UNITED STATES
INTERNATIONAL TRADE COMMISSION

In the Matter of:	**) Investigation Nos.:**
CERAMIC TILE FROM CHINA	**) 701-TA-621 AND 731-TA-1447 (PRELIMINARY)**

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THE UNITED STATES INTERNATIONAL TRADE COMMISSION

In the Matter of:) Investigation Nos.:
CERAMIC TILE FROM CHINA) 701-TA-621 and
) 731-TA-1447
)(Preliminary)

Wednesday, May 1, 2019
Main Hearing Room (Room 101)
U.S. International
Trade Commission
500 E Street, S.W.
Washington, D.C.

The meeting commenced, pursuant to notice, at 9:30 a.m., before the Investigative Staff of the United States International Trade Commission, Nannette Christ presiding.

APPEARANCES:

On behalf of the International Trade Commission:

Staff:

WILLIAM R. BISHOP, SUPERVISORY HEARINGS AND INFORMATION OFFICER
TYRELL T. BURCH, PROGRAM SUPPORT SPECIALIST
SHARON BELLAMY, RECORDS MANAGEMENT SPECIALIST

Staff (continued):

NANNETTE CHRIST, DIRECTOR OF INVESTIGATIONS
DOUGLAS CORKRAN, SUPERVISORY INVESTIGATOR
NATHANAEL COMLY, INVESTIGATOR
KARL TSUJI, INTERNATIONAL TRADE ANALYST
ANDREW KNIPE, INTERNATIONAL ECONOMIST
JOANNA LO, ACCOUNTANT/AUDITOR
BRIAN SOISET, ATTORNEY/ADVISOR

Opening Remarks:
In Support of Imposition (David M. Spooner,Barnes & Thornburg LLP)
In Opposition to Imposition (Craig A. Lewis)

In Support of the Imposition of Antidumping and Countervailing Duty Orders:
Barnes & Thornburg LLP
Washington, DC
on behalf of
Coalition for Fair Trade in Ceramic Tile ("FTCT")
Gianni Mattioli, Executive Vice President for Marketing and Research & Development, Dal-Tile Corporation
David Baran, Senior Vice President for Manufacturing Operations, Dal-Tile Corporation
Ashley Donaldson, Director of Customer Care, Florida Tile
Tim Curran, Co-President, The Curran Group (Crossville Inc.)
Juan Molina, General Manager for Sales & Marketing, Del Conca USA
Don Haynes, Environmental/Sustainability Manager, Florim USA Inc.
Eric Astrachan, Executive Director, The Tile Council of North America

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

Bruce Malashevich, President, Economic Consulting Services LLC

Jerrie Mirga, Economist, Economic Consulting Services LLC

Gillian Priddy, Economist, Economic Consulting Services LLC

David M. Spooner, Christine Sohar Henter, Nicholas Galbraith, Clinton Yu, Adetayo Osuntogun - Of Counsel

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

Hogan Lovells
Washington, DC
on behalf of
M S International, Inc.
Arizona Tile
Bedrosians Tile and Stone
Anatolia Tile & Stone, Inc.
Jeffrey Court, Inc.
StyleAccess, LLC, and
Surfaces, Inc.

Cengiz Elmaagacli, Sales and Marketing Director,
Anatolia Tile & Stone
Dan Hansen, Director, Business Development,
Anatolia Tile & Stone
Marisa Bedrosian, Corporate Counsel, Bedrosians
Tile and Stone
Michael Manke, Vice President - Sales Trade Division
Jeffrey Court, Inc.
Raj Shah, Co-President, M S International, Inc.
Gary Heinz, Vice President - Business Development,
Surfaces, Inc.
Dr. Mitchell Ginsburg, Associate Principal,
Charles River Associates
Jonathan T. Stoel, Craig A. Lewis,
Benjamin O. Kostrzewa - Of Counsel

Brinks Gilson & Lione
Washington, DC
on behalf of
Guangdong Kito Ceramics Group Co., Ltd.
Hong Kong Kito Ceramic Co., Ltd.
Lyle B. Vander Schaaf - Of Counsel

REBUTTAL/CLOSING REMARKS:

In Support of Imposition (David M. Spooner Barnes & Thornburg LLP)

In Opposition to Imposition (Jonathan T. Stoel)

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P R O C E E D I N G S

9:30 a.m.

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

MS. CHRIST: Good morning and welcome to the United States International Trade Commission's conference in connection with the preliminary phase of antidumping and countervailing duty investigation No. 701-TA-621 and 731-TA-1447 concerning Ceramic Tiles from China.

My name is Nanette Christ. I'm the Director of Investigations and I will preside over this conference. among those present from the Commission Staff are from my far right: Douglas Corkran the Supervisor Investigator, Nate Comely the Investigator, Brian Soiset the Attorney Advisor, Andy Knipe the Economist, Joanna Lo the Accountant Auditor and Karl Tsuji the Industry Analyst.

I understand that parties are aware of the time allocations. Any questions regarding the time allocations should be addressed with the Secretary. I would remind speakers not to refer in their remarks to business proprietary information and to speak directly into the microphones.

We also ask that you state your name and affiliation for the record before giving your presentation or answering questions for the benefit of the court reporter. All witnesses must be sworn in before presenting testimony. Are there any questions? Mr. Secretary, are there any preliminary matters?

MR. BISHOP: No, Madam Chairman.

MS. CHRIST: Thank you. Just before starting I want to note that we will break a little bit before 11 o'clock for a vote. Thank you. We will start opening remarks.

MR. BISHOP: Opening remarks on behalf of thus in support of imposition will be given by David M. Spooner of Barnes and Thornburg. Mr. Spooner, you have 5 minutes.

OPENING STATEMENT OF DAVID M. SPOONER

MR. SPOONER: Good morning Commission Staff. My name is David Spooner and I am counsel for the Petitioners in this case, the Coalition for Fair Trade and Ceramic Tile, a coalition of eight U.S. Ceramic Tile Manufacturers.

I know how busy you are and appreciate the effort required to prepare for and to conduct the conference in the midst of several other investigations. Of the eight companies in the Petitioning Coalition, five are here with us today. It is a fascinating industry.

As you will see, it includes decades old, homegrown producers who were pioneers in the U.S. porcelain production as well as more recent foreign direct investment from Italian companies. All of them provide much needed manufacturing jobs in rural Tennessee, Kentucky and Texas.

Jobs are at risk from ridiculously low-priced Chinese Imports.

Indeed, as you will hear from our Panel in a bit, Chinese Imports are at times cheaper than the cost of production. The health of the ceramic tile industry is tied to the housing and construction cycle. I hope this is intuitive and evident.

The tile industry traditionally does well during construction and housing upswings and these good times help the industry weather downturns in the market. A couple of our witnesses, industry veterans, will highlight this fact. What is alarming to U.S. Producers is the degree to which they have suffered, even in the midst of what may be a peak in the housing and construction cycle.

Over the POI, U.S. Producers lost market share to Chinese Imports, imports which increased over 18 percent over the POI. The impact of these Subject Imports was particularly dramatic over the final two years of the POI. U.S. shipments declined, inventories increased and basic indicia of performance such as operating income and net income declined rapidly from 2017 to 2018.

Certain companies in recent years undertook capital investments in anticipation of benefiting from a normal upswing in the housing and construction sectors. The expected returns on these investments have never materialized in the face of dumped and subsidized Chinese Imports and these companies have idled capacity.

Pricing pressures from imported Chinese tile are exacerbated by the widespread mislabeling of imported Chinese porcelain. Porcelain tile absorbs less water than other tile products. This of course is why porcelain is used in wet applications such as bathrooms.

The Tile Council of North America, the trade association of U.S. Producers and Eric Astrachan of the association is with us today, has an impressive laboratory. Not long ago the association used its lab to test whether Chinese porcelain procured at retail really met internationally accepted ISO and ASTM standards.

The result? Seventy-some percent of the Chinese tile sold as porcelain failed. These widespread, falsely labeled Chinese Imports are not irrelevant to the Commission's analysis. They are an important condition of competition.

In addition to current material injury, Chinese Imports threaten to cause additional injury. China is by far the largest producer of ceramic tile in the world. Indeed, China's global market share in ceramic tile exceeds its market share in steel and aluminum, an amazing fact considering the number of steel and aluminum cases of course handled by the Commission.

Meanwhile, virtually all of China's most important export markets have imposed or are in the process of imposing trade remedy and safeguard measures. The world's second largest importer of ceramic tile is Saudi Arabia which is kind of interesting. Saudi Arabia is in the midst of an antidumping investigation on Chinese tile.

The world's 4th, 5th, 6th, 7th, 8th and 9th largest ceramic tile importers, France and Germany as part of the EU of course, the Philippines, South Korea, Indonesia and the UAE respectively have all imposed trade remedy measures or are in the process of doing so.

And the largest export market for Chinese tile? It's of course the United States. Seven of the top nine export markets have closed or are closing. It doesn't take much of an imagination to appreciate how attractive the U.S. Market is now to Chinese exporters.

For these reasons, we respectfully request that the Commission preliminarily find material injury or threat thereof to U.S. Producers of ceramic tile. Thank you again for preparing for and participating in the Staff Conference and for giving us an opportunity to explain the ceramic tile market and the dire situation faced by the U.S. Industry. We'd be happy of course to respond to any questions.

Thank you.

MR. BISHOP: Thank you, Mr. Spooner. Opening remarks on behalf of those in opposition to imposition will be given by Craig A. Lewis of Hogan Lovells, U.S., LLP. Mr. Lewis, you have five minutes.

OPENING STATEMENT OF CRAIG A. LEWIS

MR. LEWIS: Good morning. My name is Craig Lewis and I'm a partner at Hogan Lovells appearing before you today on behalf of Respondents in opposition to this investigation.

This case should be terminated. It should be terminated for the very simple reason that there is no injury for the Commission to remedy. There has been no significant increase in the market share held by Subject Imports, there has been no discernible decline in Domestic Producer prices, there is no significant evidence of a negative impact on the Domestic Industry performance.

None of the Commission's traditional injury factors points to an affirmative finding of injury or threat of injury. Indeed, the Commission only needs to review the financial data submitted by the Petitioners to conclude that this case is essentially frivolous.

Of dozens of investigations I have worked on during my professional career, I can't recall another case where the financial results were as strong as these; both operating profits and net profits of this industry are extraordinary. Perhaps drawn by these attractive returns on investment, companies, almost all of them foreign-owned have invested heavily in U.S. manufacturing facilities.

Severe major new ceramic plants began operations in Tennessee in 2016, including a significant investment by Chinese company, American Wonder. As recently as last December, Brazilian-based Portobello announced its decision to invest 150 million dollars in yet another Tennessee manufacturing plant. These sustained and continued investments are proof that the investment community, whose money is at stake, do not view this as an injured or threatened industry.

There is also no evidence of significant market loss. Data from the Tile Council of North America suggests at most a modest change in market share over the entire Period of Investigation of only 2.2 percentage points. Spread over three years such a minor change in market share statistically meaningless and falls far short of material injury, especially when placed in the contest of the strong financial results I alluded to.

The U.S. Industry's strong performance over the investigation period is even more remarkable when you consider the recent developments in the market unrelated to Subject Imports that have put significant pressure on sales in the lucrative segment for floor tiles.

As you will hear from our industry witnesses later today, the U.S. Producers of floor tile are facing significant competition from sales of so-called luxury vinyl tiles or LVT. This new and innovative flooring material has gained wide acceptance as a particularly cost effective alternative to other flooring materials.

The growth in LVT sales over the last three years has been explosive. U.S. Producers including Dal-Tile dealers have repeatedly acknowledged the negative impact that the emergence that LVT has had and is having on sales of ceramic floor tiles. This adverse impact is disproportionately felt by U.S. Producers whose production is heavily weighted toward floor tiles whereas Chinese of course are more heavily focused on mosaic and specialty tiles that do not compete with LVT.

As you will also hear from industry witnesses, U.S. Producers lack the capacity to meet domestic demand. At no point during the investigation period have U.S. Producers been capable of supplying more than about 30 percent of domestic consumption.

There are many product categories particularly certain mosaics that are not even produced domestically. Without imports, there would be no functioning market for these ceramic tiles. It's precisely for this reason that U.S. Producers are themselves among the leading importers of ceramic tile, not only from China but to an increasing extent also other newly emerging low-priced import sources such as Brazil where Dal-Tile recently acquired a leading ceramic tile exporter.

Finally, as the confidential information before the Commission demonstrates, Chinese Imports exhibit a remarkably stable pricing. Moreover, Chinese Imports are far from the lowest priced imports in the market. That prize goes to imports from Brazil and Mexico, the very same countries in which Dal-Tile is ramping up production in ceramic tiles.

In the face of all this evidence, Petitioners are urging the Commission to impose prohibitive tariffs on Chinese Imports in order to "level the playing field" and allow them to compete. But this is not what they have been telling their investors.

In the 2nd quarter of 2018 earnings conference call Mohawk CEO Jeff Lorbawm was asked "how big of a tariff would need to be in place to kind of level the playing field?" He responded "We think we can compete with the Chinese without any tariffs". I repeat, the CEP of the leading Petitioner "we can compete with Chinese without any tariffs."

As you listen to the testimony from Petitioners today, I urge you to consider the significance of that extraordinary and candid admission. We recognize it is relatively rare for the Commission to reach a negative determination in their preliminary determination investigation however certain cases call for such determinations and this is such a case. Thank you very much.

MR. BISHOP: Thank you, Mr. Lewis. Would the panel in support of the imposition of anti-dumping duty and countervailing duty orders, please come forward and be seated. Madam Chairman, all witnesses on this panel have been sworn in. This panel has 60 minutes for their direct testimony.

(Pause.)

MS. CHRIST: Okay. I think we're ready. I'd like to welcome all the panel members and thank you for joining us. Before you begin, I want to remind you to please state your name before responding to questions afterwards, to maybe efficiently remind you of that. If you see me doing this to mine, that just means I need you to state your name. So please begin when ready.

MR. SPOONER: Thank you Commission staff. Frankly, I may switch seats in a moment. But we have a brief introductory PowerPoint outlining the basics of the case, and this is a better vantage point for the PowerPoint than another seat. Just to begin, as the Commission staff well knows, and I should say this is David Spooner of Barnes and Thornburg, counsel for Petitioners.

As the Commission staff well knows, the petition was filed on behalf of the largest U.S. ceramic tile producers. All eight of these tile producers are on our first slide. For what it's worth, of the eight here six are in Tennessee, one Dal-Tile is in Texas, and one, Florida Tile, is in the state of Kentucky.

As for the scope of the investigation, the scope of course covers, and I know of course that the HTS is not dispositive, but the scope largely covers goods that are properly classified under 6907 of the HTS, which are ceramic flags and paving tile, flooring tile, hearth tile, wall tile, mosaics, porcelain, finishing tile and the like.

I'll skip quickly over the next slide, but we thought frankly of all of the terms of covered subject merchandise in the scope. The nature of finishing tile might be most unclear, and so we snipped a couple of pictures from the explanatory notes of the HTS. The explanatory notes contain illustrative examples or pictures of our finishing tile.

We've worked hard both on the text of the scope and in the narrative of the petition to be clear, that certain ceramic tile products, all of which are normally classified in Chapter 69, are not covered by the scope.

The most important of these not covered products or non-subject merchandise are ceramic roofing tiles, which generally have holes in them designed for nailing to a roof, and that either interlock or overlap with each other, as well as certain products that as a rule are designed for high temperature applications, particularly refractory bricks, parts of stoves and fire boxes and ceramic baking stones.

With that, I'd like to turn over the microphone for a few minutes to Dave Baran, who supervises production at Dal-Tile. We have a brief video outlining the production process, and that's followed as you'll see by several pictures that are a little more detailed than the video describing the production process.

STATEMENT OF DAVID BARAN

MR. BARAN: Thank you, David. Good morning Commission staff. I'm David Baran, Senior Vice President of Operations for Dal-Tile Corporation. I've been with the company for 16 years and have been leading the manufacturing function for all of those years.

As background, I received my BSEE and MBA at Rensselaer Polytechnic Institute in Troy, New York. I'm here today explaining a little bit about the production process for ceramic tile, and also answer any related questions you may have. I'd also like to begin by showing you a short video we put together on the ceramic tile production process.

[VIDEO PLAYS.]

MR. BARAN: The video you just saw provides a great overview to the production process. However, I'd like to fill in a few more details for you. We'll go through some slides with some pictures of each process.

As you saw, once we obtain the raw materials, those materials are then mixed and milled. Typically, they are mixed wet in large mills that reduce the particle size. Next, the wet mill mixture, which is commonly called a slurry, is spray-dried, meaning sprayed in a tower in rising warm air. This helps obtain consistent particles at six percent moisture, allowing for a high degree of quality control.

Next, the tiles are shaped or pressed in presses ranging from 3,000 to 7,500 tons. This step creates the unique structure of the tiles, for example to create wood or stone looks. After the tiles are formed, these green tiles, as we refer to them, are dried in large roller dryers from six percent moisture to less than half a percent to prepare for the decorating process.

Next, the surface of the green tile is decorated with ceramic glazes produced elsewhere in the factory. First, a base coat is applied to create a consistent surface prior to decoration. A variety of technique exists for applying such materials, including waterfall application, disk application or spray application as shown here.

In recent years, the decorating process has moved to digital application of ceramic inks to the surface. Then post-decorating effects or clear overglaze is applied. Once decorated, the tiles are fired. The time and temperature required for the firing process depends on the raw material make-up of the tile and desired finished properties, that typically ranges from 28 to 60 minutes.

Notably in the case of porcelain tiles, the firing is sufficiently hot, typically but not inclusively between 2,100 and 2,200 degrees Fahrenheit, to drive the finished porosity to half percent and below. Finally, certain minor post-firing operations such as rectifying or polishing may be performed and the tiles are inspected, packaged and prepared for the customer. The entire process from pressing to packaging typically happens in less than 24 hours. The entire process is very automated, such that tiles are not intended to be touched by operators throughout the process, and production plants are highly capital-intensive. A typical ceramic tile plant in this country can be built for 80 cents per square foot of production for over a dollar per square foot of production, depending on the level of sophistication.

At utilization rates of less than 90 percent on a 24 hour per day, seven day per week basis, reduces the return on investment that one would not build a ceramic tile production facility in the U.S. I want to emphasize that the production process for producing ceramic tile that I just explained is the same basic process whether conducted in the United States or in China.

I hope this helped explain how ceramic tile is made. Thank you. I'm happy to answer any questions you may have.

MR. SPOONER: Thanks Dave, and I should -- we will touch on these a little bit later, but I should point the staff to certain samples which we brought with us today.

MS. CHRIST: Mr. Spooner, could you just --

MR. SPOONER: This is David Spooner, counsel for Petitioner. I'm sorry. Yes. I should steer the Commission staff to various samples which we brought with us today. Of course, we're happy to pause if Commission staff would like to go and observe the samples.

But in brief, the samples on the lower table closer to the podium on my right are two products, I think it's two from here, that represent two of the four pricing products in the Commission's questionnaires. Both of those products are domestically produced by Dal-Tile, and on my left are Chinese samples that we procured at retail over the last few days.

The purpose, of course, in addition to the normal reason for bringing samples so the Commission can see the product that's the subject of the investigation, is to show the Commission visually how both subject merchandise and domestic produced product compete with each other. They're clearly the same product.

I'd like to now if I could turn to a few slides that highlight certain basic indicia of industry, and I'll move fairly quickly through these slides. But we're of course attempting to graphically show several of the important injury trends. The first slide shows, of course, that Chinese imports rose significantly over the POI by almost 19 percent, by 18.6 percent. China, of course, is the largest supplier of tile to the U.S. market.

The next slide shows that U.S. producers lost market share to Chinese imports, not to non-subject imports. The precise data is BPI. We'll elaborate further in our post-conference brief. But as you can see, we've graphically shown here that again, the U.S. loss of market share during the POI was the Chinese imports.

The domestic industry is materially injured by these Chinese imports, and the next slide shows an important trend in that respect. As imports from China have risen, U.S. producers' capacity utilization rate has fallen. Given the nature of the production process in the industry, this is a key metric.

Another disturbing trend is the degree to which inventories to U.S. shipments have increased steadily throughout the POI. This build-up of inventory levels portends further reductions in domestic production.

The next slide, although it might be hard to see the lower line on that slide, shows the degree to which growth in imports from China have far exceeded all other import sources, particularly during the POI. Our final three slides highlight the degree to which in addition to current material injury, there's a threat of material injury from Chinese imports. This slide frankly draws from a market research report that we included in our petition.

Bottom two pie charts show the degree to which China dominates world production. The yellow there is labeled Asia, but virtually all of that represents Chinese production of ceramic tile. Indeed, Chinese production of ceramic tile dwarfs U.S. production. This slide is amazing to me.

Chinese production has continued to increase before and throughout the POI. China is the world's largest producer and continues to grow larger. U.S. production by comparison is minuscule. It's represented by the black line at the bottom of this slide. The reason we haven't labeled one of the axes here is that the numbers are BPI. We'll elaborate on the precise numbers in our post-conference brief.

But I show, I hope this shows that China clearly has the capacity to cause further material injury to the domestic industry.

Finally, I'll simply close with two additional charts pulled from the market research report. The first shows, represents world tile exports. China is the yellow line at the top. You can see again that China's exports of ceramic tile to the world are huge. They dwarf any other country's exports.

The slide on the right I find fascinating. I alluded to it in my opening statement. It may be a little hard to read from the Commission's vantage point. But the blue line at the top in the slide at the right or the chart at the right represents U.S. The U.S. is the largest importer of ceramic tile in the world.

Of the nine lines under the United States' blue line there, the second through tenth largest importers of ceramic tile in the world, seven of those nine countries have imposed safeguards or trade remedy orders on imports of Chinese ceramic tile or are in the process of conducting investigations.

