

# UNITED STATES INTERNATIONAL TRADE COMMISSION

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In the Matter of: ) Investigation Nos.:  
WOODEN CABINETS AND VANITIES ) 701-TA-620 AND 731-TA-1445  
FROM CHINA ) (FINAL)

Pages: 1 - 335  
Place: Washington, D.C.  
Date: Thursday, February 20, 2020



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3 WOODEN CABINETS AND ) 701-TA-620 and

4 VANITIES FROM CHINA ) 731-TA-1445

5 ) (Final)

6  
7  
8

9 Thursday, February 20, 2020

10 Main Hearing Room (Room 101)

11 U.S. International

12 Trade Commission

13 500 E Street, S.W.

14 Washington, D.C.

15 The meeting commenced, pursuant to notice, at

16 9:30 a.m., before the Commissioners of the United States

17 International Trade Commission, Chairman David S. Johanson

18 presiding.

19 APPEARANCES:

20 On behalf of the International Trade Commission:

21 Chairman David S. Johanson (presiding)

22 Commissioner Rhonda K. Schmidtlein

23 Commissioner Jason E. Kearns

24 Commissioner Randolph J. Stayin

25 Commissioner Amy A. Karpel

1 Staff:

2 WILLIAM R. BISHOP, SUPERVISORY HEARINGS AND INFORMATION

3 OFFICER

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5 CALVIN CHANG, INVESTIGATOR

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7 ROBERT IRELAND, INTERNATIONAL TRADE ANALYST

8 CRAIG THOMSEN, INTERNATIONAL ECONOMIST

9 BRIAN SOISET, ATTORNEY/ADVISOR

10 ELIZABETH HAINES, SUPERVISORY INVESTIGATOR

11

12 STATE GOVERNMENT APPEARANCE:

13 The Honorable Larry J. Fetner, Mayor of the City of

14 Ashland, Alabama

15

16 Opening Remarks:

17 Petitioner (Laura El-Sabaawi, Wiley Rein LLP)

18 Respondents (Matthew R. Nicely, Hughes Hubbard & Reed LLP)

19

20 In Support of the Imposition of Antidumping and

21 Countervailing Duty Orders:

22 Wiley Rein LLP

23 Washington, DC

24

25

-- continued --

1 In Support of the Imposition of Antidumping and  
2 Countervailing Duty Orders (continued):

3

4 On behalf of

5 American Kitchen Cabinet Alliance

6 Bill Allen, President and Chief Operating Officer,

7 Showplace Cabinetry

8 Ken Fritz, Kitchen and Bath Sales Manager, Schillings

9 John Gahm, President, Kitchen Kompact, Inc.

10 Chris Klein, Executive Chairman, Fortune Brands Home &

11 Security, Inc.

12 Perry Miller, President, Kountry Wood Products, LLC

13 Todd Sabine, Vice President of Sales and Marketing,

14 American Woodmark Corporation

15 Mark Trexler, President and Chief Executive Officer,

16 Master WoodCraft Cabinetry, LLC

17 Edwin Underwood, President and Chief Operating Officer,

18 Marsh Furniture Company

19 Stephen Wellborn, Director, Product and Research

20 Development, Wellborn Cabinet, Inc.

21 Dr. Seth T. Kaplan, President, International Economic

22 Research LLC

23

24 Timothy C. Brightbill, Laura El-Sabaawi - Of Counsel

25

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

3 Hughes Hubbard & Reed LLP

4 Washington, DC

5 On behalf of

6 Ad Hoc Coalition of Cabinet Importers ("ACCI")

7 Chris Graff, Vice President, JS International Inc.

8 Robert Hunter, Chief Operating Officer, CNC Associates

9 Randy Goldstein, Chief Executive Officer, Kitchen

10 Cabinet Distributors

11 Michael Weiner, Chairman, Kitchen Cabinet Distributors,

12 Managing Partner, Ninth Street Capital Partners

13

14 James P. Dougan, Vice President, Economic Consulting

15 Services, LLC

16 Cara Groden, Senior Economist, Economic Consulting

17 Services, LLC

18 Chris Fisher, Managing Principal, DuckerFrontier

19 Professor Howard P. Marvel, Professor Emeritus of

20 Economics, The Ohio State University

21 Emre Uyar, Ph.D., Principal, Cornerstone Research

22

23

24

25

-- continued --

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

3

4 Matthew R. Nicely, Dean A. Pinkert, Julia K. Eppard,  
5 Sydney Stringer - Of Counsel

6

7 DLA Piper LLP (US)

8 Washington, DC

9 On behalf of

10 JSI International, Inc. ("JSI")

11 Chris Graff, Executive Vice President, JSI Cabinetry

12 Martin Schaefermeier - Of Counsel

13

14 Clark Hill PLC

15 Washington, DC

16 On behalf of

17 Cabinets-to-Go, LLC ("Cabinets-to-Go")

18 Jason Delves, President, Cabinets-to-Go, LLC

19

20 Mark R. Ludwikowski, Courtney Gayle Taylor - Of

21 Counsel

22

23 Husch Blackwell

24 Washington, DC

25

-- continued --

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

3

4 On behalf of

5 China National Forest Products Industry Association

6 Jeffrey S. Neeley - Of Counsel

7

8 Barnes, Richardson & Colburn, LLP

9 Washington, DC

10 On behalf of

11 Coalition of Bathroom Vanity Importers

12 Matthew T. McGrath - Of Counsel

13

14 REBUTTAL/CLOSING REMARKS:

15 Petitioner (Timothy C. Brightbill, Wiley Rein LLP)

16 Respondents (Matthew R. Nicely and Dean A. Pinkert, Hughes  
17 Hubbard & Reed LLP)

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1 PROCEEDINGS

2 9:33 a.m.

3 MR. BISHOP: Will the room please come to order?

4

5 CHAIRMAN JOHANSON: Good morning. On behalf of  
6 the U.S. International Trade Commission I welcome you to  
7 this hearing on the final phase of Investigation Nos.  
8 701-TA-620 and 731-TA-1445 Final involving Wooden Cabinets  
9 and Vanities from China.

10 The purpose of these final investigations is to  
11 determine whether an industry in the United States has been  
12 materially injured or threatened with material injury or the  
13 establishment of an industry in the United States is  
14 materially retarded by reason of wooden cabinets and  
15 vanities from China.

16 Schedule setting forth the presentation of this  
17 hearing, Notice of Investigation and transcript order forms  
18 are available at the Public Distribution Table. All  
19 prepared testimony should be given to the Secretary. Please  
20 do not place testimony directly on the Public Distribution  
21 Table.

22 All witnesses must be sworn in by the Secretary  
23 before presenting testimony. I understand that parties are  
24 aware of the time allocations. Any questions regarding the  
25 time allocations should be addressed to the Secretary.

1 Speakers are reminded not to refer in their remarks or  
2 answers to questions to business proprietary information.  
3 Please speak clearly into the microphones and state your  
4 name for the record for the benefit of the court reporter  
5 and for those sitting in the back of the room.

6 If you will be submitting documents that obtain  
7 information you wish classified as business confidential  
8 your request should comply with Commission rule 201.6. Mr.  
9 Secretary, are there any preliminary matters?

10 MR. BISHOP: No, Mr. Chairman.

11 CHAIRMAN JOHANSON: Very well. Will you please  
12 announce our Mayoral Witness?

13 MR. BISHOP: The Honorable Larry J. Fetner, Mayor  
14 of the City of Ashland, Alabama.

15 STATEMENT OF MAYOR LARRY FETNER

16 MR. FETNER: Good morning. My name is Larry  
17 Fetner and I want to tell you a little bit about the place  
18 that I call home. It's a place where I was born and raised.  
19 It's the place where I raised my family. Also, I run a  
20 local business. It's the place where I have been privileged  
21 to serve as Mayor for twelve years to an outstanding group  
22 of citizens that provide a welcoming warmth to our community  
23 and all that accompany it.

24 Ashland, Alabama is a very small, rural community  
25 that very few are fortunate enough to be able to call home.

1 We don't have any large chain retailers or restaurants. We  
2 don't have an interstate that comes through our small town.  
3 However, rather than focusing on what we don't have, let me  
4 tell you a few things we do have.

5           We have a family owned and operated grocery store  
6 in which you are guaranteed to see a family member, church  
7 member or close friend when you are picking up a gallon of  
8 milk. We have a beautiful town square with a historic  
9 courthouse encompassed by local businesses where high school  
10 football celebrations are held after we won back-to-back  
11 state championships.

12           We have a community full of business owners and  
13 citizens that support our first responders by supplying them  
14 with meals and monetary donations. All that Ashland has can  
15 be accredited greatly to our local businesses. Growing up I  
16 can remember when the textile industry was booming in Clay  
17 County with three major textile manufacturers.

18           Unfortunately, these manufacturers were made to  
19 close their doors and thousands of jobs were lost due to  
20 overseas trade. Fast forward to today, Ashland is blessed  
21 with several cabinet manufacturers that offer nearly  
22 two-thirds of the employment opportunities in our city.  
23 These cabinet companies are family-owned and locally  
24 operated and for that we are thankful.

25           They alone make up a large portion of our tax

1 base that is essential to our town's survival. Loss of such  
2 industry would cripple our small town and county as it did  
3 several decades ago with the loss of textile industries. We  
4 as citizens of Ashland realize the importance of keeping our  
5 businesses open and thriving because we see the type of  
6 economic impact it has on our small community.

7           We try our best to shop locally for items that  
8 may cost a bit extra because we understand these businesses  
9 and families are the ones donating to our senior center and  
10 our little league baseball teams. This parallels on a large  
11 scale to allowing another country to manufacture goods to  
12 sell to the citizens of the United States. We must protect  
13 and support our domestic manufacturing because it protects  
14 and supports America.       The detrimental economic effect  
15 that our small town would see if those cabinet manufacturers  
16 were to shut their doors would shut down our town as per  
17 many other small towns relying on such employers that  
18 provide a work force. Ashland can't afford to let China  
19 steal our citizens' jobs, the very jobs these employees rely  
20 on to support their families.

21           Please remember, small towns like Ashland that  
22 would be directly impacted if China were supported in their  
23 manufacturing efforts. I'd like to thank this Commission  
24 for listening to this small town mayor.

25           CHAIRMAN JOHANSON: Thank you, Mayor Fetner for

1 appearing here today. We appreciated it. Do any  
2 Commissioners have questions for the Mayor? No  
3 Commissioners do. Thank you again.

4 MR. BISHOP: Mr. Chairman, we will now continue  
5 with opening remarks. Opening remarks on behalf of  
6 Petitioner will be given by Laura El-Sabaawi with Wiley  
7 Rein. Ms. El-Sabaawi, you have five minutes.

8 OPENING STATEMENT OF LAURA EL-SABAAWI

9 MS. EL-SABAAWI: Good morning, Chairman Johanson,  
10 Members of the Commission and Commission Staff. I'm Laura  
11 El-Sabaawi for the American Kitchen Cabinet Alliance. The  
12 Domestic Industry producing wooden cabinets and vanities is  
13 here today to ask you to restore fair trade to the cabinet  
14 and vanity market in the United States.

15 The statutory factors that the Commission  
16 considers have been met in this case. The volume of Subject  
17 Imports has been high and injurious throughout the Period of  
18 Investigation and increased significantly. In 2016, Chinese  
19 Imports under the most specific HTS number were already over  
20 a billion dollars. By 2018, they reached 1.6 billion  
21 dollars for an increase of 54 percent during the three full  
22 years of the POI.

23 While Respondents claim that Subject Import  
24 levels are modest, 1.6 billion dollars in imports is  
25 significant by any measure and these sharply increasing

1 imports took more and more of the market in recent years.  
2 While demand was strong and growing during the period, the  
3 increase in Subject Imports far exceeded that growth. As a  
4 result Subject Imports steadily took market share directly  
5 from the Domestic Industry. The shift is significant by  
6 value and even more significant by volume.

7 Consistent with this market shift, Subject  
8 Imports took substantial sales and revenues from Domestic  
9 Producers during the Period. While the exact figure is  
10 proprietary, U.S. purchasers have now confirmed for the  
11 Commission that they shifted an extremely large amount of  
12 purchases from U.S. product to Subject Imports and that they  
13 did so primarily due to price.

14 U.S. purchasers were able to easily switch  
15 purchases from Domestic to Chinese Products because the  
16 products are highly comparable. They compete head-to-head  
17 throughout the U.S. Market at all the most common price  
18 points in every channel of distribution and for many of the  
19 exact same customers. Ready-to-assemble Chinese cabinets  
20 and vanities do not exist to fill some specialized market  
21 niche.

22 RTA cabinets compete directly every day with  
23 domestic cabinets based on price. Price is the only major  
24 factor that meaningfully distinguishes domestic and subject  
25 cabinets. The underselling data collected in the final

1 phase further demonstrates the unfairly low pricing of  
2 Subject Imports. Subject Imports undersold comparable U.S.  
3 Products in 115 out of a 120 or 96 percent of comparisons.

4           These unfairly-traded Chinese Imports have  
5 suppressed and depressed U.S. prices. Numerous Domestic  
6 Producers have told you that despite increasing raw material  
7 costs and growing demand, they have been unable to raise  
8 prices because of competition with unfairly-traded Chinese  
9 Imports. Given the evidence now on the record, the  
10 Commission should find in this final phase that Subject  
11 Imports had significant adverse price affects.

12           The sales, market share and pricing that the  
13 Domestic Industry lost to Subject Imports directly harmed  
14 its financial performance. U.S. Producers' operating income  
15 margin collapsed and capacity utilization fell to extremely  
16 low levels while demand was growing. This is now what you  
17 would expect to see in a strong market and it is a direct  
18 effect of Chinese Imports.

19           Subject Imports are even driving U.S. Cabinet  
20 Manufacturers out of business. Hundreds of workers lost  
21 their jobs when Masterbrand Cabinets had to close two plants  
22 in Alabama and Minnesota in 2018. Numerous additional U.S.  
23 manufacturing facilities shut down in Kansas, Minnesota and  
24 Virginia during the Period.

25           Multiple other Domestic Producers reported that



1 their facilities are threatened and that they have been  
2 unable to complete planned expansions and equipment upgrades  
3 due to the market conditions caused by Subject Imports.  
4 These should be great times for the domestic cabinet  
5 industry and it's sad because of Subject Imports sales and  
6 revenues are being lost, profits are dropping substantially  
7 and facilities are closing.

8           However, because of this case, things are just  
9 starting to look up for the Domestic Industry. monthly  
10 import data shows that Subject Imports started dropping  
11 after preliminary AD/CVD duties were imposed and high  
12 Subject Imports inventories are finally being worked off.  
13 U.S. Producers are beginning to see the impact on their  
14 order books but if the duties were to be lifted, any limited  
15 benefit they have seen would quickly disappear as well.

16           We look forward to providing you with additional  
17 information and answering your questions today. With the  
18 evidence already on the record this will show the Commission  
19 that dumped and subsidized imports of wooden cabinets and  
20 vanities from China are injuring and threaten to injure the  
21 Domestic Industry.

22           We ask the Commission to make an affirmative  
23 determination and to restore a level playing field to the  
24 U.S. Wooden Cabinet and Vanity Market. Thank you.

25           MR. BISHOP: Thank you, Ms. El-Sabaawi.

1           Opening remarks on behalf of Respondents will be  
2 given by Matthew R. Nicely of Hughes, Hubbard & Reed. Mr.  
3 Nicely, you have five minutes.

4           OPENING STATEMENT OF MATTHEW R. NICELY

5           MR. NICELY: Good morning, Mr. Chairman,  
6 Commissioners. I am Matt Nicely of Hughes, Hubbard & Reed,  
7 appearing on behalf of the Ad Hoc Coalition of Cabinet  
8 Importers.

9           Petitioner paints this case as if it is a  
10 run-of-the-mill open-and-shut case against big bad China,  
11 but this is not your typical China case. The domestic  
12 producers that completed questionnaires show increasing  
13 shipments and increasing AUVs, both generally and based on  
14 the pricing product data.

15           Their prices increased throughout the POI, except  
16 for a small decline in interim 2019 when, ironically,  
17 subject imports were retreating. The Bureau of Labor  
18 Statistics, representing a larger sample than the  
19 Commission's questionnaire data, also show increasing  
20 prices. Even more pronounced increases than the  
21 questionnaire data.

22           Did the domestic industry lose market share?  
23 Sure. But this does not prove significant volume effects.  
24 The domestic industry loses nothing when subject imports  
25 serve a growing market niche that domestic producers do not

1 supply.

2           Subject imports are running their own race,  
3 appealing to a distinct set of qualitative customer  
4 preferences and are in no way depriving the domestic  
5 industry of the ability to run its own race.

6           Moreover, the domestic industry dominates the  
7 U.S. wooden cabinet and vanity market. Based on  
8 questionnaire data, they held 80 to 90 percent of the market  
9 for the entire POI. As the Commission notes from our brief,  
10 the market, as defined by the Petitioner's broad scope, is  
11 far larger than the Commission's questionnaire responses  
12 suggest.

13           Our research shows that it is literally three  
14 times larger, meaning that the subject import market share  
15 is much smaller than the prehearing report estimates. In  
16 other cases, like softwood lumber, when subscription  
17 services demonstrate the questionnaire data are  
18 unrepresentative, the Commission uses those other sources  
19 to calculate market share, which we believe the Commission  
20 should have done here.

21           Regardless, no matter how you use -- what you use  
22 as your denominator to calculate market share, the fact is  
23 this: The domestic industry has performed well despite the  
24 increase in subject import market share because imported  
25 Chinese cabinets are mostly comprised of products and

1 services the U.S. producers do not provide -- standard  
2 ready-to-assemble stock products in limited skews that can  
3 be shipped to the customer in a matter of days.

4           The domestic industry, on the other hand, sells  
5 made-to-order cabinets and vanities of all shapes and sizes,  
6 along a wide spectrum of product segments, including not  
7 only stock cabinets that can sell for \$100 a cabinet, but  
8 also semi-custom and custom cabinets can sell for \$1,000 per  
9 unit. When the products in these segments are averaged  
10 together, as was done with the pricing products, despite our  
11 questionnaire comment suggesting otherwise, you see in the  
12 pricing data the domestic product on average sold at a  
13 significantly and steady premium over RTA products  
14 throughout the POI.

15           Meanwhile, both domestic and subject import  
16 prices increased. So although subject imports gained market  
17 share, they did so by creating and growing a segment of the  
18 market the U.S. industry does not serve. This is the only  
19 way that you can explain the growth in U.S. shipments at  
20 higher and higher prices, while subject imports did the  
21 same.

22           Members of the Petitioning Alliance know that  
23 this is true. Take, for example, Fortune Brands, the  
24 publicly traded parent company of MasterBrand, the largest  
25 cabinet producer in the United States, and a key member of

1 the Petitioning Alliance.

2           During a call with investors just a few weeks  
3 ago, the Fortune Brand's CEO, Nick Fink, said in response to  
4 a question about its cabinets business, and I quote, "It's  
5 been a healthy, very, very healthy part of the business,  
6 even prior to the antidumping duties coming into effect."  
7 Unquote.

8           Clearly they didn't need this case, because the  
9 company's cabinet business was already doing great, while  
10 subject imports were serving a different part of the market.  
11 Indeed, when it fought against imposition of Section 301  
12 duties on Chinese cabinet components, MasterBrand's DC said,  
13 and again I quote, "U.S. producers don't have the capacity  
14 or, frankly, the desire to make this product." Unquote.

15           So they know the domestic industry does not  
16 supply the segment of the demand that imports serve. This  
17 is why today, after imposition of duties on China,  
18 MasterBrand still doesn't produce these products in the  
19 United States. They've moved those operations to Vietnam  
20 and Mexico.

21           This is a cynical case concocted by a petitioning  
22 group that ignores critical market realities. Overall, the  
23 industry has performed well by any measure, increasing their  
24 shipments and their prices while subject imports that serve  
25 a different customer base have done the same.

1           The industry's strong performance is driven by  
2 the even stronger performance of the big three --  
3 MasterBrand, American Wood Mart, and ACPI. These companies  
4 dominate the market. They are to blame for any shortcomings  
5 in performance that some domestic producers might be  
6 experiencing.

7           Under the statute, the Commission cannot  
8 attribute such shortcomings to subject imports of  
9 predominantly RTA products sold to customers that domestic  
10 producers choose not to serve, except with their own  
11 imports.

12           Thank you.

13           MR. BISHOP: Thank you, Mr. Nicely.

14           Would the panel in support of the imposition of  
15 the antidumping and countervailing duty orders please come  
16 forward and be seated.

17           Mr. Chairman, this panel has 60 minutes for their  
18 direct testimony. All witnesses on this panel have been  
19 sworn in.

20                           STATEMENT OF TIMOTHY C. BRIGHTBILL

21           MR. BRIGHTBILL: Chairman Johanson,  
22 Commissioners and staff, I'm Tim Brightbill on behalf of  
23 Petitioners. Thank you for your hard work on these  
24 important investigations. The prehearing report and the  
25 other evidence from these investigations demonstrate that

1 imports of Wooden Cabinets and Vanities from China are  
2 materially injuring and threaten the domestic industry.

3           Subject imports increased by 54 percent during  
4 the period, reaching 1.6 billion in 2018. U.S. demand is  
5 strong and growing, but Chinese imports are taking market  
6 share at the direct expense of the domestic industry.  
7 Chinese imports consistently undersell domestic products,  
8 and the domestic producers' financial performance has  
9 declined significantly.

10           There is a single domestic like product  
11 coextensive with the scope. It includes both wooden  
12 components and full units, cabinets and vanities. It  
13 includes furniture style vanities, it includes cabinets and  
14 vanities sold to the hospitality industry. The prehearing  
15 report demonstrates that on all six factors, these products  
16 are fully or mostly comparable. This is a continuum of  
17 products.

18           Price is the number one purchasing factor.  
19 Again, according to the prehearing report, 74 percent of the  
20 responding purchasers named price or cost as the first or  
21 second leading purchasing factor. In fact, U.S. and Chinese  
22 products are comparable on 18 of the 21 factors listed and  
23 obtained in the purchaser questionnaires. The biggest  
24 distinguishing factor is the price of the Chinese products.

25           Chinese producers and U.S. importers of

1 Chinese product are targeting the U.S. market as shown in  
2 these photos from the 2019 Kitchen and Bath Industry show.  
3 This is a display by Panda, and here you see Fabuwood. No  
4 company has had a more dominant presence at these trade  
5 shows than Fabuwood. Literally all roads at KBIS led to  
6 Fabuwood and its opulent booth shown on the right.

7 All the latest trends, all the latest styles,  
8 Fabuwood's slogan on its website is "Quality Redefined." It  
9 advertises its premium cabinets according to a program known  
10 as Q12, dovetail construction, anti-warp structures, solid  
11 half-inch plywood backs, soft-closing hinges and drawers and  
12 a host of other high quality features.

13 At KBIS, Fabuwood showed multiple product  
14 lines from entry level to premium, all with different  
15 features and styles. According to Fabuwood, thousands of  
16 exclusive dealers across the nation sell Fabuwood cabinets.  
17 Fabuwood also has a new one million foot state-of-the-art  
18 assembly facility and proudly boasts that it is destined for  
19 exponential growth.

20 J&K Cabinetry. Chinese products are not  
21 limited to stock cabinets. Here, J&K says in its materials  
22 "We offer semi-custom and ready to assemble RTA cabinets."  
23 J&K is the affiliated importer for Dalian Meisen, who was a  
24 mandatory respondent in the Commerce investigations and  
25 received a dumping margin of 262 percent. Panda's website



1 has more than 100 photos of various cabinet installations.  
2 Their website also features photos of their multiple  
3 integrated manufacturing operations in China.

4                   Golden Home says "The North American market is  
5 a major international market Golden Home has particularly  
6 focused on in recent years. America is now a crucial  
7 country for the global strategic layout of Golden Home.  
8 Here's a company called Sand Bay Cabinets, just off 95 in  
9 Springfield. Some of you may have passed it on your way to  
10 work today.

11                   Here's a picture of the outside of the store,  
12 which also mentions Eco Wood Cabinetry. Here's the KBIS  
13 booth for Eco Wood, a variety of styles and colors and a  
14 very large American flag featured prominently in its booth.  
15 So last year we were very excited to see these signs, so we  
16 asked the Eco Wood people at the booth if their cabinets  
17 were made in America. Oh no, they answered. They're all  
18 made in China.

19                   Sure enough, while the product lines and  
20 styles all have American names, Cambridge, Lexington,  
21 Alexandria, Williamsburg, Springfield, what they're really  
22 selling is ready to assemble cabinets dumped and subsidized  
23 from China. Notice the inventories. This is not just  
24 happening in Springfield and D.C., but in hundreds of  
25 locations large and small across America, and the business

1 model is built on a foundation of dumped and subsidized  
2 pricing.

3           Now let's turn to the evidence. Conditions of  
4 Competition. Chinese and U.S. product compete head to head  
5 on all cabinet and vanity types. According to purchasers,  
6 Chinese products are not just overwhelmingly present in the  
7 stock category, but clearly also in the semi-custom category  
8 and even in custom cabinets.

9           RTA five-packs compete head to head with  
10 domestic product, because many of them are assembled by the  
11 importer or by someone else before they're shipped to the  
12 ultimate customer or job site. We think the vast majority  
13 of these are assembled before they get to the job site.

14           Turning to volume, subject imports grew 54  
15 percent during the period, reaching \$1.6 billion, a  
16 staggering level of imports from China. The domestic  
17 industry lost market share directly to these subject  
18 imports. These are not to scale. The actual numbers are  
19 BPI, but they show the clear, unmistakable trends.

20           With regard to price, the Chinese product  
21 predominantly undersold the domestic in 115 of 120  
22 comparisons, and the average underselling margins were very  
23 substantial. More evidence of price effects. Purchasers  
24 confirmed they purchased the Chinese product instead of the  
25 U.S. product, primarily because of the lower price, and the

1 total amount involved, while BPI, is also very substantial.

2           You have the preliminary dumping margins  
3 calculated. The majority of Chinese producers received 39.5  
4 percent margin. Some of the margins went much higher. You  
5 have subsidy margins as well, and these subsidy margins  
6 increased after additional preliminary subsidy findings.

7           With regard to impact, all the major trade and  
8 financial indicators declined during the period, production,  
9 capacity utilization, shipments, net sales quantities, gross  
10 operating and net income, capital expenditures, all down.  
11 Again, the actual data are BPI, but they're unmistakable.

12           The domestic industry's financial performance  
13 has declined, as you'll hear. Demand has increased during  
14 the period. Despite strong demand, the unfairly traded  
15 imports deprived the domestic industry of increased  
16 shipments, financial performance of the industry suffered,  
17 the operating margins, income and margins declining  
18 significantly.

19           Respondents make the irresponsible claim that  
20 Petitioners have not mentioned Chinese imports in their  
21 public filings. In fact, they have. You see two examples  
22 right here. Moreover, the prehearing report is full of  
23 evidence of harm to dozens of U.S. producers, including the  
24 large companies here today and highlighted on these two  
25 slides. I won't read them all right now. You'll hear from

1 them shortly.

2           The threat factors are all met. This is a  
3 vulnerable industry. Consider the subsidies, consider the  
4 massive available capacity, the underselling and  
5 discouragement of investments, and note in particular U.S.  
6 importers' inventories of Chinese product increased by 30  
7 percent during the period from already extremely high  
8 levels.

9           This about wraps up my presentation. I'll  
10 point out we brought a variety of cabinet and vanity  
11 samples, as well as door samples on my right and behind me.  
12 Some are Chinese, some are American. We invite you to come  
13 and look and compare them. We'll now hear from our domestic  
14 industry witnesses, starting with Chris Klein of Fortune  
15 Brands.

16                           STATEMENT OF CHRIS KLEIN

17           MR. KLEIN: My name's Chris Klein, and I'm the  
18 Executive Chairman of Fortune Brands, the parent company of  
19 Masterbrand Cabinets, the leading kitchen cabinet company in  
20 the United States. I was CEO of Fortune Brands from 2009 to  
21 2019, before transitioning to Executive Chairman this past  
22 January.

23           MasterBrand sales represent approximately 25  
24 percent of the total sales of kitchen cabinets and vanities  
25 in the U.S., and we are by far the largest U.S. cabinet

1 manufacturer. MasterBrand operates over 20 plants and  
2 employs over 10,000 workers in the U.S., mostly in  
3 manufacturing jobs. We sell through three channels of  
4 distribution: local kitchen and bath dealers, national  
5 retailers like Home Depot and Lowe's, and directly to  
6 homebuilders.

7 I have been intimately involved in the  
8 management and operations of MasterBrand since 2009, and am  
9 very familiar with the U.S. cabinet business and the impact  
10 of the Chinese imports. We estimate that the U.S. market  
11 for cabinets and vanities is about \$11 billion annually.  
12 I've seen firsthand how the Chinese ready to assemble  
13 cabinets or RTAs have seriously damaged MasterBrand and the  
14 rest of the U.S. cabinet business.

15 As their share of the U.S. cabinet rose by value  
16 from nine percent in 2015 to approximately 15 percent by  
17 2019, MasterBrand and the other U.S. cabinet manufacturers  
18 felt significant negative effects on our businesses.  
19 MasterBrand \*\* shows that the Chinese cabinet imports grew  
20 during the period by 900 million, and captured  
21 three-fourths of all the growth in the U.S. cabinet market.  
22 By 2018, the Chinese RTA sales had increased to  
23 approximately 1.5 billion.

24 Our cabinets business has struggled since  
25 2016. Despite growing housing demand, our total cabinet

1 sales in the U.S. have been flat during this period, and  
2 we've lost market share to the Chinese imports. As a  
3 result, our plants have not been running at full capacity  
4 and we were forced to close two plants in 2018, one in  
5 Auburn, Alabama and a second in Cottonwood, Minnesota, where  
6 more than 600 of our workers lost their jobs.

7                   2019, we also eliminated eight percent of  
8 MasterBrand's salaried workforce and are continuing to  
9 explore further plant closures and reductions in shifts.  
10 While our sales have been flat during this period, our  
11 labeling and raw material costs have increased  
12 significantly. As a result, the annual profitability of our  
13 cabinet business went down by more than ten percent from  
14 2016 to 2019.

15                   Again, this happened during a period of  
16 increasing housing demand and an expanding U.S. economy.  
17 Our most significant raw material increases have come from  
18 the rising cost of plywood. Meanwhile, the growth of the  
19 Chinese imports has been facilitated by the dumping of  
20 cabinets and vanities, with Chinese plywood as the main raw  
21 material input in their RTAs. In other words, China is  
22 moving up the value chain, first dumping plywood and now  
23 dumping cabinets and vanities with parts made from plywood.

24                   I understand that the main argument of the  
25 Chinese importers in this case is that their RTAs do not

1 compete with the rest of the U.S. cabinet business, that  
2 they're somehow in a separate market. This makes no sense.  
3 Cabinets sold in the U.S. compete in a single market across  
4 a continuum of price points, styles, quality and service  
5 levels for use in new construction and remodel projects.

6 Contractors and builders find the best value  
7 product for their projects. MasterBrand sells a full  
8 portfolio of cabinets and vanities, with lead times as short  
9 as three days. We across stocks, semi-custom and custom,  
10 and all of our cabinets compete head to head with the  
11 Chinese RTAs.

12 Even though we talk about stocks and custom  
13 and custom products, a cabinet is a cabinet and they will  
14 all compete in a cabinet market where price is the most  
15 important variable for consumers. Our stock business, with  
16 over a billion dollars in sales, competes with the Chinese  
17 RTAs, but so do our semi-custom and custom cabinets.

18 We've seen China moving up the value chain by  
19 dumping and subsidizing higher value cabinets and vanities.  
20 The quality of the Chinese cabinets has increased  
21 significantly over the last few years, and sales of Chinese  
22 RTAs are impacting us in all channels of distribution and  
23 all of our cabinet lines even the premium ones.

24 Chinese products have added features such as  
25 plywood construction, soft close doors and painted cabinets,

1 which historically had only been offered in semi-custom U.S.  
2 made cabinets. To be clear, Chinese RTAs are not a separate  
3 market from us as they claim in this case.

4 We sell our cabinets and vanities through  
5 approximately 4,500 small kitchen and bath dealers in the  
6 U.S., like the ones you see in your neighborhood. These  
7 dealers represent approximately 50 percent of our total U.S.  
8 cabinet sales, and this is a critical distribution channel  
9 for us.

10 We're not exclusive in these dealers, however,  
11 most of them also sell Chinese products. On the east coast  
12 alone, we estimate that 80 percent of our dealers also sell  
13 Chinese RTAs right alongside of our products. The Chinese  
14 RTAs and/or cabinets are in the same showrooms, which is  
15 about as direct a competition as you can get. The consumer  
16 who goes into a local kitchen and bath dealer showroom can  
17 compare the quality and prices of a Chinese RTA to our  
18 cabinets and decide which to buy.

19 Chinese cabinets and vanities are also in many  
20 of our retail customers such as Home Depot and Lowe's, and  
21 they directly compete with us for sales to homebuilders. We  
22 welcome fair competition on an even playing field and  
23 compete with many other cabinet companies in the U.S.  
24 However, Chinese cabinet producers that receive subsidies  
25 from the Chinese government do not belong on a fair playing





1 involved in producing cabinets is in manufacturing the  
2 component parts. In June of 2018, Master Woodcraft joined  
3 AC Products family. ACPI offers a large variety of  
4 different brands of cabinets and vanities. Most of the  
5 cabinets and vanities ACPI sells are in the traditional  
6 stock portion of the market.

7           Within the stock segment, we have products at  
8 a range of price points, specific brands geared towards each  
9 channel of distribution. We are facing unfair competition  
10 from the Chinese imports in all of them. This Chinese  
11 import competition has severely worsened in recent years.  
12 During the housing boom prior to the Great Recession, ACPI,  
13 Master Woodcraft and other U.S. manufacturers served the  
14 multi-family sector of the U.S. market.

15           Largely, we found unfairly priced Chinese  
16 import competition. In fact, we have brands specific to the  
17 multi-family market. In recent years however, Chinese  
18 imports surged and took much of that business. Like other  
19 U.S. producer, Master Woodcraft and ACPI's operations have  
20 been significantly harmed by this surge of dumped and  
21 subsidized imports of Chinese cabinets.

22           American manufacturers have lost substantial  
23 sales and revenue to Chinese imports. Some cabinet  
24 manufacturers have been driven out of business completely,  
25 while others had to shutter production facilities. Master

1 Woodcraft and ACPI are struggling to compete with the  
2 imports that offer prices well below what we can reasonably  
3 offer.

4           Even if we take out all of our labor costs,  
5 this defies economic sense when Chinese producers are buying  
6 lumber from the United States, shipping it to China,  
7 producing cabinets and shipping it back here. Chinese  
8 producers simply should not be able to offer these products  
9 at the prices we are seeing.

10           The revenue we have lost to Chinese imports is  
11 appalling. For example, from 2014 to date, for just Master  
12 Woodcraft the total revenue we lost to Chinese imports is  
13 over \$40 million. In 2018 alone, we lost over \$10 million  
14 revenue. With the loss in revenue over the years, we've had  
15 to decrease our workers' hours, had to lay off some of the  
16 employees. ACPI has had an unusually high number of down  
17 days in 2018 and '19, as a result of sales lost to Chinese  
18 imports. The pattern is harm is not sustainable.

19           We have one of the most productive cabinet and  
20 vanity industries in the world. However, U.S. producers  
21 like Master Woodcraft and ACPI have seen their profitability  
22 drop drastically because of unfair competition from imports.  
23 Return on investment has been severely negatively impacted  
24 by unfairly-priced Chinese imports.

25           For example, Master Woodcraft expanded its

1 production facilities in 2017, and these facilities have  
2 been severely under-utilized. However, as a direct result  
3 of these investigations and the imposition of preliminary  
4 duties, we're finally starting to see some improvement in  
5 the market. Master Woodcraft saw a modest growth in  
6 shipments in January of this year, particularly from the  
7 multi-family sector.

8           The improvement we have seen is limited, but  
9 it has given us hope. If trade relief disappears, however,  
10 there is no doubt that the limited benefit we have seen will  
11 disappear as well, and our operations will continue to be  
12 devastated by unfair Chinese competition. In particular,  
13 this would jeopardized a new ACPI investment, ACPI's just  
14 acquired Masco Cabinetry, which makes it one of the largest  
15 U.S. cabinet companies.

16           The pending trade cases have given us  
17 confidence to do this build, and they're critically  
18 important to ensuring that the acquisition and the future of  
19 the combined companies are successful. From our beginning,  
20 Master Woodcraft has been employee, customer-focused, family  
21 and community oriented. Trade relief is critical not only  
22 for our company but for our employees and their families in  
23 the communities that we're in.

24           I would note that many American cabinet  
25 manufacturers are located in rural towns and provide

1 critical jobs for local communities. I worked in the  
2 furniture industry for 24 years before moving to the cabinet  
3 industry. If dumped and subsidized Chinese imports are  
4 allowed to continue to surge in the U.S. market, I'm certain  
5 that the U.S. cabinet and vanity industry will collapse and  
6 disappear like the furniture and textile industries.

7 I urge the Commission on behalf of Master  
8 Woodcraft and its 500 workers, as well as ACPI and its 8,000  
9 employees, to make an affirmative finding of injury to  
10 ensure the viability of the domestic industry. Thank you.

11 STATEMENT OF TODD SABINE

12 MR. SABINE: Good morning. My name is Todd  
13 Sabine. I'm the Vice President of the Dealer Distributor  
14 Channel and I'm here on behalf of our Chairman and CEO, Cary  
15 Dunston, and all the employees at American Woodmark.

16 Today, American Woodmark is one of the world's  
17 largest cabinet manufacturers, but we, like many American  
18 companies, have humble beginnings. Our history in the  
19 cabinet industry started in 1951 with a dentist who made  
20 dental cabinets to meet an industry need. The company  
21 continued to grow and in 1980 American Woodmark Corporation  
22 was created. At the time, we employed 1100 team members and  
23 operated three facilities.

24 With a rapidly expanding retail partnership, we  
25 became a publicly-traded company in 1986. For over 40

1 years, American Woodmark has remained focused on our  
2 culture, our service, and high quality. We remain guided by  
3 four principles: customer satisfaction, integrity,  
4 teamwork, and excellence. With our people first approach to  
5 business, American Woodmark has grown substantially. We  
6 currently employ more than 8,500 employees here in the  
7 United States at 15 manufacturing facilities, 18 service  
8 centers, sales territories, and our corporate office located  
9 in Winchester, Virginia.

10           We manufacture 41,000 cabinets per day and we  
11 operate much like many other U.S. manufacturers who are  
12 vertically integrated from drying lumber to cabinet  
13 production. This is a key differentiator between the  
14 Chinese importers and us and it means that we keep all of  
15 these jobs in America. The assemblers of Chinese product in  
16 the U.S. argue that they employ Americans as well, but this  
17 is only a fraction of those that could and should be  
18 employed in the U.S. with full vertical integration. For  
19 every one job that an importer adds, America is losing  
20 roughly three to four in the supply chain. And it would be  
21 more than this if you consider the entirety of the supply  
22 chain.

23           We are proud to be one of the largest cabinet  
24 manufacturers. In our pursuit of excellence, we focus on  
25 enhancing our manufacturing capabilities and capacities

1 within our locations. Each year we spend up to 50 million  
2 dollars maintaining and upgrading the technology within our  
3 facilities. Post-recession, kitchen and bathroom cabinetry  
4 is in high demand with new construction homes increasing  
5 steadily year-to-year and remodel expenditures increasing  
6 each year as well.

7           We would've been able to fully benefit from the  
8 strong demand, if Chinese imports were not unfairly priced  
9 in the market as they are today. We sell almost all of what  
10 is typically considered stock cabinets and many of our sales  
11 are made to the Big Box retail stores. Chinese cabinets are  
12 severely injuring our business. When the imports advertise  
13 that they are selling at 20 to 40 percent below Big Box  
14 prices, those are our prices that they are undercutting.

15           We've become the reference point and price for  
16 the dumped imports to undercut. Needless to say, we compete  
17 against Chinese RTA imports every day. Since the  
18 introduction of Chinese imports into the U.S. cabinet  
19 market, customers have started to require a lower price  
20 point with an increase in features that were once upgrades.  
21 With our size and consistent capital investments, we were  
22 able to leverage our scale and brands for several years,  
23 but even that has not been enough.

24           We eventually were under enough pressure that we  
25 made the strategic decision to acquire a company that

1 operated solely in the lower price point platform. This  
2 involved taking on substantial debt in order to find a  
3 solution to better compete with Chinese imports. Still,  
4 with their dumped and subsidized pricing, Chinese imports  
5 continue to consistently beat us on price.

6 Part of the acquisition of this lower-cost  
7 solution included manufacturing some products in Mexico.  
8 And while we continue to import some of our components from  
9 Asia, the cost savings achieved through these practices can  
10 only lower our cost so much. We did this in response to  
11 China, but the Chinese imports are still undercutting us by  
12 large margins and they have impacted thousands of jobs once  
13 held by those in the United States.

14 If Chinese imports continue at these levels,  
15 thousands of our employees will lose their jobs. Many of  
16 them have worked for American Woodmark for decades.  
17 American Woodmark is committed to the domestic production  
18 model that the company was built on and to keeping Americans  
19 employed and to ensuring their communities are healthy. We  
20 donate hundreds of thousands of dollars back to the  
21 communities in which we live and work through the American  
22 Woodmark Foundation, which we established in 1995. We are  
23 one of the largest employers in many of the communities in  
24 which we operate, including West Virginia, Kentucky, and  
25 Virginia, to name a few.



1           Any lose of our jobs would be devastating. If  
2 we continue down the current path, Chinese cabinet and  
3 vanity imports will cause the vast majority of cabinet  
4 companies in the United States to close. This threatens our  
5 10 to 12 billion dollar a year industry, which supports  
6 250,000 American jobs. In fact, we have stated an earnings  
7 calls the need for high, antidumping and countervailing  
8 duties to address the unfair Chinese competition.

9           On behalf of American Woodmark, I urge you to  
10 stand with American workers and make an affirmative finding  
11 to let all U.S.-based cabinetry companies compete in a fair  
12 market. Thank you for your time and consideration.

13                           STATEMENT OF BILL ALLEN

14           MR. ALLEN: Good morning, my name is Bill Allen.  
15 I'm the President and Chief Operating Officer of Showplace  
16 Cabinetry. Thank you for giving me the opportunity to  
17 appear before you today. Since its founding in 1999,  
18 Showplace has grown from a small operation producing 50  
19 cabinets per day, to a widely known national brand that  
20 sells in all 50 states.

21           Showplace has a national reach, but at its core  
22 it is a small-town company. We're located in Harrisburg,  
23 South Dakota, where I grew up, a small town of 6300 near  
24 Sioux Falls. With over 600 employees, Showplace is one of  
25 the largest employers in our community. This is way this

1 case is so important for company, our employees, and the  
2 community I've lived in my entire life.

3 Showplace more than cares about its employees.  
4 Showplace is its employees. When we had the opportunity to  
5 sell the company to private equity investors, we instead  
6 sold it back to our employees in 2006. I'm incredibly proud  
7 of the fact that today we are 100 percent owned by our  
8 employees. We have long tenured workers, people who started  
9 making relatively low hourly wages and who know have  
10 considerable retirement savings built up in our company.

11 Unfortunately, because of unfairly priced  
12 Chinese imports, these jobs are now at risk. Chinese  
13 imports have had a substantial negative impact on our  
14 company. The effect of Chinese imports can be seen the  
15 moment you walk into cabinet showrooms. Showplace sells  
16 cabinets and vanities to designers and dealers that display  
17 and sell our products in their showrooms. Over the past  
18 decade at an accelerated rate the last three years, we've  
19 lost showroom space to Chinese cabinet lines. Ten years  
20 ago, it was rare to find one of our dealers who sold Chinese  
21 cabinets and vanities; however, as subject imports began  
22 entering the United States at drastically low prices, our  
23 dealers felt they had no choice but to sell Chinese products  
24 or lose substantial business.

25 Now, many of those same dealers display and sell

1 Chinese cabinets. In many cases, the Chinese products  
2 compete head-to-head and the pricing pressure is enormous.  
3 The dumped and subsidized prices of Chinese imports have  
4 fundamentally changed customer perceptions regarding prices.  
5 This shift in customer perception has forced us to heavily  
6 discount our products and to include as standard options  
7 that we were once able to charge premiums for, like modified  
8 sizing and design and soft closing drawers and doors.

9 Chinese prices for cabinetry are so low they  
10 have shifted customers' expectations to significantly lower  
11 priced cabinets, regardless of the quality or the features  
12 that we provide. Similarly, prior to 2016, we didn't offer  
13 promotional pricing on our products, but now we have to  
14 offer discounts year-round. Our promotional discounting  
15 costs have grown each year. We also had to begin offering  
16 bonuses to our dealers and designers in order to incentivize  
17 them to promote our products.

18 In addition, since 2016, our manufacturing costs  
19 have continued to increase annually, but because of Chinese  
20 imports, we have not been able to fully recover our  
21 increased costs. This is significantly eroded our  
22 profitability. The profits we lose to Chinese imports  
23 affects our ability to grow our business in a strong U.S.  
24 market. Showplace should be expanding its production  
25 capabilities. In 2018, we paid \$50,000 to develop

1 architectural plans for a significant expansion to our  
2 facilities in Harrisburg. By the end of 2018, due to  
3 slowing sales, significantly reduced profits, we decided not  
4 to proceed.

5           To be clear, if not for Chinese imports, we  
6 would've continued with that project and significantly  
7 expanded our production operations. We cannot escape the  
8 pressure of Chinese imports. Showplace sells cabinets in  
9 all 50 states. Unfairly priced Chinese imports are also  
10 sold throughout the country, so we cannot escape them. We  
11 have tried developing new products and entering different  
12 parts of the market, but each time we enter a new market the  
13 Chinese are right behind us. There are no new areas to move  
14 into.

15           Even in high-end custom cabinetry, the business  
16 is less profitable now because of Chinese imports. The  
17 Chinese producers are rapidly moving up the value chain. If  
18 left unchecked, the market will continue to deteriorate.  
19 Our performance began to be harmed in 2018 and the first  
20 three quarters of 2019 were terrible. We need sustained  
21 relief from unfairly traded imports from China.

22           To conclude, I would like to once again stress  
23 that the South Dakotans employed by Showplace are at the  
24 greatest risk in this case. Those are the people that will  
25 be hurt if this industry cannot get relief from unfairly

1 priced cabinet and vanity imports from China. Thank you for  
2 your time.

3 STATEMENT OF STEPHEN WELLBORN

4 MR. WELLBORN: Good morning. My name is Stephen  
5 Wellborn. I am the Director of Product Research and  
6 Development for Wellborn Cabinet. My family has been in the  
7 cabinet business for nearly six decades. My father founded  
8 Wellborn in 1961 in Ashland, Alabama, and the company  
9 remains a family business. My family takes great pride in  
10 our company and the producing of high-quality cabinets here  
11 in the United States. We're very proud of the community we  
12 have created at Wellborn and all the people that work with  
13 us, many for several decades.

14 Before the Great Recession, we employed over  
15 2,000 people. We currently employ approximately 1,200  
16 people. Since the recession, especially in the past three  
17 to four years, demand has grown steadily and we have been  
18 trying to grow our business with it and return to our  
19 previous levels of employment, but the surge of  
20 unfairly-priced Chinese imports since 2016 has prevented us  
21 from doing so. In fact, in 2019, we actually had to drop  
22 our headcount as a result of the unfair competition we  
23 continue to face from the Chinese imports.

24 Since my father founded Wellborn nearly sixty  
25 years ago, we have grown to a two million square-foot

1 facility that manufactures a wide range of cabinets and  
2 vanity products. Our product is vertically integrated, our  
3 production is vertically integrated. As a result, we  
4 control the entire production process, which allows us to  
5 ensure the high-level quality and craftsmanship that we  
6 pride ourselves on, and are known for.

7           However, we have not been able to realize the  
8 benefits of our high-quality products in recent years as we  
9 have lost sales and revenues to imported cabinets and  
10 vanities from China. These imports are competing  
11 head-to-head with us throughout the U.S. market. For  
12 example, Chinese importers like Fabuwood and JSI, among  
13 others, have blurred the line between what were  
14 traditionally considered stock and semi-custom cabinets.

15           At the Kitchen and Bath Industry Show last month,  
16 Fabuwood was back with their state-of-the-art display  
17 advertising cabinets and vanities in various sizes and with  
18 very high-end features, yet they still sell these products  
19 at drastically low prices. They ship RTAs, but also offer  
20 assembly for their cabinets and vanities, competing directly  
21 with our fully-assembled cabinets and vanities.

22           With the variety of sizes and features they  
23 offer, I estimate that Chinese imports compete with at least  
24 85% of the U.S. market where U.S. producers' shipments are  
25 also are concentrated. Because we are competing

1 head-to-head, U.S. prices are being suppressed and depressed  
2 by the unfairly-priced Chinese imports.

3 To compete with extremely high volumes of subject  
4 imports, we have had to lower our prices. Our customers  
5 constantly pressure us about pricing. They demand lower  
6 prices and more features and they look to dumped and  
7 subsidized Chinese product as a point of comparison. We  
8 have also had to change our product mix due to the surge of  
9 Chinese imports in the market. We have been forced to  
10 increasingly produce lower-end and lower-priced cabinets.

