don't let them do it or at the very least put a  
19 barrier in the way.

20 And what the FBIs and the Furniture Brands  
21 and the Lexingtons and lots of others are saying that  
22 this is the future of our domestic industry, this is  
23 the way we make our domestic industry strong and  
24 viable. And the numbers in your staff report confirm  
25 that.

1                   COMMISSIONER MILLER: Okay. Obviously, our  
2 test is different, but I still have to take issue with  
3 your point that the determination by the Department of  
4 Commerce on support, if the numbers at that point in  
5 time were such as you're describing, the case would  
6 not go forward. Correct? If a majority of the  
7 industry had told the Commerce Department that they  
8 opposed the petition --

9                   MR. GREENWALD: The case would not have gone  
10 forward. That's true.

11                   COMMISSIONER MILLER: So by the statutory  
12 construction, it tries to prevent petitions in the  
13 kind of situation you're describing.

14                   MR. GREENWALD: Let's just say,  
15 hypothetically, that we had a domestic industry that  
16 was unified, you had 100 percent support when the  
17 petition was filed. And then 60 percent of U.S.  
18 producers say, oh, Christ, what have we done? We're  
19 biting off our nose to spite our face, this is one of  
20 the dumbest petitions you could possibly imagine, the  
21 best thing that can happen is that we lose, the worst  
22 thing that can happen is we win and you end up with a  
23 whole bunch of new capacity in Vietnam.

24                   And let's just say they go through that  
25 thought process and 60 percent says let's not do this,

1 but 40 percent say, wait a minute, we have standing.  
2 And it's true, they do have standing, but there is  
3 still this issue of what will happen, what are the  
4 consequences, is there the injury and the causation  
5 you require to proceed.

6 COMMISSIONER MILLER: And that is our job.  
7 I just -- to the extent that the statute sets up a  
8 test to prevent that case, it's at the Department of  
9 Commerce and your complaint with it is that it's at  
10 the beginning of the process, it doesn't allow for  
11 changes of thought during the course of the process.  
12 Right?

13 MR. GREENWALD: Well, sure. If we could go  
14 back to Commerce now and say you don't really have  
15 majority support, get rid of it, that would be fine,  
16 then I wouldn't have to come here and argue that  
17 it's --

18 COMMISSIONER MILLER: Right.

19 MR. GREENWALD: But there's not a rigidity.  
20 I mean, of all the government agencies that deal with  
21 this, it seems to me you have particularly wide  
22 latitude to take into account all economic  
23 considerations. Of course you look at domestic  
24 production and domestic return and the injury criteria  
25 in the context of how the domestic industry is doing.

1 But more broadly than that, you are trying to assess  
2 whether or not the imports are causing or threaten to  
3 cause material injury and when producers accounting  
4 for a majority of the U.S. production say to you  
5 effectively, no, they're not, that's got to mean  
6 something. It cannot be that the six of you will say,  
7 well, that's not a factor, that's neither a factor of  
8 competition nor is it a relevant economic factor, The  
9 statute is designed so that you can as a group get an  
10 economic truth.

11 COMMISSIONER MILLER: Okay. It is and  
12 I won't disagree with you that we have a fair amount  
13 of latitude. Our reviewing courts don't always see it  
14 that way. That's a bit of a problem.

15 MR. MARCUSS: The only thing I would add to  
16 that is that the standing issue cannot be dispositive  
17 of the injury issue, otherwise there would be no need  
18 for you to be here.

19 COMMISSIONER MILLER: No, no, no. But my  
20 point is that the law does have a way to prevent a  
21 case from going forward when the majority of industry  
22 opposes the case. It does provide -- it's not  
23 totally irrational on this point, it does have in it  
24 foreseeing a way that prevents that kind of --

25 MR. MARCUSS: It can stop it, but it doesn't

1 necessarily stop it, and when it gets to the ITC, the  
2 ITC has the opportunity to take, as John Greenwald  
3 says, a broader look at the overall economic  
4 situation. That's the only difference.

5 COMMISSIONER MILLER: All right, thank you.

6 You had suggested that you felt that what we  
7 had done was not consistent with Commission practice,  
8 and frankly, I think our view of it is that it is  
9 consistent. The way these costs are placed within  
10 operating income in the current staff report is  
11 completely consistent with Commission practice. So to  
12 the extent you're telling us otherwise, I just want to  
13 give you the opportunity to explain that a bit further  
14 because I don't think that is our view.

15 MR. GREENWALD: Let me start, if you'll  
16 indulge me, sort of trying to not have you think that  
17 you're prisoner to a practice if the practice doesn't  
18 make sense. When I was many years ago at the  
19 Department of Commerce people would come to me and say  
20 this is what we want to do. I'd say gee, that doesn't  
21 make much sense. They'd say the statute says so. And  
22 you'd read the statute and say no, regulations no, but  
23 that's our practice.

24 What I'm trying to get at here is the notion  
25 that the viability of the industry, the health, the

1 strength of the industry in fact is reflected in its  
2 return on continuing operations. That's what you're  
3 left with.

4 Mr. Bassett this morning said, quite  
5 rightly, we wrote off, I think his figure was \$8.5  
6 million. Well all right, but \$8.5 million is a lot of  
7 writeoff. In fact is he writing down goodwill in  
8 that? Is that just plant and equipment? Is there  
9 severance? There are all sorts of issues none of  
10 which go to the strength of the restructured  
11 continuing operations.

12 Now I don't want to get -- Again, I sort of  
13 don't want to -- I think it's a mistake for you to get  
14 hung up on formalities on the way things are  
15 characterized. Let me, it's a Confidential exhibit so  
16 I can't, or chart, but if you would go to page 36 of  
17 our brief.

18 COMMISSIONER MILLER: I have it.

19 MR. GREENWALD: You have some companies and  
20 some numbers. Look at them and understand that the  
21 difference as I interpreted the questionnaire response  
22 is strictly formality. That is one of the companies  
23 did not treat these restructuring costs as above the  
24 line costs, the other did.

25 What I am saying to you and what I'm really



1 urging you to do is Mr. Dorn ought to be free to argue  
2 the sense of his proposition. He ought to be able to  
3 say these are real costs, you have to take them into  
4 account.

5 Equally, I think we should be able to say  
6 what you must focus on is return on continuing  
7 operations because that's the only thing that will  
8 give you a sense of the strength of the domestic  
9 industry as it now stands and going forward for threat  
10 of injury. You have to know how they're doing on  
11 continuing operations.

12 All I'm asking is that the data be  
13 collected. The answer, well, GATT permits it, or we  
14 don't do it that way, or we haven't done it that way  
15 in the past, seems to me to avoid the substance of the  
16 issue for the formalities.

17 It would surprise me if not, of nothing else  
18 than sort of collective curiosity on the part of the  
19 Commission to find out how big these restructuring  
20 expenses really are. By our count, La-Z-Boy, for  
21 example, took a \$150 million worth of restructuring  
22 charges over the period of investigation. That  
23 matters.

24 Now all that said, you do have precedent  
25 which we have cited in our brief. I'm sure there is

1 precedent on the other side. But what I hope you  
2 would do on an issue that's this important is collect  
3 the data, look and see what it says, and then decide  
4 how important it is, then go back to Commission  
5 practice if that's where you wind up.

6 COMMISSIONER MILLER: (Laughter) Okay, I  
7 appreciate that. I did want to understand the degree  
8 to which, what your point was.

9 MR. GREENWALD: This matters a great, great  
10 deal in terms of how the financials have been reported  
11 to you.

12 COMMISSIONER MILLER: Thank you, I  
13 appreciate your answer.

14 CHAIRMAN KOPLAN: Thank you.

15 Commissioner Hillman?

16 COMMISSIONER HILLMAN: Thank you. I would  
17 join Commissioner Miller in asking for this because I  
18 do think we need to understand why the Commission  
19 should deviate from its prior practice. So I would  
20 join in the request to take a look at this in your  
21 post-hearing brief.

22 I have to say, for me part of it also goes  
23 to, to me, a lot of the nub of what you're arguing and  
24 my concern with it which is you're describing that we  
25 should regard this as a positive development that we

1 have, as you describe it, a smaller but healthier  
2 industry.

3 My concern is on both fronts. The problem  
4 with the smaller is when I look at many of the indicia  
5 in the statute of what are we supposed to be looking  
6 at to decide whether or not the industry has been  
7 injured are things like less production in volume,  
8 less number of employees, less output, less sales,  
9 less all of these things.