I hope it's evident, if and when the Commission conducts a threat analysis, that given China's massive production capacity, massive share of world exports and combined with the fact that seven of the top ten world country export markets for China are closed or closing to Chinese imports, that China poses a threat to the much smaller U.S. industry.

With that, I will stop, and would like -- and the Commission will have to forgive me. I'm going to move seats while our witness continues. But I'll turn it over to Tim Curran, oh I'm sorry Eric. I'll turn it over to Eric Astrachan, who's the head of the Tile Council of North America, the primary trade association for the U.S. industry.

STATEMENT OF ERIC ASTRACHAN

MR. ASTRACHAN: Good morning. My name is Eric Astrachan. I'm the executive director of the Tile Council of North America, and the executive director of the Coalition for Fair Trade in Ceramic Tile. I have been on the board of the Tile Council since 1994, and on the staff since 2001. My own experience in the industry dates back to 1973, when I helped install ceramic tile as a part-time job at MIT.

I was the executive director before and during the last recession. Tile sales follow construction spending. As construction spending declined for more precipitously than the general economy, so also was the tile industry affected. In fact, from the peak demand for domestic ceramic tile in 2004, to the start of the recession, domestic shipments declined 22 percent.

Over the same time though, Chinese tile increased 320 percent. From the end of the recession to the end of 2018, imports of Chinese tile increased 240 percent, while the domestic industry grew only 64 percent. Even more concerning, domestic shipments are already starting to decline, declining five percent from 2017 to 2018.

To be profitable, kilns need to run at a continuous temperature 24 hours a day, seven days a week. The 22 percent decline I described occurring during the last recession cannot be survived without extraordinary pain. In fact, during the recession, several of our major members closed production facilities never to reopen them, notably All U.S. Ceramic Tile manufacturing operations, founded in 1913; Crossville's Dixon location, Dal-Tile's Dallas location, and American Oleans, Olean, New York facilities.

Lest there be any doubt, the tile industry follows its own distinct business cycle, with profits expected to grow in boom times. That is not what is occurring, and as reported in our petition, industry profits are declining due directly to injury from dumped and subsidized imports from China.

Numbers regularly tell me that they cannot survive the negative impact of the growing presence of Chinese imports. We are already seeing this with manufacturers now closing kilns, operating fewer shifts or operating fewer than seven days a week. In the 25 years since I joined the board at TC&A, and in my 18 years as a member of staff, never before have U.S. manufacturers spoken so regularly to me of lost sales to Chinese imports and prices with which they cannot compete.

We believe the situation is at a tipping point, with sales and profits already declining. We desperately seek relief from this unfair trade. Furthermore, I would like to remind the Commission of our years of testimony complaining about Chinese false labeling tiles as porcelain, when such tiles do not meet the American standard for porcelain.

This defrauds the American consumer. As I previously testified at either a TPP or TTIP hearing, when we surveyed the market a few years ago, 75 percent or more in certain sectors of the Chinese tile examined by our laboratory labeled as porcelain did not meet the U.S. standard for porcelain.

I would like to speak about what happened when we filed the petition, and the reaction of the market. We were at our largest annual trade show, Coverings. Distributors approached us and told us it will hurt us in the short term. But we understand it is necessary for U.S. producers and their workers in the long run. Good for you. People seem to understand we had no choice. Thank you.

MR. SPOONER: Thank you, Eric. With that, I will turn it over to Tim Curran, co-president of the Curran Group and owner of Crossville Tile, one of petitioning companies.

STATEMENT OF TIMOTHY CURRAN

MR. CURRAN: Thank you Madam Chairwoman and Commission staff. My name is Tim Curran. I'm co-president of Curran Group. My family celebrated its 100th anniversary in business in 2018. We are the sole owner of Crossville, a leading manufacturer of porcelain ceramic tile, with plants in Crossville, Tennessee. In total, our company employs over 700 people.

We have owned Crossville since its inception more than 30 years ago, when porcelain tile was in its infancy. Over the ensuing years, Crossville has experienced and weathered numerous housing and construction cycles. It has competed fiercely with the best manufacturers in the U.S. and the world. As both a manufacturer and a distributor, we have a broader perspective than most other companies on the topic of tariffs. Other commentators today may tend to be only one or the other.

I can't stress strongly enough Chinese imports have risen to become a formidable presence in the market. These Chinese imports are so irrationally cheap that we can't compete against them. Indeed, Chinese tile is sold at prices that are cheaper than our input costs, a situation that makes absolutely no sense.

The Chinese basically use the same equipment as we do. Their labor costs are a relatively small portion of total costs. The Chinese don't have an advantage because, for example, they're closer to some of those inputs. Tennessee and Kentucky are home to some of the world's best clay deposits and feldspar from North Carolina is readily accessible.

The situation in our industry today is nothing short of alarming. Our industry's performance is closely tied to the housing and construction cycle. As a senior member of the panel today, you can tell by my gray hair, I've witnessed this cyclicality over the decades. For a company to succeed, it must make hay when the sun shines, doing extremely well at the peak of the market so it can weather those downturns. We're now likely at the peak or close to the peak of this cycle.

While our industry weathered the construction and housing collapse of 2008, we have not made our hay in recent years, even as the housing and construction industry has seen its best times. Because of pricing pressure from

Chinese imports, we've been struggling and have actually been forced to cut back.

Chinese imports commonly mimic the style and design of U.S.-made tile, while undercutting us on price, and it's killing us. In order for a plant to be profitable, it will ideally operate 24 hours a day, seven days a week. Yet even in the face of strong domestic demand, Crossville has been forced to stop production on weekends, in order to match our production with demand.

We've had to defer plant capital expenditures, and worst of all we've seen a reduction in our workforce of ten percent, not an easy thing to do in the Town of Crossville, a close knit community of a little more than 20,000 people. This is not sustainable even in good times, and I fear what will happen when the housing and the construction markets soften. I don't want to lay off more employees.

The leading core value for our company is family. Our employees are a part of our family. Today we have 35 employees who have been with us for over 30 years. It's important to note that capacity reductions and layoffs happen in steps. You don't close down half a kiln or lay off just a few employees.

Further reductions will have a quick and dramatic effect on our company and on our community. My fears of this growing threat were even more heightened when I attended an international tile equipment trade show this past September. I wish you could have witnesses the overwhelming presence of the Chinese attendees, photographing, dictating detailed notes, basically climbing over, under and around every piece of equipment and every piece of tile on display as they clearly looked to acquire knowledge about equipment advances to incorporate into their production processes.

We simply ask to compete on a level playing field, and we ask for your assistance to do so. Thank you for taking the time to consider our case. I'd be happy to answer any other questions.

MR. SPOONER: Thank you, Tim. Now we will turn to Gianni Mattioli.

STATEMENT OF GIANNI MATTIOLI

MR. MATTIOLI: Good morning, Commission staff. My name is Gianni Mattioli, and I am the Executive Vice President of Dal-Tile based in Dallas, Texas.

MR. BISHOP: Would you pull your mike a little closer, please? Pull your microphone.

MR. MATTIOLI: Okay. Sorry.

MR. BISHOP: Thank you.

MR. MATTIOLI: I know you probably can't tell due to my strong Texas accent, but I am originally from Italy.

In 1980 I got my first job in the ceramic tile industry working for Marazzi in Italy in the cost control and budgeting. A few years later, I moved to the U.S. after Marazzi completed construction of its first plant in Dallas, Texas. From there I was appointed President and CEO in 2007. In 2013, the Mohawk Industries acquired the Marazzi Group, and I was appointed Executive Vice President of Dal-Tile. I currently oversee all product and marketing activity for Dal-Tile in North America.

I'd like to share who we are at Dal-Tile and about the importance of this case for us. Founded in 1947 in Dallas, Texas, Dal-Tile is the largest ceramic tile producer and distributor in the U.S.

We currently operate 10 manufacturing plants, 4 distribution centers, and about 300 sales service centers in the United States. We sell our products to commercial contractors, big box retailers, regional distributors, full floor covering wholesalers and retailers.

We pride ourselves in delivering innovative products and exceptional customer service. We are always seeking to improve our business, making constant improvements in quality, in cost and time. In doing so, we strive to make all plants, sites, and businesses the safest we can.

In regards to sustainability, we are recycling, reusing, and reducing solid materials and water for manufacturing our tile as well as conserving energy daily. We believe in being a responsible corporate citizen, and we do everything possible to give back to our communities where we operate.

Most importantly, though, we proudly employ thousands of employees across the United States. So this case is important not just for me and my colleagues here, but to everyone at Dal-Tile, their families, and the community.

As Executive VP and as someone who has been at the company for many years, I am extremely familiar with the company, its business, and its employees. I see the negative impact of extremely low-priced imports from China on our bottom line.

One area where the Dal-Tile is really struggling is low production utilization due to increased competition from China. For example, in 2016 we opened our Dickson plant which you say actually in the video, which is our state-of-the-art plant. It has all the latest and greatest technology. The plant was designed to start with 3 kilns and with the addition of 2 more kilns. The investment in the additions to this plant would have been over $60 million, and it would have allowed us to employ another 100 people, over 100 people. As of today, in reality we struggle to keep the plant full, and we have had to hold off on expanding.

Similarly, in our El Paso, Texas, plant we have had to pull back from an approximately $40 million dollar investment that would have resulted in over 60 new hirings.

We also pulled back on modernizing our--one of our Sunnyvale plant--Sunnyvale in Dallas plant. Not only have we had to hold off on capital investments which would have expanded our operations, thereby creating more American jobs, but the competition coming from China has caused the company to reduce operations at several U.S. facilities.

The employees of Dal-Tile are very aware of how the domestic industry is being harmed by underpriced Chinese imports. Pricing pressure coming from China is discussed very frequently in our company.

Unfortunately, unless something changes and unless we can stop the flow of underpriced ceramic tile coming in from China, we anticipate further reductions in operations, possibly jeopardizing American jobs.

I have been in the ceramic tile business for over 30 years, and I have extensive world-wide experience in the ceramic tile business. Throughout the years I have seen Chinese ceramic tile increasingly penetrate the global market. Countries such as the EU--actually the EU since 2011, actually--and Mexico has responded by imposing dumping duties on imports of Chinese ceramic tile.

As one of the last major markets without dumping duties, the Chinese ceramic tile industry has increasingly penetrated the U.S. market, whether we are in an up or down cycle.

Just to give some historical context for the significant growth in subject imports, imports of ceramic tile from China were less than 300 million square feet just in 2009, but by 2018 subject imports had grown to nearly 700 million square feet. Even Dal-Tile at some point was forced to buy from China in order to compete with pricing in the market.

As those in the industry know very well, the ceramic tile business has been and always will be strongly tied to the housing and construction cycle. There are many ups and downs in our business.

Over the past few years during the Period of Investigation, we have seen a cyclical increase in demand. U.S. producers of ceramic tile should have been able to take advantage of these market conditions to increase their shipments, prices, and profitability. This never happened due to the aggressive price cuts caused by Chinese imports.

As discussed in our Petition, we are now seeing signs that the upswing in the business cycle may be softening. This will have a profoundly negative impact on the domestic industry.

In my position, I am very familiar with Dal-Tile's financials. Maintaining our profitability is critical to our business. We have seen profits erode over the Period of Investigation, and the erosion has accelerated rapidly leading up to the filing of the Petition.

In conclusion, imports of Chinese ceramic tile are being dumped and subsidized in a way that is harming not only Dal-Tile but the domestic industry as a whole. We all are--we are simply seeking to compete on a level playing field and we need your assistance to do this. We respectfully request the Commission to recognize that Chinese imports injure our company.

Thank you and I'm happy to take any questions.

MR. SPOONER: Thank you, Gianni. We will now turn to Don Haynes of Florim. Don is involved in production at Florim and will talk a bit about the situation at Florim in the domestic like product.

STATEMENT OF DAN HAYNES

MR. HAYNES: Good morning, Commission staff. I'm Don Haynes, Environmental Manager for Florim USA, a tile producer based in Clarksville, Tennessee, just outside Nashville.

I have over 30 years of experience in environmental compliance and have been with the company since 2014. As Environmental Manager at Florim USA, I am responsible for environmental compliance and implementation of ISO and other sustainability standards.

I also provide technical and troubleshooting support for the production process, and I oversee post-sales claims and returns. In short, my job requires intimate involvement with the manufacturing process, especially with my background in chemistry.

I'd like to start by discussing what I understand you call the "domestic like product." The products subject to these investigations, broadly speaking, cover ceramic tiles. While there are many variations of ceramic tile, including variations in quality, they are all produced using the same basic production steps and the same types of production equipment, whether that ceramic tile is made in China or the United States.

As Dave Baran so ably described, ceramic tile from China is produced in the same way as in the United States. All ceramic tile is made from a mixture of the same inputs of primarily clay, minerals, silica, feldspar, and other raw materials.

Ceramic tile made in China also has the same uses as ceramic tile made in the United States. Common applications include floors, walls, entry ways, countertops, showers, bathrooms, kitchens, et cetera.

I brought some samples with us today. In front of you, or beside you, you see primarily on the top table "stone look" tiles. These tiles can be used for the applications I described. So I can take any of those tiles and use it for my kitchen floor, my bathroom walls, my entry way, what have you.

You may note that some of these tiles are polished and some are not. The only difference there is that polished tiles are unsuitable for floor use, since they are obviously slippery. We compete with Chinese imports for both polished and the unpolished tiles.

So as you look at those tiles on the first table, two are domestically produced. Two are produced from China. They are stylistically similar, same thickness, same strength, from the user's perspective they are interchangeable.

Ceramic tile is a customer-specific product. Thus, imported tile and domestic tile are typically comparable in quality, and consumers use them interchangeably in the applications where ceramic tile are consumed. There was a period of time when Chinese imports did not compete as directly with U.S. products. However, due to advances in quality and technology--mostly design and finishing processes--they have been competing with us directly for years now, and vigorously.

To my knowledge, any minor variations among various producers have not influenced price or customer preference. With regard to channels of distribution, ceramic tile, whether domestic or imported, is sold both to end-users and to distributors through the same channels.

Once a customer chooses an aesthetic design, ceramic tiles are typically commodity products. They are sold without reference to brand, and consumers and producers perceive domestic and imported ceramic tile to be the same. In fact, once a consumer decides they want a stone look for their bathroom--like the samples we have today--it is just a matter of who can provide the lowest price. Consumers rarely know the country-of-origin on the box of ceramic tile to be installed.

I would also like to address the issue of production capacity. Florim's Clarksville plant is currently not operating anywhere near full capacity. In '16 and 2017 we were at a high production utilization, but beginning around mid-2018 our production utilization was significantly reduced due to a lack of sales.

We found that we were holding a great deal of unsold inventory and were forced to reduce production. As a result, we unfortunately also had to lay off some of our valued team members at the factory--approximately 20 percent.

It was also around 2018 when Florim USA had plans to invest in building a warehouse on site. The construction of the warehouse would have started in 2018, and it would have opened in 2019. Unfortunately, we have had to put on hold this investment and expansion ;plan because we have been hurt so much by the recent decrease in sales.

In a nutshell, the reason why we are running so far below production capacity and the reason why we had to scrap our expansion plans in 2018 is because of the price depression in the market. We are doing the best we can to stay competitive on price, including maximizing the efficiency of our production to the point that I feel we have the lowest cost tile body in the U.S. We have an active content recycling program which helps reduce costs. Our plant, as I mentioned earlier, is located in Clarksville, Tennessee, which is within 500 miles of about a third of the U.S. population. The strategic location in the Southeastern U.S. places Florim's plant and warehouse near five interstates, saving time, money, and resources. And even then we cannot compete with the prices coming from China.

I know for a fact we are competing with tile imported from China that is priced at, or in some cases under our cost of production.

Given Florim USA's size, efficiency, and participation in recycling, a company like Florim should be thriving. Instead, it is just another one in a long list of companies that are being undercut by pricing from China.

I would simply ask the Commission to fully investigate the import of--excuse me, investigate the impact of these imports on our company. I'm happy to answer any questions. Thank you.

MR. SPOONER: Thank you.

With that, we will turn to Juan Molina, who handles the sales for Del Conca USA.

STATEMENT OF JUAN MOLINA

MR. MOLINA: Hello and good morning, Commission staff. My name is Juan Molina and I'm the General Manager for Sales and Marketing for Del Conca USA.

Del Conca USA is one of the most modern production plants of porcelain and ceramic tile in the world. It produces designed in Italy, made in the U.S.A. porcelain tiles. The Del Conca Group has over 50 years of experience in the tile industry and in 2014 opened a 320,000 square foot manufacturing plant in Loudon, Tennessee. This plant expanded production capacity an additional 110,000 square feet in 2016 to capitalize on the growing demand in the U.S. market with an additional investment of over $30 million that resulted in 40 new U.S. jobs.

I understand that an article was placed on the record regarding the expansion. Indeed, special attention was paid to the elaboration of highly efficient production processes targeting the highest international standards for quality. But now, a good portion of this new production capacity sits idle and underutilized due to unfair competition by Chinese imports.

I've worked for Del Conca over the past 26 years and have come to see the company as an extension of my family. I am here because my experience in the tile industry; specifically, in Sales and Marketing for the Del Conca USA, allows me to see firsthand the way Chinese imports have injured our company and I'm worried about our future.

I grew up in the flooring business practically my entire life. My father was a flooring contractor and owned two flooring retail stores in Staten Island, New York. I started helping him install tile when I was eight years old and have a unique life experience in flooring from installing it on my knees to selling it. And I have seen firsthand the Chinese imports are capturing more and more market share, stealing our customers, and underbidding our sales opportunities.

This first became an issue in the early 2000s, but over the past decade the intensity has increased and recently it has spiraled out of control. Del Conca USA introduced several new sizes and looks, far more advanced products to attract more customers; nevertheless, many of those most popular colors, looks, and sizes remain the same.

As Gianni Mattioli said earlier, we can compete with anyone in the world on a fair playing field. We began hearing the Chinese suppliers were offering lower and lower prices, prices well below our cost of production nearly a decade ago and those numbers we simply cannot match. We have lost many customers to the Chinese producers despite all of our efforts to prevent this from happening.

Indeed, from what I've experienced Chinese ceramic tile are sold at 40 to 50 percent less than what we can produce it for. With such low prices, they're stealing customers from U.S. producers who cannot possibly sell at such extraordinarily low prices. Indeed, I can provide an earful about the effect of Chinese ceramic tile sold in the U.S. market.

As you know, the European Union and several other countries already have trade remedies on Chinese imports of ceramic tile. The U.S. is one of the few tile-producing markets left without trade remedies on Chinese imports of ceramic tile. They have taken a lot of customers from us and we have no way of competing with them at these prices.

I'd like to highlight a few instances that reveal the current U.S. market conditions against the low-priced Chinese imports. Del Conca USA competes with China in every single selling channel and we have lost sales opportunities where Del Conca was undercut by Chinese tiles. Specifically, on a large commercial product in Miami, Florida where our distributor in Del Conca spent countless manpower hours working on R&D and finding solutions for the ownership of the project only to have our efforts wiped away by a Chinese competitor who was able to secure a tile sample and have it copied and reproduced in China. The loss in both money and our reputation was severe.

I have gone to various home improvement stores as a secret shopper and asked for ceramic tile to redo my bathroom. More often than not, the salesperson would direct me to the tile aisle and say here are a variety of tile options. These are the same as the other ones down there, but they are only more expensive because they're made in the U.S. or from Italy. You can get these tiles, motioning over to another location, where there were the Chinese tiles. I've been told by two of our largest customers that they cannot continue to purchase from us because they can buy tile from China at less than half the cost than we possibly are able to sell it for.

At industry trade shows where our goal is to introduce our latest products and designs to the industry we are confronted daily by Chinese producers attempting to take high digital images of our products to take back to China and reproduce them, copying our IP work and research, which comes at great expense to us.

I can speak on this subject far longer than the time I have allotted, but the unfair sales practices of the Chinese imports of ceramic tile are having on our business is real. Make no mistake, it has affected our livelihood and I'm worried about the future of this company that I have come to consider as my family. I have been growing more and more concerned by Chinese imports and I've lost sales, but more importantly, I've lost customers due to these very low-priced imports.

I don't see how we can compete if this is allowed to continue. I simply ask you to level the playing field so all of us here can compete. In addition, I understand that there have been questions about our imports from Italy. In 2016, we had a fire at our production facility and we had to outsource supply from our Italian parent company until the production plant was fully operational here again later that year.

I appreciate your consideration of Del Conca's situation and my tile life experiences and I'll be very happy to answer any of your questions.

MR. SPOONER: Thank you Commission staff. We'll now close with Ashley Donaldson, who serves as the Director of Customer Care at Florida Tile, which is just outside of Lexington, Kentucky.

STATEMENT OF ASHLEY DONALDSON

MS. DONALDSON: Thank you, David.

Good morning, Madame Chairwoman, and Commission staff. I'm Ashley Donaldson, Director of Customer Care for Florida Tile. As Director of Customer Care, my primary responsibilities are fielding customer questions, many regarding pricing and coordinating with pricing and sales teams as we work to address customer requests.

Additionally, I work with customers that we manufacture private label product lines for and sell to U.S. consumers. I also coordinate with our Quality Department to ensure our customers obtain the highest quality products.

In my role as Director of Customer Care, I regularly help to host plant visits and travel to our distributors and branches to meet with our customers. More and more often during the past two years, current and perspective customers tell me they can purchase the same tile products from China at lower prices and ask us to lower our price. The prices of the Chinese imported tiles are way below our prices. We try to remain competitive in the face of this stiff competition from China, but due budget-conscious consumers and reverse engineering that we know happens all the time in the marketplace, we find ourselves with an uphill battle.