11 These lower-priced cabinets are less profitable,  
12 and when coupled with the price concessions, our profits  
13 have declined. In other words, even for the sales we do  
14 make, our margins are squeezed and our profitability is  
15 eroded. The sales we lose outright to subject imports  
16 further impact the profitability of our company and our  
17 ability to hire more workers and increase wages.

18 When we talk to our dealers, they often tell us  
19 the same story. They're selling more Chinese cabinets and  
20 fewer U.S. cabinets. Were it not for the surge of  
21 unfairly-traded Chinese imports, this would be a good market  
22 for the domestic cabinet and vanity industry. But Chinese  
23 imports are taking all the growth in the market. Simply  
24 put, we should be doing a lot better right now. We are not,  
25 and as because of the increased presence of Chinese

1 cabinets and vanities in the U.S. market.

2 As a final point I would like to highlight again  
3 the community that Wellborn is a part of, and the community  
4 that is at risk in this case, the unfairly-traded imports  
5 from China do more than lower profits for Wellborn. These  
6 imports have serious consequences for the community of  
7 Ashland, Alabama.

8 As you heard from the mayor of our great city  
9 earlier this morning, Wellborn is one of the largest  
10 employers in Ashland. We provide reliable and high-paying  
11 middle-class jobs in a small community with few employment  
12 opportunities. Without trade relief, we will not be able to  
13 continue to increase wages or increase the number of our  
14 employees. It is those workers in those jobs that are at  
15 stake in this case. Thank you for your time.

16 STATEMENT OF JOHN GAHM

17 MR. GAHM: Good morning. My name is John Gahm,  
18 and I am the President of Kitchen Kompact. Kitchen Kompact  
19 is a cabinet manufacturer located in Jeffersonville,  
20 Indiana. We were founded in 1937 on the other side of the  
21 Ohio River in Louisville, Kentucky. Since then, we have  
22 grown to become one of the largest cabinet manufacturers in  
23 the United States. We are proud to be run by three  
24 generations of the Gahm family.

25 Kitchen Kompact operates one of the most



1 efficient cabinet manufacturing facilities in the United  
2 States. We can compete fairly with anyone. We purchase  
3 wood components from domestic producers and complete all  
4 aspects of cabinet assembly in our Jeffersonville facility.  
5 By operating a single facility, we streamline our production  
6 and manufacture with low overhead.

7           We can even ship from inventory within six days,  
8 or in some cases, in as little as one to two days. In  
9 contrast, the companies that merely assemble RTA cabinets  
10 from China, we perform all finishing operations, which can  
11 be complex and labor-intensive. This means we manufacture  
12 high quality and finished cabinets that mere assemblers are  
13 not capable of producing.

14           That being said, importers and distributors of  
15 Chinese cabinets and vanities do perform the simple process  
16 of assembling RTAs. We sell largely to distributors, so we  
17 know. While the data may show that only some subject  
18 imports are shipped assembled, many more are being assembled  
19 at the next step in the chain by distributors. By the time  
20 they reach the end user, I believe the vast majority of  
21 cabinets, whether imported or domestic, are fully  
22 assembled.

23           Kitchen Kompact's ability to produce high-quality  
24 cabinets with unmatched efficiency is a testament to the  
25 skill and experience of our nearly 200 workers with an

1 average tenure of fifteen years. On average, our workers  
2 have the capacity to produce 10,000 cabinets per shift, four  
3 times the industry average. Due to unfair competition from  
4 Chinese imports, however, we are unable to benefit fully  
5 from the incredibly streamlined and efficient nature of our  
6 production process and our workers.

7           While we can produce 10,000 cabinets per shift,  
8 we are currently producing fewer than 3,500 cabinets daily.  
9 That number has decreased due to Chinese imports. We  
10 produce almost exclusively stock cabinets and we are losing  
11 sales every day to China. Many of our distributor customers  
12 have taken on Chinese cabinet product lines and, in some  
13 cases, have stopped selling our product lines altogether.  
14 As a result, we have had to lay people off, reduce overtime,  
15 slow down conveyor lines to lessen production, and reduce  
16 work hours.

17           In February of 2018, we had to reduce our  
18 headcount by thirty people, due to declining sales. The  
19 pricing pressure caused by Chinese imports has prevented us  
20 from investing in new equipment. In recent years, we have  
21 only made capital investments when absolutely necessary.

22           Without the extreme pricing pressure forced on us  
23 by Chinese imports, we would be able to reinvest in our  
24 infrastructure and our work force much more aggressively.  
25 However, because of unfairly-priced imports from China, we

1 have had to do the exact opposite.

2 We are an innovative, dedicated and streamlined  
3 company. It does not make sense how Chinese cabinets can be  
4 sold in the United States at prices so much lower than ours.  
5 We should be able to compete with any cabinet manufacturer  
6 in the world. With Chinese import prices though, we simply  
7 cannot.

8 These should be great years for Kitchen Kompact.  
9 Demand in the U.S. cabinet market is strong and has been  
10 increasing in recent years. However, solely because of  
11 price, demand for domestic cabinets and vanities has slowed  
12 to a crawl, while demand for Chinese product has increased  
13 steadily.

14 Simply put, at a time when we should have been  
15 growing our businesses, dumped and subsidized cabinets and  
16 vanities from China surge into the market and cost the U.S.  
17 industry what should have been some really good years.

18 As a final point, I would like to emphasize the  
19 stakes of this investigation. As the Commission is aware,  
20 the U.S. furniture industry has all but disappeared.  
21 Without trade relief, the same will happen with the U.S.  
22 cabinet industry. Thank you for your time.

23 STATEMENT OF EDWIN UNDERWOOD

24 MR. UNDERWOOD: Good morning. My name is Edwin  
25 Underwood, and I am the President and Chief Operating

1 Officer of Marsh Furniture Company.

2 I want to start off by thanking the Commission  
3 staff for visiting our facility in High Point, North  
4 Carolina. We sincerely enjoyed your visit and hope the trip  
5 was informative and worthwhile. As a 25-year veteran of  
6 Marsh and a native of the North Carolina area, I am  
7 extremely proud to work with a family-owned manufacturer  
8 that is a vital component of the High Point community. I am  
9 equally proud of our employee team and our facilities, and I  
10 am pleased to have had the opportunity to show them to you.

11 Marsh Furniture was founded in 1906 by Julius  
12 Everett Marsh, from his one-room woodworking shop in High  
13 Point. During the past century, Marsh has helped define the  
14 modern kitchen cabinet, and we have adapted and expanded our  
15 offerings to continue providing our customers with  
16 high-quality cabinets. We are a vertically-integrated  
17 company, and in addition to our kitchen and bath cabinetry  
18 manufacturing operations in North Carolina, we have a  
19 dimension lumber facility in South Carolina. Together, our  
20 manufacturing operations employ 650 workers. As the  
21 Commission staff saw during their visit, we produce kitchen  
22 cabinets and bathroom vanities in the same facilities on the  
23 exact same production lines, with the same employees and  
24 skillsets.

25 After more than a century as an American

1 manufacturer, Marsh knows how to weather storms -- economic,  
2 competitive and otherwise. But what we are facing now is  
3 different. Marsh's continued viability is being harmed by  
4 the severe unfair competition that we are seeing from dumped  
5 and subsidized Chinese imports. Since the surge of  
6 unfairly-traded cabinets and vanities from China began, we  
7 have lost countless sales. Even from our top customers who  
8 have been with us for years, we are seeing a downward trend  
9 in sales. When we speak to these partners, they do not  
10 describe the reason for this decline to be service or  
11 product quality or relationship. These customers describe  
12 it exclusively as a function of price.

13           We have lost sales to Chinese imports in multiple  
14 channels -- to distributors, dealers and builders -- in the  
15 multi-family and kitchen-at-a-time markets, to small,  
16 single-family home builders and to remodeling consumers.  
17 Across all these channels, we lose sales to customers for  
18 the same reason -- again, price. While Marsh produces a  
19 large variety of options and styles of cabinets and  
20 vanities, like most cabinetry companies, most of our sales  
21 are concentrated in a select number of few SKUs -- SKUs  
22 that every single importer offers. And we're seeing more  
23 and more variety in the Chinese imports as well, as Chinese  
24 producers move up the value continuum.

25           Chinese imports throughout the product spectrum

1 are underselling us by huge margins. As a result, while  
2 there has been increased demand for cabinets and vanities in  
3 recent years, Chinese imports filled most of that demand.  
4 This displacement of domestic product by Chinese imports,  
5 together with the substantial negative price effects of  
6 these imports, has impacted our bottom line, forcing us to  
7 reduce the size of capital investments and limiting our  
8 overall growth as an organization and company.

9 Marsh Furniture has been a pioneer in the U.S.  
10 cabinet industry. Over the years, we have invested in our  
11 operations, our people, and ability to provide excellent  
12 product and service. On a level playing field, we can  
13 compete with anyone, as we've shown over the last 120 years.  
14 But we cannot compete against dumped and subsidized imports.

15 Marsh Furniture and its employees are ready,  
16 willing and able to continue to produce quality cabinets for  
17 another century. Without trade relief, however, we will  
18 continue to lose sales to dumped and subsidized Chinese  
19 cabinets and vanities, with disastrous results to our  
20 company.

21 As you know, High Point was known as the  
22 furniture capital of the world, but the domestic furniture  
23 industry there was crushed by dumping and subsidies from  
24 China. Today, the American furniture industry is but a  
25 small sliver of what it used to be. It is imperative that

1 we not let the same thing happen to the wooden cabinet  
2 industry. I urge you to restore the fair competitive  
3 environment that would allow us to reinvest in our company  
4 and our employees for the long term. Thank you.

5 STATEMENT OF PERRY MILLER

6 MR. MILLER: Good morning, my name is Perry  
7 Miller. I am the President of Kountry Wood Products.  
8 Kountry Wood was founded in 1998 by Ola Yoder and has  
9 manufactured and marketed their own brand of cabinetry since  
10 2001. Since our founding, Kountry Wood's basic philosophy  
11 has relied on building a quality product, selling it at a  
12 reasonable price and providing customers with excellent  
13 service. For a long time this proved to be successful.  
14 With our strong business practices, Kountry Wood has grown  
15 significantly in the last twenty years.

16 Now, in our two facilities in Nappanee, Indiana,  
17 every day we produce more than 6,000 cabinets and vanities,  
18 including furniture style vanities. A large percentage of  
19 our products are stocked by our dealers and distributors and  
20 are ready for immediate pick-up or delivery.

21 Unfortunately, things have changed for our  
22 company and for our entire industry. Today, Kountry Wood's  
23 very existence is being threatened by dumped and subsidized  
24 imports of cabinets and vanities from China. Chinese  
25 imports have been around for a long time, but we started

1 really noticing the impact in 2016. Seemingly, all of a  
2 sudden, Chinese cabinets and vanities were present in every  
3 part of the U.S. market in massive quantities, and their  
4 quality had vastly improved. Chinese imports now exist up  
5 and down the value chain.

6           While Kountry Wood sells predominantly stocked  
7 cabinets and vanities, we see Chinese imports throughout the  
8 stock in similar custom parts of the market. In fact,  
9 Chinese imports with their high-end features on all  
10 cabinets, have largely blurred the line between these  
11 portions of the market. Demand for painted finishes have  
12 impacted this trend as well, with these finishes now also  
13 found up and down the value chain.

14           Kountry Wood's performance has been negatively  
15 impacted by unfairly-priced Chinese imports with the effects  
16 really hurting us in 2018 and '19. While the U.S. market  
17 was growing, Kountry Wood's growth is declining. And our  
18 profitability has taken a major hit. This is a direct  
19 result of competition with dumped and subsidized Chinese  
20 imports.

21           Unsurprisingly, our dealers and retailers, like  
22 Schillings, who's here today, consistently report losing  
23 sale after sale to low-priced Chinese imports or having to  
24 drop prices drastically to try to retain customers. These  
25 Chinese imports undersell us by huge margins, from 20 to



1 40%. Chinese producers offer upgrade options with no  
2 additional charge as the standard -- in other words, for  
3 free. We have seen Chinese imports of cabinets with these  
4 upgrades being offered at prices lower than even the  
5 production costs of a U.S. particleboard cabinet with no  
6 upgrades.

7           With such extreme pricing pressure, we simply  
8 cannot compete with the dumped and subsidized Chinese  
9 imports, and the continued lost sales are having a  
10 devastating impact on Kountry Wood's performance. If  
11 nothing is done to limit the surge of unfairly-trade Chinese  
12 imports, despite our company's success and growth over the  
13 past twenty years, our continued viability will be at stake.

14           Because of the unfair competition from Chinese  
15 imports, we have even been forced to hold off on a planned  
16 investment on facilities and equipment. Previously because  
17 of steady growth in the early years of the company, Kountry  
18 Wood was able to have major planned expansions. We were  
19 planning for another expansion to focus on painted product  
20 in 2018, but we had to put it on hold because of the market  
21 conditions resulting from Chinese imports.

22           After these cases were underway, we decided to  
23 move ahead with the expansion and we expect to complete it  
24 in the third quarter of this year. The ROI we will obtain  
25 on this new investment is directly dependent on the outcome

1 of this case. Very recently, just in about the last six  
2 weeks, we have started to see some benefit of this case as  
3 preliminary duties caused Chinese import levels to decline  
4 and the large inventories of unfairly-priced Chinese imports  
5 are being worked off.

6 It is critical to our company that these duties  
7 become finalized and stay in place. If they are lifted, I  
8 have no doubt that these Chinese imports would once again  
9 surge into the market, and any benefit we have seen thus far  
10 would disappear immediately. Kountry Wood is a staunch  
11 American manufacturer and would like to continue to produce  
12 quality cabinets for many decades. However, our future is  
13 at risk with Chinese imports. I urge you, on behalf of  
14 Kountry Wood and its 500 employees, to please make an  
15 affirmative finding of material injury in this case. Thank  
16 you.

17 STATEMENT OF KEN FRITZ

18 MR. FRITZ: Good morning, my name is Ken Fritz  
19 and I am the Kitchen and Bath Sales Manager for Schillings,  
20 a building materials supplier with locations in northern  
21 Illinois and Indiana. I've been in the cabinet industry for  
22 30 years and in my current position at Schillings for 25  
23 years.

24 I've experienced first-hand the impact that  
25 unfairly traded Chinese cabinets and vanities have had on

1 the U.S. market in recent years. We've recently been  
2 providing northwest Indiana and the greater Chicago area  
3 with high quality products, including cabinets and vanities  
4 since 194.

5 Schillings distinguishes itself from other  
6 dealers through our expertise and high level of service we  
7 provide. Schillings delivers domestic cabinets on demand.  
8 We keep at least five styles of cabinets in inventory, which  
9 allows us to sell U.S. cabinets directly to our consumer  
10 same day. We also offer semi-custom cabinets which provide  
11 additional styles and customization options.

12 We typically sell about 35 to 40 kitchens a week  
13 to builders and at retail. An average kitchen size is about  
14 10 cabinets. Approximately, 60 to 70 percent of our sales  
15 are made to single-family or small multi-family  
16 homebuilders. The remaining is sold at retail. Demand  
17 through the market is strong right now; yet, in the entire  
18 market we've seen a major increase in the availability of  
19 unfairly priced Chinese imports. We've been seeing a large  
20 volume of Chinese cabinets for the last five or six years,  
21 but this has recently intensified.

22 Competition between domestic and Chinese  
23 cabinets is head-to-head and fierce across all segments of  
24 the market. The quality and construction of Chinese  
25 cabinets are very good. They offer the same features as

1 domestic products. Chinese imports are fully competitive in  
2 stock and semi-custom cabinets and vanities. Because  
3 Chinese and U.S. products are so comparable competition  
4 between them is entirely based on price.

5           Since imported Chinese cabinets and vanities are  
6 offered at extremely low, dumped and subsidized prices,  
7 Chinese imports are increasingly gaining market share in the  
8 United States. This affects dealers like us, who purchase  
9 primarily U.S.-made cabinets and vanities. We're forced to  
10 compete with many dealers who do purchase and sell Chinese  
11 imports. The typical buyer visits multiple dealer showrooms  
12 and receives multiple quotes before making a buying  
13 decision.

14           The buyers do not get any documentation  
15 regarding the origin of the cabinets, so they often have no  
16 idea whether it's domestic or Chinese, so our customers view  
17 all products equally. Through this process, Chinese imports  
18 place significant downward pressure on cabinet and vanity  
19 prices in the United States. These Chinese cabinets and  
20 vanities are initially shipped into the United States in RTA  
21 form, but they are almost always assembled before going to  
22 the consumer or the job site.

23           Even after assembly costs, these Chinese RTA  
24 cabinets often cost 40 percent less than comparable domestic  
25 cabinets. This means we are getting destroyed on pricing.

1 It is simply not possible for us to compete with Chinese  
2 cabinets and vanities that when fully assembled and  
3 delivered still cost 40 percent less than the domestic  
4 cabinets we can offer. We are approached frequently by  
5 Chinese companies with aggressive marketing campaigns and  
6 prices.

7 As a purchaser and dealer of domestic cabinets,  
8 I appreciate the work and the attention the Commission has  
9 put into this investigation. Without adequate trade relief,  
10 it will be difficult for Schillings and many other dealers  
11 to continue to be competitive offering domestic cabinets,  
12 which causes me to fear for the future of the U.S. cabinet  
13 industry. Thank you for your time.

14 STATEMENT OF SETH KAPLAN

15 DR. KAPLAN: Good morning, I'm Seth Kaplan of  
16 International Economic Research, and let me turn to the  
17 conditions of competition. I direct you to five: growth of  
18 subject imports, head-to-head competition, price-based  
19 competition, cyclical demand, and the value chain.

20 This is what has happened to subject imports  
21 since 2000. In terms of value, note that only one year,  
22 2009, was a decline. And if you recall, the domestic  
23 housing industry was crushed during that period. Note, also  
24 during this period the largest increase in U.S. housing in  
25 recent history, the housing boom, all of the cabinets were

1 supplied by the domestic industry. That boom is bigger than  
2 the one we are in today.

3           This is in terms of volume, and you'll notice  
4 that the over 20 million imported cabinets -- 20 million  
5 imported cabinets enter the United States at a compound  
6 growth rate of over 20 percent. This means they double in  
7 size about every three and a half years. When there're one  
8 million cabinets going to two, that's one thing. When  
9 there's 20 million cabinets going to 40 million cabinets,  
10 that's something else.

11           When you look at import penetration, also be  
12 aware that if you look at value, value will underestimate  
13 the share. Ironically, if dumping increases over time,  
14 it'll look like import share is falling. If you take the  
15 value, you should be adding the CVD margins. And in this  
16 case, then you should be adding the markup to get to the  
17 same level of trade. And you'll see that the import  
18 penetration levels, if fairly priced, would be consistent  
19 with the volume levels.

20           Now, let me turn to head-to-head competition and  
21 show that everywhere an imported cabinet is a domestic  
22 cabinet competes. They are not a niche product and I should  
23 know. The term "niche product" was introduced by me in the  
24 early nineties. Imports are in all four channels. Domestic  
25 industry is in all four channels. Subject imports compete

1 in all four channels. As J&K says, our major clients are  
2 distributors, independent dealers, retailers, builders,  
3 contractors, designers, and home centers.

4           Specifications, you'll note that the  
5 specifications are the same for domestic product and  
6 imported product, and they can specify different levels of  
7 doors, use of plywood, use of soft close hinges in doors,  
8 drawers with full extension. All of these features and  
9 specifications are available, both domestically and on  
10 imports.

11           With respect to styles, you could see they all  
12 do white styles. That shows up on the slide as white. That  
13 was a bad joke, but you could see them on the floor over  
14 here as well. Painted white, shaker cabinets are often a  
15 standard in the industry and they're produced both  
16 domestically and by imports.

17           With respect to premium features, the imports  
18 have soft closed drawers and doors, dovetail construction,  
19 plywood construction, and finished interiors. And as I'll  
20 discuss later, these used to be semi-custom features that  
21 the importers have now moved into the stock realm. Are  
22 these features available? Some or all are available on all  
23 these importers. This is not a rare occurrence. It is  
24 everywhere now and your staff report says that. These  
25 features have become more common over the Period of

1 Investigation.

2                   How about price? Now, let's turn to price. So,  
3 first again, head-to-head competition in every channel.  
4 Head-to-head competition on every specification.  
5 Head-to-head competition on every feature. Head-to-head  
6 competition on every price point. Head-to-head competition  
7 on every end use. The multi-family homes that were being  
8 built and supplied by Mr. Trexler are the same multi-family  
9 homes that are taking these imports and substituting. The  
10 same dealers that have the retail space that these people  
11 have talked about, that these builders have talked about  
12 that retail space has imported product. They are sold to  
13 the same people. We walk in the door when we need a kitchen  
14 and we see them both side-by-side. Price is the most  
15 overwhelming factor on your questionnaires. Price overlap  
16 occurs. Look at our confidential report, but you'll see  
17 that brands and companies are available at all price points,  
18 both from the import and the domestic side.

19                   Not even looking at the brand, just the average  
20 value of the companies are at all price points from the  
21 importers and from the domestics from your own record. And  
22 imports go to market on price in each of these channels.  
23 Our cabinets says kitchen cabinet distributors are a  
24 beautiful solution at an affordable price. Fabuwood, we  
25 build quality. We are making building a luxury kitchen



1 affordable. They go to market on price.

2           Retailers -- and I feel for the people that sell  
3 to Home Depot and Lowe's. They are the benchmark. Go  
4 online, walk in a store and every single import compares  
5 themselves to the Big Box stores. You do not go to market  
6 against the Big Box stores on price if you are a niche not  
7 competing with the Big Box stores. You go to market against  
8 your competitor and you make a comparison and this  
9 comparison is ubiquitous throughout the industry.

10           End users, high quality products at economical,  
11 affordable prices. Our target clients are contractors and  
12 builders. That is National Kitchen and Bath Cabinetry.  
13 That's who they go to market with and a channel against  
14 brands that are specifically designed by the gentlemen at  
15 this table to go to market in those end users. They have a  
16 separate brand for the builders. A separate brand for the  
17 retailers, different brands at different price points. They  
18 are targeting everybody and these imports are targeting the  
19 exact same end users in the exact same markets.

20           Demand is cyclical, as you know, as you saw the  
21 decline in imports did not mirror the decline in the cycle  
22 in the past and now they're expanding at much faster rates  
23 during this cycle. It has been relentless. Subject imports  
24 have moved up the value chain. As you've seen, there are  
25 stock, semi-custom, and some custom importers and the lines

1 have been blurred between stock and semi-custom.

2           Tim went over much of the injury. Import  
3 penetration goes up in volume and value and imports are up.  
4 There's underselling. We have provided kitchen-by-kitchen  
5 comparisons with underselling. Imports were rated superior  
6 on price. The AUV show underselling. There's a cost price  
7 squeeze. With respect to production and capacity, remember  
8 we are in a rising market, so flat means you're getting hurt  
9 in a rising market and that is what's happening here.  
10 Shipments decreased in a rising market. Operating income  
11 has declined in a rising market. Operating margins in a  
12 rising market. Net income, net margin, employment was flat  
13 when it should've been growing. Investments have been  
14 curtailed. The financial markets reflect this.

15           As you've seen the slides earlier, the public  
16 companies have identified imports, but what have the Wall  
17 Street analysts have said. It has been brutal. They've  
18 stated that Chinese imports have harmed the industry. They  
19 have downgraded the stocks of companies at this table  
20 specifically because of imports. They have upgraded stocks  
21 of companies at this table because of the affirmative  
22 preliminary finding and they praise MASCO sale, because  
23 they're getting the hell out of this business. That is a  
24 problem and it shows injury.

25           Finally, one more point in the natural

1 experiment. Professor Marvel said there was a natural  
2 experiment where there were --

3 CHAIRMAN JOHANSON: Mr. Kaplan, your time's  
4 expired. If you could try to wrap up real quickly.

5 DR. KAPLAN: I will be one minute. This is my  
6 last slide.

7 CHAIRMAN JOHANSON: Very quickly.

8 DR. KAPLAN: He said there was a natural  
9 experiment because duties did not increase prices, but  
10 there's a lag in this industry. In fact, imports prices  
11 fell. Imports did not actually decline until August of 2000  
12 and there was a huge inventory. The witnesses will speak of  
13 the effects of the duties when asked. Thank you very much  
14 for your patience.

15 MR. BRIGHTBILL: So, we have no time left and  
16 we're happy to answer questions. Thank you.

17 CHAIRMAN JOHANSON: Alright, thank you all for  
18 appearing here today. We will begin Commissioner Questions  
19 with Commissioner Karpel.

20 COMMISSIONER KARPEL: Thank you all for being  
21 here today. I'll start my questioning with some of the  
22 pricing data we have on the record. And I wanted to ask how  
23 much of our pricing data is affected by product mix? For  
24 example, the pricing products don't differentiate by whether  
25 the cabinets are customs or by stock or by other features.

1     Could you speak to whether that affects the pricing products  
2     and the comparisons we're seeing?

3                   MR. BRIGHTBILL:  I can start.  Actually, the  
4     pricing data is accurate and reflects the levels of  
5     underselling that are occurring.  And importantly, the  
6     Commission changed its definitions to ensure an  
7     apples-to-apples comparison.  Changed from the prelim to the  
8     final investigation, for example, to gather data on all wood  
9     cabinets, so you have the same physical characteristics and  
10    you have the same dimensions and all the other features.  
11    So, the data is accurate.  These are the real underselling  
12    margins.  It's also reflected in the AUVs and it's also  
13    reflected, for example, in the Commerce dumping margins  
14    reflect similar thoughts.

15                   DR. KAPLAN:  Yes, the pricing products were  
16    changed to make sure they were assembled for the comparisons  
17    so they are at the same level.  And also, I'd like to point  
18    out that most of the comparisons made were to stock cabinets  
19    that compete head-to-head.  It's also consistent with the  
20    claims that I showed on the previous slide by the retailers  
21    that they were 20 to 40 percent below the Big Box stores.  
22    That's what they went to market as and I think the type of  
23    information you have reflects a large margin that you've  
24    seen.

25                   COMMISSIONER KARPEL:  So, let me just interrupt.

1 So, but in the pricing products it doesn't differentiate  
2 between whether these are custom cabinets or stock cabinets.  
3 You said, Mr. Kaplan, that most of the comparisons are stock  
4 cabinets. How do we know that?

5 DR. KAPLAN: Well, first, I know what the  
6 producers of the questionnaires make, but then, in this  
7 market in the U.S. market many commenters have said on a  
8 value basis the -- and I believe the Respondents did at the  
9 preliminary that on a value basis the market is 60 percent  
10 stock, 20 percent semi-custom, and 20 percent custom on a  
11 volume basis, which is what you're seeing in the  
12 questionnaire. Given the price differentials, that would  
13 comport to about an 80 percent share of stock on a volume  
14 basis.

15 And also, given the representatives as part of  
16 the reporting companies, I think you're seeing a comparison  
17 that's representative. Also, and the panel could speak to  
18 this, it included importers that are nominally stock, but  
19 the way the lines have been blurred, they are, in fact,  
20 competing in the semi-custom area. They have full plywood  
21 boxes. They have the features that are used to be  
22 considered semi-custom that are not standard -- the full  
23 extension soft closed drawers, the plywood construction.  
24 Also, in terms of the styles, there used to be more of a  
25 bright line between the finishes of the cabinet between

1 custom and semi-custom. And today, with the painted  
2 cabinets and the high quality of the paint that the imports  
3 are bringing in, it has a semi-custom look. So, that is why  
4 at dealers today a Fabuwood is alongside a semi-custom  
5 cabinet and for the buyer the only difference might be some  
6 dimensionality and it looks it, has the features. It has  
7 the plywood. Maybe the dimensionality is not there, so  
8 everything is blurred. So, I think you have a very good  
9 comparison. It fits with the way people go to market. It  
10 fits with the way the market works. It fits with the  
11 representation of stock cabinets on this panel and it fits  
12 with the way the imports go to market and their pricing.

13 COMMISSIONER KARPEL: Okay, just to follow up,  
14 Mr. Kaplan, so is there information on the record that you  
15 could point me to or that you could put on the record that  
16 shows by on a volume basis 80 percent of the cabinets are  
17 stock and that, second point, that most of the pricing  
18 comparisons are of stock cabinets or could you do that for  
19 the post-hearing brief? It says no from the questionnaire  
20 responses.

21 DR. KAPLAN: We have who put in the pricing data  
22 here and we'll be able to give you that information.

23 COMMISSIONER KARPEL: And what about other  
24 features in terms of the frameless cabinets versus inside  
25 cabinets, soft closed drawers are those -- those are all not

1 factored into the pricing comparisons. Are those making an  
2 impact?

3 MR. BRIGHTBILL: Again, from what you've heard  
4 from the witnesses, and they can talk about it with the  
5 feature dumping, those features appear, not just in stock,  
6 but in semi-custom as well. So, that's a long way of saying  
7 the Commission got the pricing product definitions right.  
8 You are comparing apples-to-apples products. And as a  
9 result, you're seeing the pervasive underselling that these  
10 companies see every day. But on the future dumping, maybe  
11 the domestic industry can comment.

12 DR. KAPLAN: And one more point is that the  
13 products are of a design to be a plywood box comparison and  
14 a not small portion of the domestic industry stock is not a  
15 plywood where all or almost all of the imports are plywood.  
16 So, plywood is an additional feature on many stock cabinets  
17 in the United States, but we felt since it is an upgrade in  
18 the U.S., but a standard feature on the imports that would  
19 allow for a head-to-head comparison and the members of the  
20 industry could speak to that.

21 MR. KLEIN: Just on that point, we've seen over  
22 the last decade the quality of Chinese cabinets has really  
23 come to a par on our products across stock and across  
24 semi-custom. As they compete head-to-head on quality and  
25 features we're really comparing the same product, but

1 they're selling at a significant discount. In some ways,  
2 that's been facilitated by consumer tastes going to a  
3 simpler product. As you can see, you know the white shaker  
4 painted cabinet, the grey shaker painted cabinet that could  
5 be replicated in China and shipped over here. Where when it  
6 was more stained product, like this beautiful wood on the  
7 dais, that was harder to replicate, so there were bigger  
8 differences. So, the market has become more uniform and  
9 it's really played to their advantage. It's allowed them to  
10 come in head-to-head and yet subsidize the product into the  
11 marketplace.

12 MS. EL-SABAAWI: I just have one additional  
13 point. I realize you're asking mostly about the pricing  
14 product data, but we did submit in our brief a number of  
15 pricing quotes that show head-to-head comparisons for entire  
16 kitchen projects U.S. producers versus subject producers.  
17 And there it's very clear that the products being quoted are  
18 the exact same products in the same segment of the market  
19 with the same kind of features, both soft closed -- you know  
20 all of those features are specified and that data supports  
21 the underselling data shown by the pricing products.

22 MR. WELLBORN: We're in the semi-custom market  
23 and as Seth has mentioned, those lines are very blurred.  
24 Most all of the importers that are bringing product in are  
25 advertising semi-custom options and modifications. There is



1 not a lot of difference at all between those. You can see  
2 on the cabinets to my right between the domestic or the  
3 import product. We used to be able to charge an upgrade for  
4 these features. Now, the importer they've brought them in  
5 as a standard and there is no upgrade and their prices are  
6 so low that we can't even compete with a particle board  
7 product at that price. Thank you.

8 MR. FRITZ: Just adding to the point of the  
9 stock versus custom, I guess two points. One, we've had to  
10 adapt the American-made products that we stock to have  
11 features similar to what the importers offer as standard.  
12 So, in other words, soft closed used to be an upgrade. It's  
13 pretty much expected now by our clients. The other thing I  
14 would say is a lot of the importers that compete against do  
15 offer a lot of semi-custom modifications at their  
16 distribution centers. Some of them have spray booths. Some  
17 of them have carpenters that'll modify cabinets right there,  
18 so even compared to the semi-custom they're competing  
19 against that market segment strong as well.

20 MR. ALLEN: I'm also a semi-custom producer and  
21 I think you can look at the cabinets here. One of those  
22 cabinets I produced or we produced and one of those cabinets  
23 could be produced by a customer who or a company that would  
24 be considered a stock company. But when our customers look  
25 at those cabinets, they're all the same cabinet, so not to

1 get hung up on semi-custom or stock, it is become one  
2 market. Cabinets are cabinets. The ability to up sell for  
3 features is gone because of the homogenization of those  
4 products driven by the Chinese imports and that has really  
5 blurred the lines. So, when you're looking at the pricing  
6 product, think of them as six cabinets and not semi-custom  
7 or stock or RTA. They're cabinets. When they're assembled  
8 in front of a customer that's the way they look at them.

9 COMMISSIONER KARPEL: Okay, thank you. My time's  
10 up.

11 CHAIRMAN JOHANSON: Thanks again to all of you  
12 for appearing here today. I know that some of you came a  
13 fairly long way. We appreciate it.

14 Petitioners assert that subject imports have  
15 stopped U.S. producers from making additional investments  
16 into new equipment and plant expansions. And you mentioned  
17 this at Page 50 of your pre-hearing brief. However, the  
18 record indicates that twenty-two firms reported expansions,  
19 while eight firms reported an acquisition. And this is  
20 shown in Pages 8 to 9 in the Commission pre-hearing report.

21 Furthermore, the record shows that production  
22 capacity for full-unit wooden cabinets and vanities  
23 increased from 2016 to 2018, and this is shown at Page 314  
24 of the pre-hearing report. What factors are contributing to  
25 the report of expansions and the increase in production

1 capacity?

2 MR. BRIGHTBILL: I'll start it off, but, well,  
3 all of our industry witnesses a time. These companies are  
4 trying to remain competitive. They have to, given the  
5 competition that they're facing, so the investments are  
6 necessary. Unfortunately, you've heard from many companies  
7 that have not been able to make those investments or have  
8 had to postpone them or curtail them.

9 And with regard to capacity, I would just point  
10 out the sad fact of capacity utilization, which is so low  
11 for this industry, each of these companies could be  
12 producing much more using the equipment that they've got  
13 today, even without expansions, but the orders are not there  
14 because they've been taken, and the market shares have been  
15 taken by China. But the companies should speak to that.

16 MR. GAHM: As I spoke in my testimony, as far as  
17 investment goes, you know, there are times when you have no  
18 choice but to make an investment. You have a sander that  
19 goes down, you have to have a new sander. Without a sander,  
20 you're gonna be out of business. Those are significant  
21 capital investments, so in our case, a capital investment  
22 was only made if absolutely necessary. If we could repair a  
23 piece of equipment and get another year out of it, or  
24 another two years out of it, we absolutely would.

25 But, you know, if business was better, if we were

1 competing on a level playing field, we would have more  
2 capital available to invest in our plants, in our employees,  
3 and increase our capacity. Capacity is not an issue. In  
4 our case, we have the capacity to produce 10,000 cabinets a  
5 day. The demand is not there. We're only producing 3,500  
6 cabinets a day. So in a lot of our cases, capacity is not  
7 an issue.

8 MR. KLEIN: As we've really worked hard to try to  
9 compete with the Chinese prices, we've invested capital in  
10 automation where we can, we've upgraded paint lines to  
11 become more automated, to take some costs out where we can.  
12 We've modernized facilities. So we've put capital in  
13 without increasing net capacity to try to automate, to try  
14 to take some costs out.

15 You can look at our margins over the last three  
16 years in our cabinet business, they've declined. So we're  
17 chasing it as hard as we can. We're not yet covering it.  
18 If we had not done some of those things, we'd be even  
19 farther down on margin. Our sales are down over the  
20 three-year period. So our capital investments have been  
21 really intended to try to chase this problem that we're  
22 talking about today with very limited success. Had we not  
23 done it, we'd be even worse off.

24 MR. SABINE: Mr. Brightbill mentioned in his  
25 opening statement that in 2016, 2017, American Woodmark, on

1 public record, as a publicly-traded company, attempted to go  
2 into construction and build a new manufacturing facility on  
3 the East Coast in the Carolinas. That plant was going to  
4 try and create products that would compete with the Chinese  
5 imports on a highly technical, highly-automated platform.  
6 Ultimately, we went through the due diligence and went  
7 through all the pain-staking process of trying to determine  
8 whether we can financially make the product to compete with  
9 the Chinese imports.

10           Ultimately, we decided to scrap those plans.  
11 What we ultimately then did is in 2017--as I noted in my  
12 opening comments and my testimony--was that we went out and  
13 acquired another manufacturer, who was specialized in  
14 lower-price points, and for the first time in our history,  
15 left the United States through that acquisition, a  
16 manufacturer named RSI, who manufactures through three  
17 facilities down in Mexico, in order to be able to attempt to  
18 compete with the Chinese imports.

19           Even at those price points that we sell into the  
20 marketplace, we're still below the pricing that comes in  
21 China on comparable products. So just to give you a little  
22 clarity, I think that may be the acquisition you were  
23 speaking about.

24           MR. TREXLER: Our company recently purchased  
25 Masco Cabinetry. And one of the reasons we decided to

1 combine at this time, by putting these two large companies  
2 together, there's a lot of synergy that we'll hopefully will  
3 benefit from that'll help us compete. But we still have  
4 lots of these plants, even in the combined companies that's  
5 probably running at the 50% capacity.

6 But what gave us some confidence was,  
7 particularly in the multi-family sector, which recovers  
8 faster than the single-family, we've seen additional orders  
9 coming back, a lot more orders that were going to the  
10 Chinese, that were much less profitable. They're not, you  
11 know, chancing not getting a product or having to pay the  
12 tariffs on it, so we're definitely seeing some recovery  
13 there the last few months, and we know that the  
14 single-family market's gonna follow behind that. But that's  
15 we were banking on getting an affirmative ruling today.

16 MR. MILLER: As I stated in the testimony, we're  
17 working on an expansion currently, but that's all based on  
18 market trends. I would say it takes a little bit of  
19 different processes to do a lot of paint and with painting  
20 capacity shifting, that was the sole reason for the  
21 expansion was just to accommodate more of the market trends  
22 and the demands.

23 MS. EL-SABAAWI: There were certainly some  
24 examples of expansions and acquisitions during the period,  
25 but I'd also note that, for the industry as a whole, capital

1 expenditures did drop throughout the period of  
2 investigation, so I think that's sort of another form of  
3 injury. And for many of the expansions that producers were  
4 able to make, you've heard testimony that they did not  
5 generate the returns that they should have made and  
6 otherwise would have made if it weren't for import  
7 competition.

8 MR. SABINE: And just to clarify what I said a  
9 few minutes ago, I think I stated that when we acquired RSI,  
10 we did so to try to compete on a better level with the  
11 Chinese imports. Even today, after that acquisition and  
12 through the business model that we operate through Mexico,  
13 we're still unable to hit the same price points as the  
14 Chinese imports. I don't know that that was clearly picked  
15 up, but I wanted to make sure that was clear for the record.

16 CHAIRMAN JOHANSON: All right. Thanks for your  
17 responses. And sticking with the issue of capacity,  
18 wouldn't this combination of high excess capacity and  
19 growing capacity have resulted in intensifying competition,  
20 even without the subject imports?

21 MR. KLEIN: We've not taken capacity out of --  
22 and closed two plants in 2018. The overall housing market  
23 is growing at a rate of 5 to 6%. We also operate a large  
24 plumbing business, Moen Faucets. We operate a large door,  
25 entry door business, Therma-Tru doors. Those businesses are

1 growing, 5, 6, 7% a year, over the last five years. And so  
2 that marketplace overall has been growing.

3           The cabinet industry hasn't been growing. And so  
4 I don't -- we've haven't been adding excess capacity in the  
5 industry, and so the conditions are creating, you know, a  
6 situation where you're gonna compete, based on that  
7 contraction in the industry. We did see that phenomena in  
8 the massive housing downturn, 2008 to 2010, because all the  
9 volume was slipping away. At this point, you know, the  
10 industry should be growing and it's not as the Chinese are  
11 taking all of the volume that's coming into the market.

12           MR. UNDERWOOD: You make a point. I think  
13 competition can be seen on a number of different levels.  
14 When you look at the competition that we're talking about  
15 today with reference to the Chinese, it is not fair  
16 competition. If given the same opportunity with the same  
17 input --

18           We have a wonderful panel of individuals up here  
19 today and I compete with them every day. I have their  
20 cabinets in my office, in my showrooms, looking at how they  
21 build what they do. But I know their inputs, and their  
22 fairly-traded raw materials, their labor is fairly acquired.  
23 It is a level playing field, a big difference in this  
24 competition versus that which would be subsidized by Chinese  
25 imports.



1 DR. KAPLAN: Once again, I point you to the  
2 volume numbers rather than the value numbers. And to think  
3 about what capacity utilization would be if the volume of  
4 imports were being produced domestically. So when you see  
5 the upturn coming, sometimes capacities can be bottlenecking  
6 from adding modern machinery, from adding automation to make  
7 the product less expensive, does add capacity.

8 But this is the salad days. So you're setting up  
9 to supply the market and increasing capacity and efficiency.  
10 And so you're double-hurt from the extent that these  
11 investments were made and that capacity is not sold off.  
12 Some of the investments were made, too, before the imports  
13 increased volume at the rate they get, so you're talking  
14 about increases in three or four million cabinets a year,  
15 that is sucking up capacity when the compound growth rate  
16 itself as well. I'd just like to point that out. Thank  
17 you.

18 MR. GAHM: John Gahm, Kitchen Kompact. I'd  
19 kind of like to reiterate what Edwin just said. You know,  
20 there was a time where we were the biggest competitors  
21 amongst one another, and we would compete head to head and  
22 we'd compete fairly and may the best company win. That's  
23 competition. But that's fair competition. Our biggest  
24 competition in the last four-five years is not one another.  
25 It's the imported cabinets coming in at subsidized and

1 dumped rates. That is without a question I think all of us  
2 would agree with that.

3 But head to head on a fair level playing  
4 field, we all competed against one another and we survived.  
5 Now, we're a little nervous about what's going on because of  
6 the new competition that's out there.

7 CHAIRMAN JOHANSON: All right. Thank you for  
8 your responses. My time's expired. Commissioner  
9 Schmidtlein.

10 COMMISSIONER SCHMIDTLEIN: Thank you. I'd  
11 like to thank you all for being here today as well. I want  
12 to start with just a basic question, maybe to clarify for me  
13 the difference between these RTA flatpacks and stock  
14 cabinets, and sort of how I'm thinking about it. Do RTAs,  
15 are they basically stock cabinets that are packed  
16 unassembled? Is that what they are, or do they include  
17 something that might be more properly characterized as a  
18 semi-custom?

19 MR. TREXLER: Mark Trexler, ACPI. The  
20 difference in the RTA and the fully assembled cabinets that  
21 we sell, the RTA is a shipping method to get lots of  
22 cabinets on the container to get them here. Once you get  
23 them, you still have to put them together and assemble them  
24 for the customer. So when you look at the cabinets over  
25 here and you look at the RTA and you look at what we make, I

1 have a hard time picking them out.

2                   So I know the consumer can't tell the  
3 difference. They are same thing. One's boxed and has to  
4 assemble in this country, whereas in our plants we do all  
5 the manufacturing and stuff here.

6                   COMMISSIONER SCHMIDTLEIN: So do RTAs come --  
7 if a purchaser is buying RTAs, are there many, many SKUs for  
8 RTAs like there are for these stock and semi-custom cabinets  
9 that the staff report talks about?

10                   MR. TREXLER: They have a fairly limited  
11 selection of SKUs and so do we. In that same market, 80  
12 percent of what our companies produce, and we make about  
13 40,000 cabinets a day, are stock cabinets. Even in our  
14 semi-custom line, let's say your kitchen's got 20 cabinets.  
15 15 of them are stock and we may customize five to make it.

16                   But they did the same thing. They bring the  
17 cabinets in, they have the stock ones, but they could  
18 customize a few of them for dimensions here. So a lot of  
19 people get misled on the word "stock." Whereas a custom  
20 kitchen might have 80 percent of the cabinets are actually  
21 stock, we do nothing and we specialize your oven or a range  
22 hood or something the homeowner wants design-wise.

23                   But if you look at them, once they put them  
24 together, it's the same thing. But where it's being misled,  
25 they want you to think that RTA is going for a different

1 market and it is not. It is the same market over and over.  
2 Just like in the multi-family segment, we produce a cabinet,  
3 they produce it. They put it together in a building or the  
4 garage and take them up to the units.

5 But there's no advantage for the RTA.  
6 Actually, most general contractors, they don't want to put  
7 them together. They want them put together in a controlled  
8 environment where your -- may certify the cabinets, and that  
9 doesn't happen with a lot of these.

10 But everyone has to assemble them, and it's  
11 not like you're buying a crib in Ikea and take it home and  
12 you put it together for your grandson. These things have to  
13 be put together, you know, fairly quickly because there's so  
14 many of them going into a unit.

15 COMMISSIONER SCHMIDTLEIN: So would you say  
16 for a project that's using RTAs, they're not going to be use  
17 to RTAs for the entire project, that there's some aspect,  
18 whether it's a corner or it's some strange dimension in that  
19 kitchen, that's going to require a custom cabinet?

20 MR. TREXLER: Yeah, that can be -- that's a  
21 yes and a no. They actually can customize some of their  
22 cabinets. But the bad thing is a lot of times they do like  
23 in a dealer, some of my other colleagues here will tell you.  
24 They'll come in and buy all the inexpensive cabinets from  
25 China and the two or three tough ones they buy from one of

1 our companies, to just fills in the kitchen, because the  
2 island might be a different color, you know.

3 You can -- you mix and match. But they do  
4 customize some of these cabinets to fit the dimensions of a  
5 kitchen.

6 MR. UNDERWOOD: Edwin Underwood, Marsh  
7 Furniture. It has been our experience, and again we were in  
8 existence through the 40's and 50's when the current modular  
9 cabinet construction methodology really was born. The vast  
10 majority of the kitchens that we install are installed out  
11 of a spec book. They are standard, stock product.

12 I would dare say the volume of kitchens that  
13 are designed today are standard -- are designed out of  
14 standard stock product. I would go on to say that in  
15 addition, and Chris spoke to this earlier, around the linear  
16 nature of style preferences today. People have gravitated  
17 towards shaker product, painted product, particularly in  
18 grays and whites.

19 In addition to that, selectivity in order to  
20 build the kitchen design as one would prefer to the  
21 consumer, is also linear. Some 77 percent of the sales that  
22 Marsh Furniture has falls in the top 100 SKUs. So the  
23 breadth of SKU offering is not a differentiator any more.  
24 It is -- particularly when one has the benefit of trying to  
25 value engineer a product, gravitating towards price around

1 these imported products.

2 COMMISSIONER SCHMIDTLEIN: Well, I have to say  
3 I have the white shaker cabinets in my kitchen. I thought  
4 that they were really cool. But I'm feeling a little -- ,  
5 because I guess everybody has them.

6 MR. BRIGHTBILL: Commissioner, Tim Brightbill.  
7 I also remodeled my kitchen and the color I chose was Simply  
8 White. It only took us several months to come up with that.  
9 I think you make a good point, that RTA is a shipping  
10 method. It's not a different product, and so think of it as  
11 the same as not only stock, but now also into semi-custom as  
12 well.

13 For the cabinets on my right, there's one  
14 there that's an RTA. There's one there that you would  
15 consider stock. There's one there that you would consider  
16 semi-custom, right.

17 COMMISSIONER SCHMIDTLEIN: And so if it's a  
18 semi-custom, if it's something that would include the  
19 upgrades if you will, or enhancements of a semi-custom, does  
20 that all come in the box? It all comes 100 percent as what  
21 you need? You don't add on those things later?

22 MR. BRIGHTBILL: That's right, that's right.  
23 For RTAs it is, although again some of these assembly  
24 operations have some ability to do some painting or some  
25 customization as well, the assembly operations for the

1 Chinese RTAs.

2 MR. TREXLER: Mark Trexler, ACPI. What they  
3 do is maybe change something dimensionally, so it fits in a  
4 corner or is, you know, a special cabinet in the kitchen,  
5 you know, just to accent it.

6 DR. KAPLAN: Commissioner, there's two ways I  
7 think might be helpful to think about semi-custom. One is  
8 features and the other are types of companies. On a feature  
9 basis, what you have are higher quality and upgrades, and  
10 you're seeing that in the RTAs and the domestics. One of  
11 the things that you get potentially with a company are let's  
12 say different finishes and things.

13 But since everybody's doing white and gray and  
14 everybody's doing shaker, those become less important, and  
15 it's the quality of the standard stock offering that's  
16 become important. Whether the company is a semi-custom  
17 company or a stock company. So you could speak to the  
18 semi-customs here, and they're saying well, almost every  
19 cabinet is of stock dimensions.

20 I'm a semi-custom company, but I'm producing  
21 everything in stock dimensions. It comes in a flat bag, and  
22 now the paint quality's really high, and now they're giving  
23 a plywood box, and now they have soft, all these things that  
24 used to be considered kind of the semi-custom features. So  
25 the semi-custom companies and the even semi-custom products

1 have blended. The things that haven't, some small things,  
2 are the dimensionality. But if you could go  
3 into a dealer and they could say I could save you 40 percent  
4 and you've got to put a filler in the corner. I won't make  
5 that a special cabinet, and you go yeah, maybe I'll get the  
6 Wolf range now instead of paying that extra. So that's  
7 what's happening and you see a Fabuwood in the same  
8 showrooms with what are semi-custom U.S. companies competing  
9 head to head.