10 So you're describing to me smaller as a good  
11 thing, and on the other hand, to mean an awful lot of  
12 the statute would suggest that smaller means you're  
13 injured. You've lost sales, you've lost market share,  
14 you've lost two imports. I don't think there's any  
15 doubt about it. The domestic industry has lost market  
16 share to imports.

17 So part of your equation of this smaller and  
18 healthier industry then goes to this issue of which  
19 side of the ledger does it count on? You're saying it  
20 clearly counts on the positive side, and I'm  
21 suggesting that at least an awful lot of the statute  
22 would push you into saying it's on the negative side.  
23 Then you say the industry's healthier. Again, I'm  
24 looking at the data over the trends. If you're  
25 looking at operating income and volume, lots of other

1       indicia, particularly the revised data. Again, it's  
2       this downward trend. So I'm not sure as a factual  
3       matter, that you've ended up with in fact a healthier  
4       industry.

5                So I understand your point, but as you're  
6       briefing this I would ask you to sort of try to take  
7       this into account as to whether we should accept this  
8       concept that we've ended up with, a healthier and  
9       smaller industry that is not showing us that we have  
10      an industry that has in fact been injured by reason of  
11      imports.

12               MR. GREENWALD: You clearly have to take  
13      into account all the data, but let me go to  
14      Commissioner Pearson's point. This is not sort of a  
15      healthier industry, stronger industry because they're  
16      being forced out of production, because they are  
17      selling a lot less. It is a healthier industry  
18      because they are choosing to eliminate against  
19      corporate choice. That's why you have so much  
20      opposition to this petition. Corporate choice to  
21      downsize their U.S. production to focus on what they  
22      can do most efficiently.

23               If this were being forced upon the majority  
24      of U.S. producers I wouldn't be making this argument.

25               COMMISSIONER HILLMAN: Again, we're looking

1 at a lot of plant closings that have occurred. We're  
2 looking at a lot of people that have qualified for  
3 trade adjustments. We're looking at a lot of people  
4 that have been laid off. You're saying that was this  
5 positive choice, and you're right, this is what a lot  
6 of this case goes to is why all of those plant  
7 closings occurred, why all those people have been laid  
8 off. Was it a corporate decision for the betterment  
9 of the company or was it as a result of dumped imports  
10 from China? Obviously that's a lot of what we've got  
11 to describe.

12 I'm just saying as we think about this and  
13 as you brief this issue of not just these non-  
14 recurring costs but this overall issue of how do we  
15 take on board the fact that we do have significant  
16 numbers of domestic producers that have chosen also to  
17 be significant importers, what does that really say to  
18 us about where that leaves it? To understand that I  
19 think there is another side to it beyond what you've  
20 suggested in your brief.

21 I would join Commissioner Miller and Vice  
22 Chairman Okun in asking you to also look at what  
23 precedent there is out there. And I would  
24 specifically say if there is precedent, again, post  
25 the '88 Act, because I do think the '88 Act did change

1 this issue of how we're supposed to look at the issue  
2 of companies that are doing importing as well. So if  
3 there's significant precedent post-'88 because some of  
4 what you cited are cases that occurred prior to the  
5 changes in the '88 Act.

6 If I could go on to one other issue, and  
7 again, that's another place where as I understand it  
8 you're asking us to depart from Commission practice,  
9 and that's this issue of how we look at the pricing  
10 data. Because you've suggested that we need to look  
11 at this on a producer by producer basis. Again, I'm  
12 trying to make sure I understand the argument as well  
13 as understand why the Commission should depart from  
14 its standard practice in this manner. I don't  
15 disagree with your comments that we have a fair amount  
16 of latitude in these issues, I just need to make sure  
17 I'm comfortable with why I should go down that road.  
18 Either here or --

19 MR. GREENWALD: Well briefly here it would  
20 seem to me in the back and forth with Petitioners this  
21 morning you stated probably better than I did the  
22 point we're making. The reason why the aggregate  
23 numbers behave the way they do, but very few company  
24 numbers reflect that.

25 The way we put it is there is very little

1 serious evidence of U.S. producer pricing response to  
2 the Japanese. I stand by that. The only way you can  
3 assess that is go producer by producer in your  
4 questionnaire responses.

5 There is a volume issue which again you've  
6 recognized and we don't dispute. If what is going on  
7 in the numbers is that your aggregate prices of U.S.  
8 production are going down simply because of mix  
9 change, that's a volume issue, it's not a pricing  
10 issue. As I said, you stated it perfectly in this  
11 morning's back and forth, but we stand by the company-  
12 specific analysis we provided you.

13 COMMISSIONER HILLMAN: Mr. Chipperfield, if  
14 I can come to you. You stated in your brief and I  
15 think in response to a couple of questions your  
16 perception that this has been a very soft or a very  
17 difficult market over the last two or three years.

18 MR. CHIPPERFIELD: Yes, it has.

19 COMMISSIONER HILLMAN: I'm trying to make  
20 sure I understand why you think it's been so  
21 difficult. If we look at the data in front of us it  
22 would show fairly significant increases in consumption  
23 of the product. So overall increasing units sold,  
24 pricing, doing different things but fundamentally what  
25 would appear on the data to be a strong market from a

1 consumption standpoint. So from your end of it, why  
2 is it a bad market?

3 MR. CHIPPERFIELD: Two reasons. First of  
4 all you have to look -- If you're looking at 2001 as  
5 the base year, 2001 was probably one of the worst  
6 years in our industry's performance ever.

7 COMMISSIONER HILLMAN: From a volume  
8 standpoint, price standpoint?

9 MR. CHIPPERFIELD: From earnings, revenues,  
10 everything. It was just a very difficult year. It  
11 has gone up since 2001, but it's gone up from a base  
12 that was actually pretty bad.

13 You have to also compare it to the average  
14 annual growth of our industry in the years preceding  
15 that and particularly in the mid to late '90s when we  
16 were growing very rapidly and business was very good.

17 So what happened is it required everyone in  
18 the industry to slam on the brakes and adjust their  
19 business models. We've had slow periods in the  
20 furniture industry before but they've never lasted for  
21 a long period of time. It's always three to six  
22 months and then everybody's back into the marketplace.  
23 We simply didn't see that. It seemed like every time  
24 we thought things were going to get better they turned  
25 south on us again. That continued and it even



1 continues today.

2 I heard some testimony earlier today, I  
3 don't want to take up all your time, but this question  
4 about housing starts and home construction and the  
5 correlation between furniture sales and that. It is  
6 intuitive that that should make sense, and we used to  
7 track housing starts and existing home sales, and we  
8 used to track energy costs and interest rates and all  
9 those other metrics, but for whatever reason this is  
10 all diverged over the last two or three years and we  
11 are not tracking home construction and housing costs.

12 The only metric that we follow now where  
13 there's almost a lock-step relationship with the  
14 furniture industry is overall consumer confidence.  
15 When people feel good, they buy furniture. When they  
16 don't feel good, they don't. Furniture, I read that  
17 food is a necessity, air is a necessity, water is a  
18 necessity. Furniture is not a necessity. It is a  
19 highly postponeable, high discretionary, often  
20 emotional purchase. And when consumer confidence is  
21 down you have to lure the consumer back into the  
22 marketplace and you do that oftentimes not just with  
23 price but by offering them something new, something  
24 innovative, some sort of a product that will attract  
25 their attention so they will buy something, and that's

1 what the industry has been going through over the last  
2 two or three years.

3 COMMISSIONER HILLMAN: I appreciate that  
4 answer. I'm looking at numbers that would show a  
5 double-digit increase in consumption and that in these  
6 last few years strikes I think a lot of us as pretty  
7 good, so I appreciate your perspective on that.

8 MR. CHIPPERFIELD: Sure.

9 COMMISSIONER HILLMAN: Thank you, Mr.  
10 Chairman.

11 CHAIRMAN KOPLAN: Thank you.

12 Commissioner Lane?

13 COMMISSIONER LANE: I have just a few  
14 questions to follow up on some of the answers that  
15 some of you gave earlier. I want to start with Mr.  
16 Chipperfield.

17 Earlier I think this morning somebody said  
18 that Furniture Brands filed filings, is that correct?

19 MR. CHIPPERFIELD: Yes, we did.

20 COMMISSIONER LANE: Over what period of time  
21 was that?

22 MR. CHIPPERFIELD: We actually began closing  
23 plants at the beginning of 2001 so it would be since  
24 then, since January 2001.

25 COMMISSIONER LANE: Is it your testimony

1 that those closings were something other than import  
2 competition?