We are usually forced to lower our prices to make the sale and have razor-thin margins because of it. A recent example of note that demonstrates this common occurrence included a commercial job where the tile became the focus of a budget cut on the project and Florida Tile spent countless amounts of man hours and resources working to secure material that would work from a design and better pricing point than the original tile selected only to find out that we were outbid on the new tile choice by over 50 percent less per square foot and lost to an imported tile from China. Providing insignificant discount and price to our customer has cost Florida Tile thousands of dollars in just this one commercial job example.

We were already providing our best price on the tile where we wouldn't be offering the product below our manufacturing cost and then to be outbid by that amount was very discouraging. This instance also places future interactions and potential project work with this customer in jeopardy as they now question our pricing first and it makes it difficult for us to use our high quality standards and U.S. manufacturing as advantageous reasons to work with us.

One of my branch managers told me last week that after we lowered a price for one customer we were approached soon afterwards to lower our prices for two more prominent customers in the same geographic location. In other words, customers talk and they're well informed about pricing.

In addition, just last week I was part of a customer interaction that took place in one of our branches where we didn't even have the opportunity to propose a tile on a large project in the area and we heard about it from our long-time customer after the fact. Turns out they knew they could source an imported Chinese floor tile for much cheaper and they didn't even bother to ask us for a price.

We've been cut out of the equation and it's an unsettling place to be. The only reason we found out about this is because our customer still purchased grout from us to set the Chinese-made tile. Normally, we sell both the grout and the tile to them, but in this instance no tile sale happened. We do not make our margins on setting material. They're nice to have for our customer, but our main focus and how we keep hundreds of American workers employed at our manufacturing plant and throughout the country is by selling tile.

With the flood of low, low priced inventory in abundant supply within the U.S., customers know this. In this instance, they didn't even consider us as an option based on the price. As Mr. Molina said in his statement, we also know that ceramic tile with similar esthetics are being produced by China at much lower prices because our customers tell us this every day.

A perfect example of this is a 6x24 wood-look floor tile. These are easily replicated from a graphic standpoint. Often, a high resolution picture is all that's needed and with the technology advancements over the past few years this is easy to do. We have a difficult time competing, even with our builder grade product in this size and look when you compare it to the product that's imported from China.

If the average consumer looks at these, it would be difficult for them to see a large difference as they are copycats of the same graphics that we use as U.S. manufacturers worked so hard to create and refine those graphics with our R&D teams. We're doing all the work for them for it to be sold at a price that is competitively unfair and that's worrisome.

Additionally, I'm constantly discussing with our sales teams the increased level of competition from tiles imported from China and our customer's demands to lower those prices. It is becoming almost impossible to compete with tiles imported from China. We know those tiles are being dumped in the U.S. market. It is so frustrating that during a time when the housing market is doing so well and our sales should be on the rise we're losing business to tiles imported from China.

I simply ask the Commission to fully investigate the impact of imports from China on our company. I'm happy to answer any questions and thank you for your time today.

MR. SPOONER: Thank you, Ashley, and thank you Commission staff. That concludes our affirmative presentation. We're happy, of course, to respond to any questions and we respectfully ask the Commission to find that unfairly traded, dumped, and subsidized imports Chinese ceramic tile has caused material injury and threaten to cause material injury to the United States industry.

Although, briefly, before I conclude, I'd like to ask permission of the staff to enter into the record a brief statement that was drafted by our economist, Bruce Malashevich and that we distributed to the staff and opposing counsel prior to the staff conference. Thank you.

MS. CHRIST: Thank you very much.

We'll now turn to staff questions. And before we start, I think that we'll probably have time for about a little over 10 minutes of staff questions, so just be prepared that we'll probably break in the middle of the process for the vote. And we'll start with Nat Comley, the investigator.

MR. COMLEY: This is Nat Comly, Office of Investigations. I will first of all like to thank you and each and every one of you for coming here and informing us of very insightful description of what's going on in your industry.

I will have a few questions and then I'll let my colleagues continue and then I'm sure I'll circle back and have more questions if I don't ask them. But let me just start with a couple of general questions, and this might be directed to Mr. Spooner more than anybody else. Are there any questionnaires missing from any major U.S. producers or importers?

MR. SPOONER: Not that we're aware of.

MR. COMLY: And I think you may've covered this in your presentation, but is it your understanding that the imports under the subheadings of 6907 and 6908 represent the majority of imports of ceramic tile?

MR. SPOONER: Yes, Mr. Comley. And as you know, 6908 doesn't exist in the current version of the HTS, but existed at the beginning of the POI and yes, they do cover.

MR. COMLY: And so, given that, is it your belief that this represents -- this would be the best dataset for the Commission to evaluate imports?

MR. SPOONER: Yes, with two caveat, if I may. First of all -- and frankly, others on the panel can speak to this better than I can. With increasing frequency, so-called ceramic slabs have become prevalent in the market. Those slabs are essentially tiles. It's our understanding that those slabs are often classified under 6914 and those are subject merchandise.

Secondly, I hesitate to posit that the Commission should only look at 6907 and 6908 because the elimination of 6908 at the beginning of 2017 we hear caused confusion in the marketplace as to how tile should be properly classified. I think that tile formerly classified under 6908 is now all being classified under 6907, but we all hear that importers struggled, not in a -- I don't mean to cast dispersions in this respect. It might've been struggled in good faith to handle the new HTS nomenclature.

MR. COMLY: Thank you. Let me follow up on that last point. In your post-conference brief, can you take a look at the questionnaires that we received from importers? And in that questionnaire we specifically asked for imports under HTS numbers other that 6907 and 6908 earlier. So, if you could take a look at that and comment on that that'd be great.

MR. SPOONER: Yes, we will.

MR. COMLY: And then you talked about ceramic slab and when you mean more present approximately how much of imports do those represent currently or in 2018. I guess that's the last year of our period.

MR. SPOONER: I'm sorry. Could you repeat that?

MR. COMLY: Sure, not a problem. Ceramic slabs you said it's more present in the market now. Approximately how much -- what percentage of imports does that represent, roughly?

MR. SPOONER: I should ask, perhaps, Mr. Astrachan, of the Tile Council to elaborate. He's probably a better source than I am; although, Mr. Astrachan just leaned over and asked me to clarify that these slabs that often, if not usually, come in under 6914 are not called ceramic slabs. They're probably termed ceramic tile slabs. But with that, I should perhaps ask Eric Astrachan.

MR. ASTRACHAN: Thank you. The reason we make the distinction about being called ceramic tile slabs is that is the proper designation under the ANSI standard that specifies what these materials are because they are so large -- now even as large as 5-feet x 15-feet produced as a single piece of ceramic the marketing side of the ceramic tile industry has started to refer to these sometimes as slabs, sometimes as panels so that they are marketing against stone slabs, but there's no ambiguity.

They are made in ceramic tile factories. In many cases, they are cut up into smaller sizes. And in many case, now there's a growing market for these ceramic tiles to be installed as single, large pieces on floors, on walls, et cetera. So, that standard is ANSI 137.3, which describes in detail the properties of these ceramic tile slabs.

With regards to the import volume, we will reply in detail in our post-hearing brief. But there's some ambiguity because we don't know exactly what other ceramic items are covered in 6914, but we have been requesting information from the exporters of these materials which are, in fact, some of the same companies in the room today. Florim, I believe, is a manufacturer of these ceramic tile slabs. Florida Tile in Italy is a manufacturer of these ceramic tile slabs.

So, we've been collecting that and to our best of our ability will respond with more detail in comparison to the volumes coming in today in 6907.

MR. COMLY: So, just to clarify, I wanted to make sure there are no importers or rather producers -- well, I don't want to say producers, but importers rather that import solely the ceramic tile slabs. Does that make sense? I want to make sure that in our questionnaire responses we aren't missing some importer out there that may be just doing this.

MR. SPOONER: Mr. Comley, that obviously may be an important issue and we'll do our best to figure that out to the extent we can and elaborate in our post-conference brief.

MR. COMLY: Great, thank you. If you can provide any names that would be helpful. Thank you.

MR. SPOONER: Yes, we will.

MR. COMLY: Can you speak about the recent 301 tariff and if it's impacted imports of ceramic tile? And when I speak of imports, I mean not only from China, but if it's affected from other sources as well.

MR. SPOONER: I should invite colleagues on the panel to opine as well, but from my discussions with industry the China Special Section 301 tariffs have not had an impact on Chinese imports. We have not seen Chinese imports decrease since the tariffs went into effect. To the best of my knowledge, the tariffs therefore have not indirectly perhaps benefited non-subject merchandise, but we'll look at that as well.

MR. COMLY: In TCMA's more recent 2018 U.S. ceramic tile market update it was noted that imports from Mexico, the largest import source by volume have declined in each year since 2015 and in 2018 had its lowest share of U.S. imports since 2006. Can you explain this decline?

MR. SPOONER: If I may, we will add detail in our post-hearing brief, but part of that is that the products that are most attractive in the U.S. are being consumed in Mexico. So, there are production capacity issues for the products that sell the best in the U.S. And the other side of that, I think that we certainly should be able to answer that question in more detail since we do have members that produce in Mexico and so we'll answer that more fully.

MR. COMLY: And I'll ask one last question because I think we'll have to break soon, but do you agree with the assertion that Mexico and Brazil have the lowest prices?

MR. SPOONER: Yes. At least in terms of the customs data, Mexico and Brazil have lower AUVs. Although, I would highlight for the Commission a couple of the trends that we highlighted in our presentation. That over the POI imports from Mexico took away market share from the U.S. industry, not imports of non-subject merchandise. And also, I would highlight the fact that Chinese imports -- China is, by far, the largest exporter to the United States, that Chinese imports are far larger than non-subject imports from those countries.

MS. CHRIST: Thank you. We'll go ahead and break now in preparation for the vote. Thank you.

Thank you. We will pick up where we left off. And I do wanna thank you for being flexible with the number of technology challenges, but also the number of cases as one event runs into another. Appreciate your patience.

We'll continue.

MR. COMLY: This is Nate Comly, Office of Investigations again. So I'll just ask one last question before I hand it over to my colleagues. If you look on your main presentation, on the second to last slide, Page 20, it's showing the world tile exports, and I see that there is a decline in the Chinese exports. I'll let you get there. I wonder if you have any explanation for that decline? And how has it impacted imports into the U.S.?

MR. SPOONER: Yes, again, we'll elaborate of course in our post-conference brief, but I would note two things. The first is that, for better of for worse, the market research report which we procured ends in 2017, not in 2018, so this omits one year of the POI. And secondly, even though there's a modest decline in Chinese exports on the latter years of this chart, China, of course, still dwarfs, in a big way, every other country exporter in the world. But again, we'll elaborate further as to whether or not we can explain that modest decline in our post-conference brief.

MR. COMLY: Thank you. And that's all the questions I have for now.

MS. CHRIST: Thank you. We'll now turn to Brian Soiset, the Attorney/Advisor.

MR. SOISET: Thank you. Again, I'm Brian Soiset, Office of General Counsel. And I'd like to ask a little bit about importers. To any of your knowledge, are they engaged in any cutting or finishing activities of their imports of ceramic tile in the United States?

MR. MATTIOLI: Cutting or finishing -- I'm sorry, Gianni Mattioli with Dal-Tile. I mean I would say that, for the most part of the product imported are sold as they are. So they're not for the world, I mean there might be some minor product cutting to mosaic or a situation like that, but I think it's a very small part of the total import of product from China.

MR. SOISET: So, it sounds like everyone agrees with that categorization of the market? Okay. That's fine. And then, then my last question just for you, maybe, Mr. Spooner, just to clarify that, I'm assume petitioners' position is that with the domestic like product definition, that you're advocating a single domestic like product for all the products co-extensive with the scope?

MR. SPOONER: Yes, that is the case.

MR. SOISET: In that case, no further questions.

MS. CHRIST: We will now turn to Andy Knipe, the economist.

MR. KNIPE: Thank you, and thanks to you all for being here. So in the questionnaires, we've got distribution channels separated out by shipments to distributors, home center retailers, other retailers, contractors, and other end users. What kind of businesses, in your experience, would fall under that "other retailers" line?

MR. MOLINA: Can you repeat the question? Juan Molina. Can you repeat the question?

MR. KNIPE: Sure. I think it's Question 25a, 25b, we ask you for the shipments for your sales of product, where do you ship it? I mean, what channels do you ship it? And I think it's separated by distributors, home center retailers, like the Home Depots of the world, other retailers and some more. But under the "other retailers" line, I'm wondering what exactly does that mean? What--and I'm not looking for specific firm names, I'm just looking for the kind of companies.

MR. MOLINA: I apologize. I didn't participate in the questionnaire, but I'm going to make a dramatic jump and assume that, I think you're alluding to specialty retailers that are specifically focused on hard surface. And that would fall outside of like -- a retailer in our verbage, we consider a retailer someone like my father was a foreign contractor who had his own store that was considered a "dealer", but I think others may fall under the category of specialized retail. Thank you.

MR. KNIPE: Okay, that makes sense. Thank you.

MS. MIRGA: If I could just add to that, this is Jerrie Mirga speaking. There are also importer-owned stores, retail stores and manufacturer-owned retail stores.

MR. KNIPE: Okay. What about other end users? And I ask that because I'm wondering about specifically direct-to-consumer sales. So, first of all, if any of you sell direct to consumer, perhaps by the internet? And would you categorize that under "other end users"?

MR. MATTIOLI: Gianni Mattioli, Dal-Tile. I mean there are a lot of sales through the internet of ceramic tile. There's still a low amount of it all, but there are, there are a lot of clay around there that sells directly to the consumer via internet, via websites and, again, it's a minor part of the overall -- in some kind of product more than other, like, wall tile, molten floor tiles, small tile, more the larger tile, obviously for, but the obvious reason, but that's what I can't think "other" could also mean.

MR. CURRAN: Tim Curran with Crossville. I would add, or second Gianni's point in terms of the internet sales. Very minor. We do sell through some internet channels. The other would be, on occasion we will, in Crossville's case, we will also sell direct potentially to some large national accounts, so some of your big chain, restaurant chains, McDonald's or somebody like that. Some of the bigger retail multi-location type of things where we may sell to -- many cases, they will have designated companies that do all of their remodel or construction work and I think most of us have--I'll call it one-off--deals or approach those as a separate market than the distribution channels.

MR. KNIPE: Okay. Great, thank you. So I notice that several of you also import tile, including subject product, and I'm wondering if you can elaborate to the extent you feel comfortable doing so in a public forum, what your reasons are for doing that. And I'm particularly interested in whether it's a product-type consideration or it's price-driven.

MR. MATTIOLI: In our case, for the most part, it's price-driven. In order to be in the market and compete with other Chinese, other player that use Chinese product, though I would say certainly the price is the key point.

MR. CURRAN: Tim Curran again with Crossville. We import, and it's more to your later letter option, if you will, we import some wall tile. Wall tile typically has a different ratio of composition of the raw materials. We can't run two different base bodies, as we call them, in the factory at the same time. So we carry a line of imported wall tile, and we also have the imported porcelain tile from Argentina in our case that relates back --

It's a product that's been around for fifteen, twenty years, and at the time that it was first introduced, it was a technique with equipment that was unique to that factory in Argentina. And we could not produce that at the time. It was a proprietary technology that they had developed. Today, we could, but it would be slightly different in look and rather than destroy a product that's been around for that long, we have avoided making the change.

MR. KNIPE: Okay, thank you.

MR. BARAN: This is David Baran. We do import some products ourselves. We have factories in Mexico and Brazil, as mentioned. In the case of Mexico, we have production capacity down there and have had it for fifty years, and so we use that as part of our U.S. supply strategy. It also supplies Mexico.

We also built a facility in Salamanca that's largely for the Mexico market, to serve the growth in the Mexican market. Also, in the case of Brazil, you know, we made that acquisition, really in order to participate in the Brazilian market and don't have an intention of importing a lot of products from there, although we do import small amounts from Brazil today.

MR. SPOONER: This is David Spooner of Barnes & Thornburg. Mr. Baran's interjection reminds me that we should perhaps digress to a question that Mr. Comly asked during the break in the hall. Mr. Baran was opining as to why imports from Mexico may have decreased over the POI, and I thought it was worth mentioning -- sorry, taking over our economist's time -- but I thought it was worth conveying for the record.

MR. BARAN: Yeah, you know, you mentioned the Mexico imports declining. The freight costs out of Mexico and also over land in the United States have really gone up quite a bit in recent years. And so, you know, even we find the economics of, say, manufacturing a product -- we can manufacture similar products in Monterrey and Sunnyvale. Typically just because of the freight costs alone, we would lean towards Sunnyvale and take capacity offline in our --

MS. CHRIST: Please announce yourself. Your name?

MR. BARAN: David Baran. Hopefully, that's kind of a little bit of speculation -- that's just how we're acting as we're looking at the Mexico versus U.S. production for the U.S. market.

MR. KNIPE: Thank you. Mr. Curran, you touched a couple of things I wanted to ask about. The difference between floor tile and wall tile. What kind of product characteristic differences are there?

MR. CURRAN: I would extend it beyond just calling it "floor" versus "wall". It's the manufacturing process and I'd probably defer to David a little bit more on that. From the technique. What I was referring to is the ratio and the temperatures that tile are fired at, so a porcelain tile can be used virtually anywhere. A non-porcelain tile may have limitations from strength standpoint going on floors. Typically it's a thinner tile.

And some of the raw materials can be different, different grade of raw materials. Some are what we call "white body", some are "red body". The red body, it works because it's more of a porous tile than what you would get with porcelain. And in our case, like I say, we cannot mix those two processes. The pictures you originally saw with mills where the material is ground when it first comes to us, you would contaminate those from future process, so you can't switch back and forth in that regard within our factory.

MR. ASTRACHAN: But if I may -- Eric Astrachan with the Tile Council of North America -- but if I may further elaborate since we collect the data from all of our members and our members represent over 99% of the ceramic tile manufacturing in the United States and 95-96% of the ceramic tile manufacturing in North America, the U.S. producers can make all of the tile that is being consumed in the United States.

So the entire spectrum, while an individual factory such as Crossville, is focused on the economics and efficiencies of making one particular type of body, everything from wall tile to non-porcelain tile to porcelain tile to mosaics to so-called pavers, etcetera, is made inside the United States and can certainly be made by the factories in the United States.

MR. KNIPE: Mr. Baran, did you want to elaborate? Is there a difference in the production process? Or is it primarily a marketing, the difference?

MR. BARAN: No, there is a significant difference in the product and the production process. You know, the specification requirements for wall tile are different than floor tile in the standards. The water absorption for porcelain, for example, is 1/2%. Water absorption limits for, say, what I think Tim referred to as "red body" is normally 3% or less. And wall tile runs 10-11% water absorption. That kind of helps it stick to the wall while you're hanging it.

And also some of the styles are a lot easier to make in wall tile, like, the subway-type tiles and things like that, because the sizing is much more consistent in that process. We do it a little bit differently than other people do it, but it's a two-fire process. You fire the product twice in the products that we make. That's how we designed our factories. Other people do it with one firing, but generally, the products are different and marketed as different things.

MR. KNIPE: So there are different ASTM specifications for the two? Okay. If you wouldn't mind in post-conference brief, if you could just include those and elaborate. Not in great detail, but just so we have the difference on the record. Yes?

MR. SPOONER: Yes, we will. And I should turn it over -- Eric has a comment, I believe, about standards.

MR. ASTRACHAN: We can certainly address that for you because Tile Council is the secretary of the ANSI committee. One of our staff is the chairman of the ASTM committee and all of that is very, very clearly spelled out in the ANSI standards for ceramic tile. The types of criteria that Mr. Baran referred to. I'm sorry, Eric Astrachan with Tile Council.

MR. KNIPE: Great. Thank you. You heard Mr. Lewis in his opening statement mention LVT, luxury vinyl tile. How long has that been in the market?

MR. ASTRACHAN: It's typically identified as starting in the market in 2012.

MR. SPOONER: I will begin, but I think it's also -- this is David Spooner of Barnes & Thornburg -- I will begin, although frankly there are others here who can address this better than I can. As counsel, I think it's important to note that luxury vinyl tile, or LVT, remains a very small portion of domestic consumption. And does not only compete with tile. In fact, my understanding from talking to the association and members of the industry is that it may compete more with floor coverings such as carpet than it does with tile.

MR. ASTRACHAN: If I may elaborate further on what Mr. Spooner said -- this is Eric Astrachan with Tile Council -- LVT is a plastic-based material and there, every year new forms of these plastic-based materials coming out. Now they're referred to something as LVP, referring to the plank. It's the new kid on the block, so it's getting a lot of attention.

But, in fact, despite its growth over the same time frame, ceramic tile has not lost market share at all. The market share that is being lost is from carpet and that is very, very easily and clearly shown. It's also cannibalizing other plastic-based materials. Other forms of PBM flooring, other types of resilient flooring, are losing market share to the so-called LVT type of plastic-based material.

But ceramic tile has not lost market share over the period of interest. So yes, there's a lot of talk about these plastic-based materials and the industry is now organizing to address these plastic-based materials. But we don't see that as a threat any more than we saw laminate as a threat, which when it first came out, got a lot of attention, but then the industry was able to address it.

And similarly the tile industry is organizing to address the advertising and claims and product performance issues associated with these plastic-based materials. And again, to emphasize, the industry hasn't lost any market share to these materials at this time.

MR. SPOONER: This is David Spooner of Barnes & Thornburg. I can't resist. And I guess we don't have LVT producers in the room, but the way Eric put it to me yesterday was, no one brags to their friends about their beautiful plastic floor, but they brag to their friends about ceramic tile. And it's not something that they see as a product that's eroded their market share relative to other factors.

MR. KNIPE: Could we talk about mosaics for a second? Are they made in a similar fashion?

MS. CHRIST: Speak up, please.

MR. KNIPE: A type of -- oh, I'm sorry, yeah. Mosaics. Are they produced in similar fashion to the types of tiles that you all make? Do you all produce mosaic tiles?