10 So I hope that distinction's helpful between  
11 the features which have become much less important now and  
12 have blended together, and just the definition of a company.  
13 As these guys said, they produce almost all their stuff in a  
14 limited number of SKUs, you know. All those different  
15 stains and stuff are a small part of their market.

16 So they're competing head to head with the  
17 stock cabinets coming in with the Fabuwoods and the JSIs.

18 MR. FRITZ: Ken Fritz, Schillings. If I could  
19 just add color. You made a comment. You had a buying  
20 experience as a consumer. You may have gone to more than  
21 one showroom. I might presume none of the showrooms you  
22 visited said they're incapable of doing your project. So  
23 stock size, custom size, the designer's job is to make it  
24 work. So if I have to modify it, if I have to pay a guy in  
25 a shop to modify it, I want your sale and I'm going to make



1 it work.

2 So stock manufacturers, whether it be import  
3 or domestic, we modify our stock based on customer needs.  
4 So a SKU lines might be 40 SKUs 20 years ago because that's  
5 all we needed. Now it's 200 SKUs. Next year, it might be  
6 250.

7 COMMISSIONER SCHMIDTLEIN: Okay. All right,  
8 thank you. My time has expired.

9 CHAIRMAN JOHANSON: Commissioner Kearns.

10 COMMISSIONER KEARNS: Thank you, and thank you  
11 again for appearing before us today. Just to follow up on  
12 that a little bit, the record indicates that a majority of  
13 responding purchasers never consider purchasing assembled  
14 and RTA flat pack product for the same project. Can you  
15 comment on those responses? Mr. Kaplan?

16 DR. KAPLAN: Yeah, let me just start quickly.  
17 I read that question again and I read it when it came out,  
18 and I couldn't understand it. It could mean two different  
19 things or three different things. Does that mean you --

20 MR. BURCH: Mr. Kaplan, can you pull your mic  
21 a little closer?

22 DR. KAPLAN: Right. Does that mean you would  
23 not mix and match them for the same projects, or does that  
24 mean you would only consider one or the other for the same  
25 project? I'm not sure, and so I found that, the question

1 ambiguous and I spoke to different people about it and they  
2 did as well. So I'm kind of unclear what the results of  
3 that answer mean, but people could speak to it if you want  
4 to refine it more. I had that just as a note of  
5 readability.

6 COMMISSIONER KEARNS: Okay.

7 MR. BRIGHTBILL: Tim Brightbill, Riley Wein.  
8 If we could put up Slide 18. This ties somewhat to  
9 Commissioner Schmidtlein, but also to this point, that this,  
10 just to show the head to head nature. Again, this is why  
11 you see China moving up the value chain. It's not just that  
12 China is in stock, where unanimously purchasers say that  
13 they are. But they're also, a clear majority say they're  
14 into semi-custom as well, and almost 50 percent say they  
15 provide custom as well.

16 So again, your staff report gathered this  
17 information. It's accurate, and it shows something you've  
18 seen in many other cases of China moving up the value chain.

19 COMMISSIONER KEARNS: Okay thank you, and  
20 we've also heard from Respondents that one of the benefits  
21 of RTAs is just in time delivery, that that's really the  
22 benefit of the product, and also there's been some  
23 discussion of how limited the color options are with respect  
24 to RTAs. Can you all speak to those issues?

25 MR. KLEIN: Chris Klein, Fortune Brands. So

1 we sell products across the product price point range, and  
2 our delivery time to our customers is as quick as three  
3 days, but our customers incur stock inventory. So Schilling  
4 stocks inventory that can be delivered in one day. We're a  
5 big supplier of Home Depot and Lowe's. We still in stock  
6 cabinets and in stock vanities.

7                   We could go over there this afternoon and you  
8 can load them up on a truck and drive them home. That's  
9 about as instantaneous a service proposition as there is out  
10 there. That's a huge business for us. So our ability to  
11 supply the market with very quick turnaround is quite good,  
12 and it's not just my company. There's others on this panel  
13 who do the same thing. So this notion that this fast  
14 delivery is somehow unique is just not true.

15                   The other thing is most projects are  
16 contemplated with a very long time line. I mean you're  
17 talking about whether it's a multi-family home or your own  
18 remodel, these projects take months. So it's more about  
19 when are those cabinets going to come, not how quickly can I  
20 get them to come. They've got to come in at exactly the  
21 right point in that project to get installed, so that then  
22 the counter top guy can come in after that and then we can  
23 put the plumbing in after that.

24                   So it's more about the predictability of the  
25 time line than it is this idea that oh, I forgot to order

1 cabinets. I need cabinets now, I only have three days.  
2 Where am I going to get them, right? That fast turnaround  
3 can happen in some multi-family turnaround of apartments,  
4 but there too there are schedules for all that production.

5 If I need a quick cabinet, I can drive down to  
6 Lowe's and pull those white cabinets off a shelf at Lowe's,  
7 load them in the back of the truck and be on my way. So I  
8 didn't understand that argument.

9 COMMISSIONER KEARNS: That's very helpful.  
10 How about the issue of paint colors?

11 MR. WELLBORN: Stephen Wellborn, Wellborn  
12 Cabinets. I'd like to speak to that. While we may offer  
13 many colors, our industry, if we look at our top 15 colors,  
14 which most all the importers will have, they cover the  
15 gamut. It's about 80 percent of the sales right now.

16 So this notion that if you offer more colors  
17 you gain more sales, the market is just focused right on the  
18 whites and grays, like you see right over here. It's a very  
19 limited market, and most times in the industry it's always  
20 been that way. Ten to twelve colors would be 80 to 90  
21 percent of your sales. So they cover all of that.

22 MR. BRIGHTBILL: Tim Brightbill, Wiley Rein.  
23 That being said, Chinese companies are offering more and  
24 more colors. If you look again at Slides 12 through Slides  
25 15, you see an awful lot of different colors and styles

1 involved. So it's -- both things are going on. The vast  
2 majority of the activity is in the simpler painted shaker  
3 styles, which favor the Chinese.

4 But at the same time, they're now leveraging  
5 that to greater capabilities, more colors, different styles,  
6 ability to customize. So that's why it's head to head,  
7 again not just in stock but semi-custom and even custom as  
8 well.

9 COMMISSIONER KEARNS: Okay, thank you.

10 MR. GAHM: John Gahm from Kitchen Kompact.  
11 You know, the history of our company, Dwight Gahm always  
12 said we're going to keep it simple. To echo what Stephen  
13 just said, throughout the history of the kitchen cabinet  
14 business, it's always been four or five styles and colors of  
15 cabinets have dominated 80 percent of the market.

16 That was Dwight Gahm's philosophy. We're  
17 going to attack 80 percent of the market and these other  
18 guys can have the other 20 percent. So white painted  
19 shaker, five or six out of every ten kitchens sold in this  
20 country is a white painted shaker. Then you're going to  
21 throw the grays in and the dark espressos, I'll just  
22 probably mention color-wise, probably 70-75 percent of the  
23 industry.

24 If you look at all the imports, while they  
25 might have a limited number of colors, which we did see some

1 don't, the whites, the espressos and the grays are the ones  
2 that dominate the entire kitchen market.

3 COMMISSIONER KEARNS: Okay, thank you. I  
4 wanted to ask about restrictive contracts for sellers.  
5 Respondent ACCI notes that a majority of domestic producers  
6 report having contracts with independent sales  
7 representatives, and that these agreements often prohibit  
8 representation of directly competitive lines. Is this an  
9 accurate description of how these contracts are structured,  
10 and how have these agreements impacted competition in the  
11 market?

12 MR. KLEIN: Chris Klein, Fortune Brands. Our  
13 sales agents, those who sell the products into dealers or  
14 into builders, may be exclusive to us as if they were our  
15 employees. But the dealers are not exclusive, and indeed  
16 the dealers that are representing our products are side by  
17 side representing Chinese products.

18 In my earlier comments, I noted that you walk  
19 into a showroom, they're sitting side by side, and the same  
20 would be over competing directly with -- for builder  
21 business or for home setter business. So none of those  
22 relationships are exclusive. Home Depot, Lowe's don't have  
23 exclusive relationships with companies like ours.

24 So your sales agent, the one who works for us  
25 as a salesperson, may be repping our line on an exclusive

1 basis. But they're going into showrooms or other dealers  
2 who are representing multiple lines. We contractually have  
3 no exclusivity and they wouldn't give it to us.

4 MT Mark Trexler, ACPI. Just like Chris has  
5 said, we have in-house employees that sell, that obviously  
6 they're on salary. They sell 100 percent of our product.  
7 We have numerous manufacturers reps across the country that  
8 sell our lines and some of them sell other lines. But all  
9 the dealers in the big box places we sell into, we can't  
10 dictate that oh, we're not going to sell you unless you buy  
11 100 percent because it just doesn't work that way.

12 COMMISSIONER KEARNS: Okay, but with that  
13 first step in the process, when you talk to those  
14 representatives, I think what the Respondents are saying is,  
15 you know, you have the ability to say no to having those  
16 people sell other products, having those people sell subject  
17 imports, and yet those people are selling subject imports  
18 because you don't think they compete against you.

19 I mean that's my understanding of the  
20 argument, and I want to know, maybe I have that wrong, but  
21 that's my understanding, that they think that you could have  
22 told these folks, you know, we don't want you to buy from,  
23 you know, these other sources, these subject import sources,  
24 and yet you have said that's okay. Go ahead and purchase  
25 from them. So is there anything you can tell us about that?

1                   MT I mean to my knowledge, we've never done  
2 that. I mean when we sell to whoever, you know, they buy  
3 from us one job. The next job they may buy from an American  
4 company. They may buy the next one from the Chinese  
5 companies. But we've never been able to dictate that. So  
6 you know, we have like the representatives that I think  
7 maybe the confusion's coming from, that are selling our  
8 product.

9                   It's sort of like if you work at the Ford  
10 place, you can't go sell the Chevrolets across the street  
11 too. But that's just a salesman and the rep. But the  
12 people that we're selling to, there's no way we could say,  
13 you know, we're just not that big of a player to say hey,  
14 you know, you really need our product. So if you don't kick  
15 the other guys out, we're not going to sell you anymore. It  
16 just doesn't work that way.

17                   MR. GAHM: John Gahm, Kitchen Kompact. I can  
18 be almost certain that if we were to talk to our vendors  
19 about that, that they wouldn't buy our product. I would  
20 guarantee it. They would go -- there's so much -- they go  
21 to one of these guys or one of these guys sitting in the  
22 back and buy their product.

23                   We just don't have the power to tell them who  
24 they can buy from and who they can't, and I just don't see  
25 how that's, that is an issue for really any of us. And just



1 to clarify my last statement, we talk about the variety of  
2 colors and the industry is dominated historically by four or  
3 five colors. Kitchen Kompact does only have four colors in  
4 a warehouse, and we have 40,000 cabinets in a warehouse that  
5 are just four colors.

6 Our goal is to find those four or five colors  
7 that are dominating 80 percent of the market. So I just  
8 wanted to be clear on that.

9 COMMISSIONER KEARNS: Okay. Mr. Brightbill  
10 you --

11 MR. BRIGHTBILL: Just if -- Respondents'  
12 argument is perverse and ludicrous. But if they're saying  
13 we don't bother to exclude them, so we don't think we  
14 compete with them, that just contradicts everything you've  
15 heard for the last hour about the head to head competition,  
16 as well as what you've got in your own report about head to  
17 head competition.

18 So that I don't understand the logic of their  
19 point. They can't do it. It's not how the way the market  
20 works.

21 COMMISSIONER KEARNS: Okay, thank you. My  
22 time is up.

23 CHAIRMAN JOHANSON: Commissioner Stayin.

24 COMMISSIONER STAYIN: Well, this is all very  
25 interesting. You read the briefs. You understand that

1 there is the very high end and then there's a very low end  
2 stock product, the semi-custom, the custom and then maybe  
3 something even out of that range and that -- I'm looking at  
4 -- you go into a showroom and here's this room, this price,  
5 this price and it's not because there's different features,  
6 that there's quality. The Chinese product is cited as being  
7 out of that range, that they come -- theirs is flatpacked,  
8 okay.

9                   And so the consumer goes to the market and  
10 goes to your shop, Mr. Schilling or to whatever, and so they  
11 go to look at a line and then there's a -- what is that, an  
12 RTA? You're saying it's just -- it's packed and it's just  
13 sitting there in a package. I assume that's not the way it  
14 gets to the showroom. So this RTA arrives at a importer's  
15 showroom and that no consumer sees that box. Interesting  
16 comment that the RTA is a shipping method. Would you like  
17 to comment on that Mr. Trexler? I think you've --

18                   (Simultaneous speaking.)

19                   COMMISSIONER KEARNS: I think you can help me  
20 here.

21                   MR. TREXLER: Yeah, all right. When you go  
22 into a showroom for a dealer, all the cabinets are --  
23 they're assembled, they're nailed into the wall. They're  
24 going to have tops and stuff on them. They're functional  
25 looking. So they have no idea whether it's the dealer in

1 the background or the importer that brought them in and  
2 assembled them and transferred them there. They don't even  
3 know what country of origin they're coming from.

4 They're just looking at these models of  
5 cabinets that are very similar. The big difference is the  
6 one that when it is the import cabinets, 40 percent less  
7 than what I make. But they don't really understand where it  
8 came from or someone put it together in the back of the  
9 dealer or the distributor did it. So you know, it's just  
10 something they never see.

11 COMMISSIONER STAYIN: So they look there and  
12 if they come in and they see well, I see this one. It's 40  
13 percent less than --

14 MR. TREXLER: That's what they say.

15 COMMISSIONER STAYIN: What makes these so much  
16 better, you know. They're looking down the line and when  
17 they look down the line, is it looking at something that's  
18 very similar to what the product looks like?

19 MR. TREXLER: Yeah. Hopefully afterwards, you  
20 guys can go look at the cabinets that are one of each and  
21 see if you can pick them out. But when you look at them,  
22 they really look identical, and if it's sort of like, you  
23 know, all of the sudden you get to this one and it's that  
24 much cheaper, you know, like one gentleman said well, you  
25 know, we'll buy the cabinets. We'll upgrade the granite.

1 We'll buy a better range or something. But they go with the  
2 price, which you know, most people do.

3 COMMISSIONER STAYIN: Has it come down to  
4 that? Is there no, no difference?

5 MR. TREXLER: There's not enough  
6 differentiation to offset being a 40 percent or sometimes 60  
7 percent difference. When you look at it, you'll see for  
8 yourself. You know, these all look the same. I can't tell  
9 you who did what or why the price is different, but I'm sure  
10 when you look at it you know, you say well, they look the  
11 same. I'm going with this one.

12 MS. EL-SABAAWI: This is Laura El-Sabaawi from  
13 Wiley Rein. I would just say that this is all, everything  
14 you're hearing is supported by what the purchasers reported  
15 to the Commission too. If you look at things like Table  
16 II-13 of the staff report, I mean the purchasers are telling  
17 you that the products are essentially comparable with regard  
18 to every factor except for price. So they're saying the  
19 quality is comparable, the availability is comparable and  
20 price really is the distinguishing factor.

21 MR. ALLEN: Bill Allen with Showplace  
22 Cabinetry. I want to make one comment you related to the  
23 RTA and shipping method. If you had to ship these cabinets  
24 from China in their current form, you wouldn't be able to  
25 ship very many of them. If you look at the pantries and

1 some of the larger cabinets, you wouldn't be able to ship  
2 hardly any of those.

3                   So the RTA, creation of RTA is simply to ship  
4 a high volume of boxes into this country at an extremely low  
5 price, which is their -- the entire crux of this case. It's  
6 for them to drive their cost to the absolute lowest they  
7 can, where we can't compete. So RTA is a shipping method.

8                   MR. KLEIN: Just one little additional point,  
9 Chris Klein, Fortune Brands. The RTA market, if you'll go  
10 back ten years ago, if you looked into a Home Depot or the  
11 Lowe's, you could find what they call flatpack cabinets, and  
12 for do-it-yourself. There was a period of time where people  
13 would put up with taking them home and putting them  
14 together.

15                   As they rolled out assembled in stock product,  
16 Home Depot and Lowe's quickly realized consumers don't want  
17 to do that. Builders don't want to do that. They'd rather  
18 be able to pull those off the floor. So that market at  
19 retail went away, and you don't see that now. Now it's not  
20 true in every country. If you go to European countries,  
21 even up in Canada, Ikea, they do much better and there's a  
22 tolerance for these RTA products.

23                   But the U.S. market, the U.S. consumer does  
24 not tolerate having to go home and put it together, and the  
25 builders would rather not, or the contractor would rather

1 not take the time.

2 COMMISSIONER STAYIN: Are any of the Chinese  
3 products shipped as cabinets? I mean just as opposed to a  
4 flatpack?

5 MR. WELLBORN: Stephen Wellborn, Wellborn  
6 Cabinet. Coming over from China, they are not. But 85 to 90  
7 percent of them that leave these importers rooms will be  
8 assembled. I think they all testified to that, even in the  
9 preliminary hearing. The consumer would -- you're exactly  
10 right. When the consumer sees it, 90 percent of them are  
11 assembled cabinets ready for install.

12 COMMISSIONER STAYIN: All right.

13 DR. KAPLAN: Commissioner, the record shows  
14 that imports are increasing in each of the four channels,  
15 and that if you look at the confidential questionnaires, and  
16 it shouldn't be a surprise, that for example in the dealer  
17 channel, those things, the ones coming into your home in a  
18 remodel, it's typically pre-assembled and we could show you  
19 questionnaires.

20 But and those people sometimes when purchasing  
21 don't know where it's coming from if they go through a  
22 dealer. In the case of let's say a homebuilder, a  
23 multi-family homebuilder, I think it would be useful for you  
24 to hear from Mr. Trexler both the time line and the way the  
25 competition works, because here someone's building 400

1     kitchens, right. They've got a studio one bedroom or two  
2     bedroom, they're building all these buildings next to each  
3     other with a bunch of apartments, and those guys know where  
4     it's coming from.

5                     Mr. Trexler, do you want to explain how that  
6     process would work?

7                     MR. TREXLER: Yes, Mark Trexler, ACPI. We do  
8     a lot of multi-family cabinets in a number of our  
9     facilities, and we bid these projects probably a year before  
10    they're ever going to need cabinets. I mean we bid them,  
11    the ground work hasn't even been completed.

12                    So by the time that we're at the end of the  
13    project, there's plenty of time. We have to -- one of the  
14    advantages we do when the apartments are built, we go  
15    measure them so we make sure the cabinets fit when they get  
16    there.

17                    We assemble them in a controlled environment  
18    and 80 percent of what we produce, we actually have our  
19    crews that screw them to the walls. So the only advantage,  
20    and I have a lot of customers, he says Mark, the only reason  
21    I'm buying from the Chinese, he was 40 or 50 percent cheaper  
22    than you, and I'll get some guys to put them together and  
23    we'll hang them.

24                    But one for instance. I had a job a year or  
25    so ago in Florida, about 400 units. We'll just say I bid

1 500,000 on the job, and let's say my labor costs are about  
2 ten percent, 50,000, so we're now at 450,000. These guys  
3 can go buy our lumber, will ship it to China, we're going to  
4 machine these parts, we're going to ship it here and have  
5 very few people assemble it, and they're beating me below my  
6 variable cost.

7                   That is not possible to do unless you're  
8 dumped or subsidized. So you know, if I put it together  
9 with robots, they say oh, the labor's cheaper. Well if I  
10 have zero labor, they're still well below me. Makes no  
11 sense.

12                   MR. GAHM: John Gahm, Kitchen Kompact. I  
13 heard the term "differentiator" used just a little while  
14 ago. You know, you can see from the exhibit over here,  
15 those are five white cabinets or they're all very comparable  
16 to one another. If you were to sit those in a showroom, a  
17 consumer might go in that showroom. They're not going to  
18 know -- it's not going to say "made in China."

19                   The consumer is never going to know that. The  
20 consumer is not going to buy a cabinet because it's made in  
21 China. They will never know that. They will buy -- they  
22 will pick the Chinese cabinet solely based on price, and  
23 that is the differentiator, because they're subsidized and  
24 they're dumped.

25                   With respect to these multi-family projects,



1 the consumers is not really going to be buying, going out  
2 and buying a cabinet. Precisely you are selling to the  
3 whole project they're putting in, they're choosing which  
4 cabinet to put in, and that's that.

5 Now what happens then? So you have a big  
6 project and this is really your bread and butter. What  
7 happens there in that negotiation? Well I mean you --

8 MR. TREXLER: I mean you know everything is bid  
9 work for us. That's how I know from '14 I actually lost to  
10 Chinese imports. And you're selling to the GC, who gives a  
11 bid to the people that own these four or five hundred unit  
12 projects and they're all trying to make money on these  
13 projects. So, if their labor costs and stuff were up and  
14 they can save a 150 grand on the cabinets instead of paying  
15 me a half million, they pay 150,000 that helps them, you  
16 know, profitability. The GC and owner know that whoever is  
17 renting an apartment is never going to know the difference  
18 or would care as long it's a nice, well-built cabinet,  
19 which you'll see. They're very equal. And my customer  
20 until recently when the preliminary tariffs hit, all of a  
21 sudden they said, huh-uh, we can't chance all of a sudden --  
22 you know they were beating you at 30, 40, 50 percent, but if  
23 we pay this tariff it's the other way around.

24 And the other thing, because of some of the  
25 tariffs, we've had people -- contractors come to us and say,

1 well, we thought our cabinets were on the water, but they  
2 failed to tell us that we're going to need them in like two  
3 weeks. Like we can produce them in two weeks and we'll be  
4 hanging them on the wall on the 11th day. They've got a  
5 real problem, so yeah.

6 COMMISSIONER STAYIN: Thank you very much. My  
7 time is up. Mr. Brightbill, did you want to add something  
8 -- okay. Thank you.

9 CHAIRMAN JOHANSON: Commissioner Karpel.

10 COMMISSIONER KARPEL: Thank you. Just follow up  
11 along some of the lines of questions that Commission Stayin  
12 had. I wanted to ask are there purchasers who prefer RTAs  
13 for any reason, including because of ease of shipping or  
14 storage or so forth.

15 MR. WELLBORN: We sell all assembled cabinets  
16 and all of our customer base we sell mainly through the  
17 kitchen and bath independent dealers and we have never been  
18 requested to do an unassembled product. If we were, it was  
19 somehow a niche that we were not filling, I can promise you  
20 that our sales and these around this table would be filling  
21 that niche. There is no RTA niche that is being filled.

22 The only reason RTAs are coming into this  
23 country is a shipping method. China cannot ship assembled  
24 cabinets properly over here. I can promise you that.

25 COMMISSIONER KARPEL: And do others in the

1 industry want to speak?

2 MR. KLEIN: We supply huge volume of stock,  
3 low-cost product to Home Depot, to Lowe's, to dealers. We  
4 can make RTA flat pack as easy as assembly. There's no  
5 consumer demand. There's no contractor demand for that  
6 product. It would be very easy for us to not assemble those  
7 products. We have all the components together. We could  
8 pack them and ship them. We're just adding the cost to  
9 assemble them, but there's no market demand for an  
10 unassembled cabinet in our customer base.

11 COMMISSIONER KARPEL: So, a company like Home  
12 Depot who probably has storages is something they hold dear,  
13 they're not asking you to produce that kind of cabinet.

14 MR. KLEIN: No, no, we're shipping either to the  
15 store or their RDC distribution centers and then delivering.  
16 Increasingly, if consumers are ordering them online, it's  
17 never hitting the Home Depot store. So, if you go on and  
18 pick out a vanity and design it on their website, we'll ship  
19 directly to your home or we'll ship it to an RDC and they'll  
20 ship it to your home, but they carry on-the-floor assembled  
21 inventory because their contractor and consumer based want  
22 assembled products.

23 COMMISSIONER KARPEL: Mr. Trexler.

24 MR. TREXLER: A number of years ago Home Depot  
25 was buying a special product that was made in the U.S. by

1 the company we just purchased. It was all RTA. They tried  
2 it for a while and then all of a sudden they said you know  
3 we can't sell this, so it ended up closing the big factory  
4 that was making this. So, that was tried previously. And  
5 it's sort of like if I go to Lowe's and they have a grill  
6 and one's assembled, I don't want the one the box. I say I  
7 want that one because I'm going to put it together and it's  
8 the same thing with the cabinets you know.

9 MR. FRITZ: So, we carry thousands of cabinets  
10 in inventory. And in that, for our perspective as a dealer,  
11 it would be far more convenient for us to carry knock down  
12 cabinets. We have to go 40 feet in the air to pull cabinets  
13 down when we ship. Our customers have no desire for that.  
14 There would be a lot of backlash if we were to switch to  
15 that. Just putting it in perspective, the construction  
16 process you're adding a step. If the suggestion is that  
17 customers desire cabinets that come knocked down to their  
18 job site, now they have to hire someone to do that extra  
19 step.

20 Kitchen, at least in the remodel phase of a  
21 kitchen, you've been tore apart for quite a few weeks. You  
22 want it back together. If you have a problem with that  
23 knock down cabinet, it's missing parts, then what? You're  
24 down. You have to go back and get more parts, so an  
25 assembled product is definitely what our customers demand.

1 I would say that's why the importers are smart enough to  
2 recognize that and that's why they assemble almost  
3 everything that they ship to their clients.

4 DR. KAPLAN: There's two points I want to make.  
5 First, when you assemble in a controlled environment or  
6 build in a controlled environment you could inspect. You  
7 don't have the problems of a job site and so you're going to  
8 get more failures naturally if in the shipping and in the  
9 construction if you don't have this controlled environment.

10 The second point is maybe there's some people  
11 out there that want it in a box, but now it's reached 20  
12 plus million cabinets. And you have the largest companies  
13 in the United States with teams of people thinking of how to  
14 produce and sell. I mean these are sophisticated companies.  
15 They might at one point -- and they even did produce it  
16 before. Masco did and it didn't work out. But if this was  
17 some big trend, I mean how is American Woodmark and Masco  
18 and Fortune Brands like giving up you know double-digit  
19 shares of the market to something they have done and could  
20 do. It really kind of doesn't make any sense from both  
21 perspectives. You want a product that is easy to install  
22 and made in a controlled environment and you have companies  
23 that can and do make this product in the past and will do it  
24 if anybody asks for it and are losing enormous amounts of  
25 market share.

1           So, I would scratch your head on that one. It's  
2 just like how do you square this circle. It just doesn't  
3 make sense from a common sense perspective.

4           COMMISSIONER KARPEL: Thank you. And are there  
5 any U.S. producers making RTAs? I think in the pre-hearing  
6 brief of Petitioners it noted one domestic producer of RTAs;  
7 are there others?

8           MR. BRIGHTBILL: Some of this might be  
9 confidential, so there's a limited number. But I think the  
10 fact that it's so limited -- so that demonstrate it could be  
11 done, as the witnesses have said, but no one does it because  
12 it's not the way customers want the product. They want the  
13 assembled product.

14          COMMISSIONER KARPEL: Okay, I wanted to switch a  
15 question with respect to AUVs. On pricing AUVs, they appear  
16 to be going up for domestics. Could you speak to that?  
17 What should we make of the AUV information in this record?

18          DR. KAPLAN: I'll take a first cut. There's  
19 some differences between import AUVs and actual AUVs. I  
20 think the one thing to keep in mind is that the input costs  
21 are going up faster than prices, if prices were rising. So,  
22 I think everyone should speak to this. I think some people  
23 have been able to raise prices. Some people have not. But  
24 in all cases it seems that the input costs are going up  
25 faster, so why don't everybody chime in.

1                   MR. KLEIN: We've taking some price to try to  
2 recover the input costs. The most significant was plywood  
3 after the antidumping tariffs came in the global pricing for  
4 plywood rose significantly. Labor costs have obviously been  
5 rising and other material prices have been rising. Where we  
6 can, we've taken prices. We've had to deal some of that  
7 back in terms of incentives back. As I said earlier, my  
8 overall margins have fallen, so I have not successfully  
9 recovered my input costs relative to maintain or grow  
10 margins.

11                   I'd contrast that with all of our other  
12 businesses in plumbing and doors where we've got commodity  
13 costs rising. We've covered costs and margins are  
14 improving. And so, our inability to fully recover is a  
15 dynamic unique to this cabinet industry, not to building  
16 products, in general, where we're able to recover and in  
17 fact improve margins.

18                   MR. ALLEN: I will echo the comments. We've  
19 tried to raise prices over the years to recover from  
20 increasing healthcare costs and labor costs and input costs,  
21 only turn around and have to discount and incentivize our  
22 dealers to sell our products against the Chinese competition  
23 in their showrooms. So, it's a little bit of a one step  
24 forward, two steps back approach and the result is  
25 declining operating margins at the end of the day.

1           MR. GAHM: I would agree with both my colleagues  
2 up here. You know due to rising healthcare costs and rising  
3 material costs you do have to raise prices at some point,  
4 but it's not -- we were unable to raise our prices enough to  
5 cover our cost increases in the Period of Investigation.

6           MR. BRIGHTBILL: Just to emphasize it, starting  
7 at page 42 of our pre-hearing brief, we talk about the  
8 subject imports causing prices suppression and depression  
9 and the fact that you do have a cost price squeeze here.  
10 And if you look even at the pricing products, you see prices  
11 decreased for half of those products during the period.  
12 It's not consistent with a strong growing market for prices  
13 to decrease while raw material costs are increasing.

14          COMMISSIONER KARPEL: I guess, I'm just trying to  
15 understand that. So I just heard from the industry  
16 participants that their prices are going up to try to cover  
17 rising costs of production. That's consistent with rising  
18 AUVs generally. But I think you're also making a price  
19 depression argument.

20                 So I guess I'm trying to understand that price  
21 depression argument in the context of increasing AUVs. And  
22 in the context of some of the testimony we just heard about  
23 they are pushing forward some price increases, albeit not  
24 enough to cover costs, which would be a price suppression  
25 point. But how are you supporting your price depression



1 point?

2 MR. BRIGHTBILL: Again, I think it's both.  
3 There's certainly, as you've just heard from the witnesses,  
4 there's price suppression going on, given the material  
5 costs. But when you make an apples-to-apples comparison  
6 with the pricing products, and you see some prices  
7 decreasing for those products during the period, and  
8 twenty-eight producers reporting they had to reduce prices  
9 to avoid losing sales to competitors, I think there's  
10 evidence for depression as well as suppression.

11 MR. WELLBORN: That's where we see it. As been  
12 mentioned already, when your raw materials -- paint, in  
13 itself is expensive, and most of the market is going to  
14 paint. All these products are going up. And we do try to  
15 pass that along in overall price increase, but what we end  
16 up doing is, the dealer market, because of the one,  
17 especially the ones that are selling Chinese product, if you  
18 want that business, or be able to halfway compete with it,  
19 they demand that you negotiate that price back down.

20 So we don't really get to realize much of that  
21 price increase. And it may cover part of our healthcare  
22 costs that go up or wage costs that go up or plywood costs  
23 that goes up, but not all of it. And that's why our margins  
24 are being squeezed.

25 DR. KAPLAN: I would say the aggregate data shows

1 price suppression, and there's instances of price  
2 depression, and so we will give you information in the  
3 post-hearing brief about cases where people had to lower  
4 their prices from the previous price. That would be more  
5 anecdotal relative to the aggregate data that you've seen  
6 showing suppression and the cost-price squeeze.

7 CHAIRMAN JOHANSON: I was wondering, why are you  
8 all including furniture-style vanities in the scope?

9 MR. BRIGHTBILL: There is a domestic manufacturer  
10 of furniture-style vanities. There's products that can be  
11 made. They're similar to other styles of vanities. If the  
12 demand were there and were not being taken by China, these  
13 companies would make them and would make more of those, so  
14 that's why they're included in the scope and should be  
15 included in the like product as well.

16 MR. KLEIN: We manufacture vanities that are  
17 installed vanities kinda on the wall, and we also  
18 manufacture furniture-style vanities. Furniture-style  
19 vanities tend to have more features, tend to be higher  
20 price-point, aesthetically are more of the high  
21 semi-custom, custom-type product in what we manufacture, and  
22 we compete directly with the Chinese on that product line.  
23 And we compete in dealers and we compete in retail sites  
24 like Wayfair, where they're selling furniture-style vanities  
25 against the furniture-style vanities that we manufacture.

1           So it's, functionally, they operate the same as a  
2 vanity. A vanity supports a base and supports the plumbing.  
3 The differentiation is really, "Is there legs on it?" And,  
4 "Is there a little ornamentation?" And that's along the  
5 spectrum of cabinets in general.

6           MR. MILLER: Like Chris just stated, you know,  
7 they're used in the same purpose, same situations. And the  
8 other reason is that, you know, we manufacture them right  
9 down the same -- same production lines, side panels are a  
10 little bit different. You know, some of the components are  
11 a little bit different, but they're all manufactured,  
12 everything, down the same lines as the other vanities are.

13           MR. WELLBORN: We produce both style of vanities  
14 also. Sell them through the exact same channel of the  
15 market. There's no difference as far as the skillset that's  
16 required to produce those. But we do produce both in the  
17 same factory.

18           MR. UNDERWOOD: If I could train your attention  
19 to the two examples over here and hopefully at a break, we  
20 can have an opportunity to look at those, those are actually  
21 vanities, one which was purchased from an importer, and the  
22 other was manufactured in our factory last week. They are  
23 made in very similar ways. They're identical products in so  
24 many ways.

25           We did not invent that style, but that style has

1 been around in the U.S. for years. It has been knocked-off  
2 by those folks who would seek to import that product. And  
3 as a result of that, they are manufactured in so many  
4 similar ways, as the ones that you see in here to the left  
5 in white, same skillsets, same production operations, same  
6 methodologies, virtually identical in that way. Except for  
7 price.

8 MR. BRIGHTBILL: If we could put up Slide 36--I  
9 think it is--this was not in the initial presentation  
10 because we were a little limited on time, but this is more  
11 to like product than scope, Chairman. But you see, of  
12 course, the producers report that these are fully  
13 comparable, or mostly comparable about all the like product  
14 factors. But notably, purchasers also, the single-highest  
15 category is that they are somewhat comparable, but the  
16 next-highest category is that they are mostly comparable.  
17 So that's the vast majority of purchasers say that  
18 furniture-style vanities and other cabinets and vanities are  
19 mostly or somewhat comparable.

20 CHAIRMAN JOHANSON: How will you define  
21 furniture-style vanities?

22 MR. TREXLER: A furniture-style vanity -- really,  
23 the big difference here -- they both have a sink in them,  
24 they both have plumbing. A standard cabinet, we're gonna  
25 screw into the wall and the furniture-style vanity's gonna

1 be sitting there, but it's connected with the plumbing.  
2 This may be a little bit more decorative, but the basic  
3 thing is, the only difference, they both have sinks, they  
4 got drawers and stuff. One's screwed to the wall, and one's  
5 standing on the floor, but is connected to the home by the  
6 plumbing.

7 MR. FRITZ: Essentially they're the same product.  
8 The legs, the decorative features, but if you look at the  
9 back of these cabinets, you have to screw them to the wall.  
10 You have to hold it to the wall. You also have to drill  
11 into the back of a solid panel, so it requires a carpenter  
12 to install, just like a regular vanity. The difference is  
13 just what the consumer wants to see aesthetically. There's  
14 the more pleasant appearance to the furniture-style vanity.

15 CHAIRMAN JOHANSON: Okay, thanks for your  
16 responses on that question. Respondents allege that large  
17 U.S. manufacturers are moving their stock cabinet production  
18 to third-countries such as Mexico. And that this both  
19 reduces domestic production and also increases competitive  
20 pressure on remaining U.S. firms. Could you all please  
21 respond?

22 MR. KLEIN: We own manufacturing facilities in  
23 Mexico, U.S. and Canada. And so we operate as under the  
24 USMCA as a free-trade zone. These are our own facilities,  
25 our own suppliers. We've owned these facilities since an

1 acquisition back in 2013. And we make a competitive-priced  
2 product relative to the overall marketplace. Our cost  
3 position on that product is still not comparable with the  
4 Chinese product, but it allows us to achieve cost structure  
5 at a lower price-point.

6 It's an integrated part of our operation. We'll  
7 ship components out of our own facilities in Mexico into our  
8 U.S. facilities and assemble. So we're not shifting jobs  
9 down to Mexico. We're supporting this as an integrated  
10 network across. Which is different from suppliers coming  
11 out of Asian markets where we're dealing with third parties.  
12 These are employees of our company. In proportion, we've  
13 got about 10,000 U.S. cabinet employees. We've got about  
14 3,000, 3,500 in Mexico, and we've got about 2,000 in Canada.  
15 And so our North American operation is supporting on an  
16 integrated basis, the manufacturing of all those cabinets.

17 MR. SABINE: Very similar commentary. I  
18 mentioned in my testimony that American Woodmark, two years  
19 ago, went and acquired the capability to manufacture in  
20 Mexico, due to the pressure that we were feeling from the  
21 Chinese imports. Like Mr. Klein's business, American  
22 Woodmark, we employ 8,500 folks at fifteen manufacturing  
23 facilities here in the United States.

24 And it was only due to the pressures of having to  
25 go seek an alternative solution to bring components and some

1 assembled product in from Mexico where we have 1,500  
2 employees down there operating three manufacturing  
3 facilities. But again, it's completely been driven by the  
4 need to try to lower our costs and to provide a product that  
5 can try and compete in the marketplace.

6 MR. BRIGHTBILL: I think you heard the sort of  
7 scale of the U.S. operations versus the operations in third  
8 countries, and that's true -- I mean obviously many at the  
9 table here only manufacture in the United States. But there  
10 are huge numbers of American jobs here.

11 This is, I think the case with the largest number  
12 of production jobs of anyone that I've ever worked on, so  
13 American manufacturing is fundamental to these companies and  
14 these products, and it's a huge emphasis, even for those  
15 that do some importing because they've been forced to by the  
16 dumped and subsidized imports from China.

17 CHAIRMAN JOHANSON: Alright, thank you for those  
18 responses. The Staff Report at page 5-8 remarks that  
19 pricing data contained large variations among pricing  
20 reported for the pricing products ACCI our use of these  
21 variations systematically skew the pricing data and  
22 overstate margins of underselling. Could you all please  
23 respond to this argument of the Respondents?

24 MR. BRIGHTBILL: Tim Brightbill, Wiley Rein. As  
25 I said before, I think the Commission importantly clarified

1 the definitions to make sure that they were getting the best  
2 apples-to-apples comparison in these pricing products, which  
3 is why you now see 96 percent underselling at significant  
4 margins so I disagree with Respondents comments in that  
5 regard.

6 DR. KAPLAN: I think there's a threshold matter,  
7 there's no agreement that there's underselling so we're  
8 arguing about how much, how large the underselling is. I  
9 think if you go through various pricing products the margin  
10 percentages sometimes you won't see a lot of variation. I'm  
11 looking at I think the first pricing product and don't see a  
12 lot of variation.

13 I'm trying to find the number of the pricing  
14 product on the table. Yeah, see with the 1, 2, 3, I would  
15 look at the margins and see if you see a lot of variation  
16 but I think that the most important point is that there is  
17 just a lot of underselling and the margins are big and take  
18 that, that any variation doesn't certainly contradict the  
19 rest of the evidence on the record that imports are less  
20 expensive than the Domestic Product, that the margins are  
21 cheaper.

22 MS. EL-SABAAWI: Laura El-Sabaawi from Wiley  
23 Rein. I was just going to say what Seth was saying at the  
24 end there which is it's not as if the pricing product and  
25 the underselling data is inconsistent with other record



1 evidence. I mean there is so much other evidence on the  
2 record that just supports what the record shows.

3 I mean you've heard in testimony, the AUV data,  
4 the dumping margins that Commerce calculated, U.S.  
5 purchasers have overwhelmingly reported that U.S. prices are  
6 inferior, meaning cheaper to Subject Imports prices. We've  
7 put in many head-to-head comparisons showing Subject Imports  
8 undercutting U.S. Products for the exact same products. So  
9 I think taken as a whole the evidence is very clear and very  
10 supportive of overwhelming underselling.

11 CHAIRMAN JOHANSON: Alright, thank you. My time  
12 has expired. Commissioner Schmidlein?

13 COMMISSIONER SCHMIDTLEIN: A few odds and ends  
14 questions here. One is I wanted to follow up on  
15 Commissioner Kearns' question with regard to the contracts  
16 for sales representatives. I heard your testimony that you  
17 don't have the market power to dictate that they are not  
18 able to sell other products including Subject Imports.

19 The Respondents Brief at pages 20-40-25 includes  
20 some confidential business information so I wonder if you  
21 want to respond or if any of the witnesses want to respond  
22 to that now you can but I would invite you to also do that  
23 in the posthearing where they have identified contracts of  
24 certain parties that apparently include that kind of  
25 restriction. So one question would be how do you respond to

1 that?

2           The second question would be is that actually  
3 being enforced in terms of representatives are not able to  
4 sell different lines of cabinets, different suppliers  
5 cabinets?

6           MR. BRIGHTBILL: So Tim Brightbill, Wiley Rein.  
7 On the first part, given that it does involve confidential  
8 data we will see what we can do to provide that in the  
9 posthearing brief.

10           COMMISSIONER SCHMIDTLEIN: Okay.

11           MR. BRIGHTBILL: But then on the 2nd part of the  
12 question maybe the witnesses can respond again in terms of  
13 are you prevented --

14           COMMISSIONER SCHMIDTLEIN: Are you able to  
15 prevent sales representatives selling your product from  
16 selling Subject Imports?

17           MR. WELLBORN: Steven Wellborn, Wellborn Cabinet.  
18 We hire and all of our sales representatives are factory  
19 reps, so we do control who they sell to and that's the  
20 reason we do that. We would not allow a competing Chinese  
21 line and a rep to sell competing product because they  
22 compete head-to-head in the showroom. We control it by our  
23 factory employees and factory reps.

24           COMMISSIONER SCHMIDTLEIN: So is there anyone  
25 here that does allow Subject Imports to be sold by the same

1 sales representative that is selling your product?

2 MR. TREXLER: Mark Trexler, CPI. We're not  
3 really sure on some of the lines these manufacturer reps  
4 carry, like he said about half our people are employees and  
5 obviously they sell ours. Others rep numerous lines and  
6 they have a very high end line of medium line, stock line.  
7 They could have a Chinese line and we really would not know  
8 that.

9 Because they are independent contractors, he's  
10 selling our product and your question about possibly where  
11 on a big multi-family job why they would spec one thing it  
12 may be that they won't spec a KCMA/AC certified cabinet  
13 whereas someone else is not spec. Usually the contracts we  
14 bid on is if they may put us or anybody else as a preferred  
15 manufacturer but it is always or equal.

16 So if one of my competitors bid, myself and three  
17 or four other guys are going to bid on the same thing  
18 because we got equal products and obviously the difference  
19 is in the price on some of them, but I've never seen a  
20 contract where it says oh, you can only buy this from Master  
21 Woodcraft. It does say Master Woodcraft would be the  
22 preferred supplier or equal.

23 COMMISSIONER SCHMIDTLEIN: Right. I think this  
24 is more talking about sales representatives. Not contracts  
25 for projects. This is more talking about you're engaging

1 regional sales representatives and they're trying to draw  
2 the inference that well sometimes you restrict what other  
3 products they can sell and sometimes you don't.

4 In those instances where you don't it must be  
5 because you agree that they are not competing with your  
6 product, right? Like that's the chain of logic. So it's  
7 all bracketed for most of it and so you can deal with it in  
8 the posthearing but I didn't know whether you wanted to.

9 MR. MILLER: Perry Miller with Country Products.  
10 We have all independent sales reps and we do not allow the  
11 reps to handle competing lines but they can have multiple  
12 lines but we have actually recently terminated a rep for  
13 taking on a competing line and it so happened to be an  
14 import line.

15 COMMISSIONER SCHMIDTLEIN: What do you mean by  
16 they can have multiple lines? So what would be a multiple  
17 line that doesn't compete?

18 MR. MILLER: It's all based on price so if they  
19 have, if they carry our line and they have a higher priced  
20 line of something else or a highly custom line or something  
21 like that we do allow them to also represent another line as  
22 long as it's not price competing.

23 COMMISSIONER SCHMIDTLEIN: So as long as it's not  
24 priced below your line? Is that what the --

25 MR. MILLER: Below or right within our line.

1                   COMMISSIONER SCHMIDTLEIN: Right within your  
2 line.

3                   MR. GAHM: John Gahm, Kitchen Compact. We do not  
4 have any contractual agreement with our independent sales  
5 reps around the country. Our independent sales reps  
6 represent our products, they represent some other products  
7 here at this Panel and they also represent some import  
8 product. For the most part most of our independent sales  
9 reps do only rep our products, that's by their choice but  
10 they do have that choice to make and some have gone out and  
11 repped other products as well.

12                   COMMISSIONER SCHMIDTLEIN: Okay. Anyone else?  
13 Mr. Klein would you like to address this question?

14                   MR. KLEIN: Yes. So we have sales employees who  
15 work for us as employees, obviously they are selling our  
16 product and our rep agencies are dedicated to our product  
17 lines. So as we have consolidated and done acquisitions we  
18 have focused those rep agencies only on our product lines.  
19 We're big enough that we've got enough volume to support  
20 dedicated reps so we may be a bit finicky, I don't know but  
21 --

22                   COMMISSIONER SCHMIDTLEIN: Okay, alright. Thank  
23 you. Okay, so Mr. Klein, following up another question for  
24 you slightly different topic. In the Respondents brief they  
25 point to the fact that master brand publicly advocated for

1 the Subject Imports to be excluded from the 301 tariffs and  
2 there is a quote which I believe is from the General Counsel  
3 of Masterbrand Cabinets that they submitted or made I guess  
4 during the public hearing that was held in August of 2018  
5 where Masterbrand explained in terms of talking about  
6 Subject Imports that "U.S. Producers don't have the capacity  
7 or frankly the desire to make this product." "Other  
8 countries don't have quite the skilled labor or the  
9 equipment" and that according to Masterbrand "this product  
10 was best suited for -- the product best-suited for our  
11 manufacturing needs comes from China."

12 Can you respond to that right now? What was the  
13 General Counsel, you know, what was he talking about? Like  
14 he's making a fairly general statement that U.S. Producers  
15 don't desire to make this product and don't make it.

16 MR. KLEIN: I don't know specifically what  
17 product he was referring to. In the past we did buy  
18 componentry out of China. We no longer buy components out  
19 of China. We've moved components and plywood purchases out  
20 of China and we're in that process and then the 301 tariffs  
21 were coming then as well so I'm not sure what piece he was  
22 talking about.

23 COMMISSIONER SCHMIDTLEIN: He was talking about  
24 the HTS heading 9403 which is what the Subject Products come  
25 in under.

1 MR. KLEIN: Okay. I will have to follow up.

2 COMMISSIONER SCHMIDTLEIN: Okay. I will allow  
3 you to follow up in the posthearing. Alright. Mr.  
4 Brightbill, do you want to respond to the argument with  
5 regard to the data for apparent consumption being  
6 understated? Respondents argue that the data we've  
7 collected does not reflect or isn't consistent with typical  
8 industry market research which shows that apparent  
9 consumption for the United States is much bigger than what  
10 we've collected and that we should be using different data  
11 rather than just relying on this data.

12 MR. BRIGHTBILL: Tim Brightbill, Wiley Rein.  
13 I'll respond briefly and maybe we'll do more in the brief  
14 but again this is another area where we should not allow  
15 Respondents to ask you to run away from your report and your  
16 investigation.

17 So you've found that U.S. Producer questionnaires  
18 that account for the majority of U.S. Production. You've  
19 found the Chinese questionnaires account for 60 percent of  
20 Subject Imports. You have determined the size of the market  
21 and that is consistent with what you've heard from numerous  
22 Domestic Industry witnesses today as far as the total U.S.  
23 Market for wooden cabinets and vanities.

24 It's consistent with your investigation on volume  
25 and value and it's also consistent with the estimate that

1 was made for the Commerce department at the imitation of the  
2 case. So the data is accurate and reflects the size of the  
3 U.S. Market and the market share shifts are unmistakable  
4 regardless of whether you use the Commission's data which  
5 you should or some higher number. That being said, some of  
6 the other estimates provided by Respondents are just  
7 completely unrealistic in terms of the total size of the  
8 U.S. Market.

9 COMMISSIONER SCHMIDTLEIN: Okay, alright. We've  
10 talked a lot today and I know my time is running out but I  
11 thought I'd just put this out there. We talked a lot today,  
12 we've really focused on this question about the RTAs and  
13 what are they? Do they compete and so forth? I was sort of  
14 struck while looking at the Staff Report and especially in  
15 Part 4 where the Staff has broken out apparent consumption  
16 and shipment numbers between fully assembled cabinets and  
17 RTAs, right?