3 MR. CHIPPERFIELD: Those closings certainly  
4 were. Those were related to internal business issues  
5 that we needed to resolve. We took all of the  
6 operations that had been in Alta Vista, Virginia,  
7 closed those down and moved that to Tupelo,  
8 Mississippi, so that was an internal business issue.

9 I'm not going to try to convince anybody  
10 that people haven't lost their jobs because of  
11 competition from imports. That has happened. When we  
12 filed these applications for trade assistance we  
13 acknowledge that. Now clearly not all of that  
14 furniture is from China and not all of that furniture  
15 is bedroom furniture. There's a lot of different  
16 furniture that goes into these plants. But yes, we  
17 have filed those applications over the last three  
18 years.

19 COMMISSIONER LANE: Thank you.

20 My next several questions are for Mr.  
21 Seaman.

22 You said that part of the problem was that  
23 the domestic industry I think wasn't responding to  
24 some of your needs, for instance in the Florida  
25 market, and that the domestic industry wanted to sell

1 you giant batches of a different type of furniture and  
2 you wanted to get smaller batches to see if your  
3 customers wanted this furniture. Is that correct?

4 MR. SEAMAN: It is correct, but thinking  
5 about it, mostly before 2001. So I'm not sure if it's  
6 relevant.

7 I'll go into it if you'd like.

8 COMMISSIONER LANE: My question was, were  
9 you able then to get small batches of this furniture  
10 shipped from China?

11 MR. SEAMAN: Yes. The way the industry was  
12 aligned there were not that many medium priced bedroom  
13 suppliers in the United States, so we would go to the  
14 furniture market and we would be shown what the  
15 product was and we'd have a choice to see what the  
16 product is.

17 Whereas when we sourced overseas or anywhere  
18 else we would come up with what designs we wanted to  
19 have made; we would actually spec it and we could have  
20 it made. So there was much more flexibility on product  
21 development.

22 COMMISSIONER LANE: When you ship furniture  
23 from China and it comes over in containers, is that  
24 furniture always fully assembled or is some of the  
25 assembly done over here?

1           MR. SEAMAN: It's mostly assembled. Bedroom  
2 furniture -- dressers are assembled night tables are  
3 assembled, chests. We have to assemble beds  
4 sometimes. It's almost all assembled.

5           COMMISSIONER LANE: Before it's shipped over  
6 here.

7           MR. SEAMAN: Yes.

8           COMMISSIONER LANE: Mr. McAlister.

9           MR. McALISTER: Yes.

10          COMMISSIONER LANE: I'm not sure I  
11 understood what you said. You said when we were  
12 talking about the quality of the furniture that you  
13 were getting I think from Bassett, and you said that  
14 Bassett would not agree to a statistical audit.

15                 Now does that mean that you stopped sourcing  
16 from Bassett because they wouldn't agree to the  
17 statistical audit, or was it because the quality of  
18 the furniture was not okay?

19           MR. McALISTER: It goes hand in hand. If  
20 you're going to have a low defect rate, and by a low  
21 defect rate what I'm talking about is having something  
22 that's going to be under four percent. To be able to  
23 have that you have to have a good quality program in  
24 place. Part of that quality program that's in place  
25 has to be to have a good, final statistical audit and

1 be able to pull and be able to find those defects.

2 What we ask all of our manufacturers to do,  
3 there's a table we ask them to use. It's a Table A on  
4 the final statistical audit and it goes by whatever  
5 the size of the lot is, it tells them how many pieces  
6 they should pull and do a full inspection on.

7 So to give you an example, if it's going to  
8 be 100 pieces it might tell you that you've got to  
9 pull ten units, and on those ten units you should do a  
10 statistical audit. When you do that statistical audit  
11 it tells you how many defects you can have.

12 So let's just say it tells you right there  
13 that you can find one defect, and if you find that one  
14 defect it will pass. If you find more than one, it  
15 does not pass, and then Bassett would have to go back  
16 and take that whole 100 units and do a complete  
17 inspection. It's called a reinspection.

18 So for example, at that point that's where  
19 they would turn it over to our inspection team. We  
20 would come in and we would do our own final  
21 statistical audit on it. And like I was saying  
22 before, we're not fully burdened to do all of the  
23 statistical auditing for the suppliers. We ask for  
24 them to have their own good quality systems in place.

25 What we want to be able to do is just come

1 in and monitor their quality by doing random  
2 statistical audits. They did not have that in place  
3 and that created the high defect rates that I've given  
4 you.

5 Because of those high defect rates we  
6 weren't able to continue doing business with them, we  
7 did have to leave. It continued year after year.

8 COMMISSIONER LANE: So when we heard  
9 testimony this morning, and I think I asked you this  
10 before and maybe I've forgotten the answer. The  
11 statement was made this morning that the defects were  
12 at your end after it had been delivered to your  
13 operations rather than prior to it being --

14 MR. McALISTER: Prior to it going to our  
15 cost --

16 COMMISSIONER LANE: Right. Is that true?

17 MR. McALISTER: No, that's totally not true.

18 What Mr. Sanders was talking about was  
19 RTFWs, okay? Where we receive our merchandise, our  
20 furniture, and before we deliver it to the customer.

21 You have to discount that whole part of it,  
22 okay? Because when I'm talking before about that  
23 final statistical audit that they should be doing and  
24 then the random statistical audit that I am  
25 completing, I am doing all of that at their facility,

1 not at our facility. So all the numbers that I've been  
2 giving you have all happened right there so you have  
3 to discount that whole part.

4 COMMISSIONER LANE: Thank you.

5 The furniture that is made in China, is most  
6 of that furniture made with wood that comes from China  
7 or does a lot of the wood come from this country and  
8 it's shipped over there and manufactured over there  
9 and then shipped back as furniture?

10 MR. SANDERS: I think it's safe to say that  
11 most of the wood that's used in the manufacture of  
12 furniture in China is probably imported, much of it  
13 from America and other countries.

14 COMMISSIONER LANE: Thank you.

15 Mr. Chipperfield, did you want to say  
16 something?

17 MR. CHIPPERFIELD: No, I agree with that.  
18 Most of the wood they use is imported.

19 COMMISSIONER LANE: Thank you.

20 That's all the questions I have, Mr.  
21 Chairman.

22 CHAIRMAN KOPLAN: Thank you, Commissioner.  
23 Commissioner Pearson?

24 COMMISSIONER PEARSON: Permit me to go back  
25 for a minute to Commissioner Hillman's point about



1 demand in the marketplace.

2 As she indicated, our figures which are  
3 measured in terms of value of domestic consumption do  
4 indicate some relatively robust growth in consumption  
5 over the period of investigation.

6 Mr. Chipperfield, the figures that you  
7 cited, roughly a one percent increase, does that  
8 reflect value or does that reflect pieces?

9 MR. CHIPPERFIELD: No, I understand that's a  
10 dollar figure. That's from the American Furniture  
11 Manufacturers Association and it would represent  
12 dollars.

13 COMMISSIONER PEARSON: Would it be possible  
14 to get that information on the record if it's not  
15 already?

16 MR. CHIPPERFIELD: It's publicly available.  
17 It's an industry organization and they publish the  
18 information so I'm certain we can.

19 COMMISSIONER PEARSON: If your comment had  
20 reflected pieces then I thought well, perhaps the  
21 point Mr. Seaman raised, that he's selling higher  
22 value product for a couple of hundred dollars more,  
23 that that could explain what we see going on in the  
24 statistics, but anything more that could enlighten us  
25 on that would be helpful.

1                   Looking ahead the next year or two what do  
2 you folks see for demand?

3                   MR. CHIPPERFIELD: I'll take a shot at that.  
4 I get that question from the buy and sell side  
5 analysts all the time. I wish, and they're waiting  
6 now for this answer, I'm sure.

7                   We don't know. We have about four to six  
8 weeks of forward visibility which means the orders we  
9 have in-house today are the ones we're going to be  
10 shipping in four to six weeks.

11                  As I said, we keep track of consumer  
12 confidence and consumer confidence has been going  
13 down, but consumer confidence, as you know, consists  
14 of two different components. One of them is how do  
15 you feel today and the other is how do you think  
16 you're going to feel six months from now?  
17 Unfortunately the six months from now figure is the  
18 lower of the two right now, rather than the how do you  
19 feel today. It doesn't offer well for what we're  
20 looking for.