MR. BARAN: Yeah, this is David Baran. The tiles we produce are, in part, much more manually produced than what you saw there. Also produced in tunnel kilns opposed to fast-fire kilns, so it's much more labor-intensive process to make happen compared to floor tile, just because there are more people handling the product.

MR. ASTRACHAN: Eric Astrachan with Tile Council. But if I may elaborate, I think Dave has gone into some detail about their specific manufacturing process. But in fact mosaic tiles are made sort of all over the United States. Some factories press them and manufacture them directly through a pressing process.

Others cut them and we have members who engage in specifically the process of cutting tiles and making mosaics so that they match exactly the color and look of their larger floor tiles. So they will take larger tiles and then will cut mosaic patterns. So in fact, what we find is manufactured in the United States is mosaics of all shapes, sizes and so-on through a variety of manufacturing processes.

MR. CURRAN: To Eric's point -- this is Tim Curran with Crossville again -- I know in our operation that's exactly what we do. We have equipment dedicated to some pressed sizes. So we can go as low as 3" x 3" with a pressing, so very similar to the process that you saw. We also do the same, as Eric said, we have cutting equipment that will also take our normal productions and cut those into smaller sizes, different shapes than just a regular square tile. So we do both.

MR. KNIPE: Are mosaics in scope?

MR. ASTRACHAN: Eric Astrachan with Tile Council. Yes, mosaics are very much in the scope. And to add, additionally, we even have operations where they use robotic-controlled devices to place those mosaics on sheets. So there's the entire gamut again to be competitive in this arena of how mosaics are both produced and how they are put onto sheets, as well as dot-mounting systems, for example, that Dal-Tile and others use. So a variety of techniques, etcetera, to be competitive in that arena.

MR. KNIPE: Okay. I think I'll conclude my questions for now. Thanks.

MS. CHRIST: Thank you. We'll now turn to Joanna Lo, the Accountant/Auditor.

MS. LO: Hi, Joanna Lo. I wanted to thank everyone for taking the time out today to help all of us understand your industry better. And just as a disclaimer, if there's anything I ask you feel it's a bit sensitive or confidential, please do not feel pressured to respond in this forum. Thank you.

I wanna start off with a very dumb question, you may think it's a dumb question, but for me, I have a hard time understanding it. In your industry, is the word porcelain and ceramic used interchangeably?

MR. ASTRACHAN: That is not a -- Eric Astrachan with Tile Council -- that is not a dumb question at all. We are one of the founders of the porcelain tile certification agencies, specifically to add education in this arena. Officially, ceramic is the broad category that includes porcelain.

And as we will show in our post-hearing documents and the standards, it's very clearly shown where a section of the ceramic sector is defined as porcelain with a water absorption between 0.5%. It gets confusing only in that the word porcelain has a certain cachet, so as we have complained, there have been importers who have claimed that their tile is porcelain when it is not per the standards.

And porcelain manufacturers like to advertise their tiles as being porcelain and, from time to time, in literature that creates confusion. But, in fact, as the standards very clearly show, porcelain is a subcategory of the entire ceramic category. Did that answer your question?

MS. LO: Yes. But in the popular layman's term, I couldn't really find a clear distinction such as just go Googling porcelain tile manufacturers and you get people who make the water, you know, the higher, what do you call it, the coefficient, you know, where the water, it's technically ceramic, by PCTA standards.

I did look at the PCTA standards that came out of your council, I believe, your association. But I find that the popular terminology doesn't seem to be affected by the ANSI standards for porcelain versus ceramic. So some manufacturers may have in their name, in their website, the word porcelain, even though they make ceramic tiles technically.

So is there like a, from a buyers' perspective or end-user perspective, a clear distinction? Like, when you sell, as ceramic tile manufacturers, do you sell? When you're in the United States and you sell porcelain, you're for sure saying this is meeting that 0.5% water absorption coefficient, but that's not the same for imports. But do they require it? Do your buyers make that part of their requirements?

MR. ASTRACHAN: This is Eric Astrachan. I think I can answer this unambiguously. It absolutely is a requirement in that it is in the American National Standards which are referenced, in my experience, in every single construction document I have ever read, and that is hundreds and hundreds, and certainly our members can refer to thousands that standard is referenced. It's a requirement.

Nor can I imagine anyone trying to argue that they could make a claim of a tile being porcelain that did not meet that very, very well and clearly defined criteria.

The only ambiguity that exists is when a home owner goes in a store and says "I want porcelain tile. I don't want ceramic." They're confused because they think that porcelain isn't part of the larger category of ceramic.

What they really mean to say is I want porcelain. I don't want non-porcelain. But ceramic, just as it's clearly defined in the HTS and so on, is the broader category of all the different water absorptions. But what porcelain is is very clearly defined and very clearly understood within the ceramic tile industry.

MR. MATTIOLI: I would say -- Gianni Mattioli, Dal-Tile, that it's true for the average consumer. There is porcelain and there is ceramic. So yeah they -- so it's a clear definition in their mind. I mean they probably don't go through the fact that porcelain is a part of the ceramic world but yeah, there is this cache about porcelain, which is one of the reasons why we hold the strict, much more strict characteristic to produce porcelain.

So this for a lot of consumer porcelain is definitely a superior product, which in a sense it is compared to a traditional ceramic product. But yeah, I mean over all the market there's kind of this division between porcelain and ceramic, which is not porcelain like Eric just said.

MS. LO: There's a better way to characterize it?

MR. MOLINA: Juan Molina. Just to second the conversation we, all of us here, have extensive sales teams that spend a lot of time educating our dealers and customers about this distinction. Even at the dealer level, there's confusion about that as well, and all of us spend a lot of time on this question with the dealers that sell or product to the final consumer.

MS. LO: That kind of brings me to my related question. The raw materials for porcelain versus non-porcelain, is there different kinds of clay that may be more costly than the non-porcelain clay, and Karl, my colleague, who is an expert in this, will probably have more questions on this.

I just want to know for raw materials in your financial data, maybe I could tell if a producer's raw materials may be higher because they make more porcelain, that kind of indication.

MR. BARAN: This is David Baran. Yeah typically the materials used to make the red body ceramic are probably half the cost generally on our -- I'm making a broad statement, but it's basically across our network of the porcelain materials.

MS. LO: That's helpful. That's super-helpful for me.

MR. ASTRACHAN: If I may further explain what Mr. Baran said, he was thinking of the red body non-porcelain material more likely that they make in Mexico. There is in fact red body porcelain. So porcelain, again, just refers to 0.5 percent water absorption or less. Thank you, Ms. Christ. Eric Astrachan, the Tile Council of North America.

So there are red body non -- there are red body porcelains. What distinguishes -- to answer your question on economics, there are some distinctions that we can elaborate in our post-hearing. Probably the single largest one, although I don't know the economic impact but we can find out, is firing temperature.

To create 0.5 percent water absorption or less, typically have a higher firing temperature to melt the clays and that's what creates that very, very high density and low water absorption, or you have to add some fluxing agent that helps you melt those clays at a lower temperature. But most commonly overwhelmingly, it's just on the temperature.

So a porcelain tile is fired at a higher temperature. The economics of that we will analyze and provide more information if we can.

MS. LO: Related to terminology, in the production slides earlier, there was the -- I think the first process, the raw materials that you're mixing and milling. But the word "kiln," I hope I'm pronouncing it right. It's used a lot. Is that part of the mixing bowl so to speak, or is that part of the firing oven or does that make sense?

MR. BARAN: This is Dave Baran. I'm not sure I understood the -- what you're referring to.

MS. LO: So in the petition, the manufacturing process, the word -- I don't think the word "kiln" appears really in the -- I think it's in the seven or eight stages of production. But in a lot of the testimony today and questionnaire responses, the word "kiln" is used to explain certain data issues. I just wondered, it's kiln? Which segment of the production is the kiln involved in? Does that make sense?

MR. CURRAN: Tim Curran with Crossville. I think with all of our different accents here, maybe deciphering the word "kiln."

MS. LO: Kiln, sorry.

MR. CURRAN: Kiln.

MS. LO: Kiln.

MR. CURRAN: K-I-L-N.

MS. LO: K-I-L-N, right.

MR. CURRAN: Okay.

MS. LO: Sorry, kiln.

MR. CURRAN: It's a big oven.

MS. LO: It's the big oven. So it would be in the firing stage, right?

MR. CURRAN: That's correct.

MS. LO: Okay. I can't visualize the plants. Sorry, kiln, kiln. Sorry, okay. So that's helpful. So the costs for raw material cost is that internationally sourced so all producers would be on a similar playing field for raw materials?

MR. BARAN: Yeah, this is Dave Baran. I mean there are obviously limited sources of all kinds of raw materials. But typically you want to get them as local as you can really, because the transportation costs more than the raw materials typically. So that really is a big deal.

So you know, you're not going to source, you know, clay in China and bring it to the United States. The economics are just not there to do that. You really want it close to your factories. As the video pointed out and really why many of these producers here are located in Kentucky and Tennessee, that's where the clays in this country are located.

MR. ASTRACHAN: Eric Astrachan with Tile Council, and if I may elaborate, because I have been involved in the efforts to get overseas manufacturers, Italian manufacturers to locate in Tennessee, in fact Tennessee and North Carolina have some of the finest clay deposits for the manufacture of ceramic tile in the world. We also have low-cost natural gas, which is the cleanest form of producing ceramic tile. So in fact there U.S. has real advantages from an economics of the materials and the natural gas used to fire those raw materials.

MS. LO: Thank you, that's helpful. Several of you testified that there were capital investments at the beginning of the POI and some a little bit earlier, new plants. Was this purely -- was the Chinese already, tiles from China already in the United States at this time?

Was there any other reasons other than the demand for tile from construction and remodeling? Was there any reason that there was so much concentration of capital investments for new plants in the beginning period and also kind of a little bit a year or two before?

MR. BARAN: This is Dave Baran. I guess I'll start by saying, you know, if you're making a decision to invest, particularly at a new site, you know, it's basically at least a two year process from the time you decide until you get the plant running. Really the way I look at it is generally six months of site selection, and another 18 months of plant construction.

So you know, production capacity that started in 2015, that decision was made in 2012 or 2013, and the decision was made based on the market view at the time the investment was made. So I hope that sheds a little light on it in terms of at least the time line for some of these investments. I'll let someone else --

(Simultaneous speaking.)

MR. MATTIOLI: I would say -- yeah. Gianni Mattioli with Dal-Tile. I would say at the same time during the Period of Investigation, I mean imports from China grew almost 20 percent. So that's on top of the already very large number. So it's also another factor that we had to consider as explaining some of the delay or cancellation that we have in some of our investment plans.

MS. LO: Several of you spoke of the technological advances in the production of tile. Are these -- are there any I guess protection from IP or patents against imports or for U.S. producers who may have these processes in place?

MR. CURRAN: Tim Curran with Crossville. Patent protection, no. At one point early in our history, we examined looking at copyright protection for designs. But I'm sure as you would be well aware, it doesn't take much to change one vein three millimeters and your copyright is worthless. So patent protection, no. Sometimes you can adapt a technique and hope that nobody comes through your factory to see how you're doing something.

But the reality is as the equipment has evolved, primarily digital printing today, the playing field has changed dramatically with the ability to rapidly copy something. Product life cycles have gotten much shorter.

MS. LO: What is a typical product life cycle?

MR. MATTIOLI: I would say today it's around three to four years at the most, and it takes about one year pretty much to put the product -- this is Gianni Mattioli -- to put the product into the market before you could start really selling, I mean seeing sales happening.

By the time you start sending out thousands of sample and all of that, sample your customer and they start selling. Then the project has to become ready. So there is a very long cycle.

MR. MALASHEVICH: If I may add to that please. I'm Bruce Malashevich from Economic Consulting Services. In studying this case, I really found it very useful to look at Wooden Bedroom Furniture from China. I'm a veteran, if you will, of that case, because the issue of lack of patent protection and the almost instant stealing and copying of designs was a very important factor in that case.

The similarities are quite similar. Tiles have been around for a long time, longer than wooden bedroom furniture and I'm not a lawyer, but there was some -- there's some theorem to the effect that something that's been around that long can't be patented. The details will be in the record better than I can explain here right now, but I found the similarities between that case and this case in this regard are quite amazing.

MR. ASTRACHAN: This is Eric Astrachan with Tile Council, and perhaps to further elaborate. As Tim Curran said, there is no patent protection. The equipment used is the same equipment worldwide, with the exception that the Italian equipment manufacturers complain to me regularly of copying of their designs in China, allowing Chinese manufacturers to make the same equipment for much less cost.

That's a separate issue outside our scope, because it is what we understand as alleged by Italian equipment manufacturers copying of their designs, allowing them to duplicate that equipment at much less cost. But the rest of the world is using that kind of Italian equipment paying, if you will, full price for it.

So there's no patent protection afforded to the U.S. producers. Then you have design, which aren't called patents but design rights. To enforce those, as you're aware, would be -- I'm drawing a blank at the moment, but it's very expensive almost impossible to do, and despite some companies taking those design infringements to court, they typically have a very -- it's an expensive slow process, but we see it happening all the time in terms of the copying of the designs. But in the end, there really is no protection there.

So each of these companies can tell anecdotal stories of new, fresh designs that they came out with. I think Mr. Mattioli commented on that in his testimony, and how it was very quickly copied shortly thereafter. Mr. Molina talked about it as a sensitivity at trade shows, where their hottest designs are being photographed and copied, but there is no protection, no effective protection.

MR. MATTIOLI: Gianni Mattioli. If I can add, I would say that not only we don't have protection, but actually if we look at the probably most important technological advances of the last few years, the digital application, digital decoration like -- that's really created an accommodation, they accommodate all our product really.

I mean it's so much easier right now to transfer product from one place to another. All it takes is an email, but with the digital file and it gets into production line in a very short period. So this has eliminated a lot of the design allowed that we had in the past, that our people used to have, that was very difficult to transfer from place to place.

Today, that is much more simple and the product, a spectacle of the product has certainly been elevated, but it's elevated everywhere, which means that now we are more in a world of commodities than ever before. That's far away from being protected on that.

MR. SPOONER: Sorry. Just briefly, this is David Spooner. Ms. Lo, I'm sure you know this, but just in case. Exhibit I-14 in our petition of course includes some examples of this copying.

MS. LO: And this is just for my own understanding, but what is a typical product line number for a producer? I know there's a huge variation in producer size, but personally I'm overwhelmed at the number of tile choices at the store, and I know the larger formats are more popular now. But what, you know, I understand that, you know, this equipment is dedicated for the subject merchandise.

But within the subject merchandise, there's a huge range of product lines, correct? So is it just hundreds, is it --

MR. MATTIOLI: No.

MS. LO: Depends on the size, you know?

MR. MATTIOLI: Gianni Mattioli. Just in our case, we have thousand of SKUs, thousand, and not one thousand.

MS. LO: Thousands, okay.

MR. MATTIOLI: Yes.

MS. LO: Of SKUs essentially, right?

MR. MATTIOLI: Of different items, yeah. Different sizes, different color, different floor wall, but it's in the thousands.

MR. BARAN: This is David Baran. What you see at the store is just the tip of the iceberg.

MR. MATTIOLI: Yeah.

MS. LO: It's too overwhelming. But yeah, okay. Thanks.

MR. MALASHEVICH: If I -- I'm sorry.

MS. LO: No, no.

MR. MALASHEVICH: If I could add please, I think -- Bruce Malashevich for Economic Consulting Services. That's one of the great challenges for the Commission and the parties in this case, the enormous variety of goods from -- there needs to be some kind of balance struck between having something that's representative and at the same time having sufficient coverage to meet the Commission's typical standards. So that's something, I think, we all have to work on together.

MS. LO: I think that's all I have for now. Thank you very much. I know I sent a few firms specific questions, and I look forward to your responses.

MS. CHRIST: Thank you. We'll now turn to Carl Tsuji, the Industry Analyst.

MR. TSUJI: Well good morning everyone. This is Carl Tsuji. I'm the industry analyst, and I have a number of technical questions, particularly about the raw materials that go into the porcelain versus non-porcelain ceramic tile. But first I want to start with a -- just to make certain we're not overlooking anything, is there first of all a standard industry conversion factor for quantity between area and weight. Maybe other members want to comment on that.

MR. ASTRACHAN: I would be uncomfortable with that because to name a couple of examples, wall tiles are commonly much thinner than floor tiles. Floor tiles, depending on their size, commonly become a little bit thicker as they become larger. Now we have the very large ceramic tile slabs or ceramic tile panels of which we spoke. Those can be as thin as even two millimeters, more commonly three millimeters, as opposed to, for example a 24 inch by 24 inch ceramic tile that might be ten millimeters.

We're starting to see into the market now even 2 cm ceramic tiles. So I would be uncomfortable to try to make a conversion between weight and square feet. But that said, if we were talking about just floor tile, we could start to get closer. If we were talking about just wall tile, we could start to get closer. If we were talking about just ceramic tile slabs or panels, we could start to get closer.

But thickness certainly varies, depending on the properties of the particular ceramic tile that is being made.

MR. BARAN: This is David Baran --

MS. CHRIST: Oh hold on. I just wanted to thank Eric Astrachan for that insight. We'll turn to David Baran.

MR. ASTRACHAN: Thank you, Ms. Christ. I apologize.

MR. BARAN: I guess the way I look at the question you're asking is how you make the tile and the thickness and so forth. There's a balance between meeting the product specification, which the thickness is important for, the cost and getting it through the production process successfully with good yield. That's how we kind of look at things and try to get what the thickness of a product would be.

MR. TSUJI: Okay. Then I'll follow up by asking what are the thickness ranges for floor tile versus wall tile versus slabs?

MR. MATTIOLI: I mean the floor tile generally -- Gianni Mattioli with Dal-Tile. In the floor tile, generally speaking we go on a standard tile between 8 and 11 millimeter. On wall tile, it's more between 6 and 8 I would say, and then when you get into the large slabs, large slab they start at 3 millimeter and they go -- they go all the way up to 18-20 millimeter right now.

But the majority, it's probably around 6 millimeter overall. That's your majority, 5-1/2 to 6 millimeter. But there are example of 3 and some is used in counter tops, which you need a thicker tile. So it will be 15 to 18, and in some cases 20 millimeters. But those are very new products, so it's kind of like more of a niche product at the moment. But that's what -- so the range is fairly wide.

MR. ASTRACHAN: Eric Astrachan with Tile Council. But it's worth noting that there are other thicknesses as well, and they all compete in the same applications. So they all, wall tiles, whether there are some that are as thin as 3 millimeters, up to a common thickness, as Mr. Mattioli said of 4 to 6 or 7 millimeters, they all compete in that same wall tile application.

Similarly, floor tiles, there are thicker ones, there are thinner ones. They all compete again in those same applications. So thickness isn't a very good determinant, because they're all competing in the same applications, and because -- I guess that's why, because really there may be differences in breaking strengths, but these are distinctions that the consumer wouldn't necessarily be making.

It could be relevant to the installer when he's installing them. It could be relevant when someone is trying to cut the tile. But in the end of the day, these products are all competing in the same applications. Thank you.

MR. TSUJI: Okay, thank you. That's very informative. Next, I want to ask questions about two of the exhibits that were included with the petition. I'm referring specifically to the product catalogues, Exhibits 1-4-A, 1-4-B. 1-4-A, let's see. It's Dal-Tile's Acacia Valley color body porcelain, emphasis on porcelain. Exhibit 1-4-B again is Dal-Tile, but it's Parkway glazed ceramic with revealed imaging.

And so my first question is the tile in Exhibit 1-4-B, the Parkway, is that also a porcelain tile or a non-porcelain tile?

MR. MATTIOLI: It's a non-porcelain tile.

MR. TSUJI: Okay.

MR. MATTIOLI: I will confirm it, but you know.

MR. SPOONER: I should say, at the risk of being a cautious counsel, I trust Gianni, of course, because he's such a veteran of the industry. But because while we're doing this quickly, we'll confirm that Gianni's answers are correct in post-conference brief.

MR. TSUJI: Okay, great.

Then looking on page 6 of each of these exhibits there are lists of the raw materials as well as the ranges, the percentage by weight that are -- I presume these percentage ranges would be the shares of the raw material mix that goes into producing these types of tiles, but I noticed that the ranges for each of these materials are the same. So, I wanted to ask -- now, I'm going to get into mineralogy and petrology.

Specifically, what is the predominate type of clay, the clay mineral for ceramic tile; is it kaolin?

MR. BARON: Typically, it's ball clays; sometimes kaolin also. The red body clays are a bit different. They're not ball clays. And then also there's some clays in the glazes as well. And I'm looking at the pages you referenced and the ranges are quite broad, so many plants would go into them. But again, we'll address that in the post-conference brief.

MR. TSUJI: Okay. And then can you describe what is the purpose for each of these raw materials? Obviously, the clays that would be the -- that's the basic raw material for the ceramic tile, but then I see, for example, crystalline silica as the mineral quartz. Is that a flux material or is that added to reduce the firing temperature of the tile? And I would ask the same of the feldspar, the talc, and the biotite.

MR. BARON: In terms of the sand, that tends to be a cheap filler that melts with the rest of the body. So, since sand is so commonly available near our production sites that it's used to the maximum extent that we can in the tile. The feldspar is really a flux that helps the whole thing melt together and is really very important to the firing process. The talc, at least in our process, we use that in the wall tile bodies. That's kind of a fluxing agent and added to the clay in pretty high percentages. I'm not sure if that answers your question.

MR. TSUJI: Let's see the mineral biotite.

MR. BARON: Honestly, I'm going to have to refer to the post-hearing briefing because even I don't know what that is.

MR. TSUJI: It's a dark mica.

MR. BARON: Okay.

MR. TSUJI: And then there's another one here, ethylene cyanide that's not a mineral. That's a rock.

MR. BARON: Yes, that is used as a fluxing agent, at least the ones used domestically in the United States tend to be either around Little Rock, Arkansas and also there's some deposits up in Canada.