18 And it also shows their I believe or maybe that  
19 shows the apparent consumption numbers as those are broken  
20 out and then I guess when you look back at U.S. Imports you  
21 can see based on value what percentage is coming in as fully  
22 assembled from China and what percentage is coming in as an  
23 RTA and I was surprised to see a fairly large number of  
24 assembled cabinets at least in terms of the division of  
25 volume, if you know what I'm saying and it's hard because



1 it's all confidential. Let's see if I can find it.

2 I'm looking at apparent consumption in Table 4-8  
3 fully assembled and then on Table 4-9, and I'm going to ask  
4 this question for the Respondents this afternoon which is  
5 "okay, what if we separated these?" So you know, they're  
6 only competing -- there's an RTA segment and then there's  
7 the fully assembled segment and let's just look at them  
8 separately.

9 I mean you have lost some market share, right?  
10 If you look on Page 4-19, again it's bracketed but U.S.  
11 Producers, U.S. shipments, share value goes down; U.S.  
12 Importers, U.S. shipments from China show value goes up --  
13 this is for fully assembled. If you look at RTA you've got  
14 share of value for U.S. Producers/ U.S. Shipments going down  
15 from 2016 to 2018. I'm looking at the full years. And  
16 you've got U.S. Shipments from China market share going up  
17 in RTAs.

18 So I get, this is a softball question for you but  
19 I'm just proving it for the Respondents here, is that  
20 injury? I guess the question is, is that material, right?

21 MR. BRIGHTBILL: Tim Brightbill Wiley Rein. Yes.  
22 Regardless of whether you look at the data separately or  
23 together we strongly argue you should look at it altogether.  
24 It's part fully assembled units and components and part of  
25 the same like product but yes, you have volume, you have

1 price and you have injury in terms of market share shifts,  
2 no matter how you look at it. beyond that we probably  
3 shouldn't -- we should probably save it for the posthearing  
4 brief.

5 COMMISSIONER SCHMIDTLEIN: Okay and just for the  
6 sake of completeness, the other table that I was looking for  
7 here is table 4-5 which shows and this is not bracketed,  
8 which shows the share value in terms of their own shipments  
9 of what's coming to the U.S. between fully assembled and RTA  
10 that it stays fairly steady over the POI that U.S.  
11 Importers/U.S. Shipments from China are roughly 50 percent  
12 fully assembled and 49 percent RTA if I'm reading that  
13 correctly and that's on page 4-12. Right?

14 So there is a fair amount fully assembled  
15 cabinets coming in from China, at least relative to the  
16 number of RTAs? Am I reading this incorrectly?

17 DR. KAPLAN: I'm sorry, Table 4?

18 COMMISSIONER SCHMIDTLEIN: It's at Table 4-5 on  
19 page 4-12.

20 DR. KAPLAN: These are U.S. Importers shipments  
21 so these are shipments from their U.S. facilities I  
22 understand?

23 COMMISSIONER SCHMIDTLEIN: I don't know.

24 DR. KAPLAN: I think so. I mean I think there's  
25 U.S. Imports --

1                   COMMISSIONER SCHMIDTLEIN: The difference between  
2 U.S. --

3                   DR. KAPLAN: And there's U.S. Importers'  
4 shipments and so U.S. Importers' shipments --

5                   COMMISSIONER SCHMIDTLEIN: Could include  
6 inventory I guess is what you're trying to say?

7                   DR. KAPLAN: It could include assembled cabinets  
8 so --

9                   COMMISSIONER SCHMIDTLEIN: But they've broken it  
10 out between assembled and flat-pack.

11                  DR. KAPLAN: What I think that is, is how much of  
12 RTAs are assembled by the importer and shipped so that's  
13 U.S. Importers' shipments of cabinets.

14                  COMMISSIONER SCHMIDTLEIN: That's correct. Okay.

15                  DR. KAPLAN: I think we wanted to make two points  
16 about that. First, a lot of it is assembled and the second  
17 point that everyone here is making is that it's assembled  
18 further down the line before it hits the end customer as it  
19 goes through distribution and other places somehow. There  
20 are not 30 million cabinets being assembled by  
21 do-it-yourselfer in their kitchen. There's a lot of them  
22 shipped through the dealers and they're assembled along the  
23 way sometimes through distribution in other places,  
24 sometimes with multifamily it could be a little different.

25                  COMMISSIONER SCHMIDTLEIN: Okay.

1 DR. KAPLAN: If that's what you're trying to get  
2 to.

3 COMMISSIONER SCHMIDTLEIN: Alright, good. Well  
4 that's a good clarification.

5 MR. BRIGHTBILL: Tim Brightbill, Wiley Rein. I  
6 agree. I mean the fact that the importer is filling this  
7 out that when they ship it it's as you see, this is the  
8 visual representation on slide 19, as they ship it at least  
9 half of it is fully assembled. We think the number is  
10 actually much higher because it's assembled at some point in  
11 the process.

12 We agree the vast majority comes in RTA form.  
13 The vast majority ends up at the end user fully assembled.

14 COMMISSIONER SCHMIDTLEIN: And you think this  
15 reflects that the importers themselves are assembling these  
16 and then shipping them on.

17 MR. BRIGHTBILL: The importer or someone else  
18 later in the chain of these companies.

19 COMMISSIONER SCHMIDTLEIN: 50 percent of them are  
20 assembling them themselves and then shipping them.

21 DR. KAPLAN: Right, that's correct. This is  
22 public information.

23 COMMISSIONER SCHMIDTLEIN: Yes, yes. This is not  
24 bracketed.

25 DR. KAPLAN: I mean, the companies I'm going to

1 talk about.

2 COMMISSIONER SCHMIDTLEIN: Okay.

3 DR. KAPLAN: You know, Fabu if you go to their  
4 website and they talk about their assembly factory that they  
5 build similarly with JSI so people do assemble and then they  
6 are shipped from importers in flat-pack and we argued that  
7 they are assembled typically or often before they hit the  
8 final destination along the way.

9 That's kind of the concern here is now the  
10 quality control of an inside well-designed assembly program  
11 increases the quality of the imports.

12 COMMISSIONER SCHMIDTLEIN: So are there no  
13 cabinets coming being shipped from China for reassembly? Is  
14 that what you're saying?

15 DR. KAPLAN: I don't know if this is public.  
16 Give me one second.

17 COMMISSIONER SCHMIDTLEIN: Okay. So that then  
18 leads to my question about the market share chart that they  
19 have in the Staff Report.

20 DR. KAPLAN: Commissioner, the vanities I  
21 understand are shipped fully assembled and I think that is  
22 public itself. That is public information I was told by  
23 people on the Panel.

24 MR. UNDERWOOD: If I may, Edmond Underwood,  
25 Morris Furniture. There is a select amount of product that

1 you will see over here that will be shipped fully assembled  
2 but it is a smaller part of the market, still a very  
3 head-to-head competitor to what we see in Domestic  
4 Production.

5 DR. KAPLAN: Except on the cabinet side it's,  
6 your getting rid of the air so that you can ship a dumped  
7 product and then it's assembled here. Once in a while with  
8 the vanity it's shipped with the air in the package.

9 COMMISSIONER SCHMIDTLEIN: I've vastly gone over  
10 my time but just so I'm clear, so the market share charts  
11 that we have at pages 419 and 420, is that based on how it's  
12 coming in to the U.S. or does that somehow include, right we  
13 have market share broken down with the U.S. Importers/U.S.  
14 Shipments from China of fully assembled cabinets. Do you  
15 see what I'm talking about? Table 4-8 on page 4-19.

16 DR. KAPLAN: I believe what we'll find that's  
17 assembled here.

18 COMMISSIONER SCHMIDTLEIN: You think this is also  
19 assembled here?

20 DR. KAPLAN: I believe so.

21 COMMISSIONER SCHMIDTLEIN: Okay and the Staff is  
22 nodding yes. Okay, thank you.

23 DR. KAPLAN: There we go.

24 CHAIRMAN JOHANSON: Commissioner Kearns?

25 COMMISSIONER KEARNS: Thank you. I wanted to ask

1 you about the lost sales and revenue data. Respondents ACI  
2 argues that the Commission should discount instances in  
3 which the entity that confirmed a lost sale or a lost  
4 revenue is a Domestic Producer. They claim that the  
5 confirmation sometimes pertain to the producers' own sales  
6 and prices that do not pertain to sales to the producer.  
7 What is your response to this argument?

8 MR. BRIGHTBILL: Tim Brightbill, Wiley Rein. I  
9 can start but no we disagree. The question asks "did you  
10 purchase imported wooden cabinets and vanities from China  
11 instead of U.S. produced product" and then it was "was price  
12 a primary reason for the decision?" The Respondents  
13 answered that question correctly whether they're a purchaser  
14 who is also a U.S. Producer or not.

15 So you should not discount that data but even if  
16 you did the remaining number of purchasers who switched  
17 primarily due to price is still a very significant number  
18 given the size of this market.

19 COMMISSIONER KEARNS: Thank you.

20 DR. KAPLAN: Seth Kaplan. There is a long  
21 history at this Commission of looking at whether the  
22 Domestic Producer had a major buy decision and so I think  
23 you could look at that information in that context.

24 COMMISSIONER KEARNS: Right, but it does seem, and  
25 tell me if I'm wrong but it seems like it's just an issue

1 for lost sales and lost revenue. More generally, there  
2 seems to be more U.S. Producer participation in the  
3 purchaser questionnaires in this case than I think we see  
4 sometimes and so first question is "is that right?" and  
5 second I mean does it call into question or does it change  
6 the way that we should be looking into a number of these  
7 issues.

8 For example, I think we talked earlier with Ms.  
9 El-Sabaawi about how interchangeable these products are and  
10 so forth. I mean a lot of our data it seems to me has U.S.  
11 Producers answering the question twice, right, both as  
12 producers and as purchasers, more so than in other cases and  
13 so wouldn't that tend to suggest you are probably going to  
14 end up seeing more interchangeability etc than we would in  
15 other cases?

16 MR. BRIGHTBILL: Tim Brightbill, Wiley Rein. As  
17 I said, we don't think you should discount the data based on  
18 who responded. The companies that responded who are both  
19 producers and purchasers, they purchase import product and  
20 they did so for reasons and it was largely as you've heard  
21 because they were forced to compete with the unfairly traded  
22 product from China.

23 COMMISSIONER KEARNS: You've done a lot of these  
24 cases, do you think that there are more, that the percentage  
25 of purchaser answers in this case has more U.S. Producer



1 involvement than we typically see?

2 MR. BRIGHTBILL: Tim Brightbill, Wiley Rein. I  
3 don't know. We'd be happy to look at that or compare it. I  
4 don't think it's skewing the data even if you were to take  
5 some of them out but why don't we respond in the posthearing  
6 brief.

7 COMMISSIONER KEARNS: Okay, that'd be helpful.  
8 Thank you. And then another issue, Respondents when they're  
9 looking at the profitability of the industry point out that  
10 a lot of the reasons why you may have seen a decline in  
11 profitability may be attributable to non-recurring expenses.  
12 They posit that those expenses cannot be attributable to or  
13 attributed to Subject Imports. Can you all respond to that  
14 argument?

15 MR. KLEIN: Chris Klein, Fortune. Our cabinet  
16 business margins have declined since 2017 and this is in an  
17 industry where if you go back to 2006 we were able to  
18 achieve roughly 15 percent margins. We now are struggling  
19 to get them to 10 percent.

20 This is on a continuous operation basis so  
21 anything recorded below the line is written off, goodwill on  
22 brands because they have been damaged by this unfair trade  
23 that's all below the line, not insignificant numbers but  
24 those aren't in the margin numbers that I'm quoting. The  
25 9.8 percent returns were all above the line in operating

1 income and that compares to 11 percent where we were in  
2 2017 and 15 percent where we were back in 2006.

3 MR. WELLBORN: Stephen Wellborn, Wellborn  
4 Cabinet. We took increases on plywood, we took increases in  
5 hardware, on finish and all that I can promise you is  
6 recurring. We see it every month on our bottom line.

7 COMMISSIONER KEARNS: Okay. I thought there's  
8 also references in the record to other factory costs going  
9 up, and that some of those costs might be non-recurring, and  
10 as Respondents would say not attributable to imports.

11 MR. KLEIN: Chris Klein, Fortune Brands. All  
12 of our numbers, I mean we're a public company, they're all  
13 GAAP. If we say that they're recurring numbers, they're  
14 recurring. If they're non-recurring, the auditors say  
15 they're non-recurring. So it's not a matter of judgment.  
16 We're not a private company. We're, you know, private  
17 equity guys manipulate the numbers going forward, whatever  
18 is the EBITDA.

19 I want to suggest that we don't have that.  
20 Everything we're reporting is very clean so --

21 MS. EL-SABAAWI: This is Laura El-Sabaawi from  
22 Wiley Rein. We did address this some in our post-conference  
23 brief in the preliminary phase, but they made the argument  
24 there as well. A lot of it is confidential, so we can talk  
25 about it again in our brief. We do not believe that the

1 whole decline in profitability is due to non-recurring  
2 expenses. But to the extent that they played a role in it,  
3 we think those non-recurring expenses were largely a result  
4 of subject import competition and so another form of injury.  
5 But we'll address it further.

6 DR. KAPLAN: Seth Kaplan, IR. I think you  
7 should also, in the context of the cycle, expect to see  
8 profits increasing. This is the second biggest increase  
9 after the housing bubble that occurred before the Great  
10 Recession. And so given the increase in demand, profits  
11 should be rising or falling. But if they were flat, that's  
12 a sign of injury in the conditions of competition  
13 distinctive to this industry.

14 COMMISSIONER KEARNS: Okay, thank you. Mr.  
15 Wellborn, you estimated that subject imports compete in at  
16 least 85 percent of the U.S. market. What parts do they not  
17 compete in?

18 MR. WELLBORN: I'm just -- I'm mainly  
19 referring to the 80 percent that we compete in in the  
20 markets. The other small percent of the market that we  
21 would compete is the, like the multi-family. We don't  
22 compete in that. But as Mark can contest, they're there  
23 also. They might at the extremely high end custom market,  
24 where very few of us -- we don't compete in.

25 They might not compete there, but that would

1 be the only segment of the market I'm aware of that they  
2 might not be in, and that would be that other. It's  
3 probably more like 90 percent, 95 percent. There's very  
4 little of that custom high end market left is probably, less  
5 than five to eight percent of the market.

6 COMMISSIONER KEARNS: Okay, thank you. Just a  
7 quick follow-up on that. So putting aside the high end, the  
8 very high end, so you don't compete in the multi-family  
9 market. Why is that?

10 MR. WELLBORN: We've chosen to go after the  
11 dealer market, the kitchen and bath dealer. Usually, the  
12 companies, and Mark can speak more to it than I can, but  
13 like the multi-family, it's usually a direct install where  
14 you -- and I think you referred to that. They take the  
15 project, manufacture it, deliver it and install it and  
16 handle the whole job and we do that.

17 COMMISSIONER KEARNS: So it's more of a  
18 marketing issue as opposed to a product difference issue?

19 MR. WELLBORN: Different kind of market, yeah.

20 COMMISSIONER KEARNS: Okay. Okay, thank you.  
21 I have a little bit more time, so I just want to ask one  
22 last question, and we see this in a lot of cases. But  
23 Respondents point out that in some of your company's SEC  
24 filings, there's not a lot of discussion there about the  
25 role of subject imports. I did hear you earlier about how

1 market analysts, on the other hand, Mr. Brightbill I think  
2 you referred to this, did talk quite a bit about subject  
3 imports, and so we'll look further into that.

4 But can you comment on why we don't see much  
5 discussion in these filings about subject imports?

6 MR. BRIGHTBILL: This is Tim Brightbill, Wiley  
7 Rein. If we could do Slide 27. I pointed this out, but we  
8 would disagree with that characterization. The companies  
9 that are publicly traded, as they can say, they have to be  
10 truthful and accurate, and Respondents are attempting to say  
11 that they did something improper. They did not. So you see  
12 Woodmark saying lower costs such as China, and competitors  
13 may benefit from certain local government subsidies.

14 Then in 2018, Fortune Brands, "pressure from  
15 imported flatpacked cabinets." They don't say China, but  
16 China's the overwhelming share of imports of flatpacked  
17 cabinets. So they have accurately characterized these as  
18 risks to their companies.

19 MR. KLEIN: Chris Klein, Fortune Brands. So  
20 as these imports became a bigger part of the market as we  
21 saw them gaining share, within the context of our total  
22 company they became material. So that tipping point came in  
23 2017 into 2018. It will be disclosed again in 2019. We're  
24 about to publish our annual report. It will again be a  
25 factor because it reached that point.

1           As I said earlier, they took all the growth  
2 over the last four or five years, and so it reached a  
3 materiality point. For the entire enterprise of Fortune  
4 Brands, we're a \$6 billion company. We've got other major  
5 product lines in plumbing and doors and security, and it  
6 reached a materiality level at that point. It was material  
7 earlier, but not at the full level until 2008 (sic).

8           COMMISSIONER KEARNS: Okay, and then just a  
9 quick follow-on there. I hear the main point, which is --  
10 well in fact you all did. But I guess another issue here is  
11 often when you are filing reports with the SEC, you're not  
12 -- you're not reporting specifically on the subject product  
13 that we're looking at. You're often reporting more  
14 generally, and so sometimes that may change the way you  
15 report things, where you know, it may kind of water down  
16 what you're talking about. Or you may be reporting on a  
17 much broader product range.

18           MR. KLEIN: This cabinet was specific to the  
19 cabinet market, and I can also tell you in addition to the  
20 SEC filings, the intensity of discussion with our analysts  
21 and investors over the last two-three years around Chinese  
22 imports in the cabinet business, every single investor  
23 meeting that I've been in over the last three years has  
24 talked about how are you coping with the intensity of the  
25 competition from China?

1                   They're dumping cabinets, they're taking  
2 share. We see these huge volumes coming in. How are you  
3 surviving? Your margins are under pressure. So in addition  
4 to SEC filings, which is one way we communicate to our  
5 investors, we're talking directly to analysts who cover us,  
6 and to investors and it's a huge topic of discussion. I'm  
7 very skeptical. I mean at our low point our stock fell down  
8 to \$38 at the end of 2018 because of the massive concern.  
9 We lost a third of our market cap in concern over this  
10 issue.

11                   As 301 tariffs came in and as the preliminary  
12 duties came in in the second half of the year, they're now  
13 seeing that we can cope with this if these duties hold. So  
14 there's optimism that if you confirm these duties that we  
15 can compete. If you don't, we'll be right back to where we  
16 were. So I think all of this is in the context of  
17 communication with investors.

18                   COMMISSIONER KEARNS: Okay, thank you very  
19 much.

20                   CHAIRMAN JOHANSON: Commissioner Stayin.

21                   COMMISSIONER STAYIN: Thank you. Going back  
22 to the developments in your industry, in your prehearing  
23 brief, you assert that subject imports have stopped U.S.  
24 producers from making additional investments and new  
25 equipment and plant expansions. However, the record

1 indicates that 22 firms reported expansions, while eight  
2 firms reported an acquisition. This is the Commission  
3 prehearing report at pages VIII-9.

4           Furthermore, the record shows that production  
5 capacity for full unit products increased from 2016 to 2018.  
6 What factors are contributing, have contributed to these  
7 reported expansions and the increase in production capacity?

8           MR. BRIGHTBILL: Tim Brightbill, Wiley Rein.  
9 I think I would refer to our earlier answer on a similar  
10 question, that these companies are making investments  
11 because they have to try and compete. In many cases they've  
12 postponed investments as long as possible because of the  
13 price pressures from the Chinese imports. But they have  
14 made investments to remain fully competitive, and that's why  
15 the products are competitive on everything except price.

16           MR. KLEIN: I just would add -- Chris Klein,  
17 add a little color to that. In 2018, we shut two big  
18 manufacturing facilities, one in Auburn, Alabama and one in  
19 Cottonwood, Minnesota. At the same time, we were investing  
20 in automation to improve the efficiency of the remaining  
21 facilities. So net-net. We didn't increase capacity. We  
22 actually took capacity out, but we put capital into the  
23 business to improve the operation.

24           COMMISSIONER STAYIN: Okay. With respect to  
25 the construction of the product, the flatpack coming in and



1 assuming then that they're assembled by the importer or  
2 somewhere along the line before they get to the showroom,  
3 what about the construction of the flatpack compared to the  
4 construction of your products?

5           There is an assertion or a reference to the  
6 word "particle board." The U.S. has particle board and the  
7 Chinese have plywood, implying that you might have an  
8 inferior product. Would you like to respond to that?  
9 Mister -- I think you already, I can see you leaning.

10           MR. TREXLER: Mark Trexler, ACPI.

11           COMMISSIONER STAYIN: Yes sir.

12           MR. TREXLER: The construction methods are  
13 very, very similar, you know. They're machining the parts,  
14 they're finishing them. They put them in a box and ship  
15 them here; in some of these places, run them down a  
16 conveyor. They glue them and staple them together and screw  
17 them together. In our factories, we have 20 factories  
18 across the country. We do the same thing.

19           We machine all the parts, we finish all of  
20 them and then we run them down conveyor lines to assemble  
21 them. So when you look at them, the construction methods  
22 are very, very similar of how they go together. The  
23 difference is we have lots of people to make all the parts.  
24 If you look at our labor costs, a very small portion of the  
25 labor cost is just assembling it.

1                   They're doing all this in China, and when they  
2 get here they have a few people they run them down a line.  
3 But if you looked at the parts ready to assemble in one of  
4 our plants versus them putting, you wouldn't know the  
5 difference. They're very -- I mean the same techniques.

6                   COMMISSIONER STAYIN: The word "particle  
7 board." Do you use particle board in making some of your  
8 products?

9                   MR. TREXLER: Yeah. Actually, we use a large  
10 percentage of particle board in our stock cabinets. We do  
11 offer upgrades that you can do the plywood, but it used to  
12 be the difference, we could sell the particle board cabinet  
13 and even if you wanted the all wood, which is a plywood, we  
14 could upcharge for it.

15                   Well, the Chinese manufacturer took advantage  
16 of all the plywood that they were no longer shipping over  
17 here. So they take that plywood and we get a double hit on  
18 it. They take the plywood and make the cabinet and they  
19 sell it cheaper than I can make the particle board for, and  
20 it's just the difference in the logs.

21                   I mean so we're sending wood over there.  
22 They're turning it into veneer and plywood, and can send it  
23 back cheaper than we do an engineered wood here and sell it.  
24 Obviously once again it makes no sense.

25                   COMMISSIONER STAYIN: So does that make the

1 assembled product from China a higher quality product,  
2 because it's using plywood as opposed to engineered or  
3 particle board?

4 MR. WELLBORN: Stephen Wellborn, Wellborn  
5 Cabinets. Most American manufacturers do start off with a  
6 base price point with a particle board box. As Mark  
7 mentioned, there's an upgrade path there to get -- and with  
8 upgrades, it's more profitability opportunity. That has  
9 been completely eroded by the Chinese, because they come in  
10 standard with an all plywood box. They don't, evidently  
11 don't produce any particle board or very little in China,  
12 or they can produce particle board at a point where they're  
13 subsidized.

14 The only way it can come in America right now  
15 is in a flatpack cabinet without the tariffs on it, and they  
16 advertise all plywood cabinets at particle board pricing.  
17 Meaning our pricing at particle board. So by the time we  
18 upgrade to match them apples to apples, we're way out of the  
19 ballpark, because the price of domestic plywood is very  
20 expensive.

21 MR. BRIGHTBILL: Tim Brightbill, Wiley Rein.  
22 The all plywood is just an example of the feature dumping  
23 that so many witnesses have talked about. But the products  
24 are still highly comparable. If you look at product  
25 consistency, U.S. versus China, it's a wholly comparable

1 quality of finish. Quality meets industry standards.  
2 Overwhelmingly, the products are comparable.

3 MR. FRITZ: Ken Fritz, Schillings. Doesn't  
4 that enhance the argument we're making? We have to cut our  
5 construction grade down to compete with the Chinese, and the  
6 Chinese are basically putting the noose around us by  
7 offering the plywood upgrade when they don't have to, but  
8 it's just an added feature that they offer.

9 COMMISSIONER STAYIN: I understand that. Has  
10 this difference had a competitive disadvantage in your  
11 competition with the Chinese product?

12 MR. WELLBORN: Stephen Wellborn, Wellborn  
13 Cabinet. Yes, there is a very well marketed perception that  
14 a plywood, all plywood box is a superior to a furniture  
15 board or particle board product. Certain markets you can  
16 only sell plywood box into, just due to humidity and things  
17 like that. Furniture board in itself is not a bad product.  
18 It's in a lot of our products that we buy every day.

19 But marketing-wise, they have really done a  
20 good job selling an all-plywood product, and we do that. We  
21 offer that. But like I said, it comes with a premium  
22 upcharge. We use domestic plywood, and it adds a lot to the  
23 cost of our product to manufacture it. So it knocks us out  
24 of the ballpark. They come in, again plywood at particle  
25 board pricing.

1                   So they get to sell that option or that  
2 upgrade at no upcharge, and actually it's usually below our  
3 particle board pricing with the same competing products.

4                   COMMISSIONER STAYIN: Besides the plywood, are  
5 there any advantages to what you do in producing your  
6 assembled product?

7                   MR. WELLBORN: You know, we would -- like I  
8 say yes, our 1,300 employees in Ashland, Alabama do a  
9 fantastic job, and they work extremely hard every day to  
10 service our customers. If you could go to market and say  
11 the Chinese were five percent under your ten percent even,  
12 you know, you could probably make an argument hey, you can  
13 get this here because it's domestic-made.

14                   But when that customer looks at it and our  
15 dealer tells them look, they're 40, 50 and 60 percent under,  
16 you don't even get invited to the dance. You don't even --  
17 because when they look at them, as you'll see over here, the  
18 identical products, and most people will not pay for a  
19 domestic product that is 60 percent more. They just won't  
20 do that anymore.

21                   COMMISSIONER STAYIN: Is there an upper range,  
22 high quality assembled product that, you know, people with a  
23 fancy house want to have a fancy vanity and bathroom  
24 shelves? Is that something that you make and that is also  
25 in the marketplace?

1                   MR. KLEIN: Chris Klein, Fortune Brands. Yes,  
2 there is about ten percent of the high end of the market  
3 which is custom, which is if you can draw it on a napkin, we  
4 can make it. You can come up with ten different color  
5 combinations and we can design your room. So there is that  
6 part of the market. It is not a growing part of the market,  
7 but it will always be there in that luxury part of the  
8 market.

9                   That's where our ability to be flexible in  
10 terms of colors and finish and everything else, you know, is  
11 competitively offsetting any price pressure. But that's  
12 roughly ten percent of the upper end of the market.

13                  MR. BRIGHTBILL: And Tim Brightbill, Wiley  
14 Rein. Even in custom, I've got a brochure sitting on my  
15 desk that we'll file with the brief, of a Chinese custom  
16 company. So we'll, you know again, they're moving up the  
17 value chain.

18                  COMMISSIONER STAYIN: Would that be the --  
19 something like that, would that be furniture vanity that is  
20 one of the issues here in terms of like product?

21                  MR. BRIGHTBILL: Tim Brightbill, Wiley Rein.  
22 No, the one I'm referring to is cabinets, not furniture  
23 vanities. So we'll submit that in our brief.

24                  COMMISSIONER STAYIN: Let's talk about that a  
25 bit, the furniture vanity. Is that a like product or is it

1 -- is it not? I mean do you -- do you make that here in the  
2 United States, the furniture vanity? I mean there is a  
3 distinction. I mean the one kind of vanity, the primer  
4 kind, is actually connected, fitted to the wall, to the  
5 floor. The furniture one comes in with feet.

6 MR. WELLBORN: Stephen Wellborn, Wellborn  
7 Cabinet.

8 COMMISSIONER STAYIN: In that it's not -- and  
9 it's movable. It's not attached. Go ahead.

10 MR. WELLBORN: I'm sorry, excuse me.

11 COMMISSIONER STAYIN: No, go ahead.

12 MR. WELLBORN: Stephen Wellborn, Wellborn  
13 Cabinet. One of the three furniture vanities is to my  
14 right. We produce it in our factory and we offer it in our  
15 catalogue. So and one of them is also an import, and you'll  
16 see that they're exactly the same type of vanity. Two of  
17 these are domestic, one of them are import.

18 So we do produce them here. It's not  
19 something that they do that we can't do. It's extremely  
20 hard to compete, again for the same reasons as it is in the  
21 kitchen cabinet business. The Chinese dump kitchen  
22 cabinets. They're dumping the vanities also.

23 COMMISSIONER STAYIN: All right. So in fact  
24 there is a comparable product that you compete with. It's  
25 not something that -- and therefore would be within the like

1 product category. Is that your position Mr. Brightbill?

2 MR. BRIGHTBILL: Tim Brightbill, Wiley Rein.

3 Yes, they are part of the same like product.

4 COMMISSIONER STAYIN: Okay.

5 CHAIRMAN JOHANSON: Commissioner Karpel?

6 COMMISSIONER KARPEL: Thank you. In the  
7 Commission's preliminary determination, we noted that we  
8 relied primarily on value-based indicators as the best  
9 measure for the products in this investigation, which  
10 involve a large grouping of items differing greatly in size,  
11 style and price. Did you agree with this, and is this  
12 something we should do in the final as well? I noticed  
13 today we heard discussion pointing us to the volume  
14 indicators. So I want to just --

15 DR. KAPLAN: Seth Kaplan, IER. I did an  
16 appendix to my report regarding this, comparing it to other  
17 cases I've been involved in. I think while there are a lot  
18 of SKUs, there are a lot less than have been in other cases.  
19 In terms of the competition and how the industry defines  
20 things, and a lot of the ranges you look at, I think in fact  
21 this falls squarely into, at least as an economic matter,  
22 I'm not an attorney, to look at volume.

23 People measure things by cabinets. They keep  
24 track of it. I was in a ribbons case. People had a measure  
25 thing in kilograms. No one ever did it, no one ever knew



1 the normal measure was impossible. This is the typical way  
2 things are measured. Everyone knows how many they make.  
3 They compete on a 10 by 10 kitchen. You could go online.  
4 They have 10 or 11 cabinets in it.

5           When Mr. Trexler competes at multi-family, an  
6 architect has designed the kitchen. They come in with the  
7 exact cabinets, both of them, and they offer a price for the  
8 whole design. When you have a kitchen designed at home, you  
9 don't say oh, the cabinets are cheaper. I guess I'll push  
10 out a couple of walls because I could get more at the lower  
11 price.

12           No, you get the same number of cabinets in the  
13 space. There might be small design differences, but it's  
14 very much one on one. So that's the first point.

15           The second point is the price ranges, and  
16 you've seen the price ranges of what amounts to the great  
17 majority of cabinets in this industry. There is a high end.  
18 It is outpaced in value rather than volume, because it's so  
19 expensive. I'm glad you raised the question, because we  
20 live in an area where you see more semi-custom and custom  
21 kitchens.

22           I would take a look at the price points at  
23 cabinets to go and the price points that you see in their  
24 report, and remember that the average house that's being  
25 built is 2,300 square feet, and the average cost of those

1 houses are in the -- under half million, well under half a  
2 million dollars. You could live in Washington and get a  
3 different view from your personal experience.

4           The price ranges of bicycles went from \$60.  
5 You could be a carbon fame bicycle for \$10,000 without  
6 wheels. Ask me how I know. But even a mountain bike could  
7 be 400, 450 dollars, ten times the value. The Mattresses  
8 case that you just did, the value range in terms of price  
9 points was much greater.

10           So I think, and I think there were some  
11 comments with respect to wooden bedroom furniture, and there  
12 you had the situation where people were comparing suites.  
13 So you know, you had a bed, you had a dresser, you had an  
14 armoire, you had an end table, you know, night stands. So  
15 it was counting units, it wasn't unit to unit.

16           Here, a cabinet is a cabinet, and the average  
17 size that everyone's selling is about the same. So I think  
18 for a variety of reasons, some of the cases cited weren't  
19 particularly on point in my view as an economist, but it's a  
20 legal matter. I would think one, whether either way you go,  
21 I would ask you to do what you did in wooden bedroom  
22 furniture, where there are lots of footnotes saying we  
23 recognize that the value is a value of a dumped product  
24 that's not a fairly traded price.

25           And in this case, you not only have that from

1 the import, but it's not at the level of the sale of the  
2 import. So it's doubly less than it should be from two  
3 adjustments. And so -- and then of course the contradiction  
4 is the more someone dumps, the lower their market share is.

5 So whatever you decide to do, I would ask you  
6 to consider that if you use value, but also an economic  
7 matter it makes sense to look at volume. This is how people  
8 measure things. That's what people compete against. That's  
9 what the dealers sell. They sell cabinets into a kitchen.  
10 So that's my statement on this matter, and you could look at  
11 the other cases in a brief.

12 COMMISSIONER KARPEL: Tim, Mr. Brightbill?

13 MR. BRIGHTBILL: Again, we think volume is  
14 appropriate, but as Dr. Kaplan, if you continue to use  
15 volume you should at least note that in the final report,  
16 that the Chinese import volumes and market shares may be  
17 understated from the dumping. Either way, we have volume,  
18 we have price, we have impact injury caused by imports.

19 COMMISSIONER KARPEL: Okay. My next question  
20 is with respect to the numbers we see on domestic industry  
21 shipments and net sales, the trend is different by volume  
22 and value. I wondered if you could speak to why we're  
23 seeing that?

24 MR. BRIGHTBILL: Tim Brightbill, Wiley Rein.  
25 Given that everything is bracketed, we might want to do that

1 in the post-hearing brief.

2 COMMISSIONER KARPEL: Fine. And in that  
3 regard, I think I have a few other questions you could  
4 probably answer in the post-hearing brief. So I want to  
5 make sure I save time at the end. But I do have one more  
6 sort of substantive or bigger question that I hope we can  
7 talk about here.

8 I wondered if you could respond to some of the  
9 ACCI's arguments, that dominance by a few large domestic  
10 producers is responsible for some of the pricing pressures  
11 and competition that we're seeing in the market rather than  
12 subject imports.

13 MR. KLEIN: Chris Klein, Fortune Brands. As  
14 the largest of those large companies, our market share has  
15 deteriorated through this period. Our margins have  
16 deteriorated through this period. As we noted, all of the  
17 gains in the market have come to the benefit of the Chinese  
18 importers, not the domestic competitors. Our share position  
19 has not improved through this period. In fact, it's  
20 diminished.

21 So we together as an industry have been harmed  
22 equally, whether it's, you know, any one of my colleagues on  
23 this panel. As a large competitor in a market that overall  
24 housing market growing, you would have expected we would  
25 have been able to grow share in a market like this and we

1 haven't. I'd say you just look at where the volumes have  
2 gone. It's gone to the Chinese.

3 MR. GAHM: John Gahm, Kitchen Kompact. You  
4 know, we've been around for about 70 years now, and we've  
5 competed against all of these guys for a long time. Just  
6 because of their size doesn't mean that we can't compete  
7 against them. We are now competing with the imports on  
8 price alone, and that is the biggest competition that we  
9 face today.

10 MR. SABINE: Todd Sabine with American  
11 Woodmark. We're the third largest, second or third,  
12 depending on which numbers you believe. But we're 17, 16  
13 percent of the market, and if you take a look at the  
14 testimony I provided earlier, I think our actions speak  
15 louder than words relative to the strategy that we've tried  
16 to implement, to be able to attempt to compete in this  
17 marketplace, and to try to flip that around and act as if  
18 we're the ones that are generating this price leverage in  
19 the marketplace.

20 They are advertising that they are coming  
21 right at our sweet spot as a company, which is serving the  
22 big box retailers, Home Depot and Lowe's, and they're  
23 undercutting our prices that we have only recently been able  
24 to try to get down to. So I think that argument falls flat.

25 MR. MILLER: Perry Miller with Kountry Wood.

1 We're probably one of the smallest companies here on the  
2 panel, and you know obviously we compete against all these  
3 guys here on the panel. But we don't -- right now, that's  
4 not really who our competition is, who we're really  
5 concerned about. Our concern is the imported cabinets being  
6 dumped in the space.

7 COMMISSIONER KARPEL: Okay. I'll just run  
8 through a few questions I'm hoping you can address in the  
9 post-hearing submission. The first is what are the domestic  
10 industry's capacity utilization figures based on? For  
11 example, do they assume all production lines running 24-7 or  
12 something less?

13 What percentage of the market are custom  
14 versus semi-custom versus stock cabinets. I think some  
15 testified that it was around 80 percent for stock, but if  
16 you could just in written form put out the percentages for  
17 stock, semi-custom and custom, and of course the data  
18 sources you're using to support those percentages?

19 MR. BRIGHTBILL: Tim Brightbill, we'll do that  
20 in the brief. I will point out the staff was very  
21 aggressive in terms of verifying capacity utilization.  
22 That's real available capacity for this industry. They  
23 followed up multiple times on that.

24 COMMISSIONER KARPEL: Okay. Another follow-up  
25 question about Table IV-5. It shows that about half of the

1 subject imports are assembled when they're shipped by the  
2 U.S. importers. But my question goes to the other half of  
3 those. When do those get assembled? I know you've  
4 testified today that they're assembled before they reach the  
5 end user. But if you could point me to where in the record  
6 or other additional information that substantiates that  
7 point that they're assembled by the time they get to the end  
8 user.

9 MR. BRIGHTBILL: Tim Brightbill. We'll be  
10 happy to do that. Thank you.

11 COMMISSIONER KARPEL: Okay. And the last is  
12 on raw material costs. Many have testified that their raw  
13 material costs are increasing. But looking at and I think  
14 it's confidential, yes. Looking at the tables on, let's see  
15 here, Table VI-2 and VI-1, it doesn't -- I'm wondering if  
16 I'm missing something there. The raw material costs  
17 indicated there as a ratio to net sales or a ratio to COGS  
18 seem to be maybe saying something different.

19 But if you could try to help me understand  
20 that in post-hearing briefing, I'd appreciate that.

21 MR. BRIGHTBILL: Tim Brightbill. We'll  
22 respond to that as well. Thank you.

23 CHAIRMAN JOHANSON: Over the Period of  
24 Investigation, the U.S. industry's production quantity  
25 declined, yet the number of employees and hours worked

1 increased. Conversely, over the interim periods, the number  
2 of employees and total hours worked, but production quantity  
3 increased. Why didn't employment and hours worked move in  
4 the same direction as production quantity?

5 MR. BRIGHTBILL: Tim Brightbill, Wiley Rein.  
6 Our witnesses can talk to that. In some cases, these  
7 companies -- you heard in the testimony how long these  
8 companies have been around, how long many of their workers  
9 have been around. We want to try and keep that workforce to  
10 the extent possible. So it may have been keeping workers in  
11 the hopes that things would turn back upward. But I'll let  
12 them comment on that.

13 MR. WELLBORN: Stephen Wellborn, Wellborn  
14 Cabinet. Tim's exactly right. Our most valuable asset is  
15 our people, and when times are slow you do things that you  
16 can provide a full week of work, sometimes when you  
17 shouldn't provide a full week of work. But that's the  
18 reason some of those numbers are where they are. You just  
19 try to provide a full week when you come. Some weeks you  
20 can and some weeks you can't, but that would be the reason.

21 MR. KLEIN: Chris Klein, Fortune Brands. We  
22 actually reduced head count. We shut a couple of plants and  
23 reduced our corporate staff in the cabinet business by eight  
24 percent. We maintained capacity through investments in  
25 capital. So that we remained neutral on capacity, but took



1 head count down.

2 CHAIRMAN JOHANSON: Okay, I assume that's the  
3 end. I saw Mr. Kaplan and Mr. Gahm speaking. I didn't know  
4 if that was in response to this question. Okay. ACCI  
5 claims that there were no post-petition effects. Could you  
6 please comment on this contention of the Respondents?

7 MR. BRIGHTBILL: Tim Brightbill, Wiley Rein.  
8 That is incorrect, and I think you've heard in the testimony  
9 today and our witnesses can say again they have started to  
10 see benefit. The Period of Investigation ended in third  
11 quarter of 2019. We have the dumping margins. The CVD  
12 margins and the dumping margins take effect roughly at that  
13 time, and the Chinese imports are dropping significantly at  
14 that time.

15 You've seen some improvement since then. I  
16 think MasterBrand has talked about a recent improvement, and  
17 other companies have as well. They can testify, and again  
18 it takes a little while for these things to show up. But  
19 there is some improvement. There are post-petition effects  
20 that can be discounted.

21 MR. KLEIN: Chris Klein, Fortune Brands. So  
22 there was substantial inventory in the marketplace at  
23 mid-year, when the duties took effect. We saw that working  
24 its way through. In the second half of the fourth quarter,  
25 we saw a significant pickup in order volume. Some of that

1 we ended up selling in the fourth quarter; some of that come  
2 over in the first quarter. I can say we reported publicly  
3 that our stock business was up 17-18 percent in terms of  
4 order volume in December.

5 That momentum has continued into the first  
6 quarter. We won't report those figures out in our earnings  
7 until April. But we've started to see the impact as we've  
8 seen the inventory in the system work its way through.

9 MR. GAHM: John Gahm, Kitchen Kompact. The  
10 same is pretty much true for us. You know, after the  
11 preliminary duties were handed down, we kept waiting and  
12 waiting and waiting, thinking it was going to, you know, be  
13 a little bit quicker than it was. But the inventories that  
14 were in this country, they're working through them, and  
15 right now we're starting to see the effects of the rates  
16 right now.

17 Not quite as early as MasterBrand, but maybe  
18 late December, certainly January and February, we are --  
19 business is showing signs of getting much better right now,  
20 and I believe that it's due to the rates right now.

21 MR. TREXLER: Mark Trexler, ACPI. Once again,  
22 our multi-family business, we've already seen the pick-up.  
23 We play in all the channels. But as of December, we were  
24 seeing more jobs coming back. We actually have jobs that  
25 were lost to the Chinese product, and then starting December

1 they're coming back and say hey, you know, we're not sure  
2 what the test is going to be, we're not sure we're going to  
3 get the cabinets.

4 So, we started picking up jobs in January, in  
5 multi-family over life since January is definitely up, and  
6 we're hoping this will -- the wave will continue.

7 CHAIRMAN JOHANSON: Mr. Kaplan?

8 MR. KAPLAN: Seth Kaplan, IER. So, I pointed out  
9 in the slide earlier, one is up by Tim, that the imports  
10 really didn't suffer a sharp decline until August. If you  
11 look at the import unit values, they fell from full year '18  
12 to interim '19, and from interim '18 to interim '19. And if  
13 you look at the inventories of imports in the system, you  
14 see that there are very high levels of inventories.

15 So, all those things would delay a response. And  
16 this delayed response that you're seeing, that's been  
17 testified to, that now that we're seeing improvement, is  
18 consistent with other cases where the affects of either  
19 imports entering, or imports exiting are delayed as  
20 contracts are renegotiated, as inventories are built up, or  
21 drawn down, and as the shipments finally start showing up in  
22 production from re-negotiated contracts, or contracts that  
23 will be delivered in the future. So, we're seeing all of  
24 that. It's consistent with the record, and consistent with  
25 what the Commission has seen in past cases.

1 MS. EL-SABAAWI: Laura El-Sabaawi from Wiley  
2 Rein. Just to build briefly on what Seth said in addition  
3 to the various factors that cause a delay. I mean, it's  
4 also just because subject imports really did not leave the  
5 market until the very end of the interim period. And when  
6 preliminary CVD duties at first were imposed in August.

7 I mean if you look at first half 2018 to first  
8 half 2019, and the monthly import data, the import levels  
9 were almost steady at very high levels, so it makes sense  
10 that you wouldn't see a real, or at least not a significant  
11 impact in U.S. producer's performance during that three  
12 quarter 2019 period, because imports really didn't drop off  
13 until August.

14 MR. ALLEN: Bill Allen with Showplace Cabinetry.  
15 As a semi-custom producer that primarily deals with repair  
16 and remodel, traditionally the fourth quarter of the year is  
17 the slower time around the holidays when people don't want  
18 their homes tore up.

19 But I can even report that the fourth quarter of  
20 2019 was one of our best quarters, which is one of the first  
21 times in the history of our company that that has happened,  
22 so even at the semi-custom level we are seeing some signs  
23 that this case has had some impact in the fourth quarter of  
24 2019.

25 CHAIRMAN JOHANSON: Okay, thanks for your

1 responses. I have just one more question. In September  
2 2018, the United States imposed 10 percent Section 301  
3 duties on subject imports. Could you all describe the  
4 impact of those duties?

5 MR. KLEIN: Chris Klein, Fortune Brands. At that  
6 level they really did not diminish the price competitiveness  
7 of the Chinese imports, and Chinese importers did not raise  
8 prices and so, the discrepancy that we've been talking about  
9 between 20 and 40 percent remained in the marketplace.

10 MR. UNDERWOOD: Edwin Underwood, Marsh Furniture.  
11 I would agree with that assessment. The disparity that  
12 we're facing with regard to pricing, when it gets to the  
13 dealer speaks to the disparity that is brought into the  
14 country, which would really more directly compare with our  
15 production costs and our pricing.

16 10 percent was a step in the right direction. It  
17 did not, however, slow the flow of product as we were  
18 observing.

19 MR. BRIGHTBILL: Tim Brightbill, Wiley Rein. I  
20 think the staff report is consistent in terms of what was  
21 reported as the impact of the investigation, and of course,  
22 I'll also point out that while anti-dumping duties cannot be  
23 absorbed, there's no similar prohibition on Section 301  
24 duties, and those duties, of course, are temporary and could  
25 be removed at any time.

1                   CHAIRMAN JOHANSON: Okay, thanks for your  
2 responses. Commissioner Schmidtlein? Okay, Commissioner  
3 Kearns?

4                   COMMISSIONER KEARNS: Yes, just one quick  
5 question. Respondents spent quite a bit of time talking  
6 about, I think, what would be described as labor shortages  
7 in your industry and kind of squaring that with what you all  
8 have said in terms of capacity utilization rates. Can you  
9 speak to that? I mean is there a labor shortage in your  
10 industry in the United States?

11                  MR. KLEIN: Chris Klein, Fortune Brands. Despite  
12 the fact we've got record low unemployment, both for our  
13 facilities and the others on the panel here, we've got good,  
14 well-paying jobs. These are coveted jobs, mostly in small  
15 towns across America. We've got good healthcare benefits,  
16 and so people maybe working in other jobs that have been  
17 working in our plant, and would be delighted to come back  
18 and have got relatives working in those facilities.

19                  As a larger producer, we can move around where  
20 we're ramping up capacity, into markets where labor is more  
21 available, so even if in a local market there was some  
22 constraint. So, we can handle a whole heck of a lot more  
23 volume and would have been handling a whole heck of a lot  
24 more volume were these Chinese cabinets not being dumped in.

25                  MR. TREXLER: Mark Trexler, ACPI. We experienced

1 the same thing. Our 20 plants are in a lot of very rural  
2 areas, and a lot of these guys when they're not working,  
3 they're doing part-time jobs, or jobs that don't pay near as  
4 well. So, we offer very good benefits like the health  
5 insurance and 401K's and stuff. So, once they know we're  
6 hiring, they fill up.

7 MR. WELLBORN: Stephen Wellborn, Wellborn  
8 Cabinet. I would just like to agree with what they just  
9 said. I mean we offer a very good package, a good wage, and  
10 also good benefits, and as soon as we turned the hiring  
11 light on people show up. And we don't feel it's a problem.  
12 We got plenty of capacity on our second shift, so and also,  
13 we're willing to expand facilities if the Commission  
14 proceeds with findings here.

15 COMMISSIONER KEARNS: Thank you. Just a quick  
16 follow-up. Even though the unemployment rate is very low  
17 right now, I also know the labor participation rate in the  
18 United States, is also very low, much lower than any other  
19 industrialized country. I know this is something that the  
20 Federal Reserve Chairman is actually very focused on.

21 I'm wondering if you all see that at all. I  
22 mean, do you see that there's people out there who may not  
23 be knocking on doors for a job, but it's because they've  
24 sort of given up? Do you see that in your communities,  
25 because you know, we're sort of stuck here in D.C., so it's

1 good to kind of --

2 MR. KLEIN: Yeah, Chris Klein, Fortune Brands,  
3 across all of our businesses and within cabinets, there is a  
4 certain percentage of the population which I think, you  
5 know, reality has reluctantly come back into the workforce  
6 since wages have risen. So, I think, you know, they were  
7 doing the math and have labor participation has slowly  
8 risen. They've seen that in some markets where we've been  
9 able to hire and seemingly the unemployment rate stays the  
10 same, but we're attracting more people into our plant  
11 workforce. So, I don't know if we're just bringing people  
12 into the economics because the economics are improving.

13 MR. KAPLAN: Seth Kaplan, IER. Yesterday we were  
14 discussing the number of applicants per job opening, and I  
15 think that would be informative to you, to hear from the  
16 panel here about how many people apply when they do have a  
17 job.

18 MR. MILLER: Perry Miller, with Country Wood  
19 Products. We live in a small city of 7,000, second largest  
20 employer in the city. But we do not have, if we have  
21 positions to fill, we generally have more than sufficient  
22 applications and as the labor market is tighter than what it  
23 was, we were receiving -- and I can't even tell you how long  
24 ago, several years ago, six applications per hire, and we're  
25 still receiving about four applications per hire.