21                  There have been so many things on the minds  
22 of the consumer recently. I think the election,  
23 certainly everybody wanted to get the uncertainty  
24 behind us. Energy costs have been affecting consumer  
25 attitudes. The stock market has been affecting,

1 international events have been affecting. All I can  
2 tell you is I think we need a little bit of resolution  
3 on one or more of those fronts before the consumer is  
4 going to very actively get back into the marketplace.  
5 Although I'll tell you we have been, some of the  
6 conversations we've had with retailers recently  
7 convince us that maybe, just maybe, we're beginning to  
8 see a turn. We just don't know whether it's going to  
9 be sustainable in any way.

10 COMMISSIONER PEARSON: Any other comments on  
11 demand looking forward?

12 MR. SEAMAN: One other thing I'd just add  
13 sort of into the demand equation is interest rates.  
14 We are somewhat interest rate sensitive, and the  
15 housing market has affected us in a large way. As  
16 well as consumer confidence and energy as well. When  
17 the refinancing sort of ebbed, business took a little  
18 bit of a dive. When the refis are increasing business  
19 increases too. It's hard to forecast demand, but I  
20 would just say the housing market's going to play a  
21 major role.

22 COMMISSIONER PEARSON: Any other comments?

23 If you have something you can put on the  
24 record regarding projections of demand looking ahead,  
25 that would be great.

1           Earlier, I think Mr. Chipperfield perhaps it  
2 was you who discussed the issue of the transition  
3 that's occurred among U.S. retailers that has  
4 increased their leverage to put pricing pressure on  
5 suppliers. I think that's basically what you were  
6 saying.

7           MR. CHIPPERFIELD: Yes, I think that's fair.

8           COMMISSIONER PEARSON: We've seen that as a  
9 Commission in some other industries. Obviously there  
10 has been a lot of transition in retail over the last  
11 number of years, but in this particular case what  
12 would have been the effect on the pricing pressure of  
13 retailers if there had been no Chinese furniture  
14 available in the marketplace? Would they still have  
15 had the same degree of pricing pressure? Or was the  
16 availability of that relatively low-priced furniture a  
17 factor in increasing their leverage?

18           MR. CHIPPERFIELD: I don't think so. If you  
19 look back historically the first of the major retailer  
20 failures in our industry was Heilig-Myers and that was  
21 back at a time when imports were considerably less  
22 than they are today. They failed for reasons totally  
23 unrelated.

24           This industry is very very fragmented as I'm  
25 sure you've begun to understand just in trying to

1 accumulate all this data. Because of the nature of  
2 the industry it's highly fragmented on both the retail  
3 and the manufacturing side. It's sort of a natural  
4 consolidation of the industry that has begun and I  
5 think that would have been taking place in any event  
6 notwithstanding imports.

7 COMMISSIONER PEARSON: Right, but ought we  
8 not to focus not on the retailers that are failing but  
9 rather on those that are succeeding and growing and  
10 perhaps building some pricing leverage for themselves?

11 MR. SEAMAN: I can answer that, I'm sure  
12 Clancy can answer that, too.

13 We've been growing over the last several  
14 years and we have been increasing the price for our  
15 suppliers to the extent that we can. But I would say  
16 this, that if there were no bedrooms coming out of  
17 China they'd probably be coming out of some other  
18 country, and they are today.

19 Vietnam, Malaysia, Thailand, Indonesia,  
20 Brazil, Chile, all this has pressure on pricing.  
21 Every time, you know, there's pressure within the  
22 United States on pricing. There's pressure on non-  
23 bedroom items. So there's always going to be this  
24 push/pull. My gut feel is if there was not one  
25 bedroom made in China the production would just be

1       somewhere else.

2                   COMMISSIONER PEARSON:   Mr. Reilly?

3                   MR. RIDLEY:   This is Clancy Ridley from  
4       Haverty.

5                   I agree with Jeff and Charlie.  We bring in  
6       imported product from Asia, a good bit of it, various  
7       countries in Asia.  We bring goods in from Poland.

8                   I think that the larger retailers would go  
9       wherever there are values to be had, where the value  
10      proposition exceeds that which can be found  
11      domestically.  There's a lot of competition among the  
12      manufacturers to sell to the big retailers.  It's  
13      efficient to sell to us because we can order a full  
14      container or an entire cutting.

15                  So I think we like to do what undoubtedly  
16      Rooms To Go does and the other major chains, is to say  
17      this is what we have in mind.  Can you build it to  
18      meet this price requirement?  Then we get down to  
19      negotiating.

20                  But if it didn't come from China, if China  
21      had never started exporting furniture, I'm confident  
22      that we would be looking to, fill in the blank --  
23      Brazil, Italy, Indonesia, Philippines, maybe even one  
24      day India.

25                  COMMISSIONER PEARSON:   Okay.  Mr. Reilly?

1                   MR. REILLY: Commissioner Pearson, thank  
2 you.

3                   I guess the question really is what effect  
4 would the consolidation of the retail sector have on  
5 the industry. Clearly if you get consolidation at the  
6 retail sector, larger units covering larger markets,  
7 the retailer's market power is going to increase.

8                   Now let's assume for a minute that, make an  
9 extreme assumption, that there are no imports  
10 available. Okay. The retailers having greater market  
11 power and having a fragmented manufacturing industry,  
12 supplying industry, developed a substantial amount of  
13 monopsony power. They can force retailers basically  
14 to consolidate themselves, become more efficient  
15 suppliers by increasing their scale and improving  
16 their distribution, all aspects of the logistic chain  
17 including manufacturing. That means there are going  
18 to be some smaller and less efficient companies that  
19 are forced out of the industry. That's the result  
20 that occurs in any consolidation.

21                   So even if there were no imports available  
22 the consolidation of the retail sector would force a  
23 consolidation in the fragmented manufacturing sector,  
24 and that's really largely what we've seen here. If  
25 you look at the data, and I'm not compromising any APO

1 information here, the larger guys are doing better  
2 than the smaller guys.

3 The other point is that assuming imports are  
4 available or some other source of less expensive  
5 product is available, that consolidation and the  
6 increased market power on the part of the retailers  
7 will force the competing manufacturers to get product  
8 where they can get it most efficiently, whether it's  
9 China, Malaysia, Canada or whatever.

10 COMMISSIONER PEARSON: Thank you.

11 Mr. Greenwald, one quick one for the post-  
12 hearing. I mentioned this morning that the data  
13 discrepancy that we see between Table 2-1 and Tables  
14 3-3 and 3-4, and this had to do with purchasers  
15 reporting that they were purchasing more wooden  
16 bedroom furniture from U.S. manufacturers, and  
17 manufacturers reporting that they were selling less.  
18 So if you could look at that and say anything about it  
19 that would be helpful, that would be great.

20 MR. GREENWALD: I'd be happy to.

21 CHAIRMAN KOPLAN: Thank you, Commissioner,

22 Mr. Jaffe, on page seven of your pre-hearing  
23 brief on behalf of the coalition you state, and I  
24 quote, that "Few producers provided the detailed  
25 information to permit staff to contact firms to verify



1 the allegations," and you're referring to allegations  
2 of lost sales there.

3 I note that pages 212 and 213 of the staff  
4 report indicate that when U.S. producers were asked if  
5 their firms had lost floor space at retailers to  
6 importers of the subject product from China since  
7 January 2001, 21 producers reported that they had and  
8 15 reported they had not.

9 Purchasers that are retailers reported that  
10 the floor space allotted to domestic bedroom furniture  
11 had increased in four instances, decreased in 19, and  
12 remained the same in 24.

13 In our preliminary determination we stated  
14 that, and I quote, "The gain or loss of slots in any  
15 retailer can affect the overall volume of merchandise  
16 shipped by a producer or an importer." That's at page  
17 25 of our determination.

18 Given the acknowledge importance of access  
19 to retail floor spaced in this market, isn't this type  
20 of evidence more probative of injury than traditional  
21 lost sales data?

22 Do you want to do that post-hearing?

23 MR. JAFFE: Well, just briefly to me the  
24 lost sales and lost revenue data is one of the most  
25 important things that you look at for purposes of

1 causation, and when you look at the lost sales and the  
2 lost revenue data that is presented and described in  
3 the staff report, what you see is you don't actually  
4 see any links here to causation. I think this was  
5 particularly evident and kind of unusual to find in a  
6 case of this size and magnitude that there was  
7 actually very little or almost none ability to link  
8 the lost sales directly and the lost revenue directly  
9 to the subject imports. So I think that's really what  
10 we were looking at and pointing out to the Commission  
11 in our pre-hearing brief.

12 CHAIRMAN KOPLAN: What importance would you  
13 attach to access to retail floor space in this market?  
14 Are you saying there's no significance?