MR. TSUJI: Okay.

MR. ASTRACHAN: If it's helpful, I note that we're reading off a safety datasheet.

MR. TSUJI: yes.

MR. ASTRACHAN: And many of the safety datasheets tend to be broad, as is allowed as in the writing of a safety datasheet, but -- and I believe, as you noted, for example, talc goes from zero to 40 percent. So, some products would not have talc or would have a small amount, while wall tiles tend to have a higher amount of talc. And I think that that's part of the struggle that Mr. Baron was having in terms of depending on the product those percentage would be very different.

In the end, they have to create a formulation that can be run from, in the case of porcelain, zero degrees up to approximately 2160 Fahrenheit, close to 2200 degrees Fahrenheit, and it would depend from manufacturer to manufacturer, and cool it back down typically in 40 minutes or so. That's the modern fast-fire technology. I make this point because that's what determines ultimately that exact ratio because they have to create that body that can be fired in that fashion.

Now, because there are other manufacturing processes that we identified, including extrusion and even slip casting for certain shapes, other parameters would go into determining the body formulation that would work in those applications. So, it's very difficult to do that from an MSDS. I hope that's helpful.

MR. TSUJI: Yes, it is. In fact, you're even leading into my next question. And that is for porcelain versus non-porcelain ceramic tile what are the firing temperature ranges between the two, as well as the firing duration, the time of firing, to achieve porcelain tile with a water-absorbed c-coefficient at or below 0.5 percent versus non-porcelain -- let me get the terms right -- non-ceramic porcelain tile which would have higher water absorbency coefficients?

MR. BARON: I guess I would start by saying there certainly are variations within what I'm going to say that would vary, depending on your raw material formulations and what you're using to fire. But typically, the non-porcelain does fire faster than porcelain. The temperatures, porcelain, probably 1210, 1220c. The ceramic, again, probably speaking of floor tile, about 1100c, in that range. We can certainly add more detail in the post-hearing briefing in terms of getting some of that data exactly, if that's required.

MR. TSUJI: Okay, yes. Could you repeat the ranges that you'd spoken about?

MR. BARON: 1210c-ish and 1100c for the ceramic, non-porcelain.

MR. TSUJI: Okay. And the firing times are similar or does ceramic require a longer firing?

MR. BARON: It generally requires longer firing cycles. You know firing cycles you probably can go as low as 20 minutes in some cases. I've seen some factories -- and between 20 and 60 probably gets you 95 percent of your firing cycles in terms of standard tiles. Now, talking about big slabs and things like that it's a whole different ballgame.

MR. ASTRACHAN: But to be clear and inclusive, Mr. Baron is referring to the fast-fire process. At Roller Hearth Kilns, we did include in the scope, for example, tiles that are comely called quarry tiles made by the extrusion process and I'd have to check to see what those times are. But they're considerably longer because you start with wetter clay, so you have to remove that moisture and then fire that material. It's an entirely different process and a different amount of time and we'd be happy to provide that.

MR. TSUJI: Okay, thank you.

MR. BARON: And typically, those are done in tunnel kilns, not the fast-fire kilns, so those are hours and hours. And again, we can get you that data, but I believe our fact is about 24 hours of firing for type of extruded product Eric was referring to.

MR. TSUJI: Okay, thank you.

And my final question, just so it's on the record, the production equipment designed for ceramic tile, I presume it is designed specifically for ceramic tile and cannot be used for producing any other type of ceramic products; for example, tableware, bath and sanitary ware, et cetera. Correct?

MR. BARON: I would say that's accurate. I mean all those factories look tremendous different and I mean some of the suppliers of ceramic tile equipment supply into those industries, but the equipment for those other purposes is vastly different.

MR. TSUJI: Okay, thank you very much.

Ms. Christ, I have no further questions.

MS. CHRIST: Thank you. We'll now turn to the Supervising Investigator, Douglas Corkran.

MR. CORKRAN: Thank you very much and thank you to the panel for appearing here today. It's been very helpful.

My questions will jump around because many of the topics have already been very well covered. I was interested in I believe it was the statement Mr. Baron said that he offered one possible explanation for why trends in imports from Mexico were behaving the way they were, identifying changes in freight costs.

I wonder if you could give me a sense of just how important freight costs are in terms of shipping within the United States. And perhaps, even put that in a broader perspective because one of the things I do notice is looking around at the production locations for the U.S. industry it's largely concentrated regionally within the United States. So, how do you ship to customers located outside of your product region and how important is transportation cost within all that?

MS. DONALDSON: In terms of transportation and the cost for that, it's a huge factor. And recently, I'm sure you may or may not be made aware, that transportation has gone up in the last year. Right now, from the transportation industry and trucking industry, they have been mandated to stop after 12 hours of driving and they have to have a certain amount of rest and that has caused the amount of availability in capacity in the industry to be squeezed a bit. So, those increase in transportation cost definitely happened there.

Now, if it's outside of our region, in terms of just speaking for Florida Tile, from going to the West Coast we do some inter-module in addition to trucking across the road in a normal 18-wheeler trucking capacity.

MR. CORKRAN: Thank you. That's helpful. Any other observations? I mean, how do you supply the West Coast of the United States?

MR. CURRAN: This is Tim Curran again. I would go back to something that, I can't remember if it was David that maybe mentioned originally, so that concentration in Tennessee, we are close to our raw materials. So the freight costs are not just outbound finished product. It' getting raw materials to you.

So being located in those areas where the raw materials are, that creates economies as well. It also was mentioned earlier that from a delivery standpoint, and it's a little bit what Ashley just mentioned, you take Tennessee and draw a circle of about 500 miles. And that was what a trucker typically used to be able to cover in one day. Now with the electronics, they can't cheat it as much, but that was always the consideration. But within 500 miles, you hit a very large percentage of the U.S. population. So you hit your major markets: Dallas, Atlanta, all up and down the East Coast here, Chicago.

The markets you were missing were, you probably got maybe almost as far as Denver, but certainly once you went West of the Rockies, the West Coast, Pacific Northwest, Southern Florida, so a Miami, those fell outside of that shipping.

So it does give Kentucky, Tennessee, and again you can look at it from an economy standpoint, those areas have grown significantly, and it's a lot of distribution facilities located there. I'm assuming it's for the same reasons that we found it attractive, as well. So doing that is a major component of it.

Now when you go to shipping different things, some of us have different value propositions to our customer base. When it is logical and you can do that, certainly what Ashley said, using intermodal is a cheaper mechanism than taking a truck and delivering it that way.

In Crossville's case, we have changed from one of the projects that we've undertaken over the years to building a very sophisticated logistics program where, because of our location, we can service our customer base and not expect them to carry inventory.

So if you want to call it J-I-T, in the industry our warehouse is centrally located. All of our products are based there. And then we can deliver to you. If you order by 3pm today, within that one-day travel you'll get your delivery tomorrow. So you no longer have to a warehouse stocked with material that you're guessing what will be sold.

We also then, "all," I would say the majority of us also work through, if we have a large project, we'll create our trucking programs that deliver direct to job sites if that's a possibility. So I think everybody here--I mean, cost of transportation is a significant cost in the pricing of a product. So finding the most efficient and effective ways to distribute product, I would say everybody does. I mean, it is a part of your survival economic.

MR. MATTIOLI: Gianni Mattioli with Dal-Tile. In our case, obviously having 10 different manufacturing plant, we use original distribution center to consolidate some of the material coming so that you can do it on a more full truckload, or on a piggyback, or whatever is the case, and then we deliver to the customer from those locations. So that it's not every order has to come back to Tennessee, or Dallas, but originally if it goes to Miami, we have everything in the Midwest, in the West Coast, but we use more of a mixed system because we are so spread and we have so many different plants and so many different products. In order to service the customer, we have to do something similar.

MR. CORKRAN: How do you stock your West Coast distribution, though? That's still one of the things that's a little bit puzzling to me, just the tremendous distance involved from the point of original production to, to actually reaching your ultimate customers in that part of the country?

MR. MATTIOLI: Well it's certainly more expensive--Gianni Mattioli. Again, we have a distribution center in southern California, and we try to keep the closest mix to our sales. So we try to get as close as possible to what we sell in the market. I mean there is really no significant difference other than it's much more farther away, so your cost goes up, and especially the West Coast has always been a market which is much more farther away from the manufacturing in the United States.

MR. SPOONER: And, Mr. Corkran, it's David Spooner of Barnes & Thornburg. I can't resist, although I'm probably stating the obvious, of course the Commission's questionnaires always ask whether or not subject merchandise is present in every geographic part of the United States. And I don't want to characterize questionnaire data in this setting, but of course transportation costs are also a factor for purveyors of subject imports. And I would encourage the Commission to look at responses to that question in the questionnaire.

MR. CORKRAN: Thank you. All of those responses are very helpful, and I do very much appreciate it.

My next question is sort of a combination of questions that have already been asked. One question that was asked was the extent of cutting that goes on for imported product. And then there was a discussion of mosaic tiles a little bit later.

And there is a statement made in response to the latter question about mosaic tile, cutting into mosaic tiles all over the United States. And I wanted to get some clarification on that.

Was a reference such as that to your own operations are cutting mosaic tiles? Or were you saying there are independent companies that are cutting into the mosaic tiles? I just wanted an elaboration on that.

MR. BARAN: This is David Baran. I think the answer to that is, yes, many of us probably cut our own. And also there are small companies set up locally to do selective cutting in local area markets. Contractors could get it done. Small companies, retailers could get it done. So that's kind of how that works.

But I don't know if--one of the questions that was asked was if people who sell things are typically getting that done as a standard practice? I don't think that's the case. They're done for specific jobs by typically those small companies that are located locally that cut.

MR. CURRAN: Tim Curran with Crossville. I'd say very similar to what David just said for Crossville. We have our own equipment, our own production lines to do cutting. We offer it as a service, because we'll also then make one-off sizes and shapes for people.

So if somebody wants a parallelogram or something for a design, we can do those kinds of things. And in large production issues, and sometimes we can farm those out.

There are third-party providers around the country that have equipment to not only cut it but cut it with blades, but also doing it with water jets, which again, you need certain sizes, you need shapes, whatever, that they're going to do. But those are distributed as independent parts of the manufacturing process, not within our company.

MR. CORKRAN: Okay, thank you very much. I appreciate those responses.

I am going to turn to Mr. Malashevich to expand a little bit upon some of the written testimony that you provided. So I'm going to ask a question, and I just want to be clear that my question doesn't go to either the clear feeling that you had about it, and it doesn't assume whether it's right or wrong.

But you do make the assertion that there is a lot of misrepresentation of the imported product. Taking that to be the case, my question is: Why does that matter? I mean, for the purpose that we're here for today, why would that matter?

MR. MALASHEVICH: Bruce Malashevich, Economic Consulting Services. Well, first of all, I think what was meant by "misrepresentation" of the imported product has been well addressed by members of the industry during the course of the questioning today and in their testimony, but I think it's important because it's a condition of competition.

And my professional view of that particular issue as it affects the Commission's analysis in this case is that you have a situation where dumping and subsidies are being used as a vehicle for facilitating the sale of such misrepresented products, to use your term, which I think is very unusual among Commission cases, but very, very important in this case. Particularly as you heard earlier today, a situation where there's, as a practical matter, no protection for intellectual property.

So it's a free ride for the Chinese producers to take a photo and just zap it to China, and sooner or later the same designs in all respects are being sold in the United States in competition with the designs and products that the domestic industry expensively developed using their own resources.

But that is why I think that is very important.

MR. CORKRAN: I was interested, along that same line, and I believe Mr. Mattioli made this characterization, the tie-in I was wondering about was you mentioned that there was an increasing commoditization of the product. Is that linked to the factors that have been discussed in terms of the allegations about the imported product?

MR. MATTIOLI: Well, I mean what I meant--Gianni Mattioli--what I meant is that the, we were talking about the digital decoration, and there's no doubt that the digital decoration has allowed a higher number of factories to come up with much more product which are much better aesthetic, and this can be transferred very quickly. It's very difficult to protect it. Once we put the product in the market, it's everybody's fair game at that point. So I'm not sure if I answered what you're asking, but that's really what I meant. And that to me, instead of giving us come protection like we were talking, is actually we're going in the opposite--the industry is going in the opposite direction where you can get similar product from around the world, in China in particular, and now it's a price-price war pretty much out there. Price becomes the king instead of the design, or the quality, or where the product is coming from, and all of that.

MR. CORKRAN: Thank you. That's helpful. And I only have one last question. And that is, for those members of the domestic industry that also have an import presence here in the United States, how do you--what is your decisionmaking process for your mix of imported product and your decision to utilize your own capacity here in the United States?

MR. MATTIOLI: Well, I mean we discussed about--Gianni Mattioli--we discussed about how you have to run your factory at some percentages, well over the 90 percent, in order to be profitable. I mean, the investments are very high. And in order to have a decent return on investment, that's what you have to do.

So we will have to take a very hard look, and we have to make sure we do that. And if that means in-sourcing, that's probably what we'll have to do at some point. Inserting some of the product that we are right now buying from import--that we are importing, let's say.

MR. HAYNES: This is Don Haynes with Florim USA. We import for two reasons. One, to backfill production. If we decide to domestically produce an Italian line, until that line comes up to full speed we will import Italian tile to backfill.

Once domestic production is fully up to speed, then that import ceases.

Secondly, we have a wholly owned subsidiary that's in the sole business--well, two businesses, really, primarily marketing the Italian-made tile for those people who wish to have Italian-made tile. So Florim USA proper does not import directly for resale. It's a tool.

And FSI, the import arm, mostly markets and imports some for people who wish to have that product.

MR. ASTRACHAN: This is Eric Astrachan, Tile Council of North America. I think, to elaborate a little bit further, your question I believe asked about imports in general. So, for example, Don has spoken about that section of the market that buys from Florim that is looking for some products perhaps from their Italian parent, and so they import to address that interest.

Many of our members have told us that they import in the case of China specifically because of price; that to be competitive they are needing to import a certain amount of Chinese products to add to their total offerings to address these very, very price-sensitive points.

So we know that that is taking place, as well. That is particularly true also for those manufacturers that have their own distribution facilities where they are buying directly from China to have lower cost products that they can offer, because otherwise, they tell us, they can't compete.

So I think, depending on what segment of the market they're trying to address, you see some different imports taking place.

And then the last thing is simply if there's a demand for their products--so, for example, if a demand for Dal-Tile products, and they are operating at full capacity, which is no longer the case but at one time was, you can't build a kiln tomorrow. You can't turn on. You can't make it run faster. You can't do anything, but you have a demand for the product, so you look to someone who can make that for you.

And Mr. Curran spoke to that with the imports they have from Argentina. At one time it was technology they didn't have. They have the technology, but when they were operating at full capacity it was an easy place to get additional product that they could sell into the marketplace.

Now that people are not at full capacity, I'm sure we would see less of those imports coming in to supplement sales.

MR. SPOONER: If I may. It's David Spooner. We will address the issue further in our post-conference submission. It's probably worth highlighting, it's clear that price pressure is a factor but we've had members testify today that there can be other reasons, too. One testified about having to import Italian goods because of a fire in Del Conca's facility and Tim testified about importing goods from Argentina because of a longstanding practice or relationship with an Argentinean supplier.

There are going to be members with reasons that are BPI that we haven't divulged today so we will elaborate in our post-conference brief.

MR. CORKRAN: Thank you very much and again thank you to the Panel and I have no further questions.

MS. CHRIST: Thank you. Let me just do a quick scan and see if there are any follow up questions. I see someone nodding their head. Nate?

MR. COMLY: I have good news and bad news. The good news is most of my questions are asked. The bad news, not all of them were asked. I will try to keep it brief so we can get some lunch but let me just go through them really quickly.

Do certain countries concentrate on producing particular types of ceramic tile or can each country produce any type of ceramic tile. Thinking of Italy, for example, so when my wife goes to the store and sees an Italian tile she goes "ooo, Italian tile", and I'm thinking okay. Right. Can't I get it from a U.S. Manufacturer too? So does any country specialize in one or can everybody produce everything?

MR. ASTRACHAN: This is Eric Atrachan with Tile Council. I'd be interested to hear what other panelists have to say but my experience, and I participate in the world's ceramic tile manufacturers forum which is manufacturers from all over the world and one of our staff is the Chairperson of the ISO committee on international standards and another staff is the secretary of the same international standard, so we work with countries all over the world.

The quick answer is all tile can be made by essentially any tile producing country in the world and that's pretty much what we see. Even though your wife has the perception that many have about Italian tiles, when you're in Italy you find the full spectrum of tiles being made in Italy and similarly the same full spectrum in the US and for that matter the spectrum in Vietnam, Spain, all over the world to name just a few.

MR. COMLY: How much impact do trends and I'm thinking of fashion trends, things like different colors, different, you know, I'm thinking of my lovely bathroom before I renovated that was a beautiful pink from the 70's. How much does fashion trends, how much impact does that have on demand for a specific tile?

MR. MATTIOLI: Gianni Mattioli, I would say obviously our business, our industry is also by design, by color. That's probably where Italy has an advantage since there is no doubt that new trends, new colors, they tend to come through Italy first and then worldwide. One of the things that is happening and we commented about the Chinese are participating in a trade show and all of that and copying photographing the best product, it is the dissemination of whatever comes out of Italy throughout the world that is happening very fast.

So even the advantage that you might have of coming up with a new color or a new trend has very little lifespan in the market. It will be special if it's very successful you will be copied very rapidly and that is true -- I mean it's what's happening in the market.

MR. ASTRACHAN: Yes, Eric Atrachan with Tile Council and if I may perhaps just for emphasis but the add some perspective because perhaps you're not as familiar with this digital printing of what it really means in the ceramic tile industry because as Gianni said the latest design, the latest fashion, the latest trend comes out as shown at the trade show and instantaneously that's transmitted to China but because of digital printing it literally is -- if before your only way of printing a book was to write it by hand, was to figure out a way to apply that ink to the surface in some non-digital fashion, now it's like hitting a laser printer.

It's that fast, it's that easy. You scan in the image and the computer figures out and sprays that image in ceramic glazes onto the surface at super high resolution and you've just copied it. It's that fast and that instantaneous. That is a huge change that has been taking place in the last few years because of the advances in this digital printing technology that didn't exist before.

MR. MOLINA: Juan Molina, Del Conca, USA just to reinforce what Eric was saying that from a sales and marketing perspective we at Del Conca USA have taken a position that we will not share any images with our customers because of this scanning and taking our faces and possibly moving them overseas.

MR. CURRAN: Tim Curran with Crossville. On your point, we for years have described ourselves the pictures you saw make it look like a king of basic down and dirty manufacturing process but the industry is definitely a fashion industry.

As Gianni said we employ designers in Italy that help come up with not only color but also the looks and impressions that you're getting as well as color consultants and you would be surprised that if you took new product introductions that we have. I sat in a meeting at our offices one time, a color consultant that we had brought in fashion magazines, cars.

I hate to tell you this but there's a coalition of color people out there that create what the trends are going to be. I mean I accuse them of being the world's most concentrated, we talk about antitrust concerns, I think we should talk to the dozen women that sit on that committee because they influence all of our lives in ways that we have no idea but it was amazing to see how prevalent wall coverings, draperies, fabrics, tied to women's fashions, tied to colors that were the off, not the black and white and silver that you get in a car but the other colors that they introduce.

Crate and Barrel, very colorful home furnishing or accessories or whatever, they go through their cycles. They are all producing kind of a basic pallet that it's amazing at how quickly those trends evolved and then they breed into everything that we do. As Gianni mentioned before that requires then you to constantly turn over what it is that your product offerings are.

Just like our clothing or whatever changes year to year, they find some way of making us evolve on an ongoing basis. It's very rare that you will make your pink wall tile or your floor tile for you for your bathroom or the avocado green or whatever but --

MR. ASTRACHAN: Eric Atrachan with Tile Council and I think maybe Gianni if you want to comment but if I may, Tim with all respect, we've all seen the Devil Wears Prada. Design is relevant but in the end of the day, as those designs are distributed worldwide it all comes back down to price. It still all comes back down to price so design is relevant, Mr. Comly your wife will look at that Italian tile and perhaps that may mean something to her.

Everyone is making a color decision based on their interior finishes and so on, but in the end of the day because it's a worldwide market and because these products are sold on price it's still a commodity item. Do you agree with that, Tim? Gianni I'm sorry. You want to put in something.

MR. MATTIOLI: Gianni Mattioli, I would definitely today design is a must because it last, the uniqueness of the design is so short in the marketplace it's like another piece of the business and it doesn't give you a great event. You just have to have it. If you don't have it you don't know where but once you have it it's in everybody's hands.

The lifespan is very short and that's why we keep saying we go back to the price, to the price level and customers tend to go there because this infatuation with Prada and design is minimal as we see in these cases.

MR. COMLY: So how does that translate into inventories that say importers may hold? So I'm thinking of if you're importing from China, I'm assuming you're going to import a big volume to spread out the freight costs.

So how would say the changing market or the rapidly changing market, how would that impact inventories that are brought in or even, I'm guessing in your situation, inventories that you produce an expectation of demand? Does it affect it? Do you see lower levels of inventory being held or do you produce mostly to order?

MR. CURRAN: Tim Curren with Crossville. In our case, we attempt and have designed our processes to do more to order but as I described it if you came to our main warehouse it's like Raiders of the Lost Ark at the end of the movie. It goes on forever. I mean all of us have hundreds of thousands of square feet of warehouse space.

It is, it's a part of the business. It's a part of the cost of doing business to maintain that inventory and then again you have to do your work to move product. When you continue to lose your potential market you're left with material that is expensive to dispose of. It's a very costly process. The advantages from a shipping standpoint for the most part, I mean once you get to container levels the biggest changes in your pricing have occurred. There's some to be safe still on volumes but once you're starting to move full truckloads, full containers worth of material the pricing differences kind of balance themselves out. We're not dealing with people, as manufacturers we're not moving -- typically when we're moving material from outside the U.S. in we're not buying two pallets of tile.