1           So, we have plenty of applications to fill the  
2 positions.

3           MR. GAHM: John Gahm, Kitchen Kompact. Our plant  
4 is located in not one of these rural towns, but right across  
5 the river from Louisville, Kentucky. So, we are competing  
6 against two foreign plants, the UPS world hub, Amazon  
7 fulfillment center, all within 20 miles of our facility.

8           We pay a good wage. We pay health benefits, and  
9 we have a 401K, the people are still knocking on our door.  
10 Labor is not a problem in Jeffersonville, Indiana.

11           MS. EL-SABAAWI: Laura El-Sabaawi from Wiley  
12 Rein. In addition to the, you know, ability to hire that  
13 the producers here have testified to, there was I think a  
14 new question in the questionnaire response about being able  
15 to add chefs, or work more hours based on current employment  
16 levels, and a large majority of U.S. producers said that  
17 they could increase production based on their current  
18 employment.

19           And then beyond that, they've said they'd also be  
20 able to hire other workers.

21           MR. ALLEN: Bill Allen at Showplace. And there  
22 was a point I was going to make. The employees at my  
23 facility would like to work some overtime, something that  
24 they were quite used to in the years of the housing boom,  
25 from 2000 to 2007, and something that they quite frankly

1 don't get to do very often anymore. They're probably more  
2 used to four day weeks. So, I think there's capacity inside  
3 the facility without hiring.

4 We're an employee-owned company, and we pride  
5 ourselves on trying to be the employer of choice in our  
6 small community, and so our applications per job are similar  
7 to what Perry Miller said at Country Woods. It's probably  
8 four to five people for every job that we post.

9 So, we'd welcome more capacity pushed on our  
10 plants, instead of being excess capacity.

11 COMMISSIONER KEARNS: Great, thank you all. No,  
12 I have no further questions.

13 CHAIRMAN JOHANSON: Commissioner Stayin?

14 COMMISSIONER STAYIN: Hello? Here we go, I  
15 pushed the wrong button, or pushed it wrong twice. Back to  
16 the labor question. There is this allegation that you don't  
17 have enough labor to have the capacity that you would need  
18 in order to really increase your shipments and compete in  
19 this market.

20 Okay, so you have four offers, people wanting to  
21 come to work. I'm going back to the gentleman, Mr. Miller,  
22 is that correct? Yes, I'm sorry. The one question is the  
23 issue of skilled labor. I mean that's one of the issues  
24 that you always face, especially in your business, skilled  
25 labor is very important. It's different than just, you

1 know, lots of people looking for jobs.

2 But in your village, is that -- are you doing  
3 okay on the skilled labor side?

4 MR. MILLER: Skilled labor is less of an issue,  
5 Perry Miller, sorry. Is less of an issue today than what it  
6 was in the past. You know, it used to be more craftsmanship  
7 in the cabinetry, and now it's more automation. So, the  
8 training part for us, we do not necessarily look for skilled  
9 labor. We train, train on the job. It's generally a short  
10 training period, and it's more machine operation versus  
11 actual skilled labor.

12 COMMISSIONER STAYIN: Anybody else want to  
13 comment on that?

14 MR. TREXLER: Yeah, Mark Trexler, ICPI. We have  
15 the same thing. And we hire lots of people across these 20  
16 facilities. And we start them in the entry level jobs, but  
17 they're very computer literate, and you know, they all have  
18 iPhones. We can train them how to run these computer  
19 machines. And the other thing we find we put second shifts  
20 some places because there's families where, you know, one of  
21 the parents is staying with the kids because they can't  
22 afford the daycare.

23 So, when we have the second shift, we get a lot  
24 of workers where now there's two incomes in the family  
25 because they can each look after the children. So, we've

1 done that, and we've added people.

2 MR. ALLEN: Bill Allen with Showplace Cabinetry.  
3 Most of the skilled positions, we find that there's high  
4 competition within our facility for those jobs. We like to  
5 promote from within, and we fill most of those skilled  
6 positions with our own people, so that most of the hiring is  
7 at the lower level positions.

8 And we have an extensive training program to  
9 bring those employees along quicker. And we have them work  
10 in a mentor program with people to try to teach them the  
11 lower skills quicker, and we find that that's how we get  
12 skilled workers from within much more quickly than being  
13 forced into the outside to hire them.

14 COMMISSIONER STAYIN: Okay, thank you. Mr.  
15 Schilling, you commented earlier that you had to adapt. It  
16 was a new market situation and you had to adapt. What did  
17 you have to do in order to adapt?

18 MR. FRITZ: You made me much wealthier calling me  
19 Mr. Shilling, Mr. Fritz. Thank you.

20 COMMISSIONER STAYIN: Okay.

21 MR. FRITZ: It's -- I mean in 30 years of being  
22 in the business, the industry adapts, so adapting to our  
23 competition is nothing new. You know, Home Depot moved into  
24 our market 25 years ago. We had to change, or they would  
25 start eating our lunch. The Chinese products come in.

1 There was at that point, four products in stock. One  
2 product had soft close, three did not. Currently, we have  
3 five products in stock, only one does not have soft close.

4 So, that was an adaptation that we made because  
5 our competition is offering soft close on the doors and  
6 drawers as standard.

7 The amount of skews that we carry, I mentioned 20  
8 years ago we had 50 skews per stock line. Now, we might be  
9 pushing 150 to 200 skews. And I can tell you as we have our  
10 meetings that grows. So, hopefully that explains it, you  
11 know, maybe a little bit better.

12 COMMISSIONER STAYIN: In that skew, and this is  
13 for others to respond as well. Do you have the layers? The  
14 segmentation question is an issue. Is there a segmentation  
15 where they're going to stock semi-finished and then a  
16 semi-custom and then custom? Is that still the way the  
17 industry and the market is segmented?

18 MR. FRITZ: No. I would say we're judged based  
19 on the construction, finish and quality of our goods. So, I  
20 mentioned before, no one turns away an opportunity when you  
21 go into a showroom. That's sort of, you go into a showroom,  
22 and they're showing you an import product. They're focusing  
23 on the quality of the goods.

24 They're focusing on what they can do. They don't  
25 focus on limitations. So, unless there's something very

1 unique. You mentioned that 10 percent of the industry that  
2 just wants something unique, most of the customers are  
3 driving toward a product that just about everyone can offer,  
4 whether it's an in-stock product, or a modified product.

5           And I would also say the cabinet industry has  
6 probably seen downward pressure on the pricing. Simple is  
7 in. This is what everyone's buying, and maybe a splash of  
8 grey cabinet in the island, and they're spending more money  
9 on appliances on countertops, with the savings that they see  
10 on the cabinets.

11           COMMISSIONER STAYIN: Okay, thank you. Anybody  
12 else want to respond to that?

13           MR. KLEIN: Chris Klein, Fortune Brands. So, we  
14 sell products across the whole price spectrum, quality  
15 spectrum, and I'd say the consumer has blurred those lines,  
16 so we're selling more of this painted product that you can  
17 get a look that you would like at a lower price point with  
18 similar quality. If you pay a little bit more, you may get  
19 more feature, but the different and the trade-off with the  
20 price competition in the marketplace, has kind of driven a  
21 standardization across all this.

22           So, there used to be much cleaner lines, and you  
23 could clearly tell what I was getting in stock, what was I  
24 getting in semi-custom. Now it tends to be the flexibility  
25 the designer gets, in terms of what you can do in conforming

1 either specific designers you have for your kitchen, and  
2 utilizing a certain space as opposed to a difference in the  
3 product quality.

4 So, it's more the flexibility in the product line  
5 to get exactly what you'd line that people are willing to  
6 pay up for what it is, the product itself, because the  
7 product has become much more standardized, and price is the  
8 primary competing factor on the product.

9 COMMISSIONER STAYIN: So, you adapt?

10 MR. KLEIN: So, you adapt.

11 COMMISSIONER STAYIN: Yeah.

12 MR. UNDERWOOD: Edwin Understood, Marsh  
13 Furniture. I can add a little bit of color to that as well.  
14 In 2014, we offered approximately 450 to 500 skews, that's  
15 the designability, as we saw a lot of these premium features  
16 commoditized, and we saw this harmonization across the  
17 different, what would have been traditional buckets of the  
18 value proposition.

19 We enhanced the number of skews, so today we have  
20 approximately 1,900. So much so, in 2014, where that  
21 concentration across a select number of skews existed, it  
22 exists today again. 77 percent of our volume is sold in the  
23 top 100 skews, and that number pushes north of 85 percent  
24 when you include the next 100.

25 So, at 200 skews, a very tight concentration,

1 while we have tried to move up the value spectrum, they  
2 still remain very focused and concentrated in that right  
3 there. It speaks to the blending that has existed,  
4 particularly across some of the dumped features that we see  
5 in the products to our right here. Those features have  
6 blended, and really made it about how does the designer  
7 employ these products in the space to be designed.

8 In so often cases, they are motivated by value  
9 proposition because there's opportunity for them in that  
10 lower cost product.

11 COMMISSIONER STAYIN: All right, thank you very  
12 much. Thank all of you for your presentations. I  
13 appreciate it.

14 CHAIRMAN JOHANSON: Commissioner Karpel? Do any  
15 of the other Commissioners have questions? No Commissioners  
16 do. Do staff have any questions for this panel?

17 MS. HAINES: Elizabeth Haines, staff has no  
18 questions.

19 CHAIRMAN JOHANSON: Do Respondents have any  
20 questions for this panel?

21 MR. NICELY: No, Mr. Chairman, we don't, thank  
22 you.

23 CHAIRMAN JOHANSON: All right, then why don't we  
24 take a break for lunch. Let's come back here at 2:30. And  
25 I would like to remind you during this recess, you all



1 should be sure to take any confidential business information  
2 with you as the room is not secure. We'll see you back here  
3 at 2:30.

4 (Whereupon a lunch recess was taken, to reconvene  
5 this same day at 2:30 p.m.)

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1 AFTERNOON SESSION

2 MR. BURCH: Well the room please come to order.  
3 Those in opposition to the imposition of antidumping and  
4 countervailing duty orders have been seated, and I would  
5 like to note that this panel has 61 minutes for their direct  
6 testimony. You may begin when ready.

7 MR. NICELY: Thank you. Mr. Chairman,  
8 Commissioners, we are going get started directly into our  
9 industry witnesses, but we just want you to know that we are  
10 going to work through the slide that you have in front of  
11 you right from the beginning.

12 So with that, I will turn it over to Robert  
13 Hunter.

14 STATEMENT OF ROBERT HUNTER

15 MR. HUNTER: Good afternoon, Mr. Chairman,  
16 Commissioners. My name is Robert Hunter, and I am the Chief  
17 Operating Officer of CNC Cabinetry. CNC was founded almost  
18 30 years ago by Nathan Indig. Nathan founded CNC to fill a  
19 void for a discrete segment of the U.S. cabinet market for  
20 house flippers who quickly turn over properties and  
21 therefore need cabinets in 24 to 48 hours. These customers  
22 could not wait the industry standard from 4 to 12 weeks  
23 required for make-to-order domestic cabinets.

24 To fulfill this need, Nathan began sourcing  
25 cabinets from overseas because he could not find domestic

1 suppliers that could meet the demand for quick delivery.  
2 Under this model, CNC has grown to over 315 employees in New  
3 Jersey and Florida, with 1,500 dealers nationwide.

4 I have been in the cabinet industry for about 15  
5 years, and I have worked in three distinct segments of the  
6 industry -- semi-custom, made-to-order, and now RTA  
7 cabinets. I started my career at a domestic company, RSI,  
8 which has been purchased by American Woodmark.

9 RSI produced 15,000 cabinets a day in order to  
10 service Home Depot and Lowe's, and we built our product to  
11 fill the shelves of these two mega-stores. Although  
12 customers could purchase the cabinets directly from the  
13 store, Home Depot and Lowe's could only keep a limited  
14 number of skews, and the number of actual cabinets because  
15 of the substantial shelf space fully assembled cabinets  
16 took up on the shelves.

17 In this model, the sale through the register  
18 would send data to RSI for us to ship more cabinets to their  
19 sites. This would take a week or two to get the orders  
20 pulled and shipped to their stores to replenish stock.  
21 Moreover, customers had to transport fully assembled  
22 cabinets from Home Depot to their homes, which is more  
23 difficult than transporting in the RTA form.

24 I have also worked at a semi-custom cabinet  
25 manufacturer where customers could have virtually anything

1 they wanted in terms of color in solid cabinets. However,  
2 the tradeoff for a wider array of options is a long lead  
3 time for delivery. Every order in a semi-custom market  
4 segment takes weeks to design an order. Then,  
5 manufacturing, finishing, and assembly take another two to  
6 four weeks, meaning these customers must wait six to eight  
7 weeks for their finished products.

8           Now I work in the RTA segment of the market, and  
9 I have seen how companies like CNC have modeled their entire  
10 business around keeping lead times short, which is only  
11 possible by taking advantage of the way that flat packs are  
12 delivered and stored in inventory. Our RTA flat packs are  
13 shipped to the United States in 40-foot containers, which  
14 are unloaded at our facilities where we keep at least three  
15 to four months of inventory on hand.

16           Because we import the cabinets in flat pack form,  
17 we are able to efficiently store greater quantities of  
18 cabinets than we could if the cabinets were fully assembled.  
19 Customers can then order either RTA or assembled cabinets  
20 from us. For our RTA orders, we can fulfill and ship orders  
21 the following day. Assembled RTA product takes slightly  
22 longer, but is still typically picked, built in our  
23 factories, and shipped to customers in as quickly as two to  
24 three days.

25           This is completely different from the business

1 practices for domestically produced fully assembled cabinets  
2 which are made to order. RTA cabinets do not appeal to all  
3 customers, and clientele that prioritize design and  
4 customization will turn to domestic made-to-order cabinets  
5 that take longer to deliver.

6 But RTA cabinets appeal to a special segment of  
7 the market for whom lead times and quality are the primary  
8 considerations. For example, we work with dealers whose  
9 customers are in multi-housing units, or house flippers who  
10 need quality cabinets that can be purchased and installed in  
11 three to five days.

12 These customers can bring the RTA cabinets  
13 directly into a kitchen project and build the cabinets  
14 onsite. This allows the homeowner to start earning income  
15 immediately instead of having to wait the additional month  
16 or two to get cabinets.

17 There are no companies currently manufacturing in  
18 the United States to serve the RTA market. In fact,  
19 MasterBrands said it best when requesting an exclusion from  
20 Section 301 tariffs for vanities and certain cabinetry  
21 components that it imports from China, and I quote, "U.S.  
22 producers don't have the capacity or frankly the desire to  
23 make this product." End quote.

24 We have seen the same with RTA suppliers. I  
25 myself have reached out to domestic producers as potential

1 suppliers, namely ATPI, who has told me that they do not  
2 want to provide these products. We cannot source  
3 domestically because our customers count on us to be there  
4 for next-day delivery, and we are there to deliver.

5 Luke Kinser from East Front Cabinets was supposed  
6 to join us today, but a scheduling conflict prevented him  
7 from being here. The staff will recall that Luke played the  
8 video during the preliminary conference. We would like to  
9 play it again so the Commissioners can see how the RTA  
10 product provides certain advantages that are unavailable  
11 from made-to-order suppliers, particularly maintaining  
12 inventories for quick delivery to the customer.

13 (Video played.)

14 STATEMENT OF CHRIS GRAFF

15 MR. GRAFF: Good afternoon. I'm Chris Graff,  
16 Executive Vice President of JSI Cabinetry, a U.S. importer  
17 of cabinets. I have extensive experience in production,  
18 marketing, and sales of cabinets, and I have previously  
19 worked for MasterBrand. I have a Masters in Business  
20 Administration.

21 There are three distinct segments in the U.S.  
22 market: Stock, semi-custom, and custom. Custom cabinets  
23 are made to order with the widest variety of widths, styles,  
24 colors, and finishes. They are the highest-priced cabinets.

25 Semi-custom products are made to order from a

1 smaller set of options, typically in one-inch increments of  
2 width, and are higher priced than stock cabinets.

3 Stock cabinets are limited to standard sizes,  
4 three-inch increments of width, with little customization.  
5 They represent the lowest price point.

6 The domestic industry's stock cabinets are almost  
7 entirely made to order. Thus, they are generally not sold  
8 from inventory and have extended lead times. In contrast,  
9 imported cabinets are generally sold from inventory with  
10 much shorter lead times. This is possible because imported  
11 stock cabinets are brought in almost entirely as ready to  
12 assemble or RTA flat packs that contain all the components  
13 of a cabinet.

14 The U.S. industry dominates the made-to-order  
15 custom, semi-custom, and stock segments of the market.  
16 Imports participate mostly in the relatively small RTA  
17 segment. Importers offer limited cabinet options in terms  
18 of style, color, and finish, while U.S. manufacturers even  
19 in the stock segment offer far more options.

20 To illustrate the difference, I brought a couple  
21 of sample skew binders. This one is mine, fairly small.  
22 The next one I have is from Touchstone. Luckily I am in  
23 shape and I can lift it. But there is significantly more  
24 choice, style, color options.

25 In addition, domestic producers' website include

1 detailed information showing just how extensive their  
2 product offerings are for their made-to-order cabinets.  
3 There is also a wide range of pricing among domestic  
4 industry products.

5           For example, MasterBrand has an Omega brand  
6 custom cabinet. In that brand, a 36-inch sink base would  
7 sell for close to \$400. But they also have another product  
8 line called "Contractor's Choice." In that brand, that same  
9 cabinet would sell for roughly \$100 per cabinet. Both are  
10 made to order.

11           The RTA cabinets we sell are distinct from those  
12 products. We simply do not produce made-to-order cabinets.  
13 We offer a limited number of skews which we can ship in flat  
14 packs the same day the product is ordered, or we can  
15 assemble it and then ship it in three to five days.

16           Finally, it is not uncommon for me to hear about  
17 MasterBrand's pricing their stock products dramatically  
18 below their domestic competitors. I used to work at  
19 MasterBrand. I have observed their participation in this  
20 case with interest, and more than a little bit  
21 consternation.

22           They claim here that imports from China are  
23 hurting their business. In addition, MasterBrand is known  
24 as a price leader. They sell their made-to-order stock  
25 cabinets at lower prices than we charge for our imported



1 cabinets. MasterBrand and the other two largest domestic  
2 companies in this market, American Woodmark and ATPI, are  
3 trying to shift the blame to imports when they themselves  
4 are the price leaders.

5 It is clear from the record what is happening  
6 here. Thank you.

7 STATEMENT OF RANDY GOLDSTEIN

8 MR. GOLDSTEIN: My name is Randy Goldstein, and I  
9 am the Chief Executive Officer of Kitchen Cabinet  
10 Distributors, one of the country's largest distributors of  
11 ready-to-assemble kitchen and bathroom cabinets.

12 KCD was founded as a small mom and pop cabinet  
13 shop 12 years ago. We have since expanded into a  
14 multi-state operation, employing more than 100 Americans in  
15 well-paying jobs. We have built our company exclusively to  
16 cater to the on-demand cabinetry market, investing millions  
17 of dollars in facilities and logistics capabilities to allow  
18 us to maintain sufficient inventory to deliver cabinets to  
19 customers within days.

20 We supply our products to thousands of small  
21 businesses across the United States. This case presents a  
22 remarkable example of the largest U.S. producers of cabinets  
23 taking advantage of trade tensions in order to draw  
24 attention away from their own history with imports.

25 While the Petitioners deride importers for

1 purchasing RTA cabinets from China, they ignore the  
2 influence two of their own have had on the market for  
3 Chinese imports. American Woodmark and MasterBrands, two of  
4 the largest domestic producers and importers of wood  
5 cabinetry into the United States, historically have relied  
6 heavily on Chinese imports. And in fact are directly  
7 responsible for building the cabinet supply chain in China.

8           In recent years, these two companies have begun  
9 to shift sourcing outside of China, but the jobs associated  
10 with these shifts are not returning to the United States.  
11 Instead, American Woodmark and MasterBrand have rapidly  
12 expanded their operations in Southeast Asia, Mexico, and  
13 elsewhere.

14           Despite their claim to be genuinely concerned  
15 about preserving American cabinet manufacturing jobs, these  
16 companies seemingly want to create an advantage for their  
17 own foreign suppliers in Mexico and Southeast Asia at the  
18 expense of manufacturers in China.

19           I personally visited many factories in Southeast  
20 Asia and have frequently been told that the factories do not  
21 have the capacity to take on new customers because  
22 MasterBrand has a virtual monopoly on their manufacturing  
23 capacity, and would not look kindly on these factories  
24 working with companies like mine.

25           As you can see in this photograph, workers in one

1 factory in Vietnam even wear MasterBrand's branded uniforms.  
2 Other foreign producers have made similar accommodations.  
3 In these photographs, you can see how a different factory  
4 has constructed separate white rooms, one for MASCO, one for  
5 MasterBrand, one for ACPI, in order to accommodate each  
6 company's rigid color requirements.

7           It is certainly not a new trend. In April of  
8 2017, my company lost our largest manufacturer in China  
9 because, as the factory owner explained to my face,  
10 MasterBrand's orders were too large and required all of the  
11 factory's capacity.

12           MasterBrand and American Woodmark have also  
13 increasingly invested in Mexico. In fact, MasterBrand  
14 announced a pivot in its focus from semi-custom to stock  
15 cabinetry, which corresponds with major investments in  
16 expanding its Mexican facilities.

17           This comes at the expense of MasterBrand's U.S.  
18 employees such as those at its Auburn, Alabama, semi-custom  
19 plants who were let go shortly before MasterBrand announced  
20 a brand new stock manufacturing facility in Mexico.

21           Similarly, when American Woodmark acquired RSI,  
22 it also acquired RSI's extensive manufacturing operations in  
23 Mexico. American Woodmark's executive team has explained  
24 to investors that it moved production of products  
25 traditionally sourced from China to these low-cost Mexican

1 facilities.

2           It is therefore difficult to take seriously the  
3 claims by these companies that they've brought this case  
4 here to the ITC to protect the domestic cabinet industry,  
5 when both have aggressively built their businesses by  
6 investing in production capacity outside of the United  
7 States.

8           This underscores a crucial distinction between  
9 the imports of companies like MasterBrand and American  
10 Woodmark, and importers of RTA cabinets. Importers like my  
11 company supply a small but important segment with products  
12 that are not available, and have never been available, from  
13 U.S. manufacturing facilities.

14           MasterBrand and American Woodmark, however, are  
15 in many cases using their global supply chains to  
16 manufacture made-to-order stock cabinetry components which  
17 are and have long been available from domestic supply  
18 sources.

19           If the Commission is to consider seriously  
20 whether domestic manufacturers are injured by imports, it  
21 should question very seriously these companies' credibility  
22 as Petitioners, and their increasing investment in imports  
23 as they ramp down domestic production.

24           To a different topic, we have discussed the  
25 different market segments served by RTA versus made-to-order

1     cabinetry, but I would also like to note how independent  
2     sales representative agreements highlight these differences.

3             Cabinet companies often retain third-party sales  
4     reps to represent their product lines in different U.S.  
5     geographies. Companies typically put contractual  
6     restrictions in place so sales reps cannot sell other lines  
7     within the same market segments. Otherwise, they would be  
8     selling directly competitive products.

9             However, these contracts generally place no  
10    restrictions on selling cabinet lines from other market  
11    segments. In fact, KCD encourages our sales representatives  
12    to represent a robust offering of domestic made-to-order  
13    options, because we do not view domestic made-to-order  
14    cabinets as directly competitive. And, frankly, given what  
15    a small portion of the market imported RTA cabinets serve,  
16    it would be very hard for a sales representative to make a  
17    living selling nothing but RTA cabinets.

18            Many of the Petitioners have similar  
19    arrangements, and their products have been sold alongside  
20    imported RTA cabinets without objection. My own sales  
21    representatives also represent a number of the companies  
22    that were represented at these tables this morning.

23            This acquiescence suggests that domestic  
24    producers do not view imports as genuine competitors because  
25    imported RTA cabinets serve different market segments than

1 domestically sourced products.

2 Thank you.

3 STATEMENT OF MICHAEL WEINER

4 MR. WEINER: Good afternoon. My name is Michael  
5 Weiner, and I am the Managing Partner and a co-founded of  
6 Ninth Street Capital Partners.

7 We are an investment --

8 MR. BURCH: Excuse me, Mr. Weiner. Can you pull  
9 the mike up a little closer?

10 MR. WEINER: How's that? Okay. My name is  
11 Michael Weiner, and I am the Managing Partner and a  
12 co-founder of Ninth Street Capital Partners. We are an  
13 investment firm based on Cleveland, Ohio, that acquires  
14 small, family-run businesses in industries and markets  
15 throughout the United States, contributing both human and  
16 investment capital to help them grow and prosper.

17 We own the RTA distributor Kitchen Cabinet  
18 Distributors, and five millwork manufacturers. Our millwork  
19 shops mainly complete projects for large-scale commercial  
20 purposes, which can take up to a year to complete and  
21 involve a high level of planning, engineering, and design to  
22 meet precise customer specifications.

23 As an investor, I understand the importance of  
24 using our dollars to capture different types of end users,  
25 and we have diversified our investments in companies to

1 serve a range of customer types and markets and channels.  
2 Diversification is an advantage for investors because of the  
3 stability it can impart to revenue.

4 In addition, investing in a diverse array of  
5 businesses within a sector allows companies like Ninth  
6 Street to leverage their knowledge base as they move from  
7 investment to investment.

8 The large domestic producers have apparently  
9 followed the same investment model as Ninth Street.  
10 American Woodmark, ACPI, and MasterBrand have all invested  
11 in various cabinet industry segments to build balanced, well  
12 diversified portfolios.

13 We have seen this in MasterBrand's pivot to  
14 focusing on the stock side of the market. American  
15 Woodmark's acquisition of RSI and ACPI's purchase of MASCO,  
16 as well as a number of other semi-custom and stock producers,  
17 these companies know that custom, semi-custom, and stock  
18 cabinets appeal to different end users.

19 If competition were not attenuated based on  
20 market segments, companies would not build up sector  
21 portfolios that range across segments, as they would not  
22 wish to cannibalize their investments.

23 An added benefit is that companies operating in a  
24 range of cabinet segments are able to react more quickly to  
25 shifts in customer demand. We see this as customer tastes

1 change to a more modern look, common to stock cabinets.  
2 Diverse companies like American Woodmark, ACPI, and  
3 MasterBrand have more flexibility to move between segments  
4 of the market by mobilizing existing operations, or using  
5 their vast financial resources to close legacy plants and  
6 build new plants, as in the case of MasterBrand's 2018  
7 closure of their Auburn, Alabama, plant in favor of new  
8 Mexican plants.

9           In diversifying their investments to cover a  
10 large number of end users, these major domestic producers  
11 have become price leaders of the domestic cabinet industry,  
12 indicating their dominance and competitive advantage.

13           One reason for their dominance is that when a  
14 company, or private equity firm, has product lines in  
15 different segments, it can utilize the same channel of  
16 distribution to reach different types of end users.

17           Another reason for their dominance is that major  
18 domestic producers are expanding their global supply chains  
19 and making it more difficult for smaller domestic producers  
20 to compete.

21           Thus, the real threat to small domestic producers  
22 lies right here within the Alliance. Imported RTA cabinets  
23 are simply not the boogeyman that has been trumpeted by  
24 Petitioner. In fact, there is an increasingly powerful  
25 oligopoly in the domestic industry that is in the process of



1 snuffing out competitors,

2           Finally, I would note that based on what I have  
3 seen in Ninth Street's Millwork Shops and in the industry as  
4 a whole, a key challenge the domestic cabinet industry faces  
5 is finding and retaining skilled employees. Labor  
6 constraints are pervasive and getting worse. Thank you.

7           STATEMENT OF MISSY O'DANIEL

8           MS. O'DANIEL: Good afternoon. My name is Missy  
9 O'Daniel, and I am the president and CEO of Web-Don, Inc.  
10 Web-Don is an industry leading distributor of RTA cabinets  
11 and surface products servicing North Carolina, South  
12 Carolina, and eastern Tennessee.

13           We are family owned and operated, and have been  
14 in business for over 45 years. We are a woman-owned  
15 business, recently certified by the Women's Business  
16 Enterprise National Council.

17           At Web-Don, we have 115 committed employees who  
18 believe in our mission, and thousands of loyal customers who  
19 trust in our promise to provide high-quality products and  
20 high-caliber service.

21           My own history with our company is extensive and  
22 various. Over nearly 30 years, I have held positions from  
23 customer service, to sales manager, to operations manager,  
24 to finally president. As a result, I know our business  
25 inside and out.

1           I know what our customers want and what the  
2 market demands. Demand for all our cabinets has grown as  
3 the housing market has recovered. The U.S. cabinet market  
4 changes and innovates with the emergence of new consumer  
5 trends. In our segment of the industry, we see the  
6 emergence of a new group of distinct customers who have a  
7 sense of urgency.

8           This subset of the market consists of customers  
9 who want to place the orders fast and have them filled just  
10 as fast. The Internet has made it much easier for customers  
11 and end users to become educated about products, and  
12 everyday customers have more awareness and knowledge of  
13 remodel and renovation projects.

14           We have been adapting to a more educated client  
15 base, which increasingly favors minimalistic modern styles  
16 of cabinetry. For example, over the last several years  
17 customer preferences have trended towards painted cabinets.  
18 We discussed that this -- you all discussed that this  
19 morning. We understand that Kitchen Kompact testified today  
20 about declining sales, blaming subject imports. But this  
21 company did not offer a white shaker cabinet until just a  
22 few months ago. This cabinet style has been in huge demand  
23 across the country for the last several years. White  
24 shakered is offered by virtually all other domestic  
25 producers, and not just the imports from China.

1           Even their own sales reps have expressed  
2 frustration about their company's inability to keep up with  
3 the most current trends. This has most certainly hurt their  
4 sales.

5           Web-Don has customers of all kinds that require  
6 different types of suppliers. In February 2017 to early  
7 2019, we did business with Kountry Wood because we were  
8 looking for a domestic supplier for multi-family projects.  
9 But we experienced significant problems from the start.

10           When delivered, the cabinets were poorly  
11 constructed, falling apart, and the finish quality was  
12 inferior. And to make things worse, it took another several  
13 weeks to get replacement parts from Kountry Wood.

14           Based on this experience, we lost credibility  
15 with our customers because they did not want to reorder from  
16 us. Our sales reps would not promote Kountry Wood's line  
17 anymore due to the quality issues.

18           After multiple discussions with the company, they  
19 were no longer our supplier. They cannot blame this on  
20 imports from China. This is an example of how a domestic  
21 producer lost business due to service and operational  
22 issues.

23           We replaced Kountry Wood with the Smart Cabinet  
24 line, an ACPI company, for the multi-family segment. Smart  
25 Cabinets complement our Carolina Heartwood Cabinet line,

1 which is an RTA cabinet, because Smart can supply the large  
2 volumes needed for a multi-family project.

3 We also sell imported cabinets, both assembled  
4 and in RTA form. We only have four cabinet doors we offer  
5 in our RTA line. We supply dealers and remodelers looking  
6 for high-quality, quick turnaround cabinets. Some customers  
7 find RTA cabinets with simple designs and shorter lead times  
8 to be an attractive option.

9 We continue to offer the RTA line because we  
10 believe that we are serving a specific customer base that  
11 the Petitioners in this case cannot or will not serve.

12 Thank you.

13 STATEMENT OF JASON DELVES

14 MR. DELVES: Good afternoon. My name is Jason  
15 Delves. I'm the President of Cabinets-to-Go, and am pleased  
16 to have the opportunity to be here today. Cabinets-to-Go is  
17 a national retailer of ready to assemble cabinets. We  
18 opened our doors two years ago with one store in Miami,  
19 Florida, with the idea that there was a previously  
20 underserviced consumer market that wanted quality wood  
21 cabinets, but that was not interested in the assembled  
22 custom, and semi-custom products produced by Petitioners.

23 Our strategy was to service that customer by  
24 providing a quality RTA cabinet. We were right. What we  
25 found was a customer driven by value, availability and

1 consistency of product. In exchange for these priorities,  
2 this consumer is willing to assemble the cabinets  
3 themselves.

4           They don't need all of our styles or colors, they  
5 are frequently doing the project themselves, and need it  
6 now, not in weeks or months. Petitioner's stock  
7 semi-custom and custom cabinets do not meet those needs, but  
8 an RTA cabinet does.

9           The strategy has worked. Today, we are the  
10 largest specialty cabinet retailer in the U.S. with 75  
11 stores nationally, and are projected to reach 100 stores by  
12 2023. We service our customers from a distribution center  
13 located in Lawrenceburg, Tennessee, where we stock an  
14 average of 22 weeks of supply of each and every product in  
15 800,000 square feet of warehouse space.

16           Cabinets-to-Go is a retailer, not a manufacturer.  
17 RTA sales make up to 95 percent of our total cabinet  
18 revenues. In order for us to stay in business, we must have  
19 suppliers that are able to provide us with consistent RTA  
20 product, in volumes that are sufficient for us to meet the  
21 demands of our customers. In the beginning, Cabinets-to-Go  
22 attempted to source domestically. However, we were unable  
23 to locate suppliers that could provide us with enough  
24 volume.

25           In fact, our growing needs were so different from

1 the products and lead time of domestic suppliers, that we  
2 quickly found the only way we could meet the demand from our  
3 customers was to turn to the global marketplace for supply  
4 of RTA cabinets.

5           Accordingly, Petitioners case has represented a  
6 significant financial hardship for Cabinets-to-Go, with  
7 virtually our entire supply of RTA's coming from China, we  
8 had no choice but to either look for alternative sources, or  
9 to close our doors forever, a move that would have resulted  
10 in the loss of over 450 jobs in the United States.

11           Cabinets-to-Go has worked very hard to diversify  
12 our sources of supply outside of China. Indeed, we once  
13 again attempted to purchase RTA cabinets from some of the  
14 Petitioners, to no avail. This caused us to source these  
15 products from other Asian countries.

16           Other retailers of RTA cabinets have been less  
17 fortunate. Solid wood cabinets, a small retailer in  
18 Pennsylvania, was recently forced to close its doors forever  
19 because it was unable to weather additional duties and  
20 source RTA products domestically.

21           If, as Petitioners claim, RTA products are  
22 readily available domestically, solid wood cabinets would  
23 still be in business today. Elimination of this retailer  
24 does nothing, however, to increase Petitioner's made to  
25 order business. Solid wood customers are still not

1 interested in the stock, semi-custom, and custom products  
2 that Petitioners sell.

3 In fact, many have turned to Cabinets-to-Go, for  
4 help in finishing their kitchens, because the RTA cabinet we  
5 offer are not interchangeable with the made to order stock  
6 semi-custom, and custom products sold by Petitioners.

7 They're completely different products that  
8 attract different customers who have different needs and  
9 desires. While RTA cabinets enabled us to grow to what we  
10 are today, our future strategy is to add offerings that will  
11 appeal to new customers. As part of that effort, we  
12 recently introduced in selected stores, our own semi-custom  
13 cabinet line.

14 Like Petitioner's products, this product will be  
15 manufactured to the customer's specifications, with hundreds  
16 to thousands of styles and colors available. It is a higher  
17 grade cabinet that comes fully assembled, delivered direct  
18 to the customer.

19 We do not carry inventory as each order is  
20 specific to the customer, and this product is being  
21 produced by a domestic supplier. In rolling out this test  
22 phase of this product, the question that leaned in our minds  
23 was would it take away from our RTA business? The answer  
24 is, a resounding no. Our experience has shown that our RTA  
25 customers still are RTA customers. The customer who wants

1 value and speed wants an RTA cabinet. The customer who  
2 wants a custom assembled cabinet, is not interested in  
3 buying an RTA cabinet.

4 Cabinets-to-Go is a U.S. business. We support  
5 U.S. businesses, and if we could purchase quality RTA  
6 cabinets domestically in the volume we need, we would do  
7 so. Unfortunately, that isn't possible. Cabinets-to-Go  
8 urges the Commission to determine that RTA cabinets are not  
9 injuring the U.S. industry that produces made to order,  
10 stock semi-custom and/or custom cabinets, thank you.

11 STATEMENT OF CHRIS FISHER

12 MR. FISHER: Good afternoon. My name is Chris  
13 Fisher, managing principle of DuckerFrontier and head of the  
14 building construction practice headquartered out of Troy,  
15 Michigan. We are research, data and consulting  
16 specialists, supporting a wide variety of corporate,  
17 government and association clients who value our accuracy,  
18 which is exemplified by a record and being in the top 9  
19 percent of forecasts each year.

20 We are also experienced in working with leading  
21 material product associations who hire us to be the  
22 definitive answer for strategic market questions. Before we  
23 discuss the specifics of the kitchen and bath and casework  
24 cabinet market, it's important to put a context and a scale  
25 of this industry.



1           Our domestic construction industry is expanding,  
2 as well as diverse and fulfills a variety of project needs.  
3 Prior to determining the actual market size of the wood and  
4 kitchen, bath and cabinet casework market, one must have a  
5 full understanding of how the industry operates.

6           From a firmographic and labor side, there are  
7 over 135,000 producer employees, and over 8,000 cabinet  
8 builder casework business serving over 450,000 trade  
9 professionals who work on one or more of the 1.2 million new  
10 homes being built, or the 4.5 million remodel projects being  
11 undertaken in the U.S. each year.

12           Finally, we're just coming back from the  
13 industry's leading national trade show and design event, the  
14 KBIS in Las Vegas, led by the industry leading association,  
15 the NKBA, which has over 14,000 members and attracts well  
16 over 100,000 trade show attendees. Clearly, this industry  
17 is expansive, and serves a variety of users and segments.

18           Given this complexity and scale, we completed a  
19 rigorous review and analysis of the cabinet supply, demand,  
20 labor, firmographics and application projects. Four market  
21 models were built and analyzed which, when completed,  
22 support a cabinet industry, vanity and casework market,  
23 value ranging from 24.5 billion, to 30.3 billion.

24           Most importantly, by examining the many  
25 applications and checking methodology and sources used by

1 the leading association, NKBA, we estimate that the market  
2 triangulates at at least 28 billion. By triangulates, we  
3 mean that we derive this figure within the variety of  
4 industry estimates, adjusting or de-emphasizing them as  
5 necessary, using statistics, and then finding values that  
6 are most representative of the market estimates.

7           By any measure, this is not a small industry.  
8 One of the major trends impacting demand is a shift of our  
9 housing market, favoring more multi-family construction and  
10 entry level single, family-type construction, which favors  
11 standard white or contemporary cabinet design, readily  
12 available and a fit to standard level budgets.

13           This shift is significant, continuous and  
14 recognized by leaders in the industry, causing domestic  
15 producers to make choices about their product portfolio,  
16 their operations, and their value proposition. This is  
17 evidenced by Nick Fink, CEO of Fortune Brands recent note,  
18 who noted a multi-year pivot toward the standard area. And  
19 I quote, "To me, they were in the later stages of this  
20 pivot, and come to a point where in 2020 indicating a 4 to 6  
21 percent growth, with meaningful margin progress. It's just  
22 become a majority of the portfolio."

23           Further changes in the industry can be classified  
24 into three categories -- design, standardization, and the  
25 digitalization and speed of fulfillment. Today, white

1 painted contemporary cabinets lead all styles. At the same  
2 time, wood standard and elaborate cabinet designs are  
3 falling out of favor.

4 The importance of fine carpentry, woodworking  
5 lead cabinet design, and less production has diminished in  
6 favor of simple, standard, modern and ready on demand. In a  
7 sense, it's reflecting the Amazon effect.

8 Internal challenges also exist with the skilled  
9 labor shortage driving the cabinet industry's business  
10 inability to adapt, or recover from, construction dynamics.  
11 More standard products and switching from stained to paint  
12 finishes, have led to demand for new equipment and new  
13 processes for cabinet production, and thus more  
14 technologically advanced skills in the facilities.

15 With over 8,000 cabinet firms today, a variety of  
16 responses to these challenges exist, resulting in both  
17 winning and losing strategies. Best in class cabinet  
18 makers, as evidenced by skein, dollar and signature are  
19 agile, and adjust to investing in new production, new  
20 equipment, new skill sets, and pivot their product portfolio  
21 and capacity to more standard offerings and launching new  
22 digital strategies and faster supply chains.

23 Shifting market dynamics in customer preference,  
24 also create new opportunities for new business models and  
25 approaches. The RTA cabinet industry reflects the changing

1 needs of a small segment of this industry through a focus on  
2 a specific segment with narrow offerings, fast lead times  
3 and a strong digital solution.

4 As implied here on this slide, analysis of the  
5 critical trends faced in the cabinet industry, and the  
6 position of RTA's response is noted using a scale. It is  
7 important to note that RTA is focused on quality, short lead  
8 times that are not offered, and cannot offer custom  
9 solutions.

10 In summary, the U.S. cabinet, vanity and casework  
11 market is of significant scale, at least 28 billion dollars,  
12 comprised of thousands of cabinet makers and producers, and  
13 is changing due to consumer preferences, construction  
14 processes, and digitalization or the Amazon effect.

15 RTA imports represent a small portion of the  
16 market, and they serve a special niche of customers who  
17 desire a contemporary, quick ship, standard solution they  
18 can assemble themselves, not readily available from domestic  
19 producers. Thank you, and I look forward to your questions.

20 STATEMENT OF PROFESSOR HOWARD P. MARVEL

21 PROFESSOR MARVEL: Good afternoon. I'm Howard  
22 P. Marvel. I'm Professor Emeritus of Economics at The Ohio  
23 State University. I worked previously with the FTC,  
24 Department of Justice, Small Business Administration, as  
25 well as AECD, and have provided expert testimony in courts

1 with economic topics including antitrust.

2 I'm an industrial organization economist, and  
3 given my experience analyzing the sources and facts of  
4 competition, I'm comfortable looking at the wooden cabinets  
5 industry that is the subject of today's hearing. In  
6 industrial organization, when we analyze market price and  
7 volume dynamics, we consider chronic differentiation and  
8 substitutability.

9 Consider for example a fast food restaurant  
10 chain that closes, and the question of whether or not it  
11 would have an impact on fine dining restaurants in the same  
12 area. The answer is pretty much no, because customers don't  
13 treat them as substitutes and don't respond to price  
14 differences that emerge. That's very much like wooden  
15 cabinets, where we see a clear segmentation in the  
16 industry.

17 You wouldn't find in fast food restaurants  
18 categories just like fine dining and stock cabinets are not  
19 in the same market as custom or semi-custom. RTA flatpack  
20 cabinets are even less substitutable. These substitute  
21 segments each address the needs of different customer  
22 groups. For example, customers who put a premium on time,  
23 delivery time would likely prefer Chinese cabinets  
24 obtainable from inventory, and that's a crucial point here.  
25 They wouldn't switch to made to order as a result of an

1 increase in the price of Chinese cabinets.

2           So comparison of the KCMAs, 2018 and full year  
3 2019 data shows that domestic production did not increase  
4 significantly when Chinese imports declined. In fact, the  
5 custom and semi-custom segments actually experienced a  
6 decline, this during a period when housing was doing well.  
7 If domestic cabinets were close substitutes for Chinese  
8 cabinets, their production would have increased, because  
9 Chinese cabinet customers would have switched to them. But  
10 that's not what happened.

11           Rather, imports from other Southeast Asian  
12 countries shot up. These imports increased because they  
13 stepped in to fill a void that domestic production does not  
14 adequately serve. Similarly, distribution practices in the  
15 industry indicate that domestic cabinets are not close  
16 substitutes for RTA cabinets from China. Manufacturers  
17 invest substantial resources in marketing efforts to draw  
18 customers to distributors who carry their products.

19           However, manufacturers face the danger of a  
20 sort of a bait and switch, where the dealer steers the  
21 customer to a higher margin rival, costing the manufacturer  
22 a return on its efforts. To prevent this, manufacturers in  
23 many markets often require their dealers not carry close  
24 substitutes. But my review and discussion with industry  
25 participants show that contracts sometimes do restrict

1 distributors carrying -- to not carry multiple custom or  
2 semi-custom brands. However, few such restrictions apply to  
3 RTA cabinets imported from China.

4           This economic behavior indicates that  
5 manufacturers don't see Chinese RTA cabinets as close  
6 competitors to their domestic lines. Domestically produced  
7 stock cabinets also do not appear to be highly substitutable  
8 for cabinet imports from China. If they were substitutes,  
9 the increase in Chinese imports over the POI would have led  
10 to a decrease in domestic stock cabinet sales, and that  
11 didn't happen.

12           According to KCMA and import data, sales in  
13 the domestic stock segment increased, along with imports  
14 from China. As I explain in my report, the domestic stock  
15 segment actually grew faster than the custom segment, and  
16 they're the ones that should have been most affected.

17           As you heard today, the cabinet industry has  
18 been evolving from a high skilled artisan manufacturing  
19 industry to one that's much more capital intensive.  
20 Customer preferences have been changing as well. Some  
21 cabinet makers have adapted; others, less agile, have lost  
22 business. Their difficulties can most readily be traced to  
23 significant competition from large, capital-intensive,  
24 rapidly consolidating U.S. rivals.

25           You've got ACPI acquiring five U.S. cabinet

1 makers since 2017, and just recently swallowing Masco. Like  
2 ACPI, American Woodmark acquired RSI for over a billion  
3 dollars, and MasterBrand has an aggressive pivot strategy to  
4 move to what they term the value end of the market.

5           Now watch how people are moving. Domestic  
6 producers regard that segment as the sweet spot in the  
7 market. American Woodmark touted its POI performance,  
8 boasting a stock price of more than ten times the  
9 appreciation of what they offer as an appropriate comparison  
10 index. The parent of MasterBrand highlighted that its  
11 cabinet business was healthy even before the anti-dumping  
12 duties coming into effect.

13           According to analyst reports, Fortune Brands  
14 and Masco's recent operating margins have been near their  
15 decade high. Had RTA cabinets represented a major  
16 competitive threat to profitability of the stock segment,  
17 these large, sophisticated companies would not have moved  
18 towards the stock segment.

19           In short, the economics of this industry tell  
20 a very different story from the one you heard from  
21 Petitioners. It's unlikely that imports of a highly  
22 differentiated product like Chinese RTA cabinets are causing  
23 substantial harm to domestic producers. Problems for  
24 domestic producers are home grown and largely part and  
25 parcel of a natural process of economic evolution. Thank



1 you.

2 STATEMENT OF JAMES DOUGAN

3 MR. DOUGAN: Good afternoon. I'm Jim Dougan  
4 from ECS. Notwithstanding Petitioners' claim of adverse  
5 volume effects, the Commission should first keep in mind  
6 that the value of domestic producer shipments did increase  
7 over the POI, even by reference only to the questionnaire  
8 data collected by the Commission.

9 But as discussed by Mr. Fisher, the U.S.  
10 market for wooden cabinets and vanities is far larger than  
11 estimated in the prehearing report. This obviously has  
12 significant implications for the Commission's analysis of  
13 volume effects and causation. In the petition, the KCMA  
14 came up with an estimated market size that was roughly 25  
15 percent higher than in the Commission's prehearing report.

16 Presumably, Petitioners came up with this  
17 figure to be what they felt was credible, while also  
18 advantageous to their position for calculation of both  
19 industry support and subject import market share. In fact  
20 this morning, several Petitioner witnesses testified that  
21 the U.S. market was between 11 and 12 billion dollars, which  
22 is significantly larger than the number in the prehearing  
23 report.

24 The staff report at III-1 notes that the  
25 questionnaire responses it received represent the majority

1 of U.S. production of wooden cabinets and vanities in 2018,  
2 but it stops there. Even if the questionnaire data  
3 represent a majority of the U.S. production, which based on  
4 Mr. Fisher's we submit that it does not, there would still  
5 be a material understatement of domestic production and  
6 shipments, and therefore a material overstatement of  
7 subject import market share.

8                   This can be seen at Slide 3, which compares  
9 subject import value from the prehearing report against  
10 various benchmarks of apparent U.S. consumption. Even  
11 assuming that all subject imports compete directly with  
12 domestic cabinets and vanities, which the Commission should  
13 not assume, subject import market share remain low and in  
14 the single digits when compared to what Respondents submit  
15 are more credible market size estimates.

16                   Slide 4 reflects the portion of subject  
17 imports that are sold assembled. We submit that even  
18 assembled RTA cabinets do not compete directly with the  
19 domestic industry. However, for purposes of illustration,  
20 the subject import volumes in this chart exclude subject  
21 imports by U.S. producers and cabinets that are shipped  
22 unassembled. The market share and increase therein are  
23 even less significant than on the previous slide.

24                   Respondents submit that these data support a  
25 finding that subject imports played at most a minor role in

1 the U.S. market.

2                   Turning to price effects, the record does not  
3 support a finding of price depression. The AUV of U.S.  
4 producers' U.S. shipments and net sales increased over the  
5 POI, and as you can see from this slide, domestic producers  
6 pricing product prices were fairly steady over the POI. We  
7 note that these pricing products largely accept the  
8 definitions and comments submitted by Petitioners.

9                   The staff report noted that prices decreased  
10 for half of domestic pricing products, but as shown on the  
11 slide in the table, many of the steepest drops in prices  
12 occurred in 2019, after the filing of the petition. The  
13 price declines for the period ending in fourth quarter 2018  
14 were generally much less significant, and in one case  
15 flipped from a decline to a slight increase.