15 MR. JAFFE: No, I think we described also in  
16 our pre-hearing staff report something about when we  
17 discussed the access to the slots and everything like  
18 that, but I think we may once again be mixing  
19 arguments here and points.

20 I'll take a look at it and respond further  
21 in a post-hearing.

22 CHAIRMAN KOPLAN: Mr. Reilly, at page 47 of  
23 Petitioners' pre-hearing brief they argue, and I  
24 quote, "This is an industry with relatively high  
25 variable cost that tends to curtail employment,

1 production and capacity to avoid incurring operating  
2 losses in the face of dumped imports. This means that  
3 the operating margin does not present a full picture  
4 of the effects of dumped imports on the industry's  
5 profitability, and that the changes in operating  
6 income provide a truer measure of these effects."

7 I assume you disagree. Would you please  
8 comment?

9 MR. REILLY: It may come as a surprise, but  
10 I don't disagree.

11 CHAIRMAN KOPLAN: Should I move on to my  
12 next question?

13 MR. REILLY: Well, let me give you a  
14 slightly different interpretation.

15 I think that operating income is always a  
16 better income of performance than margin because as  
17 one of my business school professors says, you can't  
18 spend percent. All you can spend is money.

19 So when your operating income goes down,  
20 you're worse off than you were before your operating  
21 income went down.

22 So yeah, operating income is a better  
23 indicator of performance over time than operating  
24 margin.

25 That said, I think you have to purge the

1 one-time cost from that analysis to get a good  
2 indication of continuing performance.

3 I would note that if you examine La-Z-Boy's  
4 10Ks and 10Qs and Bassett's 10Ks and 10Qs, they go to  
5 great lengths to explain exactly how these one-time  
6 costs have affected their operations and what their  
7 operations would look like without them.

8 CHAIRMAN KOPLAN: I thought I was just about  
9 there with you, Mr. Reilly.

10 This is for Mr. Zaucha and Ms. Noonan. Page  
11 four of the joint pre-hearing brief of Maria Yee and  
12 others, it states that "Joinery wooden bedroom  
13 furniture should be excluded from the wooden bedroom  
14 furniture non-joinery wooden bedroom furniture subject  
15 to this investigation because it's a niche product,"  
16 and you all have testified to that today as well.

17 Then you go on and say, "Therefore joinery  
18 furniture is not a cause of material injury and does  
19 not threaten material injury of the U.S. industry."

20 Then you conclude by saying, "Consequently,  
21 in the event that an antidumping duty order is issued  
22 by the Department of Commerce, the Commission should  
23 instruct the Department of Commerce to exclude joinery  
24 furniture from the scope of the order."

25 I inform you that the Commission lacks the

1 authority to instruct Commerce to alter its scope.  
2 What would your fall-back argument be on that,  
3 assuming I'm correct?

4 MR. ZAUCHA: Obviously the most conventional  
5 way that the, and let me back up a minute.

6 We start from the proposition that very  
7 clearly the furniture that we are talking about which  
8 is joinery furniture from China, is not causing any  
9 injury to the U.S. producers and indeed in part  
10 because they don't produce anything like it in the  
11 United States. So if that dictates the result that  
12 you've got a product being imported that can't be  
13 correlated to anything which is causing harm or any  
14 industry in the U.S. which is being harmed, there has  
15 to be an appropriate legal mechanism to exclude those  
16 imports.

17 The most conventional way for the Commission  
18 to do it, obviously, is to judge that the product  
19 constitutes a separate like product and assessing the  
20 impact on the relevant U.S. industry determine that  
21 it's not causing injury and therefore to exclude that  
22 separate like product --

23 CHAIRMAN KOPLAN: I appreciate your  
24 argument. My question is do you agree, though, that  
25 we do not have the authority to instruct Commerce to

1 change its scope?

2 MR. ZAUCHA: That was perhaps an expression  
3 that was overly literal. We were intending to convey  
4 more the spirit of it which is we believe the  
5 Commission does have the authority even if they were  
6 not to determine there was a separate like product, to  
7 either exclude joinery from the scope of like product  
8 or for that matter to expressly exclude joinery  
9 product from any affirmative injury finding, in which  
10 case the Commerce Department would not have the  
11 authority to extend the scope of the order. So we  
12 were perhaps a little bit overly pushy in terms of the  
13 phrasing of what you would do, but the consequence of  
14 your decision indeed, in our belief, would be to cause  
15 the Department not to impose the order as to joinery  
16 furniture.

17 CHAIRMAN KOPLAN: I think the answer to my  
18 question was just "yes", but I --

19 MR. ZAUCHA: I'm a lawyer and we can't just  
20 say yes.

21 CHAIRMAN KOPLAN: I can.

22 (Laughter)

23 CHAIRMAN KOPLAN: On pages 41 to 42 of  
24 Petitioners' pre-hearing brief they quote the  
25 president and owner of American Furniture Warehouse, a

1 nine-store Colorado retail chain and a member of the  
2 FRA as saying, "We'll buy American ... can't compete  
3 on price."

4 The source for this quote is an article in  
5 the Roanoke Times and World News on December 2, 2003.

6 I would factor that example into my price  
7 analysis but I welcome any argument you wish to make  
8 to the contrary. Anyone?

9 MR. GREENWALD: If he said it, he said it.

10 MR. REILLY: Mr. Chairman, John Reilly, I do  
11 have I think a partial response to that. That is that  
12 it's really beside the point because we have a  
13 situation where the cost advantage and price advantage  
14 that the foreign producers enjoy, the Chinese, is  
15 substantially greater than the dumping margin. That  
16 said, any advantage they have in pricing is not due to  
17 the dumping. It's due to basic fundamental cost  
18 advantages. To be specific, dumping margins are in  
19 the order of eight percent here for the most part.  
20 Figuring transportation costs, that translates into a  
21 landed cost increase after the dumping margin of  
22 around 6.5 percent.

23 We've heard Jeff Seaman say that the Chinese  
24 have a minimum 20 percent advantage. We've heard much  
25 greater cost advantages described, I should say price

1 advantages described by the Petitioners this morning.  
2 We have underpricing margins substantially in excess  
3 of 20 percent. What that basically says is that the  
4 dumping margin that Commerce has come up with really  
5 has had no effect at all on the trade in furniture  
6 between China and the United States. It's basically  
7 been as Mr. Greenwald said, the economic fundamentals.

8 CHAIRMAN KOPLAN: If I can take just one  
9 moment I have one quick one here to follow up.

10 In their brief at page 20 Petitioners quote  
11 the CEO of Furniture Brands of stating in May 2002  
12 that, "Imports have completely changed the price/value  
13 relationship in our industry. We're experiencing  
14 price deflation. High quality products manufactured  
15 offshore are being sold at a price substantially lower  
16 than domestic-made products of similar quality."

17 It would seem to me that's a direct  
18 admission that subject imports have caused price  
19 depression. My time is up, so I'll let you respond to  
20 that on my next round.

21 Vice Chairman Okun?

22 VICE CHAIRMAN OKUN: Mr. Chairman, why don't  
23 they go ahead and respond to it right now.

24 CHAIRMAN KOPLAN: I really appreciate that.

25 MR. CHIPPERFIELD: Lynn Chipperfield from



1 Furniture Brands.

2 I'm familiar with the comment that he made.  
3 That was a speech that he made before the Mississippi  
4 Economic Council. The theme of the speech was how we  
5 go about competing in the international marketplace.

6 If you look at the speech what he said after  
7 that was we're in a global market and a global economy  
8 and if we aren't prepared to compete internationally  
9 then we will lose. He said, "I remind our company  
10 presidents often of the law of the jungle. The fast  
11 eat the slow. And in a rapidly transitioning business  
12 environment, those who drag their feet or resist  
13 change altogether will not survive."

14 That was the theme of the speech. It was a  
15 motivational speech before Mississippi businessmen to  
16 convince them that if we want to succeed as  
17 businessmen in this country we have to embrace the  
18 global environment.

19 VICE CHAIRMAN OKUN: Did that answer your  
20 question, Mr. Chairman?

21 CHAIRMAN KOPLAN: Yes, it did.

22 VICE CHAIRMAN OKUN: Thank you. Thanks for  
23 those responses.

24 I don't have any more questions this  
25 afternoon. You've provided a lot of information, a

1 lot to think about, and I will look forward to your  
2 post-hearing submissions. With that, Mr. Chairman, I  
3 have no more questions.