MR. SPOONER: This is David Spooner of Barnes and Thornburg. This is of course worth noting, in our opening presentation of course we noted that the aggregate questionnaire data for U.S. Producers showed inventories increasing over the POI but we can address further in our post-conference brief just to whether increasing trends changing increasingly fast how that affects, how that impacts inventories that are increasing.

MR. COMLY: So I believe the Respondents brought up in their opening statements the potential new producer, Portobello the Brazilian producer that is going to be, they announced that they will be putting in a new facility in Tennessee. Do you have any knowledge of this facility and knowledge as in potential capabilities and the timeline -- rough timeline when it's coming in? And then also why would they be making this decision if there is injury going on?

MR. ASTRACHAN: I'd like to confirm with our contacts at Portobello but the last conversation that I had with them, again, subject to confirmation as I was not talking to the CEO but to the person directly below the CEO was that they are already pushing back their decision to build by at least one year.

So essentially what they've done is talk about something and are now pushing back that decision so I can confirm that or see what they are willing to put into the record but that's what the communicated to me at that trade show where they were exhibiting. This is Eric Atrachan with Tile Council. Thank you.

MR. COMLY: Thank you. If you could put that in your post conference brief that would be very helpful. So in the Tile Council's 2018 U.S. Ceramic Tile Market Update, it was noted that consumption in the U.S. had been rising over the last several years but in 2018 it saw an increase since 2014.

What are the drivers of this reduced increase in consumption? I also looked further in that report and it said that new housing starts, new single family home sales are at their highest levels in more than a decade. So how does that come into play?

MR. ASTRACHAN: This is Eric Atrachan with Tile Council and I believe the answer to that is that the new home sales are starting to level off and as we see that level off we see tile consumption starting to level off. Our fear is that we are at the peak of that trend and that what we have seen in the past is that when it starts to decline in terms of domestic shipments is the beginning if you will a decline in tile consumption and oftentimes a decline in new home sales.

MR. COMLY: Thank you, that's very helpful. My last question is using square feet the best available measurement of quantity? In looking at square feet are there any caveats the Commission should be aware of when using this data? Finally, should the Commission focus on value data instead of if there are issues with the quantity data in its analysis?

MR. SPOONER: This is David Spooner. I think the short answer is something we need to think about and we will address it in our post conference brief.

MR. MALASHEVICH: Excuse me I have something to add please, Bruce Malashevich, Economic Consulting Services. We began work on this project, the single thing that consumed most of our time was figuring out what was the best metric of volume considering the highly differentiated products we have, the earliest varieties and thousands of SKUs, the bottom line is we thought the best measure of volume is square feet. And that's how we conducted our analysis. Maybe there's a better way but if there is we couldn't find it.

MR. COMLY: Okay, thank you. That's all the questions I have and thank you very much for your answers. They have been very informative. Thank you.

MS. CHRIST: Thank you very much. I will just do one more question.

MR. KNIPE: Okay, so my one question, Ms. Baran I think you mentioned that at least in your facilities you have gas-fired kilns. For the rest of the panel, do electric-fired kilns exist in this industry and which one predominates?

MS. DONALDSON: I will speak for Florida Tile but I believe I am speaking for everybody else, we have gas-fired kilns as well. Ashley Donaldson.

MR. BARAN: Dave Baran, obviously using electric kilns for hobbyist and things. I've never seen one in a ceramic tile factory anywhere.

MR. KNIPE: Okay, thanks. There is one request. Mr. Spooner I think you mentioned in your opening statement that there are several third countries that have import tariffs on Chinese tile. If you would in your post conference brief just go into more details, specific countries and provide that information in your brief.

MR. SPOONER: Yes, we will. Thank you.

MR. ASTRACHAN: May I? This is Eric Atrachan of the Tile Council. If it is helpful I believe all U.S. Production is gas-fired. It's not to say that that technology doesn't exist for electric fired kilns on that scale but I'm sure people just look at the economics of power availability of power and heating and so on but U.S. is gas. Electric kilns of a large scale do also exist they are just not being used in the U.S. at this time.

MS. LO: Sorry, Joanna Lo. One quick question following up to that. The natural gas reported by U.S. Producers as probable cause, is that for everyone or does it vary and is it reported in other factory -- or under raw materials? Thank you.

MR. SPOONER: Thank you, Ms. Lo. We will address it in our post conference submission.

MS. CHRIST: Any other questions? Okay. Thank you. I will echo Mr. Comly's statement that most of the questions I had were also answered. I do have a couple that I just want to quickly verify. I believe Mr. Hanes, I think you mentioned that there were post sales claims and returns that you also oversee. How is that information, if there is misrepresentation of product, how does that affect its -- if something is meant to meet certain specifications and it doesn't how do those claims go from the ultimate end user back to the producer and does it? Where are those costs in the system held?

MR. HAYNES: I guess the procedure is that the end user has a complaint on the tile. It broke, the color was wrong, whatever the case may be and then that comes back through the distributor to us as a defective tile. Did it escape our quality system is basically what that handles.

MS. CHRIST: And would that same process, to your understanding, be for importers as well.

MR. HAYNES: I would think it's typical.

MS. CHRIST: Do most importers and U.S. producers maintain any kind of defective warranty rates that they would keep for their own operating and business practices?

MR. HAYNES: I'm sure that that exists on a per-company basis. Yes. It does for us.

MS. CHRIST: Okay.

MR. ASTRACHAN: If I may, I'd like to add to that. I think Don may be referring to his experience with Florim, our leading U.S. manufacturer. Tile Council of North America, we operate an inspection business, so our engineers are used as experts to investigate flooring failures. Our laboratory is used regularly by consultants across the country to investigate flooring failures.

And on this particular subject of misrepresentation in tiles sold as porcelain we many times hear about the inability of the end user to receive economic compensation for the failure because these are imported products. And while the importer, perhaps, can be held accountable, many times they point back to the manufacturer overseas oftentimes in China and claim an inability to recover those costs, which can be substantial when you think about all the things that are installed on the floor that then need to be removed for the floor to be replaced.

And when ceramic tile is put down properly, it's not that easy to pull back out. So, we regularly see instances where people complain about their inability to be compensated for the failure of non-porcelain tile sold as porcelain that do not behave as porcelain tiles do. It's something I have commented in testimony to ITC before. In fact, Commissioner, I believe, Broadbent asked about tiles that had popped off of her floor which is a classic example of tiles expanding because they're absorbing water, while porcelain tiles typically do not.

Absorbing water and then putting too much pressure on the system and popping up or for porcelain tiles that aren't porcelain absorbing water and breaking because of feldspar when the customer expected them to be porcelain. We see it all the time and we hear regularly, albeit, anecdotally, of people not being compensated through the distribution system from importers who've brought these falsely labeled products into the country. I hope that helps.

MS. CHRIST: Yes, that's very helpful. Thank you.

I have another question for Ms. Donaldson. In your testimony, you mentioned builder grade product. Can you clarify? What other grades are there and what determines builder grade versus other grades and what are the other grades?

MS. DONALDSON: Sure, I'm happy to do that. In terms of what I meant by that is we have a good, better, best.

MR. BISHOP: We need you closer to the mike please.

MS. DONALDSON: I'm sorry about that.

MR. BISHOP: Thank you.

MS. DONALDSON: In terms of a market strategy that we have, we have a good, better, best. And what I meant by builder grade is a material that we can provide out to a lot of different builders that is of as low of a price that we can possibly get it without certainly being below cost and maybe it has some properties that aren't as design-specific or maybe it might be a little bit of as thinner tile, but it's one that they can buy in high amounts is what I mean for builder grade, like a value product.

Let me give an example. Kind of like grabbing something that is the generic version of something at Wal-Mart type of thing is what I meant by builder grade. Now, there are different grades of material, but that has more to do with the production process and what I was referring to was what value we put that at in our marketing strategy. Does that help?

MS. CHRIST: And so, aside from builder grade, are there other types of grades that you regularly refer to based on it sounds like the channel or end user consumption.

MS. DONALDSON: That would be the only specific one that we would single out within our organization.

MS. CHRIST: Any others?

MR. SPOONER: I should stress, although I would ask others on the panel to correct me if I'm wrong, but from my working with the industry I hope it's -- I've come to know and I hope it's evident with thousands of skews and a broad range of products you know there, of course, are going to be some products that cheaper than others that are marketed different than others and that sort of thing. But by grade, we don't mean that there's you know a bright dividing line. That's there's an accepted definition in the industry for builder grade or anything like that.

MS. CHRIST: Thank you.

My last question, I think, may require the pulling together of different information, so feel free to address this in your post-conference brief.

I'm pulling together some pieces of information. I understand the potentially non-porcelain red clay raw material input may be as low as 50 percent of the non-red clay porcelain raw material input. I did hear also some testing came up with potentially 70 percent of the samples taken that claimed to be porcelain were not porcelain. And then we're also looking at the importance of these characteristics in defining the pricing products and the price differences.

To what extent is the potential misrepresentation of two similar products, U.S. v. imported, and the cost associated. I'm assuming if you misrepresent something that's a price-driven commodity product it's because you're trying to portray a higher expected value than is actually. What percentage potentially or how much can we attribute the difference in those prices to a misrepresentation of the product that might be driven by things that actually affect the cost, such as the raw materials and the thickness and the density and the water absorption rates?

So, it's a bunch of different pieces, so please feel free to say that you're going to look at that and address it in the post-conference brief.

MR. SPOONER: Yes, thank you. And I believe I understand the inquiry, though, and we'll address it in our post-conference brief.

MS. CHRIST: Thank you. Those are all the questions that I have. I do want to thank the panel for coming here and answering all our questions. As you saw from the diversity from domestic-like product, a couple of quick questions from our attorney to extensive questions about chemistry, composition for raw materials, I appreciate that you were able to all wear many different hats in response to our varied questions. So, thank you very much and I appreciate the video. It's almost like the prelim version of a factory visit, so that was helpful to me. So, I appreciate that you brought that and presented it.

Before we move onto the next panel, I think I've heard some people's stomach's grumbling, so we'll take a break. And how about if we reconvene here at 1:30 sharp. Thank you very much.

(Whereupon, a lunch recess was taken, to reconvene this same day at 1:30 p.m.)

A F T E R N O O N S E S S I O N

MS. CHRIST: Welcome back everyone. Madam Secretary, are there any preliminary matters?

MS. BELLAMY: There are no preliminary matters.

MS. CHRIST: All right. I guess we've got everybody, and your appropriate name tags, and again during the presentation and I would remind you also in responding to questions to please just state your name for the benefit of the court reporter, who can't see the placards as well as I can. Please begin when ready.

MR. LEWIS: Good afternoon, Ms. Christ, Mr. Connelly and Commission staff. For the record again, my name is Craig Lewis and I'm the partner with Hogan Lovells US, appearing on behalf of Respondents. I want to mention we do have some slides that we'll be showing during part of the testimony.

We have a strong panel of industry witnesses here with us today, including representatives with decades of experience, in some cases lifetimes of experience in this ceramic industry. We'll begin the testimony with statements by five different importers and distributors, who will share with you their first hand experience in the market.

As you will hear, the market they work in and the role of Chinese imports in that market is very different from what you heard this morning from the other side. We'll follow up that testimony with a brief summary of the key findings of our economist, who has carefully examined both the confidential questionnaire data and public sources. As you'll hear, the available evidence on volume, pricing and impact all point to a negative material injury and a negative threat of material injury determination.

We'll also have a brief statement concerning the unique market segment presented by mosaic and decorative tiles, a market segment in which imports, including subject imports, are heavily present, but in which there is very little participation by domestic producers.

Finally, although I don't think he's at the table yet, we will be hearing testimony from Lyle Vander Schaaf of Brinks Gilson and Lione on behalf of Guangdong Kito Ceramics, one of the Chinese foreign producers, to address issues related to the Chinese industry. So with that, I'd like to turn it over to our first industry witness, Ms. Bedrosian of Bedrosian Tile and Stone.

STATEMENT OF MARISA BEDROSIAN

MS. BEDROSIAN: Thank you. Good morning or good afternoon. My name is Marisa Bedrosian, and I'm corporate counsel for Bedrosians Tile and Stone. I'd like to begin my testimony by urging you to terminate these investigations at this very early stage. The mere filing of these petitions has caused extreme harm to Bedrosians Tile and Stone and many other similarly situated American businesses. Should these investigations be permitted to continue before the Commission and the Commerce Department, even more irreparable damage will be done.

The uncertainties of the impending anti-dumping and countervailing duties will cause severe disruptions to our operations. Bedrosians has been in the U.S. ceramic tile market for over 70 years. After working as a contractor for many years setting tile in California, my grandfather started Bedrosians Tile and Stone in 1948. Three generations of my family have since worked to grow our company into what it is today, one of the largest independent ceramic tile and stone importers and distributors in the United States.

We now have 40 retail locations and 1,000 U.S. employees, and our customers include developers, contractors, builders, big box retailers, fabricators, smaller distributors and retailers and home owners. I'm here today because Bedrosians is ardently opposed to Petitioners' request for countervailing and anti-dumping duties on ceramic tile products from China.

Ceramic tile was the first product Bedrosians Tile and Stone sold in 1948, and it remains our flagship product category today, the bread and butter of our company. To satisfy the tremendous diversity of our customers' demands for ceramic tiles, we purchase from U.S. manufacturers, some of whom are petitioners, as well as foreign producers, including those based in China, Italy, Spain, Japan, Brazil and Turkey, to name a few.

When I first read the petitions before the ITC, I was surprised by three things. First, that a case was being brought against imported Chinese tiles, when we have seen significant volumes of tiles from Mexico and Brazil entering the U.S. at much lower prices than Chinese tiles.

Second, that U.S. producers were requesting relief from such a broad swath of ceramic products, many of which are not even produced in the United States. Third, that despite the breadth of products covered by the petitions, the Petitioners failed to mention the primary product that is disrupting the ceramic tile industry, luxury vinyl tile, also known as LVT.

On my second read of the petitions, however, it dawned on me that Dal-Tile, a subsidiary of Flying Giant/Mohawk Industries, is the driving force behind this case. Mohawk is, according to its website, the world's largest ceramic tile provider and the largest purchaser of Sacme's high end manufacturing equipment, which they've used to remodel and expand capacity at many of their plants.

Mohawk has ceramic tile manufacturing facilities in both Mexico and Brazil, countries that import tile into the U.S. at prices lower than China. In fact, Mohawk doubled its capacity in one of its Mexican plants in 2017, and stated in its 2019 Quarter 1 earning presentation that it intends to make further capital investments in its Brazil operation.

It is no wonder then that Petitioner targets China; meanwhile, Dal-Tile continues to expand capacity, increase margins and drive up demands for imports from its third country manufactured products. It's important to understand that U.S. ceramic tile manufacturers are doing very well.

In fact, many are registering orders at or over their capacity. If imports of ceramic tile from China were eliminated, which is what Petitioner intends with its suggested duty margins of 178 percent to 428 percent, U.S. manufacturers could not meet the demands of the U.S. market. In 2017 and to this day, we've had severe stock shortages with one of our main U.S. manufacturers and suppliers, who happens to be a member of the petitioning coalition.

I have over 14 emails detailing the significant sales we lost and customers we upset because this U.S. manufacturer over-committed and had no stock available for us. These emails are dated from October 2016 to as recently as January of this year. Not only were they unable to consistently supply us with product to meet demand, but they were doing exceptionally well. They had maxed out their U.S. production capacity.

Not only are Petitioners unable to meet U.S. demands for the tiles they actually produce, mainly floor tiles, but they certainly cannot meet U.S. demands for wall tiles. The Petitioners have requested that duties be placed on both ceramic floor and wall tiles, including mosaics and custom decorative tiles.

If the vast majority of U.S. ceramic tile production is devoted to floor tiles, Chinese manufacturers on the other hand focus production on both floor tiles and more labor-intensive mosaics and decorative wall tiles. In fact, decorative glazed ceramic mosaics are not produced in the United States by any of the Petitioners, and there are no countries we are aware of that can produce quality mesh and non-mesh mounted mosaics in large quantities with normal lead times. China is our best and only option.

The less automated production processes for mosaics and custom decorative wall tiles explains why floor tiles are produced in the U.S., and mosaics and decorative tiles are not prevalently produced in the U.S. Floor tile production is largely automated, permitting manufacturers to turn out large numbers of beautifully uniform tiles in a manner that is economically feasible in the United States.

On the other hand, custom, decorative and mosaic tiles are far more labor intensive and produced in small batches. We purchase wall tiles from China because the labor and skill required to produce these products is available in that market, and factories are able to produce completely customized tiles in terms of size, shape, texture, dimension, glaze and color in quantities we can manage.

This is much different in cutting a floor tile down into smaller sizes. Factories in China are varied in production size and sophistication. Some are large with more automated processes and quick lead times, while some are smaller offering custom creations.

If the duties requested are imposed on all ceramic and porcelain tile from China, we will be forced to drop custom lines we've spent hundreds of hours creating in-house exclusively for our company, commercial projects and other large retailers. In its 2018 annual report, Mohawk boasts it delivers higher margin products with proprietary designs.

Through this petition, it is clear their intention is to inhibit others from being able to do the same. So why have the Petitioners requested relief from products that they do not produce? Simple. They want to exclude these products from the tile marketplace, to limit consumer options so that consumers are forced to purchase

Petitioners' mass-produced products, and to provide more room for their third country imports to compete for the end uses currently served by Chinese imports.

Finally, Petitioners have somehow missed the mark, taking aim at ceramic tiles from China instead of the real ceramic tile market disrupter in the newest flooring category, luxury vinyl tile or LVT, which has a rigid core and has taken significant market share over the past three years, the time period at issue here.

Mohawk's president of North American Flooring, Paul DeCook, stated in Mohawk's latest annual report that the LVT category is currently growing at more than 20 percent per year. LVT is so popular, Mohawk describes its growth as explosive and as a revolution in the United States because of its rapid growth in popularity, specifically in the United States.

Mohawk has strategically invested in three new state-of-the-art LVT production facilities in the U.S. and Belgium. Jeffrey Lorberbaum, Mohawk Chairman and CEO, has previously explained to shareholders in the 2018 annual report that LVT significantly impacted its other U.S. flooring product categories, including ceramic tile.

LVT is incredibly popular for its water resistance, realistic visuals that mimic ceramic tile, wood and stone, embossed textures, low installation cost and ease of installation. For example, the installation cost of LVT is between $1 and $2.50 per square foot, whereas the installation cost of ceramic or porcelain tile is between six to nine dollars per square foot.

LVT is also remarkably easy to install, taking about eight hours for two workmen to install 1,000 square feet, while installation of ceramic tile over that same surface area would take six to nine days. If U.S. producers of ceramic tile are experiencing injury from any product, it is from this highly popular ceramic tile alternative that continues to grow in the United States.

The ceramic tile industry literature and certain U.S. producers of ceramic tile have publicly lamented the impact of LVT on the U.S. ceramic tile market. Yet those same producers now come before the Commission pointing the finger at Chinese imports as the culprit. Our company has also suffered losses in sales due to LVT. On behalf of Bedrosians Tile and Stone, I urge you to consider that this case has primarily been brought to improve the position of the Petitioners' third country manufactured products, that a large portion of the Chinese product covered by the petition, namely decorative wall tile and mosaics, is not produced in the United States at all or in significant enough quantities to justify their inclusion, and it is a matter of public record that the U.S. ceramic tile market is being disrupted by LVT, not stable imports of Chinese ceramic tile. Thank you for your time. I'll be glad to answer any of your questions.

MR. LEWIS: Mr. Shah of MS International will speak next.

STATEMENT OF RAJ SHAH

MR. SHAH: Great. Good afternoon Commission staff. My name is Raj Shah, and I am president of MS International or MSI. MSI is a leading importer and distributor of flooring, wall tile, counter top and hardscaping products in North America. Headquarters in Orange, California, we employ over 1,700 hard-working Americans, and also maintain 35 distribution centers across the United States.

MSI's products include natural stone, porcelain, ceramic, glass, luxury vinyl tile and quartz. We also manage an inventory of over 150 million square feet across over 3,000 SKUs. I am proud of the history of MSI. We were founded in 1975 in the basement of our home in Fort Wayne, Indiana, by my parents who had emigrated from India just five years earlier.

From those humble beginnings, MSI has provided products for such prestigious projects as the Vietnam Veterans Memorial, the Astronauts Memorial, numerous state war memorials and even tombstones for presidents. For those who have seen many of these projects, I think you will agree that we executed them to perfection.

Just as important, we have supplied products for hundreds of thousands of households across the United States in order to make their dream homes a reality. Petitioner claims that there is a surge of imports of ceramic tile from China that has entered the United States at aggressively low and unfair prices, allegedly causing domestic producers reduced financial performance and lost market share.

This is absolutely incorrect. Let me walk you through the five reasons why MSI strongly opposes these petitions. First and foremost, the U.S. producers have maintained their market leadership. The publicly available data from the U.S. Department of Commerce and the Tile Council of North America shows that U.S.-produced tile remains the leading source of ceramic tile in the United States, accounting for approximately 38 percent of all U.S. tile consumption in terms of dollars.

The unit value of domestic shipments has also been rising. Since 2016, new plants have opened in the United States and several have expanded. In December 2018, Portobelo America announced an additional $150 million tile plant to be built in Baxter, Tennessee. In sum, there is a healthy and competitive industry manufacturing ceramic tile in the United States.

Second, domestically produced ceramic tiles generally does not compete directly with imported ceramic tile from China. It is important in these investigations for the Commission to take into account the differing types of tiles that comprise the largest ceramic tile segment. The principle focus of U.S. production is glazed porcelain floor tile. Chinese manufacturers instead prioritize supplying products like mosaics and wall tiles that are not available in sufficient quantities by U.S. producers.