16                   Confidential Slide 6 shows the data for the  
17 RTA products, 5B and 6B, which both exhibited an increasing  
18 trend, despite being dominated by subject imports. Given  
19 the absence of post-petition effects, in fact the opposite,  
20 and increasing prices in the segment where subject imports  
21 are most heavily concentrated, there's no basis to conclude  
22 from this evidence that subject imports depressed U.S.  
23 prices.

24                   As shown in Slide 7, BLS data show a similar  
25 pattern of flat increase in prices, and also clearly

1 differentiate between stock and custom cabinets and have  
2 done so for decades. A finding of price depression is also  
3 not supported by purchasers' questionnaires. During the  
4 preliminary phase not one of 13 responding purchasers  
5 reported that U.S. producers have lowered prices to compete  
6 with subject imports. In the final, only 9 of 27  
7 responding purchasers reported the same, but that figure is  
8 artificially inflated and should not be taken at face value  
9 for the reasons discussed on the confidential version of  
10 this slide.

11                   There was also no price suppression by reason  
12 of subject imports. Any observed increase in the COGS to  
13 net sales ratio is driven by an increase in other factory  
14 costs, largely explained by a single company's growth and  
15 consolidation of its acquisitions, not raw materials, not  
16 direct labor.

17                   On a per unit basis, average sales values kept  
18 pace with total COGS with stable gross profit throughout the  
19 POI, indicating that the domestic industry was able to  
20 increase prices by enough to recover its increase in costs.  
21 Thus, subject imports did not prevent price increases that  
22 otherwise would have occurred.

23                   To the extent that the Commission finds that  
24 domestic producers did experience a mild cost-price squeeze,  
25 this was not caused by subject imports to a significant

1 degree. Roughly half of U.S. shipments of subject imports  
2 were shipped in RTA flatpacked form, and these shipments  
3 cannot have caused significant price suppression for the  
4 reasons summarized on this slide and discussed in more  
5 detail in our brief.

6                   Turning to underselling, we submit that  
7 because the pricing product definitions do not reflect  
8 product segment or channel of distribution as requested in  
9 our comments on the draft questionnaires. They are  
10 fundamentally flawed and unreliable for pricing comparisons.  
11 As a consequence of these distortions, the pricing data  
12 reveal not so much adverse price effects as they show  
13 attenuation of competition.

14                   Take a look at Slide 12. There are relatively  
15 constant price levels and relatively constant spreads  
16 between the U.S. and subject prices. These graphs show none  
17 of the interaction or convergence between prices that would  
18 indicate a causal relationship, let alone adverse price  
19 effects. They instead reveal what appear to be two  
20 different sets of products entirely.

21                   This is likely because given the different  
22 market segments and levels of trade between the two sources,  
23 they are different.

24                   Turning to lost sales, as shown on the  
25 confidential slide, the significance of reported lost sales

1 is greatly overstated by a distorted record. When properly  
2 reflected, the true experience of actual purchasers in the  
3 marketplace, the value of subject import cabinets purchased  
4 instead of domestic cabinets due to price represented only a  
5 small minority of reported purchases and imports.

6           Turning to impact. As we shift into a  
7 consideration of the industry's financial condition, I'd  
8 like to remind the Commission of what it identified in the  
9 preliminary as an important condition of competition over  
10 the POI, namely the significant consolidation among domestic  
11 producers, which included ACPI's many acquisitions during  
12 the POI, and American Woodmark's acquisition of RSI Home  
13 Products for just over \$1 billion.

14           These are just two examples that the trend of  
15 consolidation and restructuring in the industry more broadly  
16 has financial consequences, at least in the short term.  
17 When a company makes an acquisition, there are numerous  
18 direct transaction costs that are incurred, typically in the  
19 range of two to four percent of the total transaction value.

20           Acquisition can also cause the impairment of  
21 good will on a company's balance sheet, requiring the  
22 acquiring company to reduce its operating income. Other  
23 non-recurring costs also arise, which can and do come into  
24 play and have an impact on a company's on-paper performance,  
25 but do not accurately reflect how a company actually

1 performed in the market.

2           It just so happens that much of the financial  
3 consequences associated with the domestic industry's  
4 restructuring were booked in 2018, the last full year of the  
5 POI, creating the impression in the data that the domestic  
6 industry experienced a significant decline in profitability  
7 over the POI. Not so. As explained in more detail in our  
8 prehearing brief, the vast majority of the observed decline  
9 in the industry's operating and net income can be explained  
10 by non-recurring items, most of which are associated with  
11 restructuring.

12           This is completely unrelated to effect of  
13 subject imports, and it doesn't follow that the remainder of  
14 any decline in financial performance, however small, is the  
15 result of subject import competition. As shown on Slide 16,  
16 the CEO of Fortune Brands said that the business was very,  
17 very healthy, even before the duties.

18           Turning to investment indicators, Confidential  
19 Slide 17 shows that the free cash flow generated by the  
20 industry's operations far exceeded its Cap-X. It wasn't  
21 lacking for available investment capital, but the evidence  
22 suggests that the industry spent that capital on mergers and  
23 acquisitions, as opposed to investments in its operations.

24           Slide 18 shows that the sum spent on  
25 acquisitions, even the limited set which are publicly





1           MR. MCGRATH: Thank you. Good afternoon, my name  
2 is Matthew McGrath of Barnes, Richardson & Colburn. I'm  
3 counsel for the Coalition of Bathroom Vanity Importers. The  
4 Coalition members import bathroom vanities into the United  
5 States and of particular importance to our argument,  
6 furniture-style vanities, a completely different product  
7 type from those the petitioners manufacture. We had some  
8 disagreement about this this morning.

9           FSVs are a separate domestic like product from  
10 the wooden cabinets and vanities produced and sold by the  
11 petitioners and we ask you to make a negative determination  
12 with to respect to FSVs in this investigation. We  
13 demonstrated in our brief that every factor of the  
14 Commission's six-part domestic like product analysis has  
15 been met, proving that FSVs are a separate like product  
16 based on physical characteristics and uses,  
17 noninterchangeability with standard cabinets and vanities,  
18 different channels of distribution, different manufacturing  
19 facilities and processes, customer perceptions and pricing.  
20 FSVs are stand-alone pieces of furniture that are intricate  
21 by design, visibly distinct from petitioners' products, made  
22 with different manufacturing techniques, and most  
23 importantly, sold at a significantly higher price to  
24 consumers and dealers.

25           Petitioners' product type is wooden cabinets and

1 vanities designed and built as standard-sized box type  
2 structure with little creative artistic license. I'd like  
3 to draw the Commission's attention to three of the six  
4 factors here.

5           First, FSVs now have been recognized as a  
6 different product from those the petitioner manufactures,  
7 and I'd like to discuss further what that definition should  
8 sound like. The confidential record shows that many  
9 industry participants, including U.S. producers, importers  
10 and purchasers, recognize that FSVs are a completely  
11 different product. Some of the respondents were not  
12 familiar with the product type. Most do not even  
13 manufacture them. The visual differences between them are  
14 obvious from the exhibits we've submitted here today with my  
15 statement, which contrast only domestically-produced FSVs  
16 with standard cabinet vanities made by the domestic  
17 industry.

18           Secondly, real FSVs are much more expensive than  
19 petitioners' product. Price comparison of petitioners'  
20 vanities to FSVs shows that they are completely different.  
21 The staff report shows that the price for domestically  
22 produced 24-inch vanity cabinet in 2019 is approximately  
23 \$245. That's one of the pricing products. In contrast,  
24 Lacava, a U.S. manufacturer of FSVs, who's not a participant  
25 in this investigation, post public pricing, as shown in

1 Exhibit 3 of our pre-hearing brief, their similar-sized FSV  
2 also without countertop or sink, is sold at the same level  
3 of trade for approximately \$1,300, a much higher price.

4 Therefore, an FSV manufactured in the United  
5 States with almost identical dimensions to the Commission's  
6 Product 6A description presented in this investigation,  
7 costs over five times more than the vanity style represented  
8 by petitioners.

9 We would like to note that this price difference  
10 is even more extreme for a consumer of FSVs, more than  
11 eleven times more expensive. This vast price difference  
12 supports our analysis of each of the other factors, that  
13 this is really a different product, requires more skilled  
14 labor per unit, different machinery to be produced, and more  
15 expensive materials.

16 Finally, and most importantly, petitioners do not  
17 manufacture FSVs. There's little evidence on the record to  
18 show otherwise, despite the fact that everyone today said  
19 that they did. We've researched the domestic FSV industry  
20 and can confirm that some FSVs are manufactured in the  
21 United States, but not by petitioners.

22 In fact, a list of domestic producers of bathroom  
23 FSVs was submitted during the preliminary stage in the  
24 investigation. There is no data on the record here from any  
25 of these domestic producers. None of the companies we



1 the Vice-Chairman of the Association, and who has testified  
2 at other hearings. He would've spoken primarily on the  
3 threat issue. The Association worked long and hard to make  
4 sure that the Chinese producers who received questionnaires  
5 responded to the Commission, and the Commission's  
6 pre-hearing report shows that as an 84% response rate, which  
7 is far better than the domestic industry response rate.

8           Our data show increasing capacity utilization for  
9 the Chinese industry over the POI, and it's clear that the  
10 demand for RTAs in the U.S. drove the Chinese success in the  
11 United States. As we have heard, the imports from China are  
12 in the stock RTA category and do not threaten the U.S.  
13 industry which is almost totally absent from that segment of  
14 the market.

15           Further, the Chinese home market is the primary  
16 market for the vast majority of producers of subject  
17 merchandise in China. Of course, companies which provided  
18 the Commission with questionnaire responses are those  
19 companies that concentrate in the export market. So their  
20 percentages of Chinese home market sales are far lower than  
21 the typical Chinese cabinet producers.

22           The largest producers in China all concentrate  
23 almost exclusively in the growing Chinese home market. In  
24 China, the demand for kitchen cabinets has grown greatly  
25 with housing under construction in 2019 being well over

1 twice as large as the volume in 2010. Just from 2018 to  
2 2019, the housing under construction increased by about 9%  
3 in China.

4           Moreover, the home renovation market is large and  
5 is growing even faster in China. Of course, cabinet  
6 production has increased in China to keep up with demand in  
7 the Chinese home market. This high demand should continue  
8 for the foreseeable future. The result of high demand  
9 within China is that China will remain the main focus of the  
10 Chinese cabinet industry.

11           Because the U.S. industry has been strong for the  
12 last couple of years, there has been demand for the Chinese  
13 product, particularly for flat packs that some customers  
14 prefer. But compared to the larger and fast-growing Chinese  
15 home product, these sales are not the main market for the  
16 Chinese cabinet producers. And thank you very much for our  
17 time. I think that concludes our testimony.

18           MR. NICELY: That's all for the respondents.  
19 Thank you, Mr. Chairman.

20           CHAIRMAN JOHANSON: All right. Thank you all for  
21 appearing here today. You actually had like another  
22 fourteen seconds, so -- you almost pulled it off. Congrats  
23 on that. I'm going to begin the Commissioner questions  
24 today.

25           And this is a very basic one. Why did the

1 largest majority of purchasers report that domestically-made  
2 cabinets and vanities were inferior to Chinese products in  
3 terms of price? Asking at Page 2-23 of the staff report,  
4 Table 2-13.

5 MR. NICELY: 2-23?

6 CHAIRMAN JOHANSON: Page 23, I apologize.

7 MR. NICELY: 2-23?

8 CHAIRMAN JOHANSON: 2-23, correct. Table 2-13.

9 MR. NICELY: And I'm sorry. Can you restate the  
10 question, Mr. Chairman?

11 CHAIRMAN JOHANSON: Yes, why did the large  
12 majority of purchasers report that domestically-made  
13 cabinets and vanities, that they were inferior to Chinese  
14 products in terms of price?

15 MR. NICELY: I'll let Mr. Dougan address this as  
16 well, but it's clear that we're talking about -- as you've  
17 heard today from our witnesses, as well as other, and in our  
18 brief, we're talking about two separate segments, or  
19 separate segments of the market. I'd have to study this  
20 particular page a little bit more closely to determine  
21 whether or not we're talking direct competition.

22 But as you can tell from much of what we've  
23 discussed, including in the pricing product data, if you go  
24 back to this slide, of course, this demonstrates, if you're  
25 looking at the pricing product data, you can see differences

1 in prices. However, there's no question that these  
2 differences are so significant that, in fact, they're  
3 essentially selling to different segments of the market and,  
4 in fact, if there was a relationship between the two, you  
5 would expect to see the domestic prices going down, when, in  
6 fact, they haven't. It's remarkable just how parallel these  
7 lines are. Jim, do you wanna --

8 MR. NICELY: Yeah, Mr. Chairman, Jim Dougan from  
9 ECS. And part of this -- I mean the question is, you know,  
10 you get asked the one question of the purchaser is, you  
11 know, superior, comparable, inferior. What are the  
12 assumptions that go into the response of that purchaser in  
13 checking one of those boxes?

14 If you were to take subject imports as a whole,  
15 as compared to domestic cabinets as a whole, and you  
16 compared an average price, I think it's unquestionable that  
17 the subject import AUV would be lower, because it  
18 concentrates entirely in the stock segment of the market and  
19 they are largely shipped into the market as RTA. So right  
20 there you have the price differential associated with the  
21 fact that it has yet to be assembled.

22 There's so many different things going on here  
23 that a simple answer of comparable, inferior, superior,  
24 having to do with -- you know, if you're controlled for  
25 every other variable in the comparison between those



1 products, and you'd still see a price differential, that's a  
2 different question, but that table doesn't reveal that.  
3 It's a more generalized impression.

4 CHAIRMAN JOHANSON: All right, thanks for the  
5 response. And to kind of follow up on that, according to  
6 Page 5-28 of the staff report, subject imports, the  
7 assembled products undersold U.S. products considerably more  
8 than did RTA products. Does this imply the price  
9 competition from subject imports was strongest in the  
10 products most produced by the U.S. industry?

11 MR. NICELY: I would submit, and again, I'll let  
12 Mr. Dougan address this as well. What I would submit that,  
13 in fact, what you're seeing is more of a direct  
14 apples-to-apples comparison in the pricing product data for  
15 the RTA product, in which you're actually seeing those  
16 products as Jim talked about during -- again, if you can  
17 bring up those slides -- you're not seeing near the same  
18 difference that you're seeing with the other products that  
19 have significant product mix or segment mix noise going on.  
20 That doesn't exist with regard to the RTA product.

21 The other issue is the significant difference in  
22 volumes with respect to what you have the RTA products.  
23 Relatively high volumes as you'd expect from the imported  
24 product and low volumes from the domestics.

25 MS. GRODEN: Mr. Chairman, this is Cara Groden

1 from ECS. I think there are three components of  
2 understanding whether or not this underselling data  
3 represents anything significant or is indeed representative  
4 of actual competition at all.

5 First is that we don't see any real interaction  
6 between U.S. prices and subject import prices. Right? If  
7 we were to assume that these were directly competitive, you  
8 would expect to see some change in one of the prices, maybe  
9 a decline in U.S. producers' prices, maybe a narrowing of  
10 the spread, maybe following particular trends, but we don't.  
11 We see largely consistent pricing from both sources across  
12 the whole POI.

13 If we were to assume that they weren't able to  
14 change their prices, we might expect to see a decline in  
15 volume from U.S. producers in these products as perhaps they  
16 exited into other products, but we don't. If you look at  
17 the chart underneath these analogous pricing graphs on 5-17  
18 through 5-24, what you actually see is U.S. producers'  
19 shipments of these prices increase. So their prices aren't  
20 reacting to subject imports, their volumes are not changing.  
21 And we know the product mix isn't a factor because the AUVs  
22 relatively study.

23 So confined, those three factors show us that  
24 we're really not seeing actual competition between the  
25 products at issue here, which we think goes to the pricing

1 product definition, what goes to product or a segment mix,  
2 and the mix of segments between custom, semi-custom and  
3 stock in the pricing data. And so we submit that this is  
4 not representative of any significant underselling at all,  
5 or any real competition between subject imports and U.S.  
6 producers.

7 MR. NICELY: Just a quick follow-up, just to be  
8 clear. What Ms. Groden, I think is saying with regard to  
9 product mix, from quarter to quarter, is that there isn't  
10 much difference from quarter to quarter. There is obviously  
11 product mix amongst the products that the domestics are  
12 selling. Otherwise, you wouldn't expect the prices to be as  
13 high as they are. But from a quarter-to-quarter  
14 perspective, it appears that there is some consistency.

15 MR. DOUGAN: Mr. Chairman, just to add onto that.  
16 There was a question this morning, I don't know if it was  
17 you who asked it or someone else. There was a quotation  
18 from the staff report about the large variation in prices.  
19 And I think the question may have been misunderstood by the  
20 petitioners' panel, because they pointed to the fact, as we  
21 see on this slide, that there's not a lot of variation in  
22 quarter-to-quarter in the prices.

23 And the way I read the quote from the staff  
24 report is that there's a wide variation in prices, even  
25 within the responses of the people who filled out the

1 pricing data. And so that speaks to the mix of things that  
2 are contained within these data. So that also, you know,  
3 may have influenced what--we say product mix or segment mix  
4 or channel mix--is actually really important in  
5 understanding why you're seeing what you're seeing in these  
6 data.

7 CHAIRMAN JOHANSON: All right, thank you for your  
8 responses. Pages 16 to 17 of the petitioners' brief asserts  
9 that importers of subject merchandise have begun offering  
10 ready-to-assemble cabinets in semi-custom and even custom  
11 product categories. Do you agree that importers are  
12 increasingly offering ready-to-assemble cabinets made in  
13 China in those categories?

14 MR. GRAFF: We do have the ability in our Fall  
15 River, Massachusetts facility to custom-paint our cabinets,  
16 which could be sanded. It's less than 1% of our business.  
17 We charge a 35% upcharge for that service. Overall it's far  
18 less than 1% of our business. We do modify the depth of the  
19 cabinets, which is really the only net modification that we  
20 do. Although it's listed in different buckets, according to  
21 which cabinet it is, there's a fee for that and again,  
22 that's less half a percent.

23 CHAIRMAN JOHANSON: And again, these are  
24 ready-to-assemble?

25 MR. GRAFF: These would be ready-to-assemble

1 products that those would be the modifications we would  
2 offer.

3 MR. GOLDSTEIN: To be clear, I think this  
4 morning, there was a little bit of conflation of, you know,  
5 any customization, means semi-custom or custom cabinets,  
6 which simply isn't true.

7 Just to kind of reiterate what Chris and Jay  
8 said, I was saying most of us here have the ability to do  
9 what we would consider very basic modifications--that the  
10 depth increase or a depth decrease. It's potentially  
11 sanding and painting a cabinet, so to give you a sense, it's  
12 not a paint line, it's not an industrial paint facility.  
13 It's a paint booth that you can buy from HD Supply and a guy  
14 with a spray-gun in it. So it's used for special  
15 applications if a customer wants a one-off island color or  
16 something.

17 When we talk about variation and customization  
18 and all the design options available in semi-custom and  
19 custom, you're talking about increments to the inch or the  
20 eighth of an inch. What doesn't change when we modify the  
21 depth or the color of a cabinet is the fact that we offer  
22 cabinets in three-inch increments.

23 The size we have is the size you get because it's  
24 the size on our shelf. Only the made-to-order producer are  
25 able to modify height and width, which is really a key

1 distinction when you're talking about semi-custom and  
2 particularly custom cabinets.

3 CHAIRMAN JOHANSON: All right. Thank you all for  
4 your responses. My time has expired. Commissioner  
5 Schmidtlein.

6 COMMISSIONER SCHMIDTLEIN: Okay, thank you for  
7 being here today. I want to start with a question that  
8 follows on the question I was asking the petitioners earlier  
9 this morning with regard to the tables at Page 4-12, where  
10 it shows, and obviously this morning, like, I didn't have a  
11 full understanding of what this table was showing, until  
12 this was corrected, that U.S. importers' U.S. shipments from  
13 China--and this is not confidential--but they are fully  
14 assembling 50% of the value of what's coming in before  
15 they're shipping it onward. That's how, that's what that  
16 table is saying, right?

17 So, of all the RTAs coming in, half--and we're  
18 measuring things in value according to what you all have  
19 suggested--half of that is being assembled before that  
20 importer sells it and ships it to a distributor or retailer.  
21 So my question is, because I've heard a lot of about -- ,  
22 well the real benefit of RTAs, and according to the video  
23 that you showed, right, is the handling efficiency, the  
24 storage efficiency, that's obviously not being transferred  
25 on to that purchaser from that importer?

1           So I guess one question is, is it your position  
2 that that portion, that that half of what's being fully  
3 assembled, does that not compete with the fully assembled  
4 product being sold by the domestic producers?

5           And if it doesn't, why not?

6           MR. NICELY: Matt Nicely with Hughes Hubbard.  
7 I'm going to start off and then let some of the industry  
8 witnesses handle this question, but I just want to clarify  
9 something. We did address, and because the questionnaires  
10 themselves did not ask how the product was coming across the  
11 border, we clarified in some affidavits on behalf of several  
12 of these folks, and some others as well, that in fact, even  
13 if they were shipping the product assembled, how did it come  
14 across the border, and in fact, almost all of them were  
15 nearly 100 percent. They were being imported as RTA when  
16 they came across.

17           COMMISSIONER SCHMIDTLEIN: Correct, right. So,  
18 these numbers are the importers.

19           MR. NICELY: Right.

20           COMMISSIONER SCHMIDTLEIN: Who are assembling  
21 them, and then moving them out?

22           MR. NICELY: Right, exactly.

23           COMMISSIONER SCHMIDTLEIN: Okay.

24           MR. NICELY: And on that, we want to make it  
25 very, very clear that you're still getting the benefit of

1 the RTA, even if you are assembling it and then shipping it  
2 because -- and again, that wasn't what Luke's video was  
3 showing you because he's for the most part, just shipping it  
4 as an RTA.

5 COMMISSIONER SCHMIDTLEIN: Right.

6 MR. NICELY: But other folks like JSI, like  
7 Crabby Wood and others, have big facilities that actually do  
8 the assembly. But the critical point is it's still a stock  
9 product that is RTA not made to order. It's sitting on the  
10 shelf. These guys can pull it off the shelf.

11 COMMISSIONER SCHMDITLEIN: It's a lead time  
12 argument.

13 MR. NICELY: It's a lead time argument. In fact  
14 --

15 COMMISSIONER SCHMDITLEIN: It's a lead time  
16 argument.

17 MR. NICELY: You pull it off the shelve, you  
18 assemble it, you can ship it literally the next day, or  
19 maybe two or three days later. But the point is you can  
20 still do it very, very fast, very, very different from the  
21 mostly made to order business that the domestics are doing.

22 COMMISSIONER SCHMIDTLEIN: Okay, but you don't  
23 dispute that the domestics are also in the stock, let's call  
24 it the stock product segment, right? And staff report, if  
25 you look at the staff report, it shows that the average lead



1 time, for even RTA's, according to the questionnaire  
2 responses, is six days, right?

3 So, are you -- you know, you're saying that well,  
4 these aren't competing because there's some portion that is  
5 a custom or, I guess a custom, or even a semi-custom product  
6 that's going to take longer than that, and we're just going  
7 to ignore the stock product that --

8 MR. NICELY: I'm not suggesting you ignore it.  
9 I'm suggesting that as you whittle this down, you're looking  
10 at a greater and greater level of attenuation, and a greater  
11 and greater level of insignificance with regard to the  
12 volumes that they want to have you focus on as Seth was  
13 talking about this morning, trying to get you to focus on  
14 how big the quantities are.

15 Well, if half of the product is going out as RTA,  
16 that's -- then, particularly if it's selling as RTA, it's  
17 selling in a different context. Even though it's ultimately  
18 yes, of course it's not sitting on somebody's shelf in their  
19 homes, it's ultimately being assembled. But the point is  
20 that the way it's going out for the importer, it's going out  
21 as RTA.

22 The other half, to some extent, there's a little  
23 bit more competition there, but there is a significant  
24 difference according to the experience that you'll see from  
25 these guys about the extent to which that product that

1 starts out as RTA, how quickly it is shipping out as  
2 assembled.

3 MS. O'DANIEL: Missy O'Daniel with Web-Don. If I  
4 could just interject a second. The American cabinet  
5 companies, a lot of them are servicing the builders. And as  
6 you know, it takes a while to build a house, right? So, the  
7 lead times, it's a little longer to build a house, so those  
8 lead times don't really affect the builder industry.

9 However, with what we service here on this side,  
10 we're mostly servicing the dealers, the remodelers, Joe in  
11 his pick-up, come and pick-up from us and then he assembles  
12 the cabinets on the job site. And remodeling projects, they  
13 want to turn really fast. So, the Petitioners are servicing  
14 most of the time, they're servicing builders direct. They  
15 do service dealers, kitchen and bath dealers too, we service  
16 dealers. But our -- the turnaround that's required for what  
17 we're servicing, is a lot faster.

18 The Petitioners have a lot more leeway on their  
19 turnaround. It's generally about two to four weeks or  
20 better, and we don't have that luxury.

21 COMMISSIONER SCHMIDTLEIN: But let me just play  
22 the devil's advocate a little bit, right. So, even if  
23 you're going to do a remodel of your -- let's say you're  
24 just doing the kitchen, right, which you know, my experience  
25 once you start with the kitchen, you move to the bath and

1 then you move to the closet, you know, like.

2 But let's just say you're really going to limit  
3 it to just the kitchen, so it is just that. I mean  
4 typically, you don't come up with the idea like, you know, I  
5 think I'm going to remodel the kitchen, and I'm going to do  
6 it. And it's Saturday and I got this -- it turns out I only  
7 have this week off, and so I need my cabinets literally  
8 today, right?

9 Isn't it true that most people are going to  
10 decide I think we're going to remodel the kitchen and then  
11 they're going to have to look at their budget, and then  
12 they're going to go -- and let's assume that it is this do  
13 it yourself, or it's close to that right? You don't have an  
14 interior designer. You don't have, you know, a build design  
15 firm in there looking at your kitchen. Like you really are  
16 -- you really aren't making that decision and then needing  
17 your kitchen cabinet right literally a few days later. I  
18 mean there's a little bit of lead time that leads up to  
19 that, and so, how many of those people are really just  
20 planning so poorly, or really deciding that they really just  
21 want, they've decided on the spur of the moment to remodel  
22 their kitchen?

23 Do you know what I'm saying? It's just there is  
24 an element of common sense to what we heard this morning.

25 MR. GRAFF: Chris Graff, JSI. If I may speak to

1 the lack of planning. So, typically, you know, we have all  
2 of us in this room all have different types of customer  
3 segments, and we're all touching different types of end  
4 users. A large portion of our business is somebody that  
5 works seven days a week, they're an owner/operator.

6           They have a small showroom and they have a  
7 portfolio of builders that they help out, or consumers that  
8 they get word of mouth. And, you know, we would -- our five  
9 day delivery, which is pretty good. There's at least 25  
10 orders a day. We probably take 250 orders a day, 25 of them  
11 are can you do better, I really need this. I have to get  
12 this kitchen in by Friday.

13           So, embedded in all of this, I believe that -- I  
14 believe not only are we serving different segments of the  
15 public, I believe we're serving different segments of the  
16 dealer channel and I believe that we're, you know, in the  
17 case of JSI, our customers pay a premium versus the entry  
18 level stock products, or all plywood stock products, which  
19 we tried to submit a number of different comparisons. They  
20 pay the premium because our fill rate is 99.3 percent. We  
21 do not screw up. We hit our promise dates and when you get  
22 -- when you call, or when you fax, or email your order,  
23 it's done. You can count on it and they pack it up RTA, and  
24 put it in a U-Haul trailer, or they put it in a pick-up  
25 truck, or they have their own box truck and they take it

1 assembled. But it's less sophisticated than you might  
2 think.

3 COMMISSIONER SCHMIDLEIN: Okay.

4 MR. GOLDSTEIN: Randy Goldstein, Kitchen Cabinet  
5 Distributors. Just to reiterate that one, I would say do  
6 not overestimate the sophistication of some of the  
7 middlemen. We, you know, we sell a number of cabinets to a  
8 guy we've euphemistically referred to as Chuck in the truck.  
9 It's him, a couple installers, a pick-up truck or a trailer  
10 for them, they're not planning a month out.

11 They're not planning two months out. They're  
12 literally selling jobs, installing jobs, the ability to get  
13 product quickly, whether it's flat or assembled, and turn  
14 that job around quickly is their value proposition to their  
15 customer and you know, frankly, how they put food on their  
16 table.

17 So, that's hugely important. And number two, you  
18 know, I would submit -- I try to avoid personal anecdotes,  
19 and this one is a little bit embarrassing because I sell  
20 kitchen and bath cabinets. I'm building a new home in  
21 Indiana, and in looking at our cabinet options, my wife  
22 said, "Nope, three inch increments ain't going to do it, we  
23 need semi-custom or custom cabinets." So, I'm actually  
24 purchasing a Master Brand kitchen.

25 So, the bathroom is a KCD, don't worry. And, you

1 know, we go to the dealer. He designs it, it's great,  
2 Omega, great product, very high quality and I say, you know,  
3 well when can you have this? He goes well it depends, you  
4 know, they say four weeks, it could be six weeks, depending  
5 on what plant it's from. It could be eight weeks.

6 So, just to kind of emphasize what Chris was  
7 saying, that reliability and knowing that it's there and  
8 it's going to come on the day you say it's going to come, it  
9 really does matter and it really does make a difference.

10 MR. FISHER: Just a quick point. Chris Fisher  
11 with DuckerFrontier. This is the -- there are other  
12 building material segments that are performing similarly.  
13 So, the contractor trading his lumber, it really exemplifies  
14 the fragmentation of this industry, or in some thousand  
15 trades.

16 And a lot of them are entrepreneurial, single,  
17 small team businesses. The roofing industry is very much  
18 set up for the contractor to call on Monday and have that  
19 roof delivered on Wednesday, and they're installing  
20 Wednesday afternoon. So, the supply chain in building  
21 materials and construction, partly because of  
22 digitalization, the Amazon effect, and better supply chains,  
23 has trained this trade professional group, that is very vast  
24 from a Chuck in the truck, to a very large crew residential  
25 builder, to say when I'm ready, I'll manage my project and

1 two or three days before, I can call and a supplier will do  
2 it for me.

3 COMMISSIONER SCHMIDTLEIN: And just, my time is  
4 up. The type of buyer that you're referring to as a Chuck  
5 in a truck, that would be an end user, that's what you --

6 MR. DELVES: This is Jason Delves. I actually go  
7 address both of the questions you're throwing out. I'm with  
8 Cabinets-to-Go, and a national retail chain. And so, yes on  
9 that side. But also, to your point of that consumer that  
10 does spend the time looking at it, budgeting everything, but  
11 in today's world, when they've made that decision, they want  
12 it.

13 And so yes, they may have been months in the  
14 process in getting there, but then now they've made the  
15 decision they're going to do it, they're ready to go. The  
16 only other thing is when you had asked earlier about the  
17 RTA, absolutely. Our entire model is built around the RTA,  
18 from a standpoint of being able to inventory it, being able  
19 to get it from one location in the country, to 75 stores,  
20 and then being able to have an entire kitchen fit in the  
21 back of an SUV, to go home to our do-it-yourselfer customer.

22 So, we're dealing predominantly, you know, we  
23 deal with some contractors, absolutely, but our biggest  
24 consumer is that end user who's going home for the bare  
25 kitchen.

1 COMMISSIONER SCHMIDTLEIN: Okay, all right thank  
2 you, oh?

3 MR. SCHAEFERMEIER: Martin Schaefermeier, counsel  
4 for JSI. If I may quick make just one more point.

5 COMMISSIONER SCHMIDTLEIN: Okay, briefly.

6 MR. SCHAEFERMEIER: And hopefully the last one.  
7 We discussed this question yesterday in preparation and one  
8 thing I didn't think of when I was asking the question about  
9 timing, is the installation of cabinets doesn't occur in  
10 isolation. There are subsequent things that have to take  
11 place in order to get the kitchen together in presentable  
12 form.

13 So, it's not just the cabinets. The cabinets  
14 trigger the measurement and templates for the countertops  
15 and things like that, so that's why it's important to have  
16 these on time and this business model is different.

17 COMMISSIONER SCHMIDTLEIN: Okay, all right, thank  
18 you.

19 CHAIRMAN JOHANSON: Commissioner Kearns?

20 COMMISSIONER KEARNS: Thank you all for being  
21 here with us today. I guess I want to talk more about Chuck  
22 in the truck. So, I mean I'm struggling with what would  
23 Chuck do if all of a sudden, you know, some weird freak of  
24 nature, you can't get it -- Chuck can't get his imports  
25 anymore from China, can't have that immediate delivery.



1 Does he not buy?

2 Does he just not have cabinets? Do we just not  
3 have vanities?

4 MR. GOLDSTEIN: Chuck's business -- Randy  
5 Goldstein, KCD. Chuck's business model is in serious  
6 trouble in the scenario that you've described.

7 COMMISSIONER KEARNS: But does the ultimate  
8 consumer go without?

9 MR. GOLDSTEIN: The ultimate consumer either --

10 COMMISSIONER KEARNS: Or, does he wait a little  
11 bit longer and get a U.S. made product?

12 MR. GOLDSTEIN: Entirely depends on who that --

13 COMMISSIONER KEARNS: Semi-custom, or custom made  
14 products?

15 MR. GOLDSTEIN: It entirely depends on who that  
16 consumer is. If it's a flipper, maybe they, you know, paint  
17 the cabinets or refinish them, some other way. If it's  
18 someone who, at home, cannot afford to be without a kitchen  
19 for the extended period of time.

20 COMMISSIONER KEARNS: Because this is what I'm  
21 struggling with.

22 MR. GOLDSTEIN: Yes.

23 COMMISSIONER KEARNS: It's the basic question of  
24 okay, we're seeing subject imports, RTA's, increase  
25 dramatically. So, you can ask yourself well, okay, you

1 know, at what expense. I mean where is that coming from?  
2 Is it that before that -- because we're talking about two  
3 different market segments, and we're suggesting -- you all  
4 are suggesting that these segments are separate from one  
5 another, that one doesn't have an impact on the other.

6 Well, if RTA imports are going up pretty  
7 dramatically over the POI, then I guess the argument would  
8 go, because that segment's gone up, and it has nothing to do  
9 with what's going on in semi-custom or custom. Okay, so  
10 what was happening before that? Were people saying well,  
11 I've got a kitchen, I've got a bath, I'm just not going to  
12 have a cabinet. I'm just not going to have -- I want to  
13 put my stuff on the floor, no.

14 Right? They're not doing that. Are you they  
15 using non-wood cabinets and vanities, metal or something, no  
16 one suggested that. You do make that point that yeah, you  
17 could, you know, in terms of a remodeling job, you don't  
18 necessarily have to replace it. But where, and we document  
19 that on a chart in here probably that shows how remodeling  
20 is going, and it's not like we've seen some dramatic  
21 increase in remodeling, that you know, is a fairly steady  
22 line compared to the increase in subject imports.

23 So, where does this go? It seems to me that  
24 where this goes is not subject to imports, not doing  
25 without, it's not going just to increase in remodeling,

1 those are totally different graphs we're looking at. It's  
2 got to be subject to -- it's got to be at the expense of the  
3 U.S. industry. There's no other answer.

4 MS. O'DANIEL: Missy O'Daniel with Web-Don.  
5 We're a surface distributor so we've been in cabinets,  
6 countertops, solid surface, quartz for 48 years so these  
7 remodelers, the "Chuck in a truck" -- they're remodelers.  
8 So these guys have historically been countertop guys  
9 historically, laminate guys to what they've been doing and  
10 cabinet guys.

11 They're not on every doorstep anymore. These  
12 guys are very, very few and far between, cabinet guys. You  
13 can hardly find good, skilled cabinet installers anymore.  
14 So these remodelers, they're doing everything. They're more  
15 like trim carpenters, guys that go and do anything in the  
16 house. They're the handymen basically so if they can't buy  
17 cabinets from us they're going to do anything else in a  
18 handyman capacity to earn a living.

19 COMMISSIONER KEARNS: Right.

20 MS. O'DANIEL: They're not going to buy from  
21 American cabinet companies.

22 COMMISSIONER KEARNS: What in that kitchen that  
23 the guy is working on, "chuck" is working on, do they not  
24 have a cabinet if it can get --

25 MS. O'DANIEL: They don't have access because the

1 American Cabinet Companies are selling through their  
2 dealers. They're not going to sell to the remodeling trade.  
3 They never have.

4 COMMISSIONER KEARNS: So you're saying that  
5 "Chuck" will be doing other things besides.

6 MS. O'DANIEL: He won't have access. He may be  
7 able to try to buy it off the shelf at Home Depot.

8 COMMISSIONER KEARNS: What I'm trying to figure  
9 out, as much as I care about Chuck, I'm actually more  
10 concerned about what the cabinet, where the cabinet came  
11 from if Chuck can't get his cabinet quickly. It seems to me  
12 that it all points to it's going to be a U.S. cabinet based  
13 on the data.

14 MR. DELVES: I would challenge that with the fact  
15 of you're almost saying if Amazon was to go away tomorrow no  
16 one else is going to come along and fill the need to ship  
17 something overnight for you to have it tomorrow, for your  
18 wife to have it tomorrow.

19 COMMISSIONER KEARNS: If Amazon goes away  
20 tomorrow I'm going to the corner bookstore and buying my  
21 book there.

22 MR. DELVES: That's the point. It's going to  
23 take longer.

24 COMMISSIONER KEARNS: Someone will come along and  
25 I'm going to get the book.

1           MR. DELVES: But it's a great example if it's not  
2 coming from an RTA from China that's quick, they go to IKEA  
3 that's popping up.

4           COMMISSIONER KEARNS: No this is a good example  
5 because this is exactly the point. to me, where did I get  
6 my book before Amazon came around? It took a while but I  
7 got it down the street at the corner store. Then I got this  
8 quicker option and sometimes I use it and I buy it from  
9 Amazon but those are basically my options. I'm not buying  
10 fewer books.

11           There are no other real options if Amazon goes  
12 away eventually maybe somebody would come in and have  
13 another quick alternative but to me that's exactly what I'm  
14 suggesting is it seems to me, and again, tell me if I'm  
15 wrong but it seems to me that the reason why we are seeing  
16 this increase in faster maybe stock options coming from  
17 China is at the expense of the U.S. Industry. I don't see  
18 where else it could be coming from.

19           MR. MICELY: Commissioner Kearns, with all due  
20 respect, I don't think the book analogy works, right,  
21 because you are talking about something you can hold in your  
22 hand. Fortunately here in Washington, D.C. we have a few of  
23 those places we can actually get to fairly quickly and  
24 easily. You can get it quicker in fact than we can get it  
25 overnight from Amazon.

1           We're talking about a product that comes, that  
2 has to be shipped, is a relatively sizeable product. You're  
3 talking about some of the folks that you just heard about  
4 that the "Chuck-in-a-truck" is servicing. Perhaps they're  
5 not going to do a new kitchen or perhaps --

6           COMMISSIONER KEARNS: But again, that's why we  
7 have a graph here that says remodeling, it's up but not like  
8 Subject Imports are up. So I don't think the fact that  
9 there might be more remodeling, I think as Mr. Goldstein  
10 suggested, someone suggested. That makes some sense to me,  
11 right. You might just decide to paint over. But I think we  
12 have graphs that show that's not what's going on. There  
13 has been a massive increase in remodeling because there is  
14 this new Chinese option that didn't exist before.

15           MR. GRAFF: Chris Graff, JSI, if I could. I  
16 think if it's easy to get and fast to get then you can do  
17 more remodels and get it done so there's, because it's an  
18 unserved market I think you get a little bit incremental  
19 because it's unserved, right. I can't speak to whether it's  
20 ultimately go without for x percent but we know that these  
21 remodelers, flippers, these smaller guys, you know instead  
22 of doing 3, 4 a week do they end up doing 2 or 3 a month,  
23 we don't know.

24           MR. DOUGAN: Commissioner Kearns, This is Jim  
25 Dougan from ECS. We can talk a little bit about scale and

1 materiality, okay, because I think when you make this  
2 swooping motion with your hand I'm sure you're referring to  
3 maybe one of Dr. Kaplan's slides or from Mr. Brightbill this  
4 morning which showed the large increase over time.

5 COMMISSIONER KEARNS: This C-table that shows  
6 2016, 2017, 2018 -- it's in my mind but if you look at  
7 Subject Imports from China there's a pretty dramatic  
8 increase.

9 MR. DOUGAN: Agreed. Relative to the market,  
10 right, and so when we say with the markets properly sized,  
11 we're still talking about a teeny-tiny relative increase to  
12 the market, okay. So when you're talking about the market  
13 that really is thirty billion dollars instead of let's say  
14 ten then swooping increase that you see in a market that's  
15 also growing.

16 COMMISSIONER KEARNS: Right. what I hear you  
17 saying is forget about the market attenuation argument. If  
18 you look at the market as a whole these are still small  
19 numbers and that's an interesting point and we can turn back  
20 to that but I want to first, you all are putting a lot of  
21 eggs in the basket.

22 There's a lot of market attenuation here and so  
23 before we turn to this slide which basically shows forget  
24 about attenuation, look at the overall market and our  
25 numbers are artificially low and if you look at the overall

1 numbers, we can go there in a minute but in terms of  
2 attenuation and RTAs being in a different segment I'm just  
3 not seeing it and the chart I was referring to is on Page  
4 214, it's figure 2-2, you see the remodeling index and it  
5 goes up and down and up and down but essentially during the  
6 POI there's not a whole lot of change there compared to what  
7 you see with respect to Subject Imports which are increasing  
8 much more dramatically, not really at the expense of  
9 non-Subject imports, apparently at the expense of U.S.  
10 Production although not if there are different segments but  
11 this doesn't suggest there are different segments.

12 MR. DOUGAN: I think the reason that I want to  
13 bring this up is sort of an answer to both, right, because  
14 what you're seeing is growth and the remodeling index does  
15 indicate growth. It's a varying level of growth but it  
16 still indicates growth. If a portion of that growth is  
17 attributable to this segment that was underserved before  
18 because it couldn't get the stuff as quickly as it maybe  
19 would have been able to if there are jobs getting done like  
20 Mr. Graff said that weren't getting done before.

21 You know, we're still -- that's why the  
22 proportionality and the materiality matters because if you  
23 still, this is not a declining market. Nobody thinks that,  
24 right. You're not seeing a decline in remodeling. You've  
25 seen maybe varying levels of growth and you're saying well



1 it's not growing by enough to explain this huge ramp-up in  
2 Subject Imports.

3 But in the context of a market that is quite  
4 large that relative increase in imports --

5 COMMISSIONER KEARNS: My time is up but I think  
6 maybe posthearing if you want to follow that because I get  
7 it. I get what you're saying. You're saying to maybe  
8 simplify this it shows that at the beginning we're at 54, at  
9 the end we're at 56. That's just the remodeling segment.  
10 Then if you take the fact that China is a very small part of  
11 the market it might -- so I get the argument but maybe if  
12 you can just like flush that out and put numbers on that for  
13 post-hearing that would be great.

14 MR. DOUGAN: Yes, will do.

15 CHAIRMAN JOHANSON: Commissioner Stayin?

16 COMMISSIONER STAYIN: Thank you. I'm trying to  
17 follow on this. What does Home Depot do? Are you telling  
18 me that everything you sell is going to be sent to some guy,  
19 one guy who's going to open the pack and then he's going to  
20 assemble it and that's it? Or are these guys going to Home  
21 Depot and looking and getting? There's no way Home Depot --  
22 that's where it came about from what I understand. No  
23 wait, just till I'm finished talking.

24 So the question is, okay -- I want to remodel. I  
25 want to remodel my bathroom and my kitchen. So I'm going to

1 find somebody who does it. The remodeler is going to meet  
2 with me to look at this and say okay -- what do you want,  
3 well I'm not sure. Well, let's go to Home Depot and we can  
4 look at all of these things.

5 That's my picture of where the volume is going to  
6 be in places like Home Depot and it's not going to be  
7 something that somebody is actually seeing and it's going to  
8 just come over the internet. I guess maybe that's  
9 happening, I'm beyond my time but you know that's the thing  
10 and then I'm trying to get a handle on what you have.

11 We heard today that a significant amount of RTAs  
12 are actually sent either totally assembled or partially  
13 assembled and they arrive and an importer gets them and the  
14 importer then assembles them already assembled and then they  
15 are picked up. The importer then has them delivered to  
16 wherever they are going.

17 Now that's sort of the big picture of what  
18 normally happens on imports, they come in, importer gets  
19 them and usually the importers don't normally assemble them.  
20 That seems to be the picture that I have in my mind and that  
21 I sort of heard today so take me to a bitter market than  
22 just this guy in a truck who has to have it tomorrow  
23 because I have to tell you, I'm not going to say I want it  
24 tomorrow.

25 I'm going to say alright I'm going to see what is

1 there. Let's look at that. What's it going to cost me.  
2 Okay, what's your schedule and he'll figure out what it will  
3 take to get them. He'll go down to Home Depot, he'll pick  
4 it up and then he will then install it. is that not a  
5 reality or is that just a fantasy? Any of you?

6 MR. GRAFF: Chris Graff, JSI. So you spoke about  
7 a number of different parts of channels. The channels are  
8 fragmented so there's home centers which largely would be  
9 Home Depot, Lowe's, Menard's which there are several people  
10 in the room here that do quite a bit of business with those  
11 people. Most of the large public companies sell the top  
12 hundred builders direct.

13 But I think widely in this industry the dealer  
14 channel is viewed as a significant portion of maybe 40-50  
15 percent of the cabinet business and probably more than 50  
16 percent of the profit pool for you now all Domestic  
17 Producers. Within that dealer segment there would be all  
18 caliber of dealers.

19 There would be dealers like this touchstone  
20 catalog, they may have Touchstone, they may have a  
21 semi-custom product, they may sell no stock product and they  
22 definitely don't sell my product, right and that would have  
23 a very skilled designer, big budget projects. That would be  
24 one segment of the market, right. there could be more  
25 middle-of-the road customer you know in this market Bray &

1 Scarff does a great kitchen business, they have a wide array  
2 of products, they do the appliances. They're very  
3 efficient.

4 They have high quality designers and they'll be  
5 able to work from you know a 20,000/30,000 budget. Maybe up  
6 to 50,000/60,000 dollar kitchen budget and that could be  
7 another person. You know, the home centers they have  
8 designers in the stores so that you know consumers can come  
9 in and can quickly get a design and they can get a quote.

10 They're busy and you can't go there on a Saturday  
11 and have someone spend all day asking you about are you  
12 right-handed or left-handed? Do you like to bake? Do you  
13 need a place to put blenders? All these little nuances, you  
14 won't get that there or in most cases you won't. That would  
15 be Bray and Scarf or some other kitchen dealer, right.

16 So there's a lot of different segments so when we  
17 talk about segmentation we don't sell a cabinet that can  
18 really hold a baking center or a bread maker, right. You  
19 need other types of cabinets to do that as sufficiently. So  
20 there's consumer segment which you would probably fall under  
21 as you described, the do-it-for-me segment.

22 There's other people that would fall into the  
23 high involvement segment which is "I want to be involved in  
24 every little detail. I've been thinking about this for ten  
25 years" right and then there's the "I just want it

1 installed". Then there's the DIY person, you know, I'm  
2 pretty good with a hammer. I'm going to buy the cabinets.  
3 Somebody's going to help me with the granite and we will do  
4 sinks and I'll try to do it this weekend, right. Three day  
5 weekend, let's do it.

6           So there's all different segments and then  
7 involved in all of this is the different channels, right and  
8 when I look at Brand Portfolios the alignment of the brands  
9 with those different types of dealers is really how the  
10 market stacks up and you know, I view us, we serve as a  
11 speed component.

12           They're domestically made, much, much cheaper  
13 than our product. There's domestic made cheaper product, and  
14 then there's another layer of cheaper product than us.  
15 You're paying a premium from us because we inventory it, we  
16 don't mess it up and we'll get it to you fast. It's a  
17 little, it's a little sliver of the market, and we don't run  
18 into, you know, most of the people that we're pitching  
19 today.

20           MR. GOLDSTEIN: Randy Goldstein, KCD.  
21 Commissioner Stayin, I want to say you're exactly right. In  
22 your question, you express skepticism. I don't need a  
23 kitchen fast. I don't need a bathroom fast. I think a lot  
24 of people, most people, the vast majority of people don't  
25 need their kitchen fast.

1                   We agree. That's why 90 plus percent of the  
2 U.S. market is served by made to order domestic cabinets  
3 that can offer the design options and customizability that  
4 customers who don't care about speed look for. For these  
5 small segments, of which you are not a part who does value  
6 that, our product is very important.

7                   COMMISSIONER STAYIN: So what are the channels  
8 in that segment. I mean is it -- how does it -- how do they  
9 make the connection?

10                  MR. GOLDSTEIN: The channels for the speed  
11 component?

12                  COMMISSIONER STAYIN: For your --

13                  MR. GOLDSTEIN: For us?

14                  COMMISSIONER STAYIN: For the sale of the RTA  
15 that you're going to -- and how does it work? You're going  
16 to get an order? Tell me.