4 CHAIRMAN KOPLAN: Thank you.

5 Commissioner Miller?

6 COMMISSIONER MILLER: Mr. Chairman, the only  
7 question that I might like would be whether my  
8 colleagues would also be interested in seeing the  
9 furniture demonstration by Ms. Yee that we were sort  
10 of promised if it wouldn't take too long.

11 CHAIRMAN KOPLAN: I have no problem with  
12 that. I will mention for the record that I saw the  
13 Vice Chairman put it together in less than two  
14 minutes.

15 (Laughter)

16 COMMISSIONER MILLER: I missed it.

17 CHAIRMAN KOPLAN: That happened right up  
18 here on the dias.

19 MS. YEE: Is it correct? You put it  
20 together the correct way?

21 COMMISSIONER LANE: And why don't you say  
22 that I couldn't even begin to do it any more?

23 CHAIRMAN KOPLAN: I didn't notice that.

24 No, I have no problem with that.

25 COMMISSIONER MILLER: Ms. Yee?

1                   It missed me. I didn't get my chance. I  
2 must have been grilling Mr. Greenwald about some legal  
3 proposition at that moment.

4                   MS. YEE: Can I use this one?

5                   (Laughter)

6                   CHAIRMAN KOPLAN: Can we all see the Vice  
7 Chairman from here?

8                   COMMISSIONER MILLER: I have a boy and they  
9 have girls. No, --

10                  CHAIRMAN KOPLAN: Do you want to do it for  
11 us?

12                  MS. YEE: In fact this is with Health Stores  
13 Associated to try to use the way to ask the consumers  
14 when they come to buy the furniture. They ask them  
15 anyone can put them together. Most of the time if  
16 they have friend it's the father and the son, they are  
17 interested and try to put them together, and some of  
18 the sales associates have told us sometimes it's the  
19 father and the son make the final decision and they  
20 want to buy them and bring it home to see the changes  
21 for the climate and the furniture joinery, how it  
22 works.

23                  I think I provided this seat to you. One  
24 side is our typical sideboard. I have a circle here  
25 and this a corner. This how we put our joinery

1 furniture together without fasteners.

2 If you have a joinery kit, just like on the  
3 diagram, and this two pieces on the corners. You see  
4 the joinery here. So we need to put them together.

5 When you put it you can have the hand  
6 filling, you can just sit it. It cannot be too loose  
7 or too tight. Too loose, you cannot put them  
8 together.

9 Then look at this part. Is three-  
10 dimensional cutting. Is a lot like a dowel. Then here  
11 we put them together.

12 So we form a corner and this corner is a  
13 three-dimensional to hold pieces, we call the frame  
14 together without any fasteners, any screw or nails.

15 Then also there's two ways, and lots of  
16 people ask, there's two handles here. Which one  
17 should go on the top? This is why I ask if you put it  
18 correctly. This is two ways for the functions. If  
19 you want the flat surface you need to put the pieces  
20 here on the top so you can form a flat surface. Also  
21 on the side of the cabinet, and this is flush on other  
22 panel. This is flush and some of the people they will  
23 use the faster way outside, but the way what we did is  
24 we put it like this so we form a very clean line here.

25 So this way the frame could allow, because

1 we use all solid wood. Even the back of the cabinet  
2 or the armoire or the top or the drawers is 100  
3 percent solid wood, so when the solid wood we all know  
4 they need to breathe. It's live wood. They need to  
5 breathe, shrink or expanded during the climate  
6 changes.

7 So this is to allow every single panel to  
8 have the movement. That's a challenge. So that's how  
9 we put them together without any fasteners. Any  
10 questions?

11 COMMISSIONER MILLER: Do you use glue to put  
12 it together once this is done?

13 MS. YEE: Yes, we do.

14 COMMISSIONER MILLER: But no other --

15 MS. YEE: No nails and screws.

16 COMMISSIONER MILLER: Just glue is used to  
17 hold it into this position.

18 MS. YEE: Yes. It's a three-dimensional  
19 hold them together so you don't need any fasteners.  
20 You put the glue on.

21 COMMISSIONER MILLER: Thank you. I  
22 appreciate your being here today and having traveled  
23 so far. Definitely I wanted you to have an  
24 opportunity to show us. Thank you very much.

25 MS. YEE: Thank you.

1                   COMMISSIONER MILLER: Mr. Chairman, I have  
2 no further questions.

3                   CHAIRMAN KOPLAN: Thank you.

4                   I thank you as well for doing that.

5                   Commissioner Hillman?

6                   COMMISSIONER HILLMAN: I just had a couple  
7 of further questions on this issue of the joinery  
8 furniture.

9                   One is do you have a sense of how  
10 significant a presence this furniture is in the U.S.  
11 market? What portion of total wooden bedroom  
12 furniture sold would be made by this joinery process?

13                   MR. ZAUCHA: I will answer initially. The  
14 only product that we're aware of of joinery from China  
15 that is imported and sold in the United States is  
16 Maria Yee's, and our sense, although we can treat this  
17 in the post-hearing brief, is that this is an  
18 extremely small portion, perhaps even negligible.

19                   COMMISSIONER HILLMAN: Is there any domestic  
20 production?

21                   MR. ZAUCHA: We are not aware of any  
22 domestic production. I might let the Yees speak to  
23 this because one of the things they did when they  
24 first started developing their product was to try to  
25 find some people in the United States that had the

1 classic joinery skills that they might even rely upon  
2 to help them start their business and they couldn't  
3 find any source of that.

4 We think there may be some smaller  
5 operations that do sort of hand-crafted joinery  
6 products on a fairly low volume scale, but they're not  
7 aware of any sort of producer in any volume that would  
8 certainly do it, but I'll let the Yees comment to that  
9 specifically.

10 MR. YEE: Commissioner, yes. There are  
11 craftsmen in the U.S. that do this kind of joinery  
12 work. Most of them learn it from China or Japan. And  
13 in fact we know them well, some of them, in our  
14 hometown in Santa Cruz. But the general answer is why  
15 work for somebody else when they could be their own  
16 boss? They accept commission work and they would work  
17 with their clients to design and make exactly what  
18 their client wants.

19 We, when we first start our business, we  
20 actually got with the College of Redwood in Fontback  
21 [ph], California, and also North Vaness Street School  
22 in Boston. Both of these schools are well known  
23 schools for training craftsmen, but they do not train  
24 craftsmen to do the kind of furniture that we produce.  
25 So in a way you have to go back to China and also

1 organize our own factory and to it.

2 COMMISSIONER HILLMAN: Just so I understand  
3 it, your point is that the definition of this product  
4 is simply something that is fastened with the absence  
5 of a metal fastener -- a staple, a screw, a nail or  
6 something else. Is that your sense? Or is it a  
7 particular way of joining it that you're saying  
8 defines what you're describing as this joinery  
9 furniture?

10 MR. YEE: Since we are only familiar with  
11 the things that we know, so we ask that question. And  
12 also too, we try to ask the craftsmen around here.  
13 Most of them acknowledge that this technique is of  
14 Chinese origin. In fact most of them don't do  
15 complete work like us. They would handle one thing or  
16 another thing, but never complete work.

17 COMMISSIONER HILLMAN: Just so I understand,  
18 what you're describing is a product where the  
19 definition of it in terms of how it's distinguished  
20 from all other wooden bedroom furniture, is that it is  
21 made with the absence of a metal fastener.

22 MR. YEE: Exactly. Just like what the staff  
23 has find through the Smithsonian Institute.

24 COMMISSIONER HILLMAN: I would to some  
25 degree share the question earlier in terms of where



1 does this take us in terms of the law. I understand  
2 your point. Obviously one of the questions I had was  
3 have you asked the Commerce Department to exclude  
4 this? Have you filed a scope petition with the  
5 Commerce Department, and what was the response?

6 MS. NOONAN: For the record, this is Nancy  
7 Noonan.

8 The Department actually closed the  
9 opportunity to file any new scope comments. Scope  
10 comments that were filed within the first few weeks of  
11 the petition being filed, the Department allowed a  
12 hearing on those comments. Based on their June 30  
13 memorandum, scope memorandum, but the department said  
14 at that hearing we know this is highly unusual but we  
15 have closed the comments and they would not accept any  
16 additional comments on scope.

17 COMMISSIONER HILLMAN: Okay, I appreciate  
18 that.

19 Obviously one of the issues that you may  
20 want to address is, if we find that there's no  
21 domestic industry corresponding to these joinery  
22 products, the law is obviously clear that we must  
23 nonetheless define a like product corresponding to the  
24 products in the scope, so I'm still struggling with  
25 where does this take us. In the absence of the

1 ability to do anything on the scope side, it's not so  
2 clear to me where this leaves us. If there is not any  
3 domestic production of this.