Competition in the mosaic tile segment of the U.S. market, for example, is often between mosaic products produced and manufactured and imported from Mexico. Chinese manufacturers make other products that are generally not being produced in the United States, including soluble salt floor tiles, rectified tiles, ceramic tiles and even wall tiles.

Each of these tiles meets a particular demand in the marketplace, whether it be aesthetics, specific use or a required size. That is not being met by products manufactured domestically. The manufacturing process for these different categories of ceramic tile are significantly different. As a consequence, U.S. producers and Chinese imports are not competing in the same market.

In fact, domestically produced floor tile faces its stiffest competition from imports originating from

Italy, Turkey, Spain and Mexico. Both Spanish and Brazilian tile have outpaced the growth of Chinese tile.

Third, luxury vinyl tile is the market disrupter for ceramic tiles. If there have been reduced sales and market share on the part of U.S. manufacturers of U.S.-made floor tiles, the most likely cause has been competition from LVT, not Chinese imports. LVT looks like ceramic tile replete with gorgeous natural colors and surface texture that feel like the real thing. Compared with ceramic tiles, LVT benefits from lower pricing, lower cost of installation and easy replacement.

Ceramic tiles lost to LVT have been significant over the 2016 through 2018 period, and appear to have disproportionately impacted U.S. producers whose priority is to manufacture directly competing floor tiles. Earlier it was stated that the LVT industry is minuscule. It is actually a $3.1 billion industry compared to the porcelain or the ceramic tile industry, which is four billion.

I call your attention, for example, the acknowledgment of Mr. Gianni Mattioli, executive vice president of Dal-Tile, a U.S. manufacturer, in the Ceramic World Review that Dal-Tile continues, and I quote "to be affected by the growth of LVT, which is expected to grow about 15 to 20 percent."

If this proceeding and petition are allowed to continue, hundreds of thousands of tile installation jobs and tile retailing jobs will be terminated due to the growth of LVT.

Fourth, the volume of imports from China has been stable. There has been no surge in Chinese imports of ceramic tile. Rather, they have been in the market for a long time, and are stable in both volume and value. A 2018 TCNA report shows that in 2018, Chinese import volume increased only very modestly, and at a much slower rate than imports from other sources such as Brazil and Spain.

Non-subject imports from those countries, on the other hand, gained 35 percent and 33 percent from 2017 to 2018. Thus far in 2019, Chinese imports are down 24 percent compared to 2018. Fifth, prices of Chinese imports do not depress other market prices. Prices for ceramic tile imports from China are significantly higher than prices for other major import sources, including Mexico and Brazil. Moreover, prices for Chinese imports have been remarkably stable for the 2016 through 2018 period.

Technological and productivity improvements and increased demand for lower cost ceramic tile compared with higher priced porcelain have caused the AUVs of non-subject imports to drop dramatically since 2016. Ceramic tile from Mexico, Brazil and Peru, for example, have lower average prices compared with subject imports.

These figures confirm that Chinese imports are not the low price leaders, and thus did not cause material injury to the domestic industry. Thanks for your time, and I would be pleased to answer any questions.

MR. LEWIS: Our next witness, I'll turn that over to you, Cengiz, so I don't mangle your -- the pronunciation of your last name.

STATEMENT OF CENGIZ ELMAAGACLI

MR. ELMAAGACLI: Hi, good afternoon. My name is Cengiz Elmaagacli. I'm the founder and co-CEO for Anatolia Tile, Inc. Anatolia is a leading distributor of porcelain, ceramic and other flooring and wall tile products in North America. Our diverse product lines including natural stone, porcelain, ceramic and mosaics. We manage an extensive inventory across multiple facilities in North America, and most recently expanding into a 1.4 million square foot facility in Georgia.

Anatolia has a proud history as a family-based and family-focused company that I have personally started when I was 17 years old, during my last year in high school. I'm honored to represent well over 300 families as part of Anatolia as I sit here today.

I'm here today because Anatolia strongly opposes this case. My company does not believe we nor our Chinese suppliers are in any way harming the U.S. industry or economy. Anatolia is an integral part of the U.S. ceramic tile industry, offering U.S. customers diverse choices at fair prices.

Chinese-produced tile is part of our portfolio and has been for a very long time. These tiles from China supplement our product offering for types of ceramic tile and mosaics that are not sufficiently available from U.S. suppliers. I'm also somewhat puzzled by some of the evidence and reports that were brought to our attention today in regards to the production capacities in the U.S.

There was a chart that was provided that I've also used directly the exact same database, that showed a flat production capacity over the last ten years, and Chinese capacities growing at a very rampant phase. Far from any evidence and of any injury to the domestic producers, the U.S. ceramic producers have actually experienced a very healthy and robust growth over the last ten years.

The same report illustrates that this has resulted in investments leading to a 79 percent growth in production over the ten year period. This is the highest growth in our industry for any developed country in the world. This massive growth in production has further strengthened their market dominance from 19 percent market share to over 30 percent market share in the same time frame.

Imported tiles are a necessary part of our industry and market, as they have long played an important and responsible role in supplying high quality, reasonably priced tile. U.S. producers do not have nearly enough capacity to meet the market demands by themselves, and I don't think anyone would honestly claim otherwise.

In fact, even with the increased capacity, the U.S. producers are barely able to keep up, able to supply at most one-third of the market demand on an annual basis. The remainders must come from somewhere else. It's not surprising that even some of the U.S. Petitioners here today are responsible for significant share of these imports, including imports from China.

It's worth noting here that three of the Petitioners in this room today are actually very important customers of Anatolia. We appreciate and thank them for their continued growth over the years with us. Ironically, the products they purchase from us are actually in fact the same products produced in China that they're here fighting against today, simply because they're unable to produce in their U.S.-based production facilities.

There are a variety of import sources into the U.S. market that sell a variety of pricing points. In my experience, Chinese imports are rarely the lowest priced in the market. In fact, Chinese imports are generally priced well above other major import sources, such as imports from Mexico and Brazil, rightfully neither of which are being targeted by this investigation.

The purpose for this hearing today is to clearly demonstrate that in fact there was -- there is not a dumping of Chinese products into the U.S. market, and counter to that shine a light on the fact that Chinese products help support the U.S. tile industry. From a pricing standpoint, according to the latest 2018 Ceramic Tile Update published by the TCNA, the representative that is -- the representative for the existing petition, the Chinese price points have actually increased over last three years.

In comparison, the TCNA reports an eight percent reduction in average cost from Spain and a nine percent cost reduction from Brazil, ironically a country in which Dal-Tile owns one of the largest production facilities.

As a result, as a direct result of these aggressive pricing strategies by Spain and Brazil, the TCNA reports in the same 2018 U.S. Ceramic Tile Update, that ceramic imports from Brazil have increased by 43.5 percent, and Spain boasts a 26.7 percent increase in exports into the U.S. market, while Chinese imports have remained fairly stable.

As you've heard from my peers and specifically from the senior management of the Petitioners, LVT has been the most challenging factor to our overall health and growth of the ceramic industry. While our company does recognize the increasing competition with LVT and the impact that it has on our existing business, we're making new investments to focus on ways to grow our ceramic segment by continued innovation of products and new technologies that will allow the expansion of our products into new applications, in market segments that we currently do not participate in today.

We encourage our domestic producers to do the same, rather than sheltering the consumer from an open market of desired assortments.

Lastly, we believe Petitioner over-reached when it included the mosaics in this case. As you've heard from my colleagues and will continue to hear detailed examples, mosaics are a very different part of the market from ceramic tile products. Mosaic tile is a design product used for entirely different purposes, accent walls, back splashes, etcetera. Putting the same tariffs on mosaics would be like bring a case on cars and including scooters.

Further, unlike floor tile production, where labor costs are low and production is mostly automated, mosaic tile is more labor intensive, making places where labor costs are low and more competitive in this market segment. As a result, mosaic tends to be produced in entirely separate and distinct facilities from larger floor and wall tile production lines.

We seek suppliers specializing in mosaics that can reliably deliver the best quality product, both in terms of structure and aesthetics. U.S. manufacturing of mosaics is effectively non-existent for pressed mosaics. As far as we know, there is very little U.S. production of the mosaics in the United States.

If you walk through a Home Depot or Lowe's, you will see that all mosaic products, nearly all mosaic products come from importers. Putting crippling tariffs on mosaics would hurt U.S. consumers, even though there is effectively no U.S. production. In reference to the samples brought by the Petitioners, I've simply walked by and glanced at them.

The U.S.-made polished products to the right, as it was pointed out, would simply fail our quality inspections at our facilities. I believe that the sample to the left may be one of ours. I'd be happy to illustrate the differences. From my perspective, this is another example where we're here today to determine if the U.S. consumer should pay a higher cost for an inferior quality.

In conclusion, as stated previously, we're here for the sole purpose of proving that the U.S. ceramic producers have not been injured. An injured industry does not have the capability, the motivation or the financial attraction to increase capacity.

We've seen significant increased capacity; therefore, there is no injury to the industry, but perhaps some of the companies that may have failed to meet and adapt to the needs of the market. I'd be pleased to answer your questions. Thank you very much for listening.

MR. LEWIS: Our next industry witness is Gary Heinz of Surfaces, Inc.

STATEMENT OF GARY HEINZ

MR. HEINZ: Good afternoon. My name is Gary Heinz and I am the Vice President for Business Development for Surfaces Southeast, Incorporated.

Surfaces is a leading designer, importer, and distributor of what we call The Specialty Wall and Mosaic, or SWAM, Tile Category in the United States. Our primary products are decorative hand-made wall mosaics that each of you probably have in your kitchens as backsplashes or your bathrooms in the showers.

Our team of product designers, based in the U.S., develop SWAM tiles with different colors, blends of material, shapes, patterns, and textures which are then produced primarily in Chinese factories. Many of these SWAM tiles include ceramic tile in them.

I am here today because Surfaces and I strongly oppose this trade case.

By way of background, our company's customer base varies across the spectrum from large, big box retailers such as Lowe's and Floor and Decor, to regional and local distributors, all the way down to local mom and pop retailers that employ between 1 and 10 people.

The end consumers for our products are the millions of homeowners, or do-it-yourselfers, or DIY'ers, as we call them, handymen, and contractors throughout the United States that you would typically find coming home from a hard day of work and watching programs on HGTV, the DIY Network, to generate ideas for that weekend's home improvement project.

Surfaces, although it's small business, prides itself on being the leader in our industry based on the thousands of different SWAM tile designs we produce each year for our customers. These products are almost always hand-made, and vary in composition from 100 percent glass, metal, stone, porcelain, or ceramic, to a combination of these different components.

Our wholesale customers and the end users of our product are accustomed to getting a vast selection of product offerings sourced from around the world. As I mentioned, China is a leading producer of these mosaic products and has been for many years, decades in fact.

Frankly put, there are no U.S. companies, much less companies around the world other than in China, that can meet the demand in our market for our product category. Look no further than the list of imports of the Petitioners and where they get their ceramic mosaics from. It's China, just like Surfaces, and just like, arguably, 99.9 percent of the other companies in this business.

Petitioners like Dal-Tile are unfortunately using this process to confuse and conflate this issue, lumping in these specialized, decorative, hand-made mosaic wall tiles with their millions, or perhaps billions, of square feet of floor tile, and sometimes very bland white and beige ceramic wall tiles. Usually 3 x 6 rectangles, many of which they don't even produce in the U.S.

In my opinion, they are using this process to promote their own financial agenda, which is to eliminate fair competition and effectively create a monopoly for their own products.

However, if allowed to do this they are going to create the unintended consequence of making literally every kitchen and bathroom in this country look like it belongs in a sterile medical institution in the 1940s, instead of inspiring the end consumer to use their own vision and creativity to pick a beautiful SWAM tile to improve their home.

This whole thing reminds me of the old Henry Ford quote where he said that any of his customers could get the Model-T car in whatever color they wanted as long as it was black. The Petitioners claim that they are being injured by Chinese imports, and that is not believable on its face or when looking at the underlying data.

As I mentioned, they don't supply the specialty products I've described from their U.S. factories, and actually import these products themselves, including from China, as I mentioned. Also, there are factors other than Chinese ceramic imports that are affecting their sale of ceramic tile in the U.S. such as the huge increase in the LVT or Luxury Vinyl Tile, market that you've already heard about from many others today. Also, the rising costs of inland freight from the mostly Tennessean facilities where they make it, as well as other factors that you've also heard about.

For Surfaces, changing production of these products to other countries and factories would require us to drop hundreds of SWAM tiles currently for sale and, if even possible at all, relaunch similar ones produced in other countries. Rest assured, though, that they wouldn't be able to make them here in the United States, though.

Surfaces would suffer financially from the time and resources required to research and develop these new collections with new factories, not to mention the lost sales from product discontinuations.

While we hope it would not happen, many of our current employees and their families would be greatly impacted if this action isn't terminated. They say a picture is worth a thousand words, so I would like to show you a few examples of some products designed for the U.S. homeowner market so you have an idea of what is really going on here.

Real quickly, here are four different mosaics. These are U.S. designed and manufactured in China, as you can see. There's a world of difference between these products and the basic 3 x 6 wall tile that many of the Petitioners offer to the U.S. market. And there's a universe of difference between these products and what the U.S. homeowner will be left with if they only can choose the 3 x 6 rectangular product.

It is interesting to note also these last two actually are made by American Olean in China. American Olean, as you remember from earlier in the day, is owned by Dal-Tile.

So even though they filed the Petition, they import ceramic mosaic tiles from China. Now the video of the factory, it was neat, and wonderful, and all that, but I can assure you that if they had the ability to produce the mosaics that are needed for this market, they would need many more than the zillions of machines they have there. They would actually need people, and not just one forklift driver and one quality control expert that you all saw in the video. Many more people would be needed for that.

In my view, this case is not about benefitting the U.S. tile industry as a whole. If this action goes forward, like many other times in the history of our country the 800-pound gorilla, or $10 billion company in this case, and its petitioner companions, will be given free rein to crush small businesses like Surfaces, mom and pop retailers around the country, as well as the choice and, frankly, the spirit of millions of homeowners that are discerning enough to not want to pick a boring pink, a boring white, or a boring beige 3 x 6 rectangular tile.

To borrow a phrase that was used earlier, I think--well, it was actually borrowed from someone else--you don't typically hear a homeowner bragging about their new 3 x 6 white boring tile backsplash. However, you do hear homeowners bragging about their new hand-made and decorative wall mosaic.

I hope you guys do the right thing. I know you will. And that concludes my direct statement. I will be pleased to answer questions. Thank you.

MR. LEWIS: And our--thank you, Gary. And our last industry witness is Michael Manke from Jeffrey Court.

STATEMENT OF MICHAEL MANKE

MR. MANKE: Good Wednesday, Committee. My name is Mike Manke and I am a Vice President for Jeffrey Court. I am here today to express to you Jeffrey Court's staunch opposition to the Petitions.

Jeffrey Court has been in the tile business since 1991. Jeffrey Court's focus is to bring cutting edge designer-minded products to the architectural, kitchen and bath, and interior design communities alike. Our product designers work with interior designers, product developers, and industry insiders to deliver the very best products possible for end consumers.

First, the Petition is overly broad. Jeffrey Court believes that the inclusion of wall tile and mosaic tiles are a severe over-reach, given that most of these products are seldom, if ever, produced in the United States.

Including these product categories would be like a petition for automobiles including motorcycles and bicycles because they are all modes of transportation.

The best and most specific example we can provide to make this point are the product offerings of Mohawk, the lead Petitioner, that are stocked in thousands of Home Depot and Lowe's Stores across the United States.

Inside of Home Depot, Mohawk has four eight-foot bay programs, and we have some slides. I'm sure you've all been to Home Depot, but those are an indication of what those bays look like.

In total, Mohawk's bays house 115 wall tile and mosaic items. Of those items--and this is under the Dell Tile brand--only 11 are made in the U.S. All others are made in Mexico or China. One hundred percent--that's every single one--of the mosaic items are made in China.

Inside of Lowe's under the--and we mentioned we're familiar with the American Olean brand, which is owned by Mohawk Company, in one 8-foot wall of mosaic bay there are 44 items. Again, only 6 of these items are made in the U.S., while all the others are made in China or Mexico; 37 of these items are made at Mohawk's factory in Mexico.

These are current and updated programs where Mohawk has actually chosen to produce these items in Mexico. As recently as April 26, 2019, on the Mohawk earning conference call for Q-1 of 2019, Mohawk expressed that it will begin producing its wall tile in its Brazilian facilities, which Mohawk acquired in November of 2018.

It is abundantly clear that the only impact of blocking Chinese wall tile of mosaic imports will have is that these products will be sourced from third countries, particularly Brazil and Mexico, because these products are not produced in the United States.

The Petitioner's own product offerings in the Home Depot and Lowe's, which are presumedly sourced from outside the U.S., prove that the U.S. production cannot satisfy the U.S. demand.

Second, Mohawk is a publicly traded company, meaning that it is required to report quarterly earnings, hold periodic shareholder conference calls, and publish annual reports. As a company governed by the SEC, Mohawk's statements of business performance and risk factors must be true and accurate.

Mohawk has justifiably blamed any business setbacks in the ceramic tile market on the explosive growth of luxury vinyl tile. Mohawk's leadership has made a number of statements in regards to the impact of LVT on their ceramic business, and recent earnings calls with their investors.

Allow me to provide a couple of samples. In a prepared statement in Mohawk's Q-4 of 2018's earnings call, Jeffrey Lorberbaum, Mohawk's CEO, stated, and I quote, "LVT has increased at a rate that's so high that it's impacted the sales of every product category in the flooring industry."

So they're all--they've all been lowered. And LVT is taking 100 percent of all the flooring increase of the entire category. Additionally, Mohawk has repeatedly made statements to its investors around the good health of the U.S. ceramic tile industry.

Some examples include: Last week--and this was just last week--in Mohawk's Q-1 2019's earnings call, Chris Wellborn, the current COO, stated, and I quote, "We have a really strong organization in the North American ceramic business. It is operating well and continues to operate well."

Chris Wellborn again, answering a question regarding volume momentum from an investor, which stated that Mohawk's Q-2 2018's earning call that, and I quote, "North America volume has actually been strengthening a little bit as we've gone through the year."

Finally, and again in Q-2 of 2018, Mohawk's CEO was specifically asked in the context of North American ceramics, and the question was, and I quote, "How big of a tariff would need to be in place to kind of level the playing field?"

He responded, and I quote again, "We think that we can compete with the Chinese without any tariffs."

As you can see from Mohawk's own statements about the state of the U.S. ceramic tile industry and the threats that the industry is facing, it is clear, one, that the industry is doing very well in a very strong financial position. And secondly, ceramic tile imports from China are clearly not a concern. Mere months ago, Mohawk was certain that LVT was a looming threat to the U.S. ceramic tile industry, and that Mohawk could compete with Chinese products without any tariffs. Today, Mohawk's story has conveniently been reversed.

I thank you for your time, and I will gladly answer any of your questions.

MR. LEWIS: Thank you, Mike. And that concludes our industry witnesses. I'd like to turn it now to Mitch Ginsberg to provide an economic overview.

STATEMENT OF MITCHELL GINSBERG

MR. GINSBERG: Good afternoon. My name is Mitchell Ginsberg. I am an Associate Principal at Charles River Associates and a PHC Economist. I'm appearing today on behalf f the Respondents.

Today I'm going to discuss why the domestic industry is not materially injured by reason of subject imports. Specifically, I want to make three points (1) demand is growing for ceramic tile and the domestic industry is profitable; (2) domestically-produced ceramic tile generally does not compete directly with import ceramic tile from China; and (3) Luxury Vinyl Tile or LVT is the market disruptor for ceramic tile.

Let me begin. Ceramic tile can be utilized for covering walls, floors, counter and tabletops and are most commonly used residentially in kitchens, bathrooms, and entrances and commercially for various floor and wall applications. As such, demand from ceramic tile is derived from the residential and commercial construction in remodeling. Indices for housing starts, existing home sales, and remodeling products all increased during the 2016/2018 POI as did the demand for ceramic tile in the United States.

According to the Tile Council of North America, or TCNA, consumption of ceramic tile increased 5.8 percent in 2016; 5.7 percent in 2017; and 1.5 percent in 2018 on a volume basis. Grandview researched in its ceramic tiles market research report projects a compound annual growth rate of 4.8 percent from 2019 to 2025 for the North American market.

The Petitioner would like the Commission to believe that during this period of increasing demand the domestic industry is injured by reason of subject imports. This is just not the case. First, imports are needed to meet demand in the U.S. market. As TCNA reports, over the last 10 years the imports account for roughly 70 percent of U.S. market demand. The consistently high level of import penetration demonstrates that the U.S. industry does not have the capacity to meet of all U.S. demand.

The top 10 sources of imports on a volume basis in 2018 are China, Mexico, Italy, Spain, Brazil, Turkey, Peru, India, Columbia, and Portugal. Although, imports, as a whole, account for the majority of U.S. consumption, according to TCNA, U.S. produced tile is still the single largest source of ceramic tile in the United States, accounting for 23.3 percent of all U.S. tile consumption by volume, followed by China at 22.3 percent, Mexico at 12.2 percent, and Italy at 11.2 percent.

Second, there is attenuated competition between the domestically-produced ceramic tile and the imported product from China. As witnesses before me have testified, Petitioners have concentrated their production on floor tiles, whereas the majority of what is imported from China is wall and mosaic tile products.

Third, prices of Chinese product do not depress or suppress U.S. market prices. Unlike other cases that come before the ITC, imports from China are not the lowest priced in this case. Of the top 10 imports sources, AUVs for imports from Mexico, Brazil, Peru, and Columbia were always below the AUVs for imports from China. Additionally, Chinese AUVs have been flat during the POI. They were 89 cents per square in 2016 and 90 cents in 2017 and 2018.