17                  MR. GRAFF: Yes, thank you. Chris Graff, JSI.  
18 So for our customers, we only sell through kitchen and bath  
19 dealers. So they all have showrooms. They will meet with  
20 customers, remodeling contractors, mostly small builders,  
21 not large builders.

22                  They will design for the space. They'll place  
23 an order for us and then, you know, about 40 percent of our  
24 orders are actually picked up at our location, with the  
25 balance being shipped and are split. RTA versus assembled

1 varies wildly region to region.

2 But overall across the country, it's about 40  
3 percent is assembled, 60 percent unassembled. Those are our  
4 customers. We get the order. We get a promise date. We  
5 tell them when it will be ready, and we either ship it to  
6 them and then from that point it's delivered to the  
7 consumer's house by our customer typically, and then it's  
8 installed and then, you know, that's the first stage for the  
9 kitchen assembly.

10 COMMISSIONER STAYIN: Okay. Tell me about  
11 your showroom. Do you have the products like, you know,  
12 where you can come and look at the products there?

13 MR. GRAFF: Our dealers would have showrooms.  
14 We wouldn't have a showroom available for consumers.

15 COMMISSIONER STAYIN: Okay, go ahead.

16 MR. DELVES: Yeah again, Jason Delves,  
17 Cabinets-to-Go. We are a retailer and so, you know, we love  
18 the fact you said you can go to Home Depot and Lowe's and  
19 check it out first, because you're going to come for the  
20 customer experience that we sell, and exactly what you're  
21 talking about. As our development as a company has come  
22 along, it is very much this business is the design  
23 component, having a good experience, and where we've gotten  
24 to where we are the largest specialty retailer of kitchen  
25 cabinets in the country because of our limited market

1 segment of what we've had historically.

2 We've actually partnered with one of the  
3 petitioners so that we get your business, because it gives  
4 us more options. It gets, again there's a segment that comes  
5 in with the mind set that I need this quickly. I'm okay  
6 with more of a limited selection, and then what we're trying  
7 to do now is that we're nationwide. We're going both ends.

8 There are people that leave our stores today  
9 because we're not cheap enough, and there's people that  
10 leave our store on a daily basis because we don't have what  
11 they want in selections.

12 COMMISSIONER STAYIN: So you actually have a  
13 store?

14 MR. DELVES: I have 75 of them.

15 COMMISSIONER STAYIN: And you have product  
16 displayed in the store?

17 MR. DELVES: Absolutely.

18 COMMISSIONER STAYIN: So people can come and  
19 choose?

20 MR. DELVES: Absolutely, and 100 percent of  
21 ours currently, outside of our new partnership with one of  
22 the petitioners, goes all the way through the process to the  
23 house as an RTA in a box.

24 COMMISSIONER STAYIN: I'm running out of time,  
25 but I want to follow up with you. Thank you.



1                   CHAIRMAN JOHANSON: Commissioner Karpel.

2                   COMMISSIONER KARPEL: Yeah, thank you. Thank  
3 you all for being here today. I guess I probably want to  
4 follow up on some of the questions the other Commissioners  
5 have asked as well. Where should I start? So I guess I'll  
6 start with sort of a factual question. So looking at this  
7 table on page IV-12, and it shows that about half of U.S.  
8 importers' U.S. shipments are fully assembled and half are  
9 flatpacked.

10                   So for the ones that are flatpacked, where are  
11 they finally assembled? We heard this morning that they are  
12 predominantly fully assembled before they get to the end  
13 user, but some of the testimony I've just heard now suggests  
14 that the actual installer is assembling these cabinets as  
15 they're in someone's kitchen doing a remodel. So can you  
16 help me understand what the answer really is there?

17                   MR. HUNTER: Sure. Robert Hunter, CNC  
18 Cabinetry. Most of our business is in the Northeast, so  
19 when you looked at that Lazy Susan this morning, you saw how  
20 big that was. The hallways, the kitchens, the things we're  
21 going into, we can't even get our product into.

22                   So what we're selling to is our dealers, who  
23 are able to flatpack it in, carry it through very narrow  
24 freight elevators, hallways, doorways, everything, and then  
25 once they get it in the kitchen itself is when they'll do

1 the install. So they'll literally install from the corner,  
2 install working it away out from there.

3 MR. GOLDSTEIN: Randy Goldstein, KCD. I would  
4 say that's a great example, and it's, you know, speaks to  
5 the demographic that CNC serves. I think the larger answer  
6 is it depends and it provides a level of flexibility that  
7 you simply don't get with a made to order cabinet. So in  
8 many cases, the installer is assembling it on the job site.  
9 In many cases, our dealers are assembling it before they go  
10 to the job site.

11 But what that means, because it's a RTA forum,  
12 if you've seen a typical mom and pop kitchen and bath  
13 dealer, you're talking about strip mall, maybe 1,200 square  
14 feet and showroom and storage space and that's all they've  
15 got, if they're receiving assembled cabinets and those are  
16 piling up in back, that becomes a very, very quick  
17 logistical problem if they don't have their stuff together.

18 So having it in flatpack and being able to  
19 assemble and deliver right to the job site on demand is a  
20 huge, huge advantage. So the answer really is it depends on  
21 the circumstances, and only RTA offers that level of  
22 flexibility.

23 MR. FISHER: Chris Fisher, DuckerFrontier.  
24 Just to build on that, as I think about the different  
25 segments and different trade professionals, one of the

1 elements that where flat packs are delivered to the site is  
2 that the RTA industry has allowed for the expansion of a  
3 plumber, a flooring contractor, other trades that are in the  
4 house or handymen in general, to access and work and expand  
5 their project dollars or their breadth of opportunity to do  
6 more remodeling, and they're handy.

7                   So they can assemble in the home, they're  
8 already in the home with the homeowner. They have access to  
9 it and they just need it to be dropped and/or delivered.  
10 Same thing with a general contractor who wants to windows or  
11 roofing, that it's delivered to site and they do the  
12 install. So you have a wide variety of professional trades  
13 and/or different skill laborers that work in the home that  
14 don't need everything to be done for them. They can do it  
15 themselves.

16                   MS. O'DANIEL: Also to get -- Missy O'Daniel  
17 with Web-Don. To give you an idea, it takes about 15  
18 minutes per cabinet to assemble it. A tall cabinet could  
19 take maybe a few minutes more. But just giving you an idea.

20                   COMMISSIONER KARPEL: Thank you for that. I  
21 hadn't actually thought to ask about the time it takes to  
22 assemble, but I appreciate that. Do others agree with that  
23 time? That seems awfully short, but maybe it's because I'm  
24 terribly unhandy myself.

25                   MR. GRAFF: Chris Graff, JSI. The time range

1 would be from a simple cabinet would probably take eight or  
2 ten minutes at the very minimum, and then a larger, tall  
3 cabinet, a Lazy Susan would be 45 minutes. So overall, all  
4 the cabinets we sell and assemble the average is probably  
5 15-17 minutes.

6 MR. DELVES: And I would say to your point,  
7 Commissioner, that's probably more along the lines of a  
8 Commissioner, I mean sorry, I apologize, a contractor. You  
9 too. But so a do-it-yourselfer, it will be a longer  
10 process. Someone that does it on a daily basis, their  
11 reference to Chuck. Chuck can do it quickly. If you took  
12 one home, it would probably take you a little longer.

13 COMMISSIONER KARPEL: Actually just circling  
14 back to my prior question, did you have an estimate on the  
15 percentage of cabinets that are assembled at the time they  
16 get to the final job site of RTAs? No.

17 MR. DELVES: Again, I mean we can I guess each  
18 individually speak to our own. Ours is 100 percent arrives  
19 RTA. None are assembled before they get to the home.

20 MR. GOLDSTEIN: Randy Goldstein, KCD. I mean  
21 the truthful answer is, you know, I could survey my  
22 customers, I can get some data on it, but I couldn't give  
23 you a precise number. I can tell you that the vast majority  
24 of cabinets that we ship out all go out flat, not assembled.  
25 We do assemble some, but the majority are unassembled.

1 MS. O'DANIEL: Missy O'Daniel with Web-Don.  
2 The same with us. We sell mostly flatpack. We do assemble  
3 some of our cabinets, but we only have three assemblers, so  
4 it would be impossible to do all of them.

5 COMMISSIONER KARPEL: Okay.

6 Going to another question, but related. So, I  
7 guess I'm trying to understand as a contractor. It sounds  
8 like you're saying there are some contractors who have to  
9 have RTAs. They have to have that quick lead time. But it  
10 seems to me that what a contractor needs it's going to  
11 depend on the contract that he or she is doing. So, they  
12 may have promised a homeowner that they can do a project  
13 really quickly, whereas, they have set more realistic  
14 expectations for another homeowner. So, you could have the  
15 same end user, the same purchasers of these sort of making a  
16 choice of, well, do I want to promise a really quick  
17 turnaround on this kitchen. Maybe I should do that. I  
18 should promise a longer time and use made-to-order cabinets.  
19 I guess I'm sort questioning the idea that there's certain  
20 contractors or certain builders or certain types that always  
21 have an RTA and that they never sit there and say, okay,  
22 should I use an RTA and do the project faster or should I  
23 use something that's built to order.

24 MR. GOLDSTEIN: You're exactly right. Few, if  
25 any -- I'd have to think hard about this -- of our customers

1 are buying exclusively KCD. KCD fills a particular need and  
2 you described one of those needs, but our customers have  
3 lots of customers of their own. Some need it fast. Some  
4 need lots of design options, fancy finishes, all the  
5 different sizes, so it would be very, very rare for a  
6 business to -- except under certain circumstances to do  
7 nothing but RTA cabinets.

8 MR. GRAFF: I agree with your premise. We only  
9 get the speed-oriented customer, for the most part. And I  
10 mean I think at different price points, the different  
11 scales. As you were talking, I was thinking about my  
12 neighborhood. Somebody's building a house that's taking two  
13 and a half years to complete. That's not a customer for  
14 JSI. And then there's a couple other houses that are being  
15 built over different windows. There's one that more modern  
16 sized. That won't be a JSI customer because of the value of  
17 the home.

18 And the one that sits furthest on the end that's  
19 been built for two years and doesn't look like it's getting  
20 front. So, those builders, those contractors they're  
21 capable of planning. It's not, oh, my God, I need it right  
22 now. It's part of a larger mission.

23 The customers that we have we could tell you  
24 that if we had one day where our lead times went out from  
25 four days to six days the phones ring off the hook. Our

1 reps are calling all level of the organization. Somebody  
2 will die because the cabinets don't arrive in five days and  
3 I wish I were joking. I wish I were joking.

4 MR. GOLDSTEIN: And just to add to that, because  
5 I think this speaks to it and I spoke to it a little bit in  
6 my statement earlier. This is why KCD doesn't just permit  
7 our outside sales reps to represent made-to-order domestic  
8 lines. We encourage them, one, because, again, it's a small  
9 chunk of the market. It would be very hard to make a  
10 living. And two, we want them to go into our dealers with a  
11 variety of options. If what you need is speed and the  
12 design is okay. I have a great RTA line. If you have a job  
13 where customization and design and the whole pallet are  
14 hugely important, well, maybe that represents an ACP I like  
15 and it's not okay with us. That's what we aim for.

16 MR. DELVES: Another piece of this from a  
17 contractors' standpoint is a matter of cash flow management.  
18 These contractors are small business like a lot of people in  
19 the room that can't afford to have cash tied up of paying  
20 for cabinets that aren't going to show up for six to eight  
21 weeks, which means they're not going to get them in the  
22 house. They're not going to get paid, as opposed to an RTA  
23 that allows them to come in, pay, get it within a week. Put  
24 in the house, turn it around, and turn it into cash because  
25 they're just not sitting on that cash or credit in a lot of

1 situation.

2 MR. DUGAN: If I can just add one thing to build  
3 on what Randy had said, and that's why when you made your  
4 arguments their arguments in the petition from Petitioners  
5 about, well, subject imports are present in every channel.  
6 If you look at the percent of their shipments that go into  
7 different channels, they're everyone and they're obviously  
8 competing, but their presence in a channel, their presence  
9 with a particular sales rep or dealer doesn't necessarily  
10 represent competition. It is complementary in the way that  
11 Randy was talking about. If you need three days, limited  
12 design options, the RTA line is for you and that's good.  
13 But that same dealer or that same rep might say, look, I've  
14 also got a master brand ACPI that provides you with a much  
15 wider array of things that's in my portfolio, but you're  
16 going to have to take a little bit longer.

17 And if you're a designer or a contractor that  
18 has the luxury of not of that budget, but of that planning  
19 and timeframe to get something that custom or semi-custom,  
20 then you're going to go with the domestics. But for the  
21 need for the niche market that these suppliers serve the  
22 best and a fact that the domestics can't supply that's why  
23 they're there.

24 MR. FISHER: One last point, I think it's  
25 important the contractors, around their financing and cash



1 management, is definitely a key, and that's across all  
2 trades where they're looking not to part with that cash  
3 until they absolutely have to. Same thing with builders,  
4 when you get to cabinets the drywall is in. Everything is  
5 you're moving towards finishing of the house and you want to  
6 move that quickly so you can sell it, right? So, timing is  
7 condensing in the construction processes, whether it be a  
8 remodeled project or building projects.

9           The other thing I want to bring into the  
10 conversation we talk about different segments and we talk  
11 about Home Depot. Home Depot and Menard's, in particular,  
12 and Lowe's, to some extent, they recognize these two  
13 different segments as well and they offer stock product  
14 assembled. They also offer RTA. And so, online you can go  
15 and a lot of professionals, a lot of DIY, can go on and look  
16 at different cabinets online. And Home Depot today online  
17 has 119 different options for RTA cabinets. You can also go  
18 to their store and pick up a few different sizes that are  
19 already preassembled or you can go customize and you know  
20 look for six weeks with a designer.

21           So, they are recognizing the different segments  
22 and they are trying to attune those segments to different  
23 professional customers and consumers.

24           COMMISSIONER KARPEL: Thank you. I want to  
25 follow up on this. Let me give it back.

1                   CHAIRMAN JOHANSON: You all assert that  
2 constraints on U.S. capacity and production were a result of  
3 qualified labor shortages; yet, domestic employment  
4 increased over the Period of Investigation. How could there  
5 be a labor shortage when the number of domestic employees  
6 increased.

7                   MR. DOUGAN: So, I want to make it clear what  
8 we're getting at with the argument about labor constraints  
9 and capacity as opposed to the employment figures. And yes,  
10 employment went up and that's good. That's a positive sign  
11 of health for the industry.

12                   If you look at the rate of increase in, say,  
13 production and related workers, it's proprietary, so I can't  
14 say it; but it's sort of organic growth over a three-year  
15 period. The issue that we presented in our analysis in the  
16 pre-hearing brief is that there are handful of U.S.  
17 producers who estimated their capacity -- that is, we can  
18 supply this much based on an assumption of a number of  
19 shifts that they could run, not the number of shifts that  
20 they are running. And the idea that you could grow your  
21 employment numbers the way that are observed in the data. I  
22 mean they clearly did, right? That is a modest to healthy  
23 increase in production workers and employment.

24                   Could you double that to go from one shift to  
25 two? Could you triple that to go from one shift to three?

1 That's when the low unemployment rate and the labor  
2 constraints come into effect. So, of course, you can hire  
3 people. You can bring people on. They were saying they had  
4 multiple applicants for different jobs. That's a thing and  
5 they've, thankfully, been able to do so. That's a sign of  
6 health.

7 Does their ability to hire match their  
8 assumption about their capacity? We would submit that it  
9 does not.

10 CHAIRMAN JOHANSON: Okay, thanks Mr. Dougan.  
11 Okay, ACCI complains that pricing data should have compared  
12 cabinets made with particle board to cabinets made with  
13 plywood. Could you please explain how that would have  
14 resulted in a more accurate comparison?

15 MR. DOUGAN: I think the argument there it's  
16 sort of tied up in other arguments that we made about the  
17 pricing products and the recommendations that we made in the  
18 -- comments on the draft questionnaires. So, our comments  
19 on the draft questionnaire said -- and this goes to a  
20 question from Commissioner Karpel this morning and we can  
21 expand upon that as well. We said, look, everyone in this  
22 market recognizes segmentations of stock, semi-custom, and  
23 custom. All the folks in the room or certainly the ones in  
24 the panel this morning talk about it on their websites.  
25 They classify themselves into various different segments.

1           It's understood in the industry, the industry  
2 reports for furdonia and KBA everyone talks about this,  
3 right? So, you have to try to attempt to capture that in  
4 your product pricing definitions. So, if you're talking  
5 about stock for one company that might involve hardwood  
6 plywood. For another company, that might involve particle  
7 board. Your offerings what are those, so if you control for  
8 segment and if you control for a level of trade, then  
9 construction material is maybe not as much of a  
10 differentiator.

11           I mean I'm not going to argue you should compare  
12 similar construction things. That doesn't, in itself,  
13 represent an apples-to-apples comparison, but if you're not  
14 also controlling for segmentation of the market or level of  
15 trade then you really aren't getting apples-to-apples  
16 comparisons. So, that's really where I think we would come  
17 out on that. Because as you heard from Mr. Graff, there are  
18 domestic products that are way cheaper than what he offers.  
19 And I think a lot of people would be able to say that here  
20 at the table. So, it's not always that the imported product  
21 is the least expensive one. There are less expensive  
22 domestic options. Sometimes it has to do with construction  
23 materials, but that is kind of where we were going with  
24 that. When you're comparing something that's sold to a  
25 given segment, it might be from different construction

1 materials.

2 MR. NICELY: Matt Nicely with Hughes Hubbard.

3 And I would just draw your attention in fact, to the pricing  
4 data from the prelim, when in fact you found predominant  
5 overselling by imports, because particle board was in fact,  
6 part of what was in what the domestic industry reported for  
7 their products.

8 We ultimately, imports ultimately were deemed to  
9 be on the whole, overselling, rather than underselling.  
10 They decided to pull out. The Petitioners proposed to pull  
11 out particle board, not make any distinction based on  
12 segment, and lo and behold, you saw those greatly inflated  
13 prices as compared with imports that we've shown you on the  
14 slides.

15 CHAIRMAN JOHANSON: What are the quality  
16 differences, when you talk about segments, what are the  
17 quality differences between particle board and plywood?

18 MR. GOLDSTEIN: Randy Goldstein, KCD. I'll take  
19 a crack at it. If we you know, go back in time 30 years  
20 ago, they are substantial particle board. It doesn't hold  
21 up to moisture as well, it's just a less durable kind of  
22 material, it's more subject to you know, nicks and bumps and  
23 cracks, et cetera.

24 Particle board is a very, very good material  
25 today. Particle board, from a quality perspective, is

1 largely interchangeable with plywood in a cabinet's context.  
2 There may be, as the Petitioner's have eluded to, some  
3 geographies where moisture is a particular concern, or  
4 building codes are a particular concern, but by and large,  
5 the materials are interchangeable today. In fact, KCD does  
6 offer a line of particle board cabinets.

7 Now, you know, with that said, yes, is there --  
8 and I think the Petitioners this morning tried to really  
9 emphasize this consumer perception of plywood over particle  
10 board, you know, I really do think that they're thinking  
11 back to that time when there actually was a material  
12 difference.

13 MR. GRAFF: Chris Graff, JSI. I just would like  
14 to add to it. I mean it's interesting that MDF, or particle  
15 board would typically be sold at more entry level price  
16 points, and then it typically skips a whole bunch of price  
17 points and then shows up again at the custom, highest end of  
18 the market.

19 And I don't know why. It's just very strange  
20 that in the center of the market you'll see less of it. You  
21 see more of it on the entry point, and then it resurfaces  
22 again at the premium segment.

23 MR. DOUGAN: Chairman Johanson, Jim Dougan from  
24 ECS. If I can just add one thing to that. I do remember  
25 seeing in, and I don't have it in front of me, so I'll put

1 it in for post-hearing. I believe there was one of the  
2 market industries, sort of, analyst reports that I read that  
3 talked about there being an environmental benefit to  
4 particle board, as opposed to plywood. That there was some  
5 preference in certain applications for lead, or something  
6 like that. I don't know.

7 I don't know if it has to do with perceptions of  
8 the glue, or things that are used in plywood, I don't know.  
9 But I do remember reading that and so there may be some  
10 applications for which it is preferred. I'll take a look at  
11 that for post-hearing.

12 MR. GOLDSTEIN: And Randy Goldstein, KCD. Just  
13 add for color, whether we're bringing in plywood, particle  
14 board, or any other composite wood material, we are required  
15 to abide by the same strict Toxic Substance and Control Act  
16 regulations from the EPA, so in that respect there is no  
17 difference.

18 CHAIRMAN JOHANSON: So, did particle board and  
19 plywood serve different segments of the market?

20 MR. GOLDSTEIN: Randy Goldstein, KCD. The answer  
21 is not necessarily. I would submit they are by and large  
22 interchangeable, notwithstanding that some consumers may  
23 have a perceived quality difference.

24 CHAIRMAN JOHANSON: And is particle board -- this  
25 is kind of a question I have in general. Is particle board

1 so much heavier than plywood?

2 MR. DELVES: It is.

3 CHAIRMAN JOHANSON: Does that produce differences  
4 is when it's hung on a wall?

5 MR. DELVES: No, not really. I mean once it's on  
6 the wall and fastened, it's fine. But absolutely, from a  
7 weight standpoint it is heavier.

8 CHAIRMAN JOHANSON: Okay, that's very much a  
9 layman's question, of course. I don't know a lot about  
10 these products. But the light's on, so I'm going to go  
11 ahead and turn to Commissioner Schmidtlein.

12 COMMISSIONER SCHMIDTLEIN: Alright thank you.  
13 Hold on. So, I guess just to follow-up a little bit on  
14 that. I know that there's been some discussion about the  
15 pricing products and your argument that this is unreliable  
16 because it doesn't reflect the different market segments, or  
17 potentially different levels of trade between retailers and  
18 distributors.

19 Did you all ask for the data to be collected  
20 based on channels of distribution?

21 MR. DOUGAN: We absolutely did, Commissioner  
22 Schmidtlein. There's a -- we can, our comments on draft  
23 questionnaires, on page 15 we requested that the  
24 questionnaire included a table that asked for the portion of  
25 sales of each pricing product sold through each



1 distribution channel. And that was not accepted.

2           And on page 8, we said that the pricing product  
3 should include a definition that they all be limited to the  
4 stock segment. But that the Commission and the staff need  
5 not define the word "stock", and allow each supplier markets  
6 their products by market segment. So, we could say to  
7 ensure consistency between the data collected by each firm,  
8 in each firm's normal business practice, we recommend  
9 adding a note to each pricing data table in the domestic  
10 producer and importer's questionnaires, to request the name  
11 of the product line and the brand used to report for each  
12 pricing product.

13           This way the Commission and the parties would  
14 have some assurance that the pricing data are reported  
15 correctly. So, that gets to Commissioner Karpel's question  
16 earlier today.

17           COMMISSIONER SCHMIDTLEIN: Okay, well --

18           MR. DOUGAN: So, we wanted this.

19           COMMISSIONER SCHMIDTLEIN: Does it help that you  
20 know, as someone mentioned a few minutes ago, the channels  
21 of distribution are roughly the same, in terms of the  
22 percentage of value, U.S. shipment value going into each,  
23 you know, when you compare U.S. versus China. I mean the  
24 pricing products are always, in some cases where it's not a  
25 fragmented, you know, industry, or they don't have a lot of

1     skews, we can get high coverage.

2                     But where you have a lot of skews, you know, it's  
3     often hard to get high coverage. But these are a proxy to  
4     try to look at, you know, what prices are and how they  
5     compare, and therefore, you know, given that the Chinese and  
6     the U.S. product is not exactly the same, but roughly. I  
7     mean if you look at Table 2-1, in terms of percentage going  
8     to designers, percentage going to distributors.

9                     I mean, I know that we don't know exactly what  
10    went into each of these, but given that their shipments do  
11    break down along the same lines to each of the channels,  
12    would you say?

13                    MR. NICELY: But Commissioner Schmidtlein, part  
14    of the problem with that is this isn't broken down by  
15    segment either, right? So, this is just entirely for, you  
16    know, on an overall basis. I think one of the things to  
17    mention too, following-up on what Jim was discussing about  
18    our comments on the draft questionnaires.

19                    And we know that staff has a huge job, and they  
20    do a great job, but I don't think I've ever submitted such  
21    lengthy comments on draft questionnaires. The reason why  
22    they were so lengthy is that we attached multiple exhibits,  
23    which is also not all that common for comments on the draft  
24    questionnaire.

25                    And the reason we did that is to demonstrate the

1 extent to which the domestic industry, the Petitioners in  
2 particular, themselves have multiple lines and stress their  
3 multiple segments that they sell.

4           So, we were trying to address. We were trying to  
5 make sure we were coming up with as close to apples to  
6 apples comparisons as we could get. And that just wasn't  
7 done. So, you're missing that both from the segment  
8 perspective, as well as from a channel perspective. And I  
9 think just looking at Table 2-1 doesn't give you a sense of  
10 the variations that are going to exist with respect to  
11 segment and channel, and then variations could be  
12 significant.

13           MR. DOUGAN: Just to get to this point, sorry.

14           COMMISSIONER SCHMIDTLEIN: Go ahead.

15           MR. DOUGAN: It's on page 57 of our pre-hearing  
16 brief where we talk about this in a little more detail. And  
17 I think -- and we provide an exhibit as an attachment. The  
18 end user channel features the highest AUV's for importers,  
19 and the second highest AUV's after designer dealers for U.S.  
20 producers, yet the share of U.S. shipments by importers to  
21 the end user segment was single digits, and it looks like  
22 here it's not bracketed, so I can say it, 6.8 to 9.1  
23 percent, while the share of U.S. producers, U.S. shipments  
24 to the segment, so it was between 18 and 22 percent. More  
25 than double.

1           So, if you're getting more than double the share  
2 into the highest or second highest channel of distribution,  
3 and that's all mixed in, in the pricing data, along with the  
4 fact that you're not making a distinction between stock,  
5 semi-custom and custom, you are going to get a distortion.

6           COMMISSIONER SCHMIDTLEIN:  Alright, I'm trying to  
7 -- you were looking at a channel of distribution that you  
8 say is on page 57 of your --

9           MR. DOUGAN:  57 of the ACCI's pre-hearing brief.  
10 And that cites to both Table 2-1 and Exhibit 46.

11          COMMISSIONER SCHMIDTLEIN:  Oh, I see.  Okay, so  
12 this is -- the Exhibit 46 is not from the staff report.

13          MR. DOUGAN:  Right, it's from the questionnaire.  
14 It's got AUV of U.S. shipments by channel and yep.

15          COMMISSIONER SCHMIDTLEIN:  I see, okay.  Okay,  
16 alright, well I will take a look at that.  So, how would you  
17 all define this stock channel I guess, versus the  
18 semi-custom channel?  And I guess, so one question.  I guess  
19 I could see where if the pricing product included a custom  
20 product, that's being made by a custom cabinet maker, right,  
21 even though it would conform to the specific product  
22 definition, right, that person's going to charge more.

23                 If it's a stock product versus a semi-custom, how  
24 does that -- how is that an entirely different product than  
25 what can come in an RTA box?

1           MR. NICELY: Well, just to be very clear, the  
2 domestic industry, some of these folks that you heard from  
3 this morning are selling in all three categories, and as I  
4 said in my opening, there are examples of where you could  
5 find the same product selling for \$100 a cabinet and another  
6 one for \$1,000 a cabinet, right? And that's, in fact, why  
7 you're seeing such huge variation in the pricing data  
8 itself.

9           Even when you're doing averages, you're finding  
10 those huge differences, right? Likely is that the product  
11 you're seeing amongst the domestics is more in the  
12 semi-custom and custom. They said this morning they were  
13 gonna tell you more about that, but apparently, they're  
14 selling a very different product. And I mean, the prices  
15 are not changing as a result of these low prices that  
16 you're seeing the low prices comparatively of the imports.

17           So they're selling -- they would not, and again,  
18 this is to Dr. Marvel's point that he was talking about,  
19 they would not have these various segments that they  
20 themselves--different lines of cabinets that they  
21 themselves--sell at hugely different price-points. If in  
22 fact, a cabinet was a cabinet was a cabinet was a cabinet,  
23 right? There's no way they would allow their own product  
24 lines to cannibalize one another. How on earth would they  
25 exist if that happened?

1                   COMMISSIONER SCHMIDTLEIN:  And we have a lot of  
2 cases where we have a range of products that serve different  
3 price-points, right?  So the mattresses case, someone  
4 mentioned -- same thing, right?  There's high-end  
5 mattresses, there were middle-market, there's low-end  
6 mattresses.  Washing machines, similar, right?  Very  
7 tricked-out washing machines, we have ones in the middle,  
8 and we have, you know, the very basic clean-your-clothes.

9                   So we have a lot of cases with that, and I guess,  
10 in all of those cases, one of the things we ask is, even if  
11 you're trying to cover all potential customers who have  
12 different budgets, that there is a relationship between the  
13 prices of those different price-points, so if one gets out  
14 of whack, it is going to have a price effect across the  
15 segments.

16                   And is it your all's position that that's not the  
17 case in the wooden cabinet category?  Is that the price of  
18 the semi-custom cabinet has not impact on a stock, RTAs have  
19 no impact on stock, you know, do you see what I'm saying?  
20 It's really your position that the prices have no impact  
21 whatsoever?

22                   MR. NICELY:  This slide couldn't explain that any  
23 more clearly.  The answer is yes.  I mean this slide is a  
24 causation slide.  There is no relationship between their  
25 prices and the import prices.  How on earth could there be

1 any relationship? You've got \$500 per cabinet, on average,  
2 for the domestic, and \$200, and yet, they stayed perfectly,  
3 for multiple quarters across the entire POI, they stayed  
4 very, very, very steady.

5 COMMISSIONER SCHMIDTLEIN: Well, I think their  
6 argument would be, "Well, we were trying to raise prices and  
7 we couldn't, and we had increased costs, and we couldn't  
8 raise them to maintain our --

9 MR. NICELY: But Commissioner Schmidt- --

10 COMMISSIONER SCHMIDTLEIN: -- at least our  
11 margin," right? Our cost to net sales ratio, so that, that  
12 would be the argument that, yeah, prices aren't going down,  
13 but they weren't going up in a strong market. So why  
14 weren't they able to cover those costs?

15 MR. NICELY: They have the vast majority of this  
16 market. They have what we think is something around 90% of  
17 the market, right? Their volumes overall are much, much,  
18 much bigger. The notion that we at \$200 are having some  
19 impact on their ability to raise their price above, you  
20 know, above \$500, we're having that impact? They're  
21 different products. They're apparently different products.  
22 The best explanation that we can provide you for why they  
23 didn't increase that price, is because they're competing  
24 with each other.

25 COMMISSIONER SCHMIDTLEIN: I see. Okay. All

1 right. Okay, thank you. My time is up.

2 CHAIRMAN JOHANSON: Commissioner Kearns.

3 COMMISSIONER KEARNS: So just to continue on  
4 that, and I'm sorry if I missed this, but on the pricing  
5 products, are you arguing that there are differences between  
6 those products, that if I looked at those products, I would  
7 see these differences that we didn't account for? Or is it  
8 purely just self-identification? I guess that's the  
9 question.

10 MR. NICELY: They may meet the same  
11 specifications, right? They obviously had to if folks  
12 responded to the questionnaire accurately then they should  
13 be the same --

14 COMMISSIONER KEARNS: But I can't remember if it  
15 says, like, you know, the slow, whatever you call, the slow  
16 clothes and that sort of thing, I don't know, I can't  
17 remember if that's in there, but anyway, are there things  
18 like that, that, oh, we should have asked those things to  
19 help distinguish between the various lines? Or is it purely  
20 self-identification?

21 MR. DOUGAN: Commissioner Kearns, if I can just  
22 add a little to it. I mean I think in the very extensive  
23 comments, we acknowledge the fact that you're already  
24 dealing with pretty low coverage because it's such a  
25 fragmented industry with so many SKUs. So there's a tension



1 between comparability of coverage. And so we tried to do  
2 the best we could in saying, well, you should aim for  
3 comparability and we think, because of like segment and  
4 channel, that you don't really get that.

5           And so there are things in there that aren't  
6 captured, but we think that by adopting the recommendations  
7 that we had, which was stock segment and let us know what  
8 channels of distribution and then you tell us what product  
9 you've included in your reporting here. Because then it's  
10 on their website.

11           We could understand what the specifications were,  
12 and so if we knew, well, Company A reported their stock  
13 product had all these bells and whistles and Company B  
14 reported their stock product which was total entry level  
15 sort of, you know, dorm room, like, not very high quality,  
16 then we'd know, well, maybe those really aren't apples and  
17 apples. But as it is, we have no idea. But we know that  
18 they are not distinguished by segment or by channel of  
19 distribution.

20           And so to add in the additional features, we  
21 thought probably would've just been too burdensome, too  
22 narrow and would've really made things crazy. But by  
23 allowing each responding company to define, "Here's the  
24 product lines we included," you know, then staff and the  
25 parties could've made their own adjustments to what they

1 felt were the most comparable comparisons.

2 COMMISSIONER KEARNS: Okay, thank you.

3 MS. O'DANIEL: If I could just something. I know  
4 you want to distinguish between stock and custom.

5 COMMISSIONER KEARNS: I'm not sure I do.

6 MS. O'DANIEL: We have four-door style, white.  
7 All of us have white, okay? It's a basic white, right? It  
8 isn't anything fancy. It's just your run-of-the-mill, basic  
9 white. A custom white is one that will be a showstopper  
10 white, okay? It will be something that when you walk into  
11 the kitchen, somebody'll be going, "Whoa," okay? And also  
12 it will be where, when you walk into the kitchen, there'll  
13 be --

14 COMMISSIONER KEARNS: You're making Commissioner  
15 Schmidtlein feel better about her kitchen right now. Keep  
16 going, keep going.

17 MS. O'DANIEL: Yes. And custom will have about  
18 ten or twelve different whoa whites, okay? They'll have,  
19 you know, pearlescent white. They'll have perfect,  
20 beautiful sheens to their white. We don't have that. We  
21 just have your basic, regular white. And that's what makes  
22 us stock. The customized whites are the real wowie whites.  
23 And that's where you pay the top dollar for those.

24 And also you get the real fancy gadgets. Soft  
25 clothes is not fancy anymore. That's like run-of-the-mill.

1 Every woman out there goes, okay, soft clothes, you better  
2 just throw it in there. They want the fancy pop-ups, you  
3 know, the fancy hinges that pop up the cabinet doors. They  
4 want to make sure their microwave cannot be seen. I mean,  
5 everything has to be hidden in the kitchen. They don't even  
6 want to see their refrigerator anymore. It's got to be  
7 hidden behind cabinet doors. Everything's got to be hidden.  
8 So that is customized.

9 COMMISSIONER KEARNS: Okay, thank you. Yeah,  
10 that's very helpful. And I hope you don't have to see my  
11 kitchen any time, nothing like that. Let's see. So, I want  
12 to ask a few questions to follow up on our conversations we  
13 had this morning with the petitioners.

14 I guess I'll start with the restrictive  
15 contracts. I don't know if y'all have any comment on what  
16 you heard this morning, but, yeah, I'd like to hear any  
17 comments you have and also try to figure out where we can  
18 take this. Because I'm not sure we have the information we  
19 need to really go any further right now with it.

20 MR. GOLDSTEIN: I believe we submitted, I think  
21 it's BPI, so I won't talk too much about it, but we have  
22 multiple outside sales representatives who have contracts  
23 with multiple members of the petitioning group that say the  
24 company that they're representing has the right of refusal  
25 if they choose to represent another line that they think is

1 directly competitive and --

2 COMMISSIONER KEARNS: Right. That's what you all  
3 included in your brief, right?

4 MR. GOLDSTEIN: Yes, and no one --

5 COMMISSIONER KEARNS: Okay.

6 MR. GOLDSTEIN: -- literally no one has ever come  
7 back and said, "Oh, shoot, I want to sell KCD, but these  
8 guys said I can't."

9 COMMISSIONER KEARNS: Okay. Is there anything  
10 this is -- oh, go ahead, Mr. Graff?

11 MR. GRAFF: Go ahead and please ask your  
12 follow-up question.

13 COMMISSIONER KEARNS: Oh, it's probably more of a  
14 question for the lawyers, but I'm just trying to figure out,  
15 is there something more we could ask the petitioners to get  
16 at this more systematically? Or not? I don't know.

17 I mean, as I thought about it, I mean, what if we  
18 asked for your, you know, your contracts with your top three  
19 sales representatives? But that doesn't get us very far,  
20 anyway, does it? Because then we just -- we might have  
21 those clauses, we might see those clauses, but it doesn't  
22 tell us, you know, what happened from there, right?

23 MR. NICELY: I don't recall the exact, Matt  
24 Nicely, Hughes Hubbard. I don't recall the exact question  
25 that we proposed be included in the questionnaire, but we

1 did ask about this. We knew from the prelim, at the time of  
2 the prelim, because this issue came up at that time, that  
3 this was a big deal.

4 And we asked that it be talked about, and it  
5 wasn't asked about in the questionnaire. But we have both  
6 Randy and Chris Graff have submitted affidavits that  
7 accompany our brief that talk about this issue, much of  
8 which is confidential, but we have at least that.

9 COMMISSIONER KEARNS: Okay, thank you.

10 MS. EPPARD: Can I just add something?

11 COMMISSIONER KEARNS: Please.

12 MS. EPPARD: This is Julie Eppard from Hughes  
13 Hubbard. You do have some questionnaire data, and we'll go  
14 into more detail in the post-hearing briefs that I think  
15 will elucidate some of the testimony, so we will expand on  
16 that in post-hearing.

17 COMMISSIONER KEARNS: Okay, that'd be great,  
18 thank you. So, on lost sales and lost revenues, you know, I  
19 asked about the question that I got from your brief, you  
20 know, the fact that a lot of purchasers are also U.S.  
21 producers and that, you know, what that might be doing with  
22 respect to the data on lost sales.

23 You know, as they explained this morning, even if  
24 you were to just ignore those responses though, they would  
25 say you still have a pretty significant number of lost sales

1 and lost revenues. And can you all comment on that?

2 MR. DOUGAN: Sure. The data are in our  
3 confidential slides, so I really want to step lightly here  
4 in terms of what specifically I say. We'd argue that what's  
5 left over, if you take out their responses, is not  
6 significant relative to reported purchases and imports at  
7 large, or reported purchases and imports of subject  
8 imports, specifically.

9 And by the way, for that, yeah, it's on  
10 confidential slide 13 of ours. And by the way, we took --  
11 we didn't just take them out of the numerator, we took them  
12 out of the denominator too, right. Because obviously, if  
13 you just took them out of the numerator, it would be unfair  
14 comparison.

15 So, if you just take their responses out. Take  
16 them out of the numerator, take them out of the denominator,  
17 we would argue that these are not material shares of the  
18 reported purchases and imports, either in total, or from  
19 subject sources.

20 COMMISSIONER KEARNS: Okay, thank you.

21 MR. DOUGAN: And by the way, you were quite  
22 correct that it is extraordinarily unusual to get purchaser  
23 responses from domestic producers at the level that you've  
24 got. I mean we've all been doing this a long time. We've  
25 never seen anything like this. The domestic producer

1 questions, the importer's questionnaires have a lot of  
2 opportunity for domestic producers and Petitioners to make  
3 their arguments and talk about their injury.

4 There is even a purchase's segment of the U.S.  
5 producer's questionnaire where they would report that. So,  
6 putting this information, you know, in these other  
7 questionnaires as well, we think is stacking the deck.

8 COMMISSIONER KEARNS: Okay, and I assume you  
9 can't really document that this is unusual in this case,  
10 that you know, based on information you have from past  
11 cases.

12 MR. DOUGAN: For prior cases, the purchaser's  
13 identities would be BPI. So, we wouldn't be able to cross  
14 compare.

15 COMMISSIONER KEARNS: Right.

16 MR. DOUGAN: With hard data, but I think it's --  
17 I mean we've spoken to counsel and others about this, it's  
18 quite unusual.

19 COMMISSIONER KEARNS: Okay, thank you.

20 MS. GRODEN: If I may quickly, this is Cara  
21 Groden, with UCS. There are clear directions on the  
22 questionnaires where if a firm identifies as multiple  
23 things, if you're asking in the U.S. producer questionnaire,  
24 do you import? If so, fill out a U.S. importer's  
25 questionnaire.

1           Do you purchase from other U.S. producers, or  
2           from importers? Report that in a specific purchasers table  
3           within the U.S. producer's questionnaire. It does not at  
4           any point say do you purchase. You should also fill out a  
5           purchaser's questionnaire. The purchaser's questionnaires  
6           are sent to firms identified, to the best of my knowledge,  
7           in the petition by Petitioners as companies and customers of  
8           theirs where you might see some interaction between someone  
9           who might understand something about U.S. producer's  
10          business and importer's business, and that's not what's  
11          requested in the questionnaires.

12                    It's not stipulated. And we think it was out of  
13                    character.

14                    COMMISSIONER KEARNS: Okay. Thank you, my time  
15                    is up.

16                    CHAIRMAN JOHANSON: Commissioner Stayin?

17                    COMMISSIONER STAYIN: Thank you. I want to go  
18                    back to the bathroom, pardon me, I didn't mean it that way.  
19                    I'm talking to Mr. Go, Cabinets-to-Go, we're back with you  
20                    now. Looking at your pre-hearing brief, you stated that the  
21                    imported RTA cabinets sold by your company and other  
22                    retailers, are not interchangeable with custom or  
23                    semi-custom cabinets and do not compete with domestic stock  
24                    cabinets, which cater to different customers.

25                    MR. DELVES: And we bet on that right now, and



1 we're winning. You know, in our introduction right now of a  
2 whole new line, again made by one of the Petitioners, the  
3 whole, you know, some of the fears of our company was we're  
4 just going to cannibalize our current market.

5 We do a lot to get people in our stores. We do a  
6 lot of marketing. We've evolved our marketing to really get  
7 a broader group and go after a different group. And that  
8 different group is coming in looking for that semi-custom  
9 option because they want to be able to do all these  
10 different things. They want to put glass doors on the  
11 bottom. They want glass shelves. They want a door on the  
12 side or a cabinet that's part of a peninsula that our line  
13 has never been able to offer them, and they leave.

14 They want different colors. They want untrimmed  
15 colors, they want, you know, the top is one color, bottom is  
16 another color, that are all things that with the ability for  
17 the Petitioners, the domestic groups that's making the  
18 semi-custom, we now have that ability. They can, you know,  
19 they can distress cabinets. They can glaze them.

20 They can do all of these things that we've never  
21 had because we just had that RTA option.

22 COMMISSIONER STAYIN: Is that true of the stock  
23 cabinet? I think did you say earlier that you do handle  
24 some stock cabinets, not just only RTA product.

25 MR. DELVES: No, we're -- at this point, prior to

1 us launching in test stores the semi-custom option, we're  
2 100 percent RTA.

3 COMMISSIONER STAYIN: No stock?

4 MR. DELVES: Everything we do is RTA.

5 COMMISSIONER STAYIN: I see.

6 MR. DELVES: I mean we stock our RTA, but it's  
7 all RTA. Nothing is assembled.

8 COMMISSIONER STAYIN: Okay, and when you get --  
9 nothing is assembled? Are you talking about the flat pack?

10 MR. DELVES: It's all flat pack.

11 COMMISSIONER STAYIN: All flat pack?

12 MR. DELVES: Yeah, 100 percent, and it goes to  
13 the customer that way. It comes into the country, goes to  
14 our distribution center in Tennessee. It's packaged as a  
15 kitchen, on pallets, shipped to one of our stores, and then  
16 we either will then deliver it to the house. Most times  
17 what happens is the homeowner comes and picks it up  
18 themselves and takes it to their house all still flat  
19 packed.

20 COMMISSIONER STAYIN: Okay, so I misunderstood.  
21 You only sell RTA.

22 MR. DELVES: We don't assemble anything.

23 COMMISSIONER STAYIN: You don't assemble  
24 anything?

25 MR. DELVES: No sir.

1           MR. FISHER: This is Chris Fisher with  
2 DuckerFrontier. I think the important point is that that's  
3 coming in the box. It's predetermined sizes and colors,  
4 right?

5           COMMISSIONER STAYIN: Right.

6           MR. FISHER: And so, there isn't the consumer  
7 interface or the designer interface to say I want this type  
8 of white. I want this type of beige, or gray, or this type  
9 of finish. It's already predetermined all coming into  
10 inventory and it stays there.

11           The difference with stock is that stock isn't  
12 inventory. It can be preassembled, but you can have a  
13 variety of stock options that can be configured to create a  
14 more custom kitchen, right? And so --

15           COMMISSIONER STAYIN: I'm talking about the  
16 bathroom.

17           MR. FISHER: The bathroom, sorry.

18           COMMISSIONER STAYIN: This is about the -- yeah.  
19 That's probably, go ahead.

20           MR. FISHER: But that's -- but even similar, for  
21 a bathroom cabinet, right, or a series of you have the  
22 double bay, or you want to do something that's very high  
23 end, that's the difference that it comes in. It's already  
24 predetermined from a paint and size perspective in the pack.

25           MR. GOLDSTEIN: Randy Goldstein, KCD.

1 Commissioner Stayin, one analogy I sometimes use when I  
2 explain my business to people who, you know, aren't in the  
3 trade, is Legos, right? You can build all sorts of cool  
4 things with Legos, as long as you're cool with the sizes and  
5 colors that Legos come in. But the minute that your  
6 imagination goes beyond what those Legos are capable of, and  
7 there's millions and millions of, you know, wives and  
8 families who want way, way more than we can provide, Legos  
9 are no longer an option.

10 But for the folks who can accommodate their need  
11 with those Legos and want to do it fast, it's a very good  
12 solution.

13 COMMISSIONER STAYIN: So, you do not and I'm  
14 going back to Mr. Go. You do not carry anything but RTA,  
15 that's it.

16 MR. DELVES: Up until recently, and we now offer,  
17 we do not inventory, we offer a semi-custom option made from  
18 ACPI.

19 COMMISSIONER STAYIN: So, your customers don't  
20 really see the product itself, feel, touch, they don't see,  
21 they don't have any of that. They're just basing it based  
22 on your internet site, or?

23 MR. DELVES: No, no, no, we have retail stores.  
24 Which products are you talking about.

25 COMMISSIONER STAYIN: RTA's.

1           MR. DELVES: So, RTA, we do absolutely have  
2 retail stores where like any of the dealers that these  
3 distributors there are selling to, you come in and you see  
4 one of these put together in either a kitchen or a vignette  
5 that shows what the product looks like assembled.

6           COMMISSIONER STAYIN: Can you comment on whether  
7 a domestic producer with a two week lead time for domestic  
8 stock-type cabinets, would compete with Cabinets-to-Go for  
9 the same customer's business?

10          MR. DELVES: I don't see it from a standpoint of  
11 the overall process and all the steps of being able to  
12 fulfill the orders, get them, ship them on a timely basis.  
13 We ship trucks every single week to every one of our stores  
14 and a lot of that has to do with the overall process and  
15 packaging of the RTA that allows it to get all the way to  
16 the end user. And the two-week turnaround, I would probably  
17 question a little as well.

18          COMMISSIONER STAYIN: On page five of your  
19 prehearing brief, you state that the RTA cabinets sold by  
20 domestic producers differs substantially from the imported  
21 RTA cabinets from China. How do they differ?

22          MS. GRODEN: Commissioner, would you mind  
23 clarifying whose brief you're speaking about?

24          COMMISSIONER STAYIN: Page five.

25          MS. GRODEN: Is it the ACCI brief or the

1 Cabinets-to-Go brief?

2 COMMISSIONER STAYIN: Yeah. This is the  
3 Go-to-Go -- this is for Cabinets-to-Go brief, page five.

4 MR. LUDWIKOWSKI: Commissioner, what we were  
5 referring to -- this is Mark Ludwikowski from Clark Hill,  
6 that the RTAs there are -- that a limited amount of RTAs  
7 that are available domestically are much more customized to  
8 a different kind of customer.

9 So for example, a kitchen or to a specific  
10 customer such as a different sector than just an overall  
11 customer that comes into a Cabinets-to-Go store, those are  
12 much more general RTAs, and there are very limited numbers  
13 sold by the domestic industry to begin with.

14 COMMISSIONER STAYIN: In the brief, this is  
15 going to ACCI's brief, you state that "The Petitioner  
16 asserts that custom, semi-custom and stock WCVs are  
17 physically used in the same applications, suggesting that  
18 the difference between these products are minimal and that  
19 these products compete head to head." This is -- this is in  
20 your brief, and I'm asking what your thoughts are on that  
21 comment.

22 MR. NICELY: I'm sorry, Commissioner Stayin.  
23 Can you tell what page you're referring to?

24 COMMISSIONER STAYIN: I'm sorry. Erase that.  
25 Forget that quote.

1 MR. NICELY: Okay.

2 COMMISSIONER STAYIN: That particular item is  
3 not -- it's the Petitioners' brief is what that is, in my  
4 list of questions.

5 MR. NICELY: We disagree.

6 COMMISSIONER STAYIN: Okay.

7 MR. LUDWIKOWSKI: Commissioner Stayin, I just  
8 wanted to clarify one of your questions earlier. So I think  
9 you were referring to page five in our brief, where it  
10 mentions domestic stock/RTA cabinets.