4 MR. ZAUCHA: Actually in our pre-hearing  
5 brief and we'll obviously follow through in our post-  
6 hearing brief, we set forth each alternative  
7 possibility in terms of how the commission might view  
8 the existence of the lack of existence of the U.S.  
9 industry that would be associated with joinery  
10 products. Based on our analysis, we believe  
11 regardless of whether you determine there is no  
12 industry or there is a particular manufacturer or  
13 manufacturers that produce something most similar, or  
14 there is an industry but perhaps entities which have  
15 not been covered by your investigation to date because  
16 the Petitioners aren't included in that industry, that  
17 regardless of how you come out in viewing the  
18 associated U.S. industry, we think legally the only  
19 result that's dictated is to determine that there is  
20 no injury.

21 COMMISSIONER HILLMAN: Again, we can only  
22 get to there if we've got a separate like product.

23 MR. ZAUCHA: We understand that.

24 COMMISSIONER HILLMAN: If there is anything  
25 further on this issue, also the size of the domestic

1 industry, I happened to grow up right near a  
2 significant Amish community, saw a lot of their  
3 product. It's not clear to me that if the definition  
4 is simply the absence of metal fasteners whether an  
5 awful lot of that type of furniture might not also --  
6 Again, it's not clear to me whether we know everything  
7 that we need to know in terms of making this decision,  
8 so if there's anything further you wanted to add in  
9 the petition --

10 MR. ZAUCHA: Actually, maybe I can ask Steve  
11 Freeman who is one of the purchasers, I know they at  
12 some point decided they wanted to buy a joinery  
13 product and actually tried to establish a source in  
14 the United States.

15 MR. FREEMAN: We actually did work with the  
16 Amish in the Ohio communities of Berlin and some  
17 souther Ohio cities to try to get products made like  
18 this. They do use a joinery type product, but when we  
19 wanted completely flush tops with three-dimensional  
20 corners, they just did not want to attempt that  
21 because they were afraid of the expansion/contraction  
22 problems they would run into.

23 We also worked with an existing vendor that  
24 we had in the Vermont area as well as one in  
25 Wisconsin, trying to get them to create this parsons-

1       like look that is part of it without metal fasteners.  
2       It's not that it does not exist, it does. But it's  
3       the uniqueness of her joinery that allows her to do  
4       what she does with it that is so critical to what  
5       we're trying to do.

6                 COMMISSIONER HILLMAN: I appreciate those  
7       responses. Thank you very much.

8                 I have no further questions, but I do want  
9       to thank everyone. It's been a long day and we very  
10      much appreciate your patience and all your answers.  
11      Thank you.

12                CHAIRMAN KOPLAN: Thank you, Commissioner.  
13                Commissioner Lane?

14                COMMISSIONER LANE: I have nothing.

15                CHAIRMAN KOPLAN: Commissioner Pearson?

16                (No audible response.)

17                CHAIRMAN KOPLAN: Nor do I.

18                Apparently there are no additional questions  
19      from the dias. Mr. Deyman, does staff have questions?

20                MR. DEYMAN: The staff has no questions.

21                CHAIRMAN KOPLAN: Mr. Dorn? Do you have  
22      questions of this panel before I release them?

23                MR. DORN: No questions, Mr. Chairman.

24                CHAIRMAN KOPLAN: Thank you.

25                I want to thank the members of this panel

1 for their testimony and their answers to all of our  
2 questions. It's been extremely helpful.

3 We'll take a one minute break while the  
4 table is cleared and then we will move forward.

5 (Whereupon, a brief recess was taken.)

6 CHAIRMAN KOPLAN: Mr. Dorn, the Petitioners  
7 have a total of four minutes remaining from your  
8 direct presentation plus five minutes for closing. Do  
9 you intend to use any of the four minutes for  
10 rebuttal? If not, we can proceed directly to closing.

11 Mr. Greenwald --

12 MR. DORN: Mr. Chairman, I'm sorry. I'd  
13 like to use the time for rebuttal and for closing if  
14 that's possible.

15 CHAIRMAN KOPLAN: Okay. Let me know what  
16 Mr. Greenwald know what he has as well.

17 You have two minutes left from your direct  
18 and five for closing. You can decide, do you intend  
19 to use any of the two minutes for rebuttal?

20 MR. GREENWALD: I don't think I'll need it.

21 CHAIRMAN KOPLAN: All right, Mr. Dorn, why  
22 don't we start with you?

23 MR. DORN: Thank you.

24 This is a rare case in my experience where  
25 virtually all of the statutory factors that you look

1 at point in one direction and that's in the direction  
2 of an affirmative determination based upon material  
3 injury.

4 Starting with the volume of imports, there's  
5 no dispute that imports have basically tripled during  
6 the period of investigation. There's no dispute  
7 there's been a large shift in market share. And  
8 there's no dispute that that's had a tremendous  
9 adverse impact in terms of the size of the domestic  
10 industry.

11 Turn to price effects. There is no dispute  
12 that imports from China significantly undercut the  
13 prices of domestic products. Mr. Seaman said it was a  
14 20 percent differential. I didn't hear any witness on  
15 the other side suggesting that the imports from China  
16 are not undercutting the prices of domestic products.

17 Then you go to adverse impact. Mr. Reilly  
18 says look at the operating income. Don't look at  
19 operating income margin, look at operating income.  
20 The industry lost half of its operating income from  
21 2001 to 2003.

22 And how many cases have you had where you've  
23 had 53 certifications for trade adjustment assistance?  
24 I don't think you've had too many of those. The  
25 adverse impact here is much greater than any case that

1 I can recall in terms of the over 60 plant closings,  
2 over 12,000 jobs lost where the Department of Labor  
3 certified the employees as eligible for trade  
4 adjustment assistance based upon its findings that  
5 imports contributed importantly to the separation of  
6 the workers.

7 And we've given you an exhibit that catalogs  
8 all those TAA applications. You look through them,  
9 and there are not any that don't cite China. Now  
10 there's some that cite China and some other countries,  
11 but China is clearly the 800 pound gorilla as Mr.  
12 Bassett testified.

13 Now in response, basically what the other  
14 side is saying that restructuring in response to  
15 dumped imports does not constitute material injury.  
16 That's not true. An industry that closes plants,  
17 separate employees, loses market share, loses  
18 operating income, loses cash flow, cuts back on its  
19 capital expenditures and becomes smaller and shrinks  
20 is materially injured. Calling it restructuring  
21 doesn't change that conclusion.

22 Vice Chairman Okun read the key legislative  
23 history that we think governs the Commission's  
24 analysis in this case. Keep your eye on the ball.  
25 This Commission is instructed by Congress to look at

1 the domestic operations of the industry, not the  
2 importing operations of the domestic industry.

3 Let's look at the blended producer import  
4 issue. When a producer adopts a blended import  
5 program and displaces a domestic product with imports  
6 from China because he can get it from China cheaper,  
7 that is injury to domestic production operations. You  
8 do have a couple of producers like Ashley and Standard  
9 that make print furniture in the United States and  
10 then they import solids and veneers from China. You  
11 can say well, those imports are not displacing their  
12 domestic production in print, but those imports are  
13 nevertheless injurious to every other domestic  
14 producer who's making veneer and solid products.

15 CHAIRMAN KOPLAN: I believe at this point  
16 you move to the closing argument.

17 MR. DORN: Thank you.

18 As Chairman Koplan pointed out, the vast  
19 majority of the imports are being controlled not by  
20 producers but by non-producer importers.

21 Mr. Greenwald seemed to back off a little  
22 bit on his position in saying well, even in looking at  
23 the blended situation look at just the domestic  
24 operations of those companies that have the blended  
25 program. But when you do that, I don't think it gets



1 him very far. Let's look at Furniture Brands which is  
2 the main apostle for the blended program.

3 It has told its investors that it's engaged  
4 in a strategic shift from domestic manufacturing to  
5 offshore sourcing. In fact since 2001 Furniture Brands  
6 has had to close 16 factories that produced bedroom  
7 furniture. So its blended strategy has led to its  
8 closing of half of its bedroom plants in the United  
9 States and laying off over 4500 U.S. workers. That  
10 seems like injury to me.

11 Furniture Brands came to the Department of  
12 Labor on 13 occasions. Mr. Chipperfield agreed, he  
13 admitted that. And they cited imports from China in  
14 each of those applications as a reason that they had  
15 to separate employees who were involved in plants  
16 making bedrooms. That seems like injury to me.