11 I mean those are -- I think that was a typo.  
12 It's not -- they're not meant to be the same. So I think  
13 that would just refer to in the trade sometimes that way.  
14 But they're not the same thing.

15 COMMISSIONER STAYIN: Okay.

16 MR. DELVES: And there's not a supply of  
17 domestic RTA, of any volume. There may be, you know, and  
18 we've approached several groups about doing it, about  
19 partnering with us and being able to produce. I will tell  
20 you in general the comment has always been that absolutely  
21 while they make the components, that's where it stops.

22 In fact, I've even been directed that I'd  
23 better go off and deal with someone that deals with more of  
24 an Ikea type and teach him how to make cabinets, because  
25 packing it and that entire process is very much a different

1 process than building it out and putting it in a box.

2 COMMISSIONER STAYIN: Thank you. That's the  
3 end of my time.

4 CHAIRMAN JOHANSON: Commissioner Karpel.

5 COMMISSIONER KARPEL: Thank you. I want to  
6 start with just making sure we get the terminology right.  
7 So as I understand it we have, from your perspective, three  
8 different segments. We have a stock cabinet, we have a  
9 semi-custom and we have a custom.

10 And then there's another product according to  
11 you called an RTA, but an RTA is -- you could have a stock  
12 cabinet that's an RTA, you could have a semi-custom that's  
13 an RTA, or you could even I guess have a fully custom,  
14 right, as an RTA. But it might -- no. You're shaking your  
15 heads. Okay. So --

16 MR. NICELY: So generally, and then I think  
17 the slide that Professor Marvel had depicts it probably the  
18 best as far as the visual goes. You know which one I mean  
19 Sidney? Yeah. We generally think of stock as being --  
20 sorry, RTA as being a part of stock, right? The flatpack  
21 reference here is a reference to the RTA, right?

22 As a general rule, and again these guys can  
23 tell you, explain this to you in more detail, but RTA is  
24 definitely falls within the stock category because of the  
25 limited number of SKUs available, right.



1                   The limited number of SKUs, the limited  
2 dimensions that are available in that -- in that segment,  
3 where semi-custom are many, many more variations. I mean in  
4 custom, the sky's the limit in terms of variations.

5                   COMMISSIONER KARPEL: So you would argue that  
6 flatpack RTAs are a subset of stock?

7                   MR. NICELY: yes.

8                   COMMISSIONER KARPEL: And they're a subset of  
9 stock that is packaged in a flatpack?

10                  MR. NICELY: Ready to assemble. It literally  
11 has everything in the box that you need to put together that  
12 cabinet.

13                  COMMISSIONER KARPEL: Right, and even if that  
14 flatpack is put together, assembled, you would still say  
15 that the RTA is a subset of stock because of its delivery,  
16 faster delivery time?

17                  MR. NICELY: Or let me put that differently.  
18 Yes, except that it's still distinct from domestic stock  
19 because domestic stock is still being, for the most part,  
20 made to order. Whereas RTA, it's in the box already. It's  
21 sitting on these guys' shelves, ready to be taken off and  
22 shipped to the customer, and they get what's in that box.

23                  They can't ask for it to be changed, but for  
24 the very, very limited instances which Chris and Randy I  
25 think spoke about, where some of these folks will take it

1 out of the box, make some slight modifications to it. But  
2 as Chris said, Chris Graff, the number of times or the  
3 percentage of times that happens with his business is  
4 minuscule.

5 COMMISSIONER KARPEL: All right, thank you.  
6 So again, I want to go back to this idea that as I'm looking  
7 at the staff report, as I calculate it there's a 16 day lead  
8 time difference between stock cabinets, domestic stock  
9 cabinets and imported RTAs. So as I understand your  
10 argument, you're saying 16 days alone is enough to attenuate  
11 competition as between domestic stock cabinets and imported  
12 RTAs.

13 Couple that with what we see in Tables II-3  
14 and II-7, where -- see here in II-7 is the wrong chart --  
15 II-13, where we have U.S. and Chinese cabinets being  
16 compared on a whole series of factors, and the only place  
17 where we see a lack of comparability is price and lead times  
18 for flatpacks.

19 So I guess I feel like your attenuated  
20 competition argument comes down to a matter of 16 days and  
21 one purchasing factor out of many that a purchaser is  
22 considering in purchasing a cabinet type. Am I  
23 mis-summarizing that?

24 MR. DOUGAN: Well Commissioner Karpel, one  
25 thing just to be specific, and the broader question we'll

1 get to in a second. But on the fact, the lead time  
2 information does not distinguish between like RTA, and  
3 within what's in the staff report it does not. In Exhibit  
4 30 to our prehearing brief, we tabulate the data so that you  
5 can distinguish between the RTA products, and as you can --  
6 what you'll see there, and the data are confidential so I  
7 have to be careful.

8           But the lead time for RTA, shipped RTA  
9 imported stuff is even faster and therefore the difference,  
10 the differential is wider. So that's just -- that's one  
11 factual point. The other aspect of it is the other  
12 comparisons that you're making, you know, it's only  
13 distinguished by lead times and price.

14           But again what we're saying is for the segment  
15 of the market that these companies address and for whom that  
16 is important, it's again not important for everyone, right?  
17 They're serving a limited segment of the market --

18           COMMISSIONER KARPEL: I understand your  
19 argument, but I'm just trying to make sure -- I understand  
20 that point, that you think there's a segment of the market  
21 for which time is of the essence and that matters. But I  
22 want to make sure I understand that the crux of your  
23 attenuated competition argument is really on this lead time  
24 issue, that those 16 days or let's say it's less based on --  
25 I haven't looked at your Exhibit 30. It's slightly less

1 than that.

2 But that to me it seems to be the only  
3 distinguishing feature I'm hearing from you to support an  
4 attenuated competition argument, when we have a whole host  
5 of purchasing factors summarized in the staff report.

6 MR. NICELY: Commissioner Karpel, I'm sorry to  
7 put this slide up so many times today, but I think it offers  
8 to explain that your distinction, that your suggestion that  
9 just lead time is so minor doesn't bear out in how the  
10 product is being perceived in the market.

11 COMMISSIONER KARPEL: I'm sorry if it comes  
12 across that way. Lead time, I'm not making a decision on  
13 that, right? But I'm just trying to hone in on what the  
14 argument is, and it may be, as you say, those 16 days or  
15 whatever less days it is difference in lead time really does  
16 make a difference. I'm not saying it does or it doesn't.

17 But I'm just trying to hone in that that is  
18 essentially the argument. This is another argument, right,  
19 where you've said well, if there was really a relationship  
20 between price, why would -- why would the difference  
21 continue to be constant. You know again, I understand that  
22 point too. I'm just trying to hone in on what it really is  
23 given --

24 MR. NICELY: And I guess I would just add --  
25 sorry, Missy. But one more thing I just would draw your

1 attention back again to the video that we played during our  
2 presentation, where I think that we were showing, and  
3 whether it bears out on this particular page of your staff  
4 report or not, the point is that Luke talked about other  
5 things besides lead time.

6 He talked about the quality of the product or  
7 the product showing up at the site in a way that it's less  
8 likely to be damaged. One of the things these folks will  
9 talk about is one of the big problems, by the way, with the  
10 lead time issue is if the product gets shipped assembled and  
11 it's damaged and it was made to order, well guess what?  
12 You've got another four to six weeks to wait to get that  
13 product again. So lead time has many other ramifications to  
14 it than just the number of days.

15 MR. PINKERT: Professor Marvel would like to  
16 speak to the attenuation issue.

17 PROF. MARVEL: It was both your question and  
18 Mr. Kearns' question earlier that struck me that this lead  
19 time does seem to me to have been a really big deal. And  
20 I'm coming from it as an industry outsider and made my own  
21 visit to Lowe's to try and learn what was going on here.  
22 But when you see the effects of the Chinese imports  
23 collapsing in August to October, you asked, "Well, where do  
24 you get those cabinets from? Are you still --

25 And you were asking in my terms, "Is there some

1 elasticity there that we're not seeing?" And the answer,  
2 there's some. But a big deal in terms of what is happening  
3 is that you're seeing a lot of imports from other countries  
4 that have gone from very low levels up to exceed the Chinese  
5 imports in a hurry, starting to fill the pipeline again,  
6 because people want those fast-turnaround things off the  
7 shelf.

8           There's a big demand for that. They wanna go in  
9 and they wanna get them now and they don't want to wait for  
10 the four to six weeks that you're gonna be told if you go to  
11 Lowe's and look at something other than the stuff that's on  
12 the shelf that's pretty low-quality stuff. So this is a  
13 distinct segment and they're trying to get it that way.

14           Will those customers go out and wait when they  
15 have to wait, when they just can't get the stuff off the  
16 shelves? Well, Mr. Klein was saying, "Yes, they will,"  
17 because he said, "We saw in the fourth quarter, we saw some  
18 increase in orders. Now we won't see those, of course, for  
19 a while because those orders won't be fulfilled for a while  
20 and they'll show up in the first quarter." So you can see  
21 there's a substantial gap that's showing up there just in  
22 his testimony of making that substitution.

23           But people don't want to do that in this  
24 particular segment. So they would rather get the nonsubject  
25 imports when they can, maybe for a while, they'll have to

1 put up with this backstop and then ultimately I would expect  
2 that it will be a return to the same sort of situation that  
3 you had before where there was a substantial group of people  
4 who wanted to have cabinets for immediate delivery.

5 I kind of think it was a surprise to people that  
6 you got this outcome because you have to inventory cabinets  
7 from China because it takes so darn long to make them over  
8 there, bring them across and get them on the slow boat from  
9 China. That takes a long time. So those cabinets had to be  
10 in inventory and that's the reason why you could get really  
11 quick delivery. It was for that reason, and I think that's  
12 a really big deal.

13 COMMISSIONER KARPEL: Okay, my time's up.

14 CHAIRMAN JOHANSON: Commissioner Schmidtlein.

15 COMMISSIONER SCHMIDTLEIN: All right. Let me  
16 just follow up a little bit on this line of questions. With  
17 regard to -- I know you were just talking about, this is how  
18 the product from China has to be shipped and so forth -- are  
19 you all saying that retailers like Home Depot and Lowe's,  
20 that they don't sell U.S.-made stock cabinet? Or if they  
21 do, that they place that order with the supplier when the  
22 sale is made? That's how that works? They actually don't  
23 stock the stock cabinet? Is this --

24 MR. FISHER: The big box stores recognize the  
25 unique needs of each different segment, and so they offer

1 both online and in-store cabinet solution or cabinet sales  
2 experiences. And first, is their DIY consumer design for  
3 semi-custom, custom, build with the consumer, which then  
4 takes six to eight weeks. And that's then shipped to, you  
5 know, to completion for install. They also offer RTA, and  
6 they offer --

7 COMMISSIONER SCHMIDTLEIN: But my question is, do  
8 they offer an American-made, a U.S. producer-made stock  
9 cabinet?

10 MR. FISHER: Yes, they offer --

11 COMMISSIONER SCHMIDTLEIN: And do they keep that  
12 in inventory?

13 MR. FISHER: It's limited. It's limited.

14 MR. HUNTER: I used to work for RSI. So RSI was  
15 the largest supplier to Home Depot and Lowe's. So yes, what  
16 our motto was is that we would build the cabinets, which  
17 would take us a week or two in-house. We actually stored in  
18 a million square-foot warehouse, lots of stock cabinets.  
19 But it was just like our stock cabinets. One three-inch  
20 increments, there was only so many that we stocked.

21 And as Home Depot and Lowe's would buy them, then  
22 we would take and repalletize and ship to the store for them  
23 to have them. But in that built form, if you go into a Home  
24 Depot or Lowe's right now, you'll see there's rows and rows  
25 of kitchen cabinets, because they're big and they take up a



1 lot of room --

2 But I would challenge you to go home and look at  
3 your kitchen and go, "Okay, well there's fifteen cabinets in  
4 my kitchen." Then go there and try to find those fifteen  
5 cabinets. They generally are not there, so then you end up  
6 going to the same -- "I have to call the guys, I have to ask  
7 them to give me special three cabinets that I need for my  
8 house," and so you're still a couple of weeks into getting  
9 those cabinets.

10 COMMISSIONER SCHMIDTLEIN: So they do stock  
11 U.S.-made cabinets in their own inventory is what you're  
12 telling me?

13 MR. HUNTER: Yes, ma'am.

14 COMMISSIONER SCHMIDTLEIN: That that -- some  
15 users may have to supplement those with a cabinet or two  
16 that's custom-made to fit a particular dimension?

17 MR. HUNTER: Correct. Or, or that there's just  
18 not enough room in their store to be able to store all the  
19 different sizes that you may have in your house.

20 MR. NICELY: It might still be stock is the  
21 point. But that's the distinction between made-to-order  
22 stock that the domestics mostly do, and the RTA stock that  
23 is already prepared and it's in the box ready to go, and  
24 they can carry much, much more of it because of the less  
25 space that it takes. The seven versus one that Luke Kinser

1 in his video was showing you.

2 COMMISSIONER SCHMIDTLEIN: Okay.

3 MR. GOLDSTEIN: And I would add, and I can't  
4 speak for everyone here, but I can certainly speak for KCD,  
5 that those cabinets tend to be actually cheaper and much  
6 lower quality than the cabinets that I sell.

7 COMMISSIONER SCHMIDTLEIN: Okay. All right. The  
8 next question I had was going back to the channels of  
9 distribution. Do you have any estimation of, for the 50% of  
10 the RTAs that are imported that are assembled by the  
11 importers? Do you know what channels of distribution those  
12 are going into? Would you have any estimate of that?

13 MR. GRAFF: 100% of our assembled cabinets or RTA  
14 cabinets, all of them would go into the dealer channel.

15 COMMISSIONER SCHMIDTLEIN: Would yours go to a  
16 dealer channel?

17 MR. GRAFF: Yeah, they would go to a dealer  
18 channel.

19 COMMISSIONER SCHMIDTLEIN: Okay.

20 MR. GOLDSTEIN: I would just caveat, that's gonna  
21 be different, just depending on customer mix and -- there's  
22 a lot of factors that make -- it's hard to answer that  
23 question broadly.

24 COMMISSIONER SCHMIDTLEIN: But those dealers, I  
25 guess, then they're storing those cabinets in a fully

1 assembled state?

2 MR. GRAFF: If the dealer ordered assembled  
3 cabinets from us, it would typically either be picked up or  
4 shipped directly to the jobsite. Very rarely would one of  
5 our customers inventory and assemble cabinet from us.

6 COMMISSIONER SCHMIDTLEIN: Okay. Okay. I think  
7 that's my -- I think that is the last question I have at  
8 this time.

9 CHAIRMAN JOHANSON: Commissioner Kearns?

10 COMMISSIONER KEARNS: I think I have just one  
11 question left. And it goes to, I think something you were  
12 discussing with Commissioner Stayin, where I think, I think  
13 it was Mr. Delves who talked about how you all sell U.S., I  
14 think custom or semi-custom, I'm not sure which --

15 MR. DELVES: Semi-custom.

16 COMMISSIONER KEARNS: Okay. And no Chinese  
17 semi-custom? Just stock?

18 MR. DELVES: Exactly.

19 COMMISSIONER KEARNS: Okay.

20 MR. DELVES: Yeah, I've never run across a  
21 Chinese or even Asian semi-custom.

22 COMMISSIONER KEARNS: Yeah, okay. And I think,  
23 Mr. Goldstein, you had similar testimony?

24 MR. GOLDSTEIN: I sell only RTA and it's all  
25 stock.

1 COMMISSIONER KEARNS: Oh, you don't sell semi?

2 MR. GOLDSTEIN: No, I mean --

3 COMMISSIONER KEARNS: Okay.

4 MR. GOLDSTEIN: -- again, the kind of broader  
5 theme, I think we've been sharing is, I would contend there  
6 is no such thing as semi-custom or custom RTA.

7 COMMISSIONER KEARNS: Right. And you only sell  
8 RTA, so therefore, okay, got it. So my question is with  
9 Table 2-11, this I think is a compilation of answers from  
10 purchasers. And what this shows is, you still have a lot of  
11 this--and this is publicly available--you've got, for China,  
12 you've still got quite a bit of purchasers who are saying  
13 that there is custom made China product available. And  
14 certainly semi-custom. So I guess I'd like to hear from you  
15 all on that. And what I thought I was hearing before is,  
16 "No, you know what you're gonna get from China is just  
17 stock, and almost always in the form of RTA." But this  
18 seems to suggest otherwise.

19 MR. NICELY: Commissioner Kearns, we will look at  
20 this for post-hearing. We'll look at this in detail because  
21 obviously, it's confidential. If you would dig in and  
22 look at each individual purchaser. You disclosed earlier  
23 today that several of the purchasers are in fact, the  
24 producers themselves. That may be part of what's going into  
25 this.

1           The fact is that some of the product coming in  
2 from some of those, from some of the domestics themselves,  
3 are not necessarily being sold. They're not necessarily  
4 RTA, so some of the -- we talked earlier about you heard in  
5 my opening, you heard in what Jim talked about, that -- and  
6 what several of the other witnesses talked about as well,  
7 which is that some of the big companies amongst the  
8 Petitioners, have facilities overseas.

9           And during the POI, definitively have them in  
10 China, no question. In fact, so much so, that Master Brand  
11 was seeking to get an exclusion from Section 301 for the  
12 product that they bring in. So, but the point is that we  
13 need to look at this in more detail, and we can do that in  
14 post-hearing.

15           COMMISSIONER KEARNS: Okay, thank you. And I  
16 guess, also, your answer makes me wonder too, whether we're  
17 talking about components or not, and I'm not sure if this  
18 chart would be covering components or not, but I guess.

19           MR. GOLDSTEIN: Randy Goldstein, KCD. Just to,  
20 you know, add some color, I showed you the picture of the  
21 woman at the Vietnam factory with her Master Brand outfit,  
22 or I referred to the factory to kick this out of China, of  
23 that particular factory in China, due to Master Brand  
24 volume. In the vast majority of cases I have observed, yes,  
25 it's components, and they could very well be going into a

1 semi-custom product. I couldn't tell you precisely.

2 COMMISSIONER KEARNS: Okay. Thank you. I have  
3 no further questions.

4 CHAIRMAN JOHANSON: Commissioner Stayin?  
5 Commissioner Karpel? No problem.

6 COMMISSIONER KARPEL: Sorry, everyone here. But  
7 I did want to ask a couple questions, and if you want to do  
8 some of this in post-hearing, you know, you're welcome to.  
9 But I wanted to ask what you make of Tables 4-8 and 4-9?  
10 Commissioner Schmidtlein asked the domestic industry about  
11 these tables in the morning.

12 It's, you know, confidential data, so maybe  
13 there's not much you can say here, but these are tables that  
14 show apparent U.S. consumption and market shares for RTA  
15 flat pack cabinets. Shares between domestic and imported as  
16 well as fully assembled same data. So, there's some trends  
17 there. I'm interested in your reaction to those.

18 MR. DOUGAN: Commissioner Karpel, hi, Jim Dougan  
19 from ECS. And we'll discuss this more fully in post  
20 hearing. But one thing and when Commissioner Schmidtlein  
21 asked this question of the morning, I spent some time  
22 looking at these charts and I have to be careful about what  
23 I can say. But particularly, with regard to Table 4-8,  
24 when you look at the trend and you look at, you know, I mean  
25 I think I can discuss the trend that this table shows a

1 small increase in the market share of imports from China for  
2 fully assembled WCV's, right?

3 But again, our contention being -- and we would  
4 argue that that itself is small, and not material in the  
5 context of increasing U.S. shipments also into this segment,  
6 and also for all the attenuation and segmentation reasons  
7 that we mentioned before.

8 However, this also deals only with questionnaire  
9 data, right? And so, to the degree which we submit that it  
10 significantly understates domestic shipments. The market  
11 share that you see here, and the increase therein would be  
12 even less material, but we'll get into that more for --  
13 because we know, I mean whatever we say, however much bigger  
14 the market we say is, and depending on the different  
15 estimates, you can pick whatever number, you know, we'll  
16 pick a number.

17 But that's all domestic, right? Because we know  
18 what the import numbers are. So, whatever's left over has  
19 got to be domestic. And so, whatever is left over is going  
20 to make that import share even smaller, and the increase  
21 therein even smaller, so that's how we would do that.

22 COMMISSIONER KARPEL: Okay.

23 MR. NICELY: And I just want to make the point  
24 again, increasing subject import market share in a market  
25 that's growing, where the domestic industry itself is

1 growing, is something I think that the Commission should  
2 look at very, very carefully because the narrative you're  
3 hearing from the Petitioners is we lost market share, we  
4 lost market share, we lost market share.

5           But in fact, they sold more in terms of total  
6 value, which is the way in which this industry measures  
7 itself is by value, not number of cabinets. And in fact,  
8 which also means but if you're going to look at number of  
9 cabinets, their prices went up at the same time. So, the  
10 notion that they lost market share, when in fact what was  
11 apparently happening, as you can tell from the data, if you  
12 look at all of it together, including the pricing product  
13 data, is that the subject imports were serving a part of the  
14 market that the domestic industry is not serving.

15           And so, if they're not serving it, how is our --  
16 but the scope is defined broadly. If they're not serving  
17 that part of the market, that part of the market, there's  
18 significant demand for it. We're the only ones providing  
19 it, our gain in market share is not their loss.

20           COMMISSIONER KARPEL: Two more questions. So, I  
21 did want to ask about this, and you're sort of estimates of  
22 what the actual size of the market is. And you know, the  
23 staff report measures consumption in the traditional way of  
24 you add imports plus production and you get shipments,  
25 domestic shipments and import shipments, and you get



1 consumption. Why should we set that aside for purposes of  
2 this investigation, and look at these other available  
3 sources? Are there examples of when the Commission has  
4 done that and --

5 MR. NICELY: Absolutely.

6 COMMISSIONER KARPEL: For guidance, and why are  
7 you similar?

8 MR. NICELY: Absolutely. Well, why are we  
9 similar? Because I think the other examples, again  
10 apologies, I come to you and talk about softwood lumber a  
11 lot. But the fact is you have other cases in which the  
12 market is so big, that if your staff actually had to deal  
13 with the number of questionnaires it would take to collect  
14 questionnaires from a significant majority of the market  
15 then they would -- you would have to hire a lot more people.

16 This market, and again, we haven't really talked  
17 a lot about it today, but Chris Fisher, DuckerFrontier, did  
18 a study analyzing this issue in detail. We hired him to do  
19 that, to look at it in detail because this issue arose  
20 during the prelim. We knew about the NKBA study that had  
21 the size of the market at 30 billion dollars, back a year  
22 ago, and almost a year ago, and we were sitting here at the  
23 staff conference.

24 And the Petitioners took issue with it. The  
25 staff and the Commission decided to use the questionnaire

1 data. Everything that we were looking at, including the  
2 Petition, by the way, including other studies, Fredonia,  
3 other studies out there, suggest that the market is far  
4 bigger than your questionnaire data. This is a case that is  
5 more similar in my view, to many, many other cases where in  
6 fact, you have used subscription data that is available to  
7 you, like NKBA, that shows you how big the market is.

8 And if the market is that big, then it just  
9 demonstrates that our part of it is all that much smaller.

10 MR. DOUGAN: Commissioner Karpel, if I can just  
11 add one thing to that. And to give a sense of  
12 proportionality, because you might be thinking, okay, these  
13 numbers are a lot bigger than what's in the staff report and  
14 how realistic is that? Obviously, Mr. Fisher is an expert,  
15 he can testify to this, but just in the sense of you  
16 received usable questionnaire data from 48 U.S. producers,  
17 48, okay?

18 There are, by his estimate, by NKBA estimate,  
19 8,000 cabinet producers in the United States, okay? There  
20 is a survey that we attached to our pre-hearing brief of  
21 Cabinets Manufacturer Association, CMA, I believe. I know  
22 the acronym is CMA, I forget what the things stand for.

23 Smaller cabinet manufacturers, maybe folks who  
24 would be too small to have the resources to fill out a  
25 questionnaire, but there were hundreds of them. And so,

1 it's a long tale, it's a really long tale of smaller  
2 manufacturers who aren't a Master Brand. They aren't an  
3 ACPI, they aren't in American Wood Mart. But when you add  
4 all that up, you get to numbers like not just for Donia, but  
5 to NKBA, and what Mr. Fisher came up with. And so, that is  
6 a material understatement of apparent consumption and  
7 therefore, a material overstatement of domestic subject  
8 import penetration.

9 MR. FISHER: And if I could, Chris Fisher,  
10 DuckerFrontier, since everyone's talking about it. Let me  
11 maybe make a response. So, and this is my life. This is  
12 our life, right, so we are basically, this is our focus and  
13 our career, and we spend a great deal of time and effort  
14 digging into complex markets, and building construction is  
15 my specialty.

16 And with building construction, it is such  
17 massive scale and fragmentation, whether it's this cabinet  
18 industry which we triangulate to a 28 billion dollar plus  
19 market. Why is that? Because look at all the numbers in  
20 terms of users and segments, 12 different end segments,  
21 millions of homes being built, multi-family units,  
22 remodeling existing home stock, et cetera, a tremendous  
23 amount of different levels of demand, and that's  
24 triangulated with supply.

25 And then you look at it's a triangulation of top

1 down and bottom up. And so, you have to look at all of  
2 those sources together, and it's a very rigorous and  
3 detailed process that takes time. And I appreciate there's  
4 a 30 day window of collecting good survey responses in your  
5 process, and we typically do, you know, three, four months,  
6 and thousands of data points.

7           But the NKBA is the industry benchmark and they  
8 have that 30.3 billion. Now, that's a little bit, we've  
9 looked into their methodology and it's quite extensive,  
10 compared to KCMA, which is a trending, a monthly trending,  
11 but very low sample. And as you know, in sampling  
12 statistics, and market estimation, larger coverage over a  
13 period of time with supply side resources and some middles,  
14 allows you to work with a lot more data and be more  
15 accurate.

16           And that's what we've -- that's what we've  
17 attempted to do. And if you reverse the analysis and you  
18 say, well let me take and try to make sense of a 9 billion  
19 dollar market, that means we have a lot less more employees,  
20 they're paid a lot less in the industry, and there's not  
21 fewer firms. And of course, the BLS data, Nak's co-data,  
22 NHB data, all these other sources would be wrong.  
23 and that's just not the case.

24           COMMISSIONER KARPEL: I'm sorry, I have one more  
25 question if you will indulge me here. Why don't domestic

1 producer's make RTA's from your perspective?

2 MR. DELVES: In all the groups we've talked to,  
3 in fact, one of the Petitioners through this -- sent a group  
4 to China to study how to do it, came back and decided they  
5 didn't want to retool the back end of their operations in  
6 order to do it. In fact, again, I had several groups tell  
7 me that you needed to find somebody that understood how to  
8 make anything RTA and go that route, instead of trying to  
9 get a group that normally makes a cabinet, that then puts  
10 it together.

11 Again, I agree with this point this morning.  
12 They make all the components, and me coming into this  
13 industry, that was my argument. You make all the pieces,  
14 just don't put them together, but -- I'm trying to over  
15 simplify it. But the real concept is of actually being able  
16 to produce an RTA in a way, and pack it in a certain way,  
17 that then can be shipped to somebody, you, to be able to put  
18 it together is a completely different back end of their  
19 operation, and they're just not willing to do it.

20 I mean we went to them with the concept of we've  
21 got, you know, two 400,000 square foot buildings, we'll let  
22 you use part of it. You can build them here. And they just  
23 had no interest in doing it.

24 MR. GOLDSTEIN: Randy Goldstein, KCD. I would  
25 add to that something that even people within the cabinet

1 industry tend not to appreciate, which is our business model  
2 is to hold thousands and thousands of cabinets in stock, and  
3 you come to me, you order the kitchen and we pull the right  
4 cabinets and send them to you.

5           The reality is, those cabinets likely came from  
6 different production runs at different times, possibly in  
7 different factories, but you don't care about any of that.  
8 When you hang them on your wall, or your installer hangs  
9 them on the wall, they better match perfectly. The  
10 tolerances on the woodwork better be precise, because  
11 they're made -- unlike a made to order kitchen where, you  
12 know, you pick, whatever, you know, beautiful color, white  
13 -- Missy's talking about, and if your kitchen is a shade or  
14 two off of the sample, but matches itself, that's no big  
15 deal.

16           The level of color engineering and precision, and  
17 by the way, we only get this by working with Sherwin  
18 Williams, an American company. It's very, very difficult to  
19 achieve. And you start talking about warranty parts and the  
20 interchangeability of parts between production runs, that  
21 level of tolerance and precision is remarkably different  
22 than you see in the domestic industry and made to order  
23 industry, and much less forgiving.

24           MR. FISHER: Chris Fisher, DuckerFrontier. Let  
25 me just finish my point. Quickly, I think it also reflects

1 the choice of our business model and it also reinforces the  
2 point that it's really not that big of a segment, right?  
3 You have a 28 to 30 billion dollar industry and this flat  
4 back RTA business is a sliver of the actual industry. And  
5 they're busy trying to figure out how to compete in that 90  
6 percent, or whatever that is. And so, most of their  
7 strategy, most of their investment, most of their pivots are  
8 going to you know, competing with other domestics and other  
9 big brands, and managing consolidation that they're doing,  
10 and they've consistently made a choice not to say even  
11 though there's this trend, I'm not investing in that.

12 MR. GRAFF: Chris Graff from JSI. JSI operated  
13 two plants that were dedicated to JSI in China. The, you  
14 know, there's a big difference between that plant and one of  
15 the domestic plants. When we plan our inventory build, if  
16 we took a sink based cabinet, it goes in every kitchen, we  
17 may run 2,000 white sink base cabinets, all -- just for a  
18 week. We cut all the plywood, seven sheets at a time,  
19 right?

20 We cut all the parts and pieces, you know, at the  
21 maximum quantity. We have a dedicated machine for every  
22 single thing and we're just making that one kind of cabinet  
23 for a week. And it's all painted in an enclosed flat line  
24 system, that does everything perfect the first time. It's  
25 all formulaic and then all of those cabinets are packaged

1 into their RTA components, you know, and then eventually  
2 loaded and shipped.

3 That's very, very different than any domestic  
4 manufacturing, cabinet manufacturing plant than I have been  
5 in. And I think I have been in maybe 25 different plants.  
6 So, yes, so you know and when we're making to order, the  
7 reason that it takes a long time for the orders to flush  
8 through the system is they're scheduling out all these  
9 different randomized kitchens that are coming in. And I  
10 know it's very difficult to understand the skews and how it  
11 all fits together, but there is a commonality of items that  
12 are in many kitchens, and then you have the long tail of all  
13 these little things that you may sell one a month, or ten a  
14 month, and they all have to be scheduled through the same  
15 work flow.

16 It's much more of a cellular process than a  
17 continuous work flow process. And from my view, we pick up  
18 a lot of efficiencies on packing all of those component  
19 parts because of the scale of the continuous process, which  
20 would be very difficult if you were packing up a lot of  
21 different types of cabinets, right?

22 Any time you do a shift change, or a changeover  
23 in a plant, it's down time, it's expensive, the work is not  
24 as steady, and I believe that there's significant material  
25 difference, both in the degree of automation, but also in



1 the fundamental scheduling of how the plants run.

2 We may have 160 skews in our product line, we  
3 keep it very narrow. We only offer a few colors. And we  
4 make a ton of them, and people want to buy them.

5 CHAIRMAN JOHANSON: Commissioner Schmidtlein?

6 COMMISSIONER SCHMIDTLEIN: I just had one more  
7 question. I just want to make sure that you address this in  
8 the post-hearing brief, just thinking of the theory of your  
9 case and the last thing you said about the loss of market  
10 share, because that is the crux of their case, right, that  
11 when you look at the information in the staff report,  
12 there's a loss of market share, there's overwhelming  
13 underselling and that equals injury, right?

14 And then there's a price suppression argument.  
15 So, what I would like you to succinctly address, right, to  
16 make sure it's on the record, is you all have argued well,  
17 that loss of market share, the gain by the subject imports,  
18 was not really their loss, because they don't serve this  
19 market, because this market is all about lead time, which is  
20 what Commissioner Karpel was discussing with you.

21 And so, I just want to make sure you address this  
22 -- how do we consider the purchaser? What we do have on the  
23 record from purchasers? So, if the Commission were going to  
24 write an opinion that says, you know, we're going to  
25 disregard the loss of market share, we're going to say that

1 that wasn't really lost, because those sales would not have  
2 been made absent the subject imports selling these RTA's.

3 How will we explain away the Table 2-8 where the  
4 purchasers when asked how important certain factors were,  
5 didn't list lead time as very important in as many instances  
6 as you see with regard to say, price and so forth. So, you  
7 know, lead time for assembled product, only 25 purchasers  
8 listed that as very important.

9 And then when you look further down where you  
10 have, you know, how important is an assembled, versus an RTA  
11 flat pack, only 19 listed it and then you have 11 saying  
12 it's not important, 8 say somewhat important, so in the  
13 middle. And then lead time for RTA flat pack, the same.  
14 You have 19 saying it's very important, but then 12 saying  
15 it's not important.

16 So, if we were to write an opinion saying yeah,  
17 this is why the subject gained, how would we address what's  
18 in the staff report in this table? You don't have to answer  
19 it now, I'd just invite you to do it in the post-hearing,  
20 unless you want to answer it.

21 MR. NICELY: We'd be happy to do it in the  
22 post-hearing, but I would say these are questions posed to  
23 all purchasers, not necessarily distinguishing upon what  
24 they are buying. I mean, one thing just to -- and this is a  
25 critically important issue and it's one that I think that

1 the Commission should think about addressing in future cases  
2 with regard to price.

3 Price for all of us, as consumers, is always  
4 going to be important. But if you're only in the market to  
5 buy an RTA product, then a price that matters is Randy's  
6 price versus Robert's price, right? Price matters between  
7 them. But that doesn't mean it matters between them and the  
8 domestics, right?

9 So, that's one critical issue with regard to  
10 price. It has to be addressed. As I'm looking at these  
11 other ones, and we'll address is in lead time. If you're  
12 asking all purchasers, well the purchaser for home, the  
13 purchasers that buy RTA, lead time is important. Purchasers  
14 who buy custom or semi-custom, lead time is not so  
15 important. So, in other words, those differing answers in  
16 this table don't tell me anything about those issues that  
17 we're addressing here, because you might be talking about  
18 purchasers who are completely different, in different parts  
19 of the market.

20 COMMISSIONER SCHMIDTLEIN: Okay. I guess then  
21 you can include, what would we point to, to say that these  
22 sales just wouldn't have happened? You know, this is kind  
23 of back with along the lines of Commissioner Kearns  
24 questions, right?  
25 I'm going to write an opinion and cite to the evidence, what

1 am I going to point to?

2 MR. NICELY: Right. We'll address it in detail,  
3 but I do want to --

4 COMMISSIONER SCHMIDTLEIN: And I know there's  
5 been a lot of witness testimony here to that effect. Is  
6 there anything else in the staff report that we could point  
7 to?

8 MR. NICELY: We'll address that in the  
9 post-hearing. I will leave you with one last thought. And  
10 it was in Randy's testimony that I think you ought to  
11 consider as well. That here we are on the cusp of, or in  
12 the wake of Section 301 duties, and AD/CVD prelim, and what  
13 do you discover from just to use an example, Master Brand?

14 But some of these folks go over to Vietnam  
15 because in their view the only option is another foreign  
16 option, because they can't get what they need from the  
17 domestics. And what do they do but visit plants in Vietnam,  
18 for instance, and discover that they're all getting taken up  
19 by Master Brand, or several of them.

20 Right? So, and if that's the case, then what  
21 it's telling you is that the Petitioners themselves  
22 recognize this reality in the marketplace. That there is a  
23 place for them to have, as one of them said this morning,  
24 still have 8,500 employees in the United States, who are  
25 selling 90 percent of the market at pretty healthy prices

1 and steady prices, that aren't going down because of  
2 imports.

3 And yet they still have a need for a certain  
4 segment of the market that they're serving from their  
5 overseas plants. So, that's what I think that we need to  
6 look at carefully, to determine whether or not in fact, is  
7 that business going to go if you impose, if you go  
8 affirmative, and these AD/CVD duties are imposed. Is that  
9 business going to go to the domestics?

10 Master Brand is helping to answer that question,  
11 apparently not.

12 COMMISSIONER SCHMIDTLEIN: Okay, alright, thank  
13 you. That's all.

14 CHAIRMAN JOHANSON: Commissioner Kearns?

15 COMMISSIONER KEARNS: Yeah, just one quick  
16 question for both Petitioners and Respondents, and just for  
17 post-hearing, I think. But Mr. Nicely, you had mentioned  
18 earlier that U.S. shipments are up, and I was thinking they  
19 went down. I remember I was looking at volume, you were  
20 looking at value. I know in general in this case, I think  
21 we all seem to agree it makes more sense to look at value,  
22 but I guess I'd like to hear from both sides as to why we're  
23 seeing values go up, you know, by a decent amount, and we're  
24 seeing volumes go down by a decent amount.

25 And so, just to both sides, Petitioners and

1 Respondents can kind of post-hearing explain what's going on  
2 there and what we should focus most on, would that be  
3 helpful?

4 MR. NICELY: I'm happy to address that in  
5 post-hearing. Thank you.

6 COMMISSIONER KEARNS: I have no further  
7 questions.

8 CHAIRMAN JOHANSON: Commissioner Stayin? Do any  
9 of the other Commissioners have questions? No Commissioners  
10 do. Do staff have any questions for this panel?

11 MS. HAINES: Elizabeth Haines. Staff has no  
12 questions.

13 CHAIRMAN JOHANSON: Do Petitioners have any  
14 questions for this panel?

15 MR. BRIGHTBILL: No questions.

16 CHAIRMAN JOHANSON: Alright, Petitioners have no  
17 questions. Alright, before I dismiss this panel for the  
18 Petitioners and the Respondents to make their rebuttals and  
19 closing statements, I note that with regard to time  
20 remaining, Petitioners have zero minutes of direct, zero  
21 minutes of -- pardon me. Petitioners have a total of 5  
22 minutes for closing, for 5 minutes in total. Respondents  
23 have a total of 5 minutes for closing, which means they have  
24 a total at the end of 5 minutes.

25 So, in other words, each of you get 5 minutes.

1 I've got this chart here which tells me everything, but in  
2 the end, it just means you both get 5 minutes. This panel  
3 is dismissed. Thank you again for appearing here today.

4 MR. BURCH: Closing and rebuttal remarks on  
5 behalf of the Petitioner will be given by Timothy C.  
6 Brightbill of Wiley Rein. Mr. Brightbill, you have five  
7 minutes.

8 CHAIRMAN JOHANSON: I might note that we are  
9 missing one Commissioner. So you might want to hold off,  
10 Mr. Brightbill. She would probably appreciate that.

11 MR. BRIGHTBILL: I will wait for a minute.  
12 Thanks.

13 CHAIRMAN JOHANSON: Certainly.

14 You can go ahead whenever you would like, Mr.  
15 Brightbill.

16 CLOSING STATEMENT OF TIMOTHY C. BRIGHTBILL

17 MR. BRIGHTBILL: Thank you again for your hard  
18 work on these crucially important investigations. This  
19 afternoon Respondents asked you to ignore a lot -- the  
20 pricing product under-selling data, and definitions. By the  
21 way, they are the same products.

22 The size of the market, somehow they say you  
23 missed two-thirds of the market. That is wrong. The  
24 purchaser comparisons between the U.S. and China, the market  
25 shares, the purchase factor importance, the availability of

1 custom, semi-custom, and stock for U.S. and China. Please  
2 reject their invitation for you to throw out the prehearing  
3 report. Your data is correct, and it leads to an  
4 affirmative determination.

5           At the same time, all afternoon Respondents made  
6 clear the overlap of domestic product and RTA. The overlap  
7 of assembled product, the overlap of lead times, the overlap  
8 of channels of distribution. The modifications of RTA  
9 products, which means competition with stock and  
10 semi-custom. The continuum of dealers. The continuum of  
11 features.

12           All of this leads back to head-to-head  
13 competition. And take another look, if you want, at the  
14 cabinets. Could you tell the difference between the  
15 semi-custom, the stock, and the Chinese RTA? I think you  
16 know the answer to that.

17           With regard to MasterBrand, page 4 of  
18 Respondent's slides was a quote from Lee Avzek of  
19 MasterBrand. This quote was referred to all day. We  
20 thought you would like to see the entire quote. Here is the  
21 transcript from the 301 hearing. It is a little hard to  
22 read. That Ms. Avzek did talk at the hearing about cabinet  
23 components, but also about plywood.

24           So she says on this page: For example, plywood.  
25 All plywood is not the same. The plywood we buy from the



1 U.S. is fundamentally different from the plywood that we buy  
2 in China.

3           So it is clear at the bottom that the quote,  
4 "U.S. producers don't have the capacity or frankly the  
5 desire to make this product" is talking about plywood. Not  
6 RTA cabinets. So it is appalling to me that they would  
7 mischaracterize her quote.

8           She was here all day. She looks forward to  
9 addressing that in the posthearing brief.

10           With regard to Chuck-in-a-Truck, and Commissioner  
11 Kearns' very good questions, I have a couple of questions,  
12 too. First, is Chuck-in-a-Truck selling 20 million  
13 cabinets? I don't think so. That doesn't explain what's  
14 going on here.

15           And why can't Chuck-in-a-Truck build a Lowe's or  
16 a Home Depot, as Commissioner Stayin and Schmidlein both  
17 pointed out. So as Commissioner Kearns said, it has got to  
18 be at the expense of the U.S. industry. There is no other  
19 place to go.

20           And by the way, if you go affirmative will that  
21 business come back to U.S. production? Absolutely it will.  
22 So there are many other ways to buy cabinets same day. Many  
23 dealers stock cabinets.

24           For example, at Schillings you heard from the  
25 witness their catalog shows all in stock. Take it home

1 today. That is a domestic option. It is all made in the  
2 United States.

3           You have got the home centers. You have got the  
4 retail. And in these examples the cabinets are not only  
5 assembled, they are made in the USA. The Chuck-in-a-Truck  
6 buys a lot from Schilling. Also, Schilling and dealers like  
7 them have cash and credit card, and cash-and-carry options,  
8 so that is not a barrier, either.

9           Commissioner Karpel is correct, there is no  
10 credible attenuating competition here, and the lead time  
11 differences are very small, especially when so many dealers  
12 and retailers carry U.S. product in stock.

13           It was very improper for Mr. Goldstein to try and  
14 misstate the actions of MasterBrand and American Woodmark in  
15 terms of why are they having to shift domestic  
16 manufacturing. They told you. It was because of dumped and  
17 subsidized imports from China.

18           Yes, MasterBrand, American Woodmark do  
19 manufacture some things overseas. It is a small portion of  
20 their business, and they were forced to do so to try and  
21 compete with China. And in fact MasterBrand had to close  
22 its Alabama facility due to the Chinese imports. They  
23 actually got technical adjustment assistance for that for  
24 their workers in Alabama, which means it was based in part  
25 on imports.

1            Respondents allege that we don't view RTAs as  
2 competitors. If this were true, why did we bother to bring  
3 this case in the first place? Of all of Respondents'  
4 convoluted arguments, that one is the most convoluted.

5            So again, I thank you for your hard work. Don't  
6 throw it all out. The prehearing report and the other  
7 record evidence demonstrates material injury. There is a  
8 single like-product. Price is the number one purchasing  
9 factor. It is the main thing that distinguishes these  
10 otherwise very comparable products.

11            You have volume. A staggering 1.6 billion worth  
12 of products, 1.6 billion in imports is not a niche of  
13 anything. It is all over this market. Under-selling in  
14 almost all comparisons, very high preliminary margins, price  
15 effects, harm to the U.S. industry.

16            This investigation involves more than 35,000  
17 American production workers, certainly one of the largest  
18 cases I've ever been involved in. On behalf of all of those  
19 workers and all of these companies, we ask you to make an  
20 affirmative determination for the domestic industry.

21            Thank you.

22            MR. BURCH: Thank you, Mr. Brightbill. Rebuttal  
23 and closing remarks on behalf of the Respondents will be  
24 given by Michael R. Nicely and Dean A. Pinkert of Hughes  
25 Hubbard & Reed. Mr. Nicely and Mr. Pickard, you have five

1 minutes.

2 CLOSING STATEMENT OF DEAN A. PINKERT

3 MR. PINKERT: Good afternoon. I'm going to lead  
4 off for the closing argument for Respondents. And want to  
5 thank you all for sitting through a very long hearing and  
6 being very engaged throughout the hearing. These are  
7 difficult issues and you've all clearly dug into the issues  
8 and dug into the data and you want information and more data  
9 and analysis and we're going to give that to you in the  
10 post-hearing, but we appreciate the involvement and the  
11 engagement.

12 Now, I want to make a few technical points here.  
13 First of all, underselling, even if we accept the pricing  
14 products and the pricing product data, underselling is not,  
15 in itself, a price effect. If you have underselling and  
16 it's not correlated or associated with any kind of price  
17 suppression or price depression or any kind of volume  
18 effects, then it shows that something else, besides the  
19 subject imports, is having an effect on the domestic  
20 industry. It's not the subject imports. That's evidence  
21 right there of the attenuated competition that we're talking  
22 about.

23 Similarly, lost market share, which you heard  
24 Petitioners make so much of, lost market share, in itself,  
25 is not an adverse volume effect. It's not. The lost market

1 share would only be a volume effect -- an adverse volume  
2 effect, those were parts of the market that were accessible  
3 to the domestic industry. And what you've heard today is  
4 that the RTA subject imports are serving a part of the  
5 market that is not served by the domestic industry, that the  
6 domestic industry has, for whatever reason, chosen not to  
7 serve or can't serve and it's simply not an indication of  
8 anything; particularly, when even there's lost market share  
9 the domestic industry is actually increasing its sale value  
10 where the pricing is actually advantageous to the domestic  
11 industry.

12           So, what you have here is a situation where the  
13 domestic industry was not in a position to grab market share  
14 had the subject imports not been available in the market.  
15 And this leads, of course, to the question that Commissioner  
16 Kearns raised early in the hearing and it's an important  
17 question. What would've happened had RTA imports not be  
18 available in the market? Given the highly attenuated  
19 competition that Professor Marvel spoke to and has analyzed,  
20 we submit that the domestic industry would not have  
21 benefited in any significant way had the subject imports not  
22 been available. And there's evidence within this record as  
23 to what would've happened under those circumstances.

24           So, this goes to a very, very important issue of  
25 causation. There's no doubt that there may be some members

1 of the domestic industry who are experiencing some  
2 difficulties. They may even believe that it's the subject  
3 imports that have caused those problems for them, but the  
4 facts are the facts. And the facts of the record  
5 demonstrates that it's not the subject imports and that  
6 perhaps they have been convinced or bamboozled by other  
7 members of the domestic industry to believe that the cause  
8 of the problem is the imports.

9           So, based on that -- based on the lack of  
10 causation right there, based on the break in the link of  
11 causation there is no basis for an affirmation  
12 determination. And we submit that that situation shows no  
13 indication of changing in the imminent future, therefore, we  
14 submit the Commission should reach negative determinations  
15 both with respect to material injury and threat of material  
16 injury.

17           MR. NICELY: We're almost out of time and I know  
18 everybody wants to go home, so I'll address what else we  
19 want to talk about, including what Master Brand has  
20 indicated that we misstated what they said in their Section  
21 301 comments. We'll talk about that in our post-hearing,  
22 but we'll share additional portions of that transcript with  
23 you to indicate exactly what they were saying about the  
24 importance of the kind of product that they get from China.  
25 We'll also explain to you the real facts behind their

1 decision to move from their Auburn plant to the Mexican  
2 plant, but we'll take care of that in post-hearing. Thank  
3 you.

4 CHAIRMAN JOHANSON: Alright, thank you to both  
5 of you and also to Mr. Brightbill for your closings. I will  
6 now make the closing statement. Post-hearing briefs,  
7 statements responsive to questions and requests of the  
8 Commission and corrections to the transcript must be filed  
9 by February 27, 2020. Closing of the record and final  
10 release of data to parties occurs on March 18, 2020 and  
11 final comments are due on March 20, 2002. With that, this  
12 hearing is adjourned)

13 (Whereupon, the hearing was adjourned at 6:17  
14 p.m.)

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## CERTIFICATE OF REPORTER

TITLE: In The Matter Of: Wooden Cabinets and Vanities from China

INVESTIGATION NOS.: 701-TA-620 and 731-TA-1445

HEARING DATE: 2-20-20

LOCATION: Washington, D.C.

NATURE OF HEARING: Final

I hereby certify that the foregoing/attached transcript is a true, correct and complete record of the above-referenced proceeding(s) of the U.S. International Trade Commission.

DATE: 2-20-20

SIGNED: Mark A. Jagan  
Signature of the Contractor or the  
Authorized Contractor's Representative

I hereby certify that I am not the Court Reporter and that I have proofread the above-referenced transcript of the proceedings 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 proceedings.

SIGNED: Christopher Weiskircher  
Signature of Proofreader

I hereby certify that I reported the above-referenced proceedings 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 proceedings.

SIGNED: Gaynell Catherine  
Signature of Court Reporter