17 Turning to Lexington Home Brands. It told  
18 the Department of Labor in March of 2003 that it was  
19 shifting production to China, importing product from  
20 China, and losing sales to customers importing  
21 products from China. It only mentioned China in its  
22 application. Another proponent of the blended  
23 strategy.

24 When Lexington closed its major plant in  
25 August 2003 company officials told the press that,

1 "Competition from furniture made in China is the  
2 primary reason it is closing its flagship plant."

3 They further explained that consumers "are  
4 choosing the imported product because of price."

5 Turn to Universal Furniture. Mr. Dondero  
6 told the press on January 20, 2001 that the company  
7 was closing two North Carolina plants and shifting its  
8 production of bedroom furniture to Asia. He stated,  
9 "The main thing that's happened is quite a bit of  
10 additional capacity has come on, about 50 percent of  
11 that from China, which has caused prices to fall."

12 Look at some other companies that tried the  
13 blended strategy. Samuel Lawrence, no more domestic  
14 production. Keller, no more domestic production.  
15 Blackhawk, no more domestic production. Lane  
16 Furniture, Richardson Brothers, same thing. They  
17 started to import alongside their domestic production  
18 and eventually they got to the end of the road and  
19 they had no domestic production left.

20 Blended strategies are not the salvation of  
21 the domestic industry. It's just a symptom of the  
22 injurious imports. Blended strategy is nothing more  
23 than making a series of make or buy decisions. You  
24 decide that you can import the products cheaper from  
25 China than you can make it in your own plant, you

1 import from China. That's the blended strategy and  
2 that's injurious to domestic production operations.

3 Now on the issue of domestic industry  
4 support, you're correct, Commissioner Miller, that's  
5 decided at the Department of Commerce. I think it's  
6 interesting to note that when Commerce makes that  
7 decision it doesn't just look at the votes of  
8 management, it also looks at the votes of labor unions  
9 and groups of workers. That's sufficient to indicate  
10 support. In fact even when a manager comes in and  
11 says that it opposes the petition, that opposition can  
12 be disregarded under the statute if that producer also  
13 imports. The department can disregard the opposition  
14 of producers that import because what the statute  
15 wants the Commerce Department to do is to count votes  
16 that represent domestic production operations, not the  
17 votes that reflect importing operations. That's the  
18 same approach we believe the Commission ought to take  
19 in reaching the injury phase of this case.

20 Mr. Seaman talked about much better quality  
21 product coming from China but the questionnaire  
22 responses show that 75 percent of responding  
23 purchasers reported that U.S. and Chinese products are  
24 comparable in quality.

25 Mr. Seaman's, I was very surprised to play

1 that audio again. That audio was played at the staff  
2 conference. We submitted a confidential affidavit by  
3 Jack Richardson at Exhibit 35 to our pre-hearing brief  
4 which refutes that audio, and I'm surprised they'd  
5 bring it up again after we've already explained why  
6 it's in error.

7 The award that was given to Bassett  
8 Furniture was in 1999, not 1998.

9 Thank you very much.

10 CHAIRMAN KOPLAN: Thank you, Mr. Dorn.

11 Mr. Greenwald?

12 MR. GREENWALD: Mr. Dorn is clearly right  
13 that there is an industry that is being restructured,  
14 is in the throes of restructuring. It's doing it  
15 voluntarily because in fact that's where the future  
16 is.

17 The clearest expression of the absence of  
18 causal link between dumping and injury has come from  
19 La-Z-Boy after the Commerce Department's preliminary  
20 determination when they announced that they were  
21 shifting out of domestic production of product they  
22 could not do efficiently here.

23 The same is true for Stanley, another one of  
24 their Petitioners. In our brief, I'm not going to  
25 read them to you, but our brief at page 20 and 21, we

1 listed statements by Bassett, by La-Z-Boy, by Stanley,  
2 all of whom are Petitioners, extolling the virtues of  
3 a blended strategy. this is in fact a case about  
4 blended strategy. It's also a case about causal links  
5 that don't exist between dumped imports, and you have  
6 to take the margin of dumping into account. And  
7 injury.

8 We've been through the issues, what I hope  
9 from you all is that when we give you an analysis that  
10 is something beyond the cookie cutter sort of  
11 formulaic arguments you get here, it will be taken  
12 seriously, you'll reach a decision on the merits, you  
13 may decide we're wrong but I hope that if you do  
14 decide we're wrong you do so on the basis of a full  
15 record that includes, for example, this fundamental  
16 issue of the restructuring cost load, the non-  
17 recurring costs that the industry has put into its  
18 operating costs. The fact that it may or may not be  
19 consistent with GATT is frankly irrelevant for  
20 purposes of at least understanding what is going on  
21 with this industry.

22 Finally, let me go back to where La-Z-Boy  
23 left off with its decision that fundamentally the  
24 dumping determination by Commerce does not change the  
25 competitive landscape. I've been thinking about this

1 trying to ask myself what are the Petitioners doing?  
2 And what keeps popping into my mind is the skit from a  
3 British Review, you're probably all too young to have  
4 seen it. It's "Beyond the Fringe" played in London in  
5 the mid 1960s.

6 It's a dark office in a war room. There is  
7 an elderly colonel who called in an enthusiastic young  
8 lieutenant, Lieutenant Jenkins. He goes, "Jenkins,  
9 would you please come in and sit down? We have a  
10 mission for you." And Jenkins said, "Yes, sir. What  
11 is it?"

12 "Jenkins, we're going to drop you 300 miles  
13 behind the enemy lines and we want you to attack the  
14 Germans from the rear." And Jenkins says to himself,  
15 "Yes, sir. Why are we doing this, sir?" The colonel  
16 replies, "These are dark times, Jenkins, and what  
17 Britain now needs is a futile gesture."

18 Now that is what you are being asked to do.  
19 And I hope that you are not in the business of making  
20 futile gestures. A good 50 percent or more of the  
21 U.S. industry has said to you don't do this. We have  
22 given you reasons in the numbers that are before you  
23 that said you shouldn't do this on the law. There is  
24 not the necessary injury, there is not the necessary  
25 causal link.

1 I understand, as do you, Mr. Dorn's  
2 argument. There is nothing subtle about it. But what  
3 I'm asking you to do is to step back, think about an  
4 industry in transition, an industry that will be  
5 stronger for the adoption of blended strategies,  
6 blended sourcing strategies, and don't get in the way  
7 unnecessarily.

8 Thank you.

9 CHAIRMAN KOPLAN: Thank you, Mr. Greenwald.

10 Again, I want to thank everyone who  
11 participated in this hearing.

12 Post-hearing briefs, statements responsive  
13 to questions and requests of the Commission and  
14 corrections to the transcript must be filed by  
15 November 17, 2004. Closing of the record and final  
16 release of data to parties by December 3, 2004. Final  
17 comments by December 7, 2004.

18 Thank you all. With that, this hearing is  
19 adjourned.

20 (Whereupon, at 5:40 p.m. the hearing was  
21 adjourned.)

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23 //

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25 //

**CERTIFICATION OF TRANSCRIPTION**

**TITLE:** Wooden Bedroom Furniture from  
China

**INVESTIGATION NO.:** 731-TA-1058 (Final)

**HEARING DATE:** November 9, 2004

**LOCATION:** Washington, D.C.

**NATURE OF HEARING:** Hearing

I hereby certify that the foregoing/attached transcript is a true, correct and complete record of the above-referenced proceeding(s) of the U.S. International Trade Commission.

SIGNED: LaShonne Robinson

Signature of the Contractor or the  
Authorized Contractor's  
Representative

1220 L Street, N.W. - Suite 600  
Washington, D.C. 20005

I hereby certify that I am not the Court Reporter and that I have proofread the above-referenced transcript of the proceeding(s) of the U.S. International Trade Commission, against the aforementioned Court Reporter's notes and recordings, for accuracy in transcription in the spelling, hyphenation, punctuation and speaker-identification, and did not make any changes of a substantive nature. The foregoing/attached transcript is a true, correct and complete transcription of the proceeding(s).

SIGNED: Carlos Gamez

Signature of Proofreader

I hereby certify that I reported the above-referenced proceeding(s) of the U.S. International Trade Commission and caused to be prepared from my tapes and notes of the proceedings a true, correct and complete verbatim recording of the proceeding(s).

SIGNED: Kyle Patrick Johnson

Signature of Court Reporter