Petitioners noted that the AUVs for imports for China are flat in their petition and then reject to

Commission to focus on its pricing products instead.

I'd like to say a few words about the pricing products. I will not go into great detail about the pricing data collected, as it is confidential, but the pricing product definition appear to be relatively broad and may be capturing products that are not really competing against each other in the market. For example, these definitions are broad enough to include mosaic and non-mosaic in the same product, leading to price comparisons not having much meaning.

Fourth, the domestic industry, as a whole, was profitable during the POI. Between 2016 and 2018, commercial shipments on our volume and value bases were up, gross profits were up, operating income increased, Research & Development expenditures were up, total assets increased, employment increased, unit cost decreased, and operating income to net sales was flat.

The industry's performance declined in 2018 compared to 2017 and the Petitioners claim that the industry is injured due to the surge of subject imports from China. Imports from China did not surge during the POI and definitely not in 2018. Imports from China increased 5.3 percent in 2018 according to TCNA. I'm sorry. That's customer's data. This was a much smaller increase than imports from Spain, which increased approximately 27 percent and Brazil, whose AUVs were lower than imports from China, increased approximately 44 percent.

The increase in imports from China are partially due to Section 301. Market participants were trying to beat the 10 percent tariff increase that started in September of 2018 and the threat of 25 percent tariffs in January of 2019. With the 25 percent tariffs on hold and the current negotiations ongoing that may prevent the implementation of the 25 percent tariff, imports from China already have returned to lower levels.

In 2019, imports for the month of January and February totaled 94.2 million square feet compared to 126.4 square feet in January and February of 2018, a 25 percent reduction.

What then is impacting the domestic industry, competition with Luxury Vinyl Tile. As reported in a November 30, 2018 Floor Covering News post, ceramic tile industry members find it worrisome that LVT is expanding into commercial and residential spaces previously occupied by ceramic. As discussed by previous witnesses, LVT compared with ceramic tiles has lower pricing, lower cost of installation, and easy replacement. With LVT's ability to mimic ceramic, woods, and stone, it is not surprising that it has seen double-digit growth at the expense of other floor coverings.

With the U.S. domestic producers more concentrated in floor tile production, LVT is going to have a bigger impact on them than imports that are more focused on wall and mosaic ceramic tiles. Additionally, the industry was impacted by the slowing of growth in new housing sales. In 2018, new housing sales grew 1 percent compared to the 9.3 percent in 2017.

Thank you. This concludes my testimony. I am happy to answer your questions.

MR. LEWIS: We will now turn it to Ben Kostrzewa to speak on mosaics.

STATEMENT BY BENJAMIN KOSTREZEWA

MR. KOSTRZEWA: Ladies and gentlemen, my name is Ben Kostrzewa and I'm an attorney at Hogan Lovells representing the Respondents.

As you've heard from our industry witnesses, the product mix for subject imports from China is weighted heavily towards mosaics and other decorative tiles; whereas, U.S. produced ceramic tiles are weighted much more heavily towards floor tiles and certain standard wall tiles. I'd like to speak for a few moments on how the Commission should consider the domestic market for mosaic and decorative tile, which I'll refer here as "Mosaics" in its injury analysis.

At the outset, I wish to clarify that for purposes of the preliminary investigation only, Respondents take no position on whether mosaics should be treated as a separate like product. A negative injury determination is warranted whether there is one or two domestic-like products. Nevertheless, there are very clear and bright distinctions between mosaics and other ceramic tiles in terms of the Commission's traditional like-product factors that cannot be ignored in which the evidence the lack of competition between products in these two distinct market segments.

Mosaics have different physical characteristics and uses than ceramic floor tiles. Mosaics are complicated, beautiful, and diverse products. They generally involve taking multiple piece of material, whether glass, metal, ceramic, or porcelain or stone and mounting them on a substrate to create a single product. Mosaics therefore vary greatly with an infinite array of materials, colors, and tile shapes. They vary in size, but tend to be much smaller than ceramic floor tiles.

The physical attributes of mosaics are immediately distinguishable from ceramic floor tile. Floor tile is larger, consist of a single piece, is less porous, harder than mosaics, and of course designed to be walked on for many years. As a result of these different physical characteristics, mosaics are used for different purposes. The combination of materials and shapes for mosaics make these products ideal for backsplashes in the kitchen, accent walls in bathrooms, shelves in the shower, and mantles in your living room. Unlike ceramic tiles, mosaics are rarely used as flooring for anything larger than a shower.

Second, mosaics are not interchangeable with ceramic floor tiles. Using mosaics for flooring purposes would be cost prohibitive and the products are not designed to withstand the same wear and tear as ceramics meant for flooring. They are softer, less durable, and take far longer to install. Conversely, floor tiles do not have the intricate patterns and other elements that allow mosaics to create unique designs in consumer's homes. The market segments between floor tiles and mosaics are distinct and the products are not interchangeable.

Next, there are frequently production facilities, processes, and employees for mosaic tiles compared to flooring tiles. There's perhaps no bigger difference between these two products than the manufacturing process. They're manufactured in separate facilities using different production lines and methods and processes. Each mosaic's design process is largely unique to its own characteristics.

To give one example, mosaics use smaller kilns at different temperatures. After firing, each piece that goes into the mosaic is individually glazed before being place, generally by hand, on the substrate. Employees with specific training hand place each of these pieces. The process requires excruciating detail. For every square foot, frequently more than 100 individual ceramic or porcelain pieces needs to be hand set in the mosaic. The results are exquisite, but laborious.

Ceramic flooring tile follows a much different process. For flooring tile, the process is more automated. Because these floor tiling factories are highly automated and efficient this allows manufacturers to turn out uniform product rapidly, but it also means they are ill suited to producing high quality, hand made and small batch mosaic tiles. As a result, mosaics tend to be produced in separate facilities unique to mosaic production. Rather than invest in automated equipment, manufacturers tend to invest in labor that it takes to produce these mosaics and decorative tile.

Next, customers perceive mosaics very differently than ceramic tiles. Designed mosaics are the icing on the cake when American consumers want to remodel their homes. Mosaics are highly individual choices, providing connection and identity to home renovations. Many Americans may leave the vast majority of their design choices to a general contractor or an interior designer, but they'll decide on that last floor to their home by selecting their handmade mosaic. Consumers see these mosaics differently than their flooring tile choices. They're more expensive, but the offer unique ways to individualize their homes. This is in stark contrast from the machine made, more utilitarian floor tiles that lack these individual design flourishes.

And lastly, the pricing is very different. Mosaics demonstrably and consistently are more expensive on a square foot basis. They're sold at four to five times the price of flooring tile frequently and sometimes much more. Further, installation of design mosaics can be much more expensive than floor tile. As a result of the increased labor cost used in the production methods described above, design mosaics are no longer produced in the U.S. in substantial commercial volumes. Instead, the Petitioner must also import these products.

In summary, there are bright line distinctions between mosaics and floor tiles with respect to each of the Commission's like-product factors. These difference reflect the existence of two different market segments for ceramic tile that exhibit minimal to no competitive overlap. Given that Chinese imports are most heavily focused on mosaics while U.S. production is heavily focused in floor and generic wall tiles, this strongly implies a lack of competitive overlap between the subject imports and domestic production.

The attenuated nature of any competition between the two must be taken into account by the Commission in assessing the impact of subject imports on the condition of the domestic industry. Thank you.

MR. LEWIS: Our final witness is Lyle Vander Schaaf of Brinks Gilson & Lione.

STATEMENT OF LYLE VANDER SCHAAF

MR. VANDER SCHAAF: It looks like we have about five minutes of time. So I'd like to spend a little bit of that time talking about the issue of threat of injury. My name is Lyle Vander Schaaf and I'm here representing Guangdong Kito Ceramics Group, a foreign manufacturer in China of the subject merchandise and exporter from China and Hong Kong of its products.

This case is unlike most of the cases you see involving China. You saw a graph this morning by the petitioners showing production capacity in China. And they made a big deal about how high the capacity is of China. But what they didn't show you is how big the market is, the domestic market in China. The petitioners noted that capacity in China dwarfs production in the United States. Well, demand in China dwarfs demand in the United States. And China's actually an import country for ceramic tile.

And their graph ends in 2017 and interestingly, the trend line from 2016 and 2017 was downward. That trend continues in 2018. Production capacity is declining in the period of investigation in China. It declined 1.15% from 2016 to 2017 and 11.2% from 2017 to 2018. That makes it a unique case in that regard alone.

China also is not export-oriented. As I said, it has very robust, vibrant home market. Demand is high, and it is an enormous market. Also, China's principle export markets tend to be in Southeast Asia, where they have close proximity to those markets. The Philippines, Indonesia, Vietnam, Korea, Thailand, Australia, Hong Kong, Malaysia and Cambodia are all very active markets for exports from China and combined, those countries represent 44.35% of overall exports from China of ceramic tiles.

Overall exports from China also declined over the period. From 2016 to 2017, exports as a whole declines 23.6% and from 2017 to 2018, exports declined 15.6% as a matter of quantity. By value, overall exports declined, from 2016 to 2017, by 20% and from 2017 to 2018 declined by a value of 9.95%. So the trend of exports from China is declining. The capacity in China is declining. Also, my client informs me that the channels of trade that they are involved in are sometimes different than the domestic industry, whereas companies like my client sell primarily to big importers and distributors.

My client's understanding is that the domestic industry sells its like product primarily via local retailers, contractors and builders. So we believe that for the same reasons that the domestic industry is not currently materially injured, it also is not threatened with material injury by the subject import from China. I think I would be remiss to not mention one more thing that my client is very concerned about.

My client will be participating in the DOC side of this investigation. And its understanding is that it probably won't be selected as a mandatory respondent. Because the companies that are related to the domestic producers might be selected. Because they're that big. Now, my client believes that they have specific relationships with foreign producers in China, but I haven't been unable to uncover if that is still the case.

There have been past specific relationships with producers in China. I'm not sure that those relationships are still in existence, but it is my client's understanding that producers in China who have relationships with the major U.S. producers who are part of the petition group, are probably the largest exporters from China to the United States.

I'm digging into this, trying to find the data, and I should preface this with the fact that I was added to the protective order today. I haven't seen any confidential information, so I have no idea what the questionnaires look like. And I'm saying this only because of information I've received from my client. That is all that I have on the issue of threat. Thank you very much.

MR. LEWIS: And thank you, Lyle. And I see the yellow light is on. That concludes our direct presentation and we're very pleased and eager to answer your questions.

MS. CHRIST: Thank you very much. I appreciate all of you coming and providing this additional perspective to the industry and competition. We will now turn to staff questions and start with Nate Comly, the investigator.

MR. COMLY: Again, I'd like to thank y'all for coming. I'm just gonna ask a few basic questions and again, like I did earlier, let my colleagues ask a lot more questions and then if they don't cover the questions that I have, I'll ask them then.

So, let me just start with the basic ones. Are there any questionnaires missing from any major U.S. producers or U.S. importers? That's more for the counsel.

MR. LEWIS: Craig Lewis from Hogan Lovells. Not amongst our clients, there are none. I think there are corrections being made to questionnaire responses, but they have all been submitted, to my knowledge.

MR. COMLY: If you could look at, once you see the APO releases, if you could look and note in your post-conference briefs, if you see any major importers that you feel are missing, or any U.S. producers that are missing, we'd appreciate that.

MR. LEWIS: We'd be happy to do that.

MR. COMLY: Thank you.

MR. STOEL: Mr. Comly, Jonathan Stoel for the record. Just when we're talking about questionnaires, I wanna thank the staff for all the hard work, and I know we've been working, going back and forth, Director Christ with your terrific staff. And I also wanna thank counsel to petitioner, because this is a fast-moving case and we've had very smooth hand-offs between most of the questionnaires and things. Sometimes in cases, it can get a little bumpy, but we really appreciate everybody's hard work. Thank you very much.

MR. COMLY: Is it your understanding, and I guess this goes to the counsel again. Is it your understanding that the imports under the subheadings of HTS 6907 and previously 6908 and 6907, represent the majority of imports of ceramic tile?

MR. LEWIS: Craig Lewis again for Hogan Lovells. I think that's something that we're still looking at. I think that is my understanding that that is probably correct. I don't know, Mitch, do you have anything you wanna add to that? If we have a different view, we will express that in our post-conference brief, but our current understanding is the 6907/6908 should be covering the vast majority of the subject imports.

MR. COMLY: Okay, then in your, probably, I guess, in your post-conference brief, can you comment on whether or not you believe that the official import statistics are the most accurate measure of that product?

MR. STOEL: Mr. Comly, Jonathan Stoel for the record. We will do that and we're also studying the testimony of ECS that was provided this morning and we'll obviously wanna opine on that. I did just wanna note that, you know, it's unfortunate, as I said, we know these cases are fast-moving, but it's really petitioners' burden to give you what's happening with these things. I mean they're the ones who bear the burden of proof at this point to show that there's injury.

And we know the standard, the legal standard is relatively low, but they should've figured out where the imports should be located, and to be telling you and telling us. I don't really think it's fair to respondents, you know, today's May 1st, and you see all the people who are so concerned about this case, that they came all the way here for this hearing and delivered impassioned comments to you.

But for them to tell you today, you know, they've presumably been preparing this case for months or years. For them to tell you today that they don't know where the imports are when they're complaining about imports, I have to say that, you know, I think for Mr. Lewis and I have been doing this a while, that's a little bit troubling.

I mean they ought to know the answer. They ought to be telling us so that we can figure it out, and obviously we've been responding to questionnaires and we will make sure that we get you corrected questionnaires where needed. But the burden is on them, it shouldn't be the other way around.

MR. COMLY: Can I circle back to the mosaics and can you provide a definition of what you consider a mosaic tile?

MR. ELMAAGACLI: Cengiz Elmaagacli for Anatolia. Mosaics would be typically considered anything that is a cluster or a grouping of individual chips that are either mesh-mounted or a different method of placement together, to make a larger composition that can be installed in a larger area with the purpose of making it more simple.

So multiple small pieces mounted on a larger grouping that is used to make installation much easier. Typically it's anything, I would say anything that is, I don't know if there's a technical explanation. It's typically smaller pieces that make up at least a one-square foot assembly of chips that are put together.

MS. BEDROSIAN: Yeah, it's typically a 12" x 12" sheet.

MR. COMLY: Thank you. And when you say a small pieces, can you quantify, like, what size is considered small? Is there -- I guess there will be a range, but what is the range?

MR. HEINZ: Typically, I think the smallest would be, and other companions correct me, but three-quarters of an inch by three-quarters of an inch? Probably would be the smallest that you would see as part of a mosaic. The traditional mosaics in the history were 1" x 1" squares so it would take 144 of them for a square foot. And as you can see here, this has different shapes, rectangles, three per row, about twenty-odd rows, so sixty pieces in this one. It varies, obviously, is the point I'm trying to make.

MS. BEDROSIAN: Just wanted to point out, mosaics can include all kinds of shapes, so it's not just squares or rectangles. It can also be circular shapes, it could be triangles, I mean it could be anything. And they can also be three-dimensional. So it just depends.

MR. SHAH: This is Raj Shah with M S International. I would say that a good rule of thumb is less than 6" x 6" as the individual piece. And then that would be put together on a sheet.

MR. COMLY: And then do you know if there is a specific HTS number under which mosaics would enter? And is it the only thing coming in under the HTS number?

MR. LEWIS: This is Craig Lewis from Hogan Lovells. I'd like to go back to give you that answer. But I believe that there is one tariff statistical breakout that covers something called "cubed" tile, is that right? But I think probably the better answer to your question is that the tariff schedules are not sorted in that manner. They are based on sizes and on the water absorption factors that were mentioned, I think, that distinguish porcelain from other non-porcelain ceramics, is I think what we were calling the other category.

MR. STOEL: Mr. Comly, just hearing from the group, we'll certainly get back -- this is Jonathan Stoel for the record -- we'll certainly get back to you post-hearing and obviously we know this is an important issue. I just wanna say that, you know, apart Mr. Kostrzewa's comments that while there are important attenuated competition issues, for purposes of this preliminary phase, we're not seeking a separate domestic like product.

Apparently we know how hard that is to do at this phase, and we do encourage you to get as much information as possible and I know Mr. Heinz, I think, has given you -- there's a 1,000 reasons why they're different, but I think for the purposes of this, legally, we're not gonna seek a separate domestic like product consideration.

MR. COMLY: Okay, thank you. I look forward to reading more about this, I guess. I know Mr. Ginsburg talked about the Section 301 tariffs. And could any of the industry experts here actually talk about, has it affected your firms? On how you've evaluated imports? Either from China or from other sources?

MR. ELMAAGACLI: Cengiz from Anatolia again. I'd like to say from our perspective, that fact has differed based on the type of product it is. As we've said, I think all of us had said that China is never been the lowest-cost provider. I think where we have opportunities to relocate some of those products because of the impact of the tariff, causing it to be uncompetitive, I think we've all taken measures to relocate and resource some of those products, but in certain cases, so I think everyone has collectively spoke towards, is things like the decorative mosaics.

Even with the duties, we don't have any other option for that capacity of products to be produced and sourced anywhere else at even remotely the same cost. So those products continue to be imported from China where as I said, certain types of products that can be resourced from other countries have been resourced in some cases.

MR. LEWIS: Mr. Comly, if I might -- Craig Lewis. I know that question was directed at industry witnesses, so I say that in that knowledge, but I did wanna mention because it does sort of get to your question there. A number of market report sources that are widely utilized, I assume you've maybe even seen some of them already.

And it's pretty well reflected in those reports that in the lead-up to the imposition of the 301 tariffs, which I think was in September, 2018, that there was a--I don't wanna say "panic-buying" of imports--but you know, an increase, a bump-up in imports in anticipation of that.

And I think it's important to note that while the tariffs that were being threatened at that point in time were 10%, then that was what was in fact imposed. The proclamation that announced those tariffs also indicated that those tariffs would automatically go up to 25% in January if no agreement had been reached with China.

That's been postponed, but that wasn't known at the time, and that sort of contributed to it. I think Mr. Ginsburg also pointed out, though, and it may be as a result of the fact that the tariffs weren't imposed in January, that that temporary increase has subsided since then and import volumes from China have been reduced. So there's at least a temporary impact of it.

MR. HEINZ: And this is Gary Heinz from Surfaces, another industry participant. That was seemingly in the rearview mirror and three months ago's headache, this is this months' headache, but to my understanding, and I read a lot of newspaper articles, I don't think the final determination has been made on the 301 tariffs yet. So that's also next week's scary possibility, so thank you.

MR. COMLY: Mr. Lewis, you referenced some articles or things. Can you put those in your post-conference brief? That would be --

MR. LEWIS: Yeah, we were planning to, and we'll do so.

MR. COMLY: Great. Thank you. So I know that you mentioned that the lower-priced imports tend to come from Mexico and Brazil. Is there any reason why they're lower-priced from those two sources? Or am I characterizing your statement incorrectly?

MR. SHAH: This is Raj Shah with M S International. To your question on Mexico and Brazil having lower-cost products, it is related to the type of tile that comes from Mexico and Brazil. So, as a lot of us discussed earlier, there's just so many different types of tiles and comparing them all with just one price would be comparing apples and oranges.

MR. COMLY: So, just so that I understand, what type of tile would be coming from there that is --

MR. SHAH: Generally speaking, it's the red body ceramic tile.

MR. COMLY: And is that produced in the U.S. as well?

MR. SHAH: Not in any major quantities that I know of.

MR. COMLY: Okay. And why is -- and is that produced in China?

MR. SHAH: Not in huge quantities.

MR. COMLY: And why is that?

MR. SHAH: I think it's the type of raw materials that are required.

MR. ELMAAGACLI: I think --

MR. COMLY: Oh, go ahead.

MR. ELMAAGACLI: Sorry, Cengiz Elmaagacli. I think it's also a lot to do with just the market demands. Most of the -- we all spoke about how every country can produce essentially every type of product. I think a lot of it was really originated based on the domestic needs of that particular market. South America, being a warm climate, they never really required a lot of porcelain production back in the day.

So a lot of the ceramic floor tiles that are traditionally been pressed and higher water absorption quantities, those are really, from my understanding and just from my experience, I think that's really that's because what their market really demanded, and that's what their market really all that required for the purposes of covering their walls and floors. Whereas China's a little bit different, where porcelain needs were always been higher and they've specialized in certain types of products, especially when it comes to more rectified and the polished products and so on.

Their market has always demanded a large format and polished finishes. That's always been primarily the domestic requirements and market needs. Those have been made in China far before I would say majority of the countries that product ceramic or porcelain products. So they've, from my perspective as a buyer, that really has the entire world as an option to pick from. They've really become experts of that type of production because that's what they've--again, as being by far the largest producer in the world and having a large, by far the largest consumption market in the world, they've really become the best at that.

Most of the conflict that we see again is the reason as to the differences between different production. Majority of the domestics have really focused on more pressed porcelains versus the more rectified or--I'm gonna call it--post-firing processed. So after it comes out of the kiln, there's further processes such as polishing or cutting the edges, which is referred to as rectifying. Majority of those are really newer methods that have not really been in significant quantities or capacities in North American production or U.S. production.

MR. LEWIS: Mr. Comly, Craig Lewis from Hogan Lovells, too. And just to get back to your pricing questions, I think that was part of what you're asking, why would the pricing be lower from there? And I don't mean this at all fliply, but petitioners, it's their affiliates, and I think that question should be answered by them.

MR. HANSEN: This is Dan Hansen with Anatolia as well. I wanna throw one more thing out, too. While certainly we've seen from Mexico and Brazil the red body product that we've discussed. But certainly over the last ten years, there's been a massive push from all of these countries for porcelain products imported into the U.S. and we spoke briefly about Portobello, which is one of the factories that it's announced that they will be building in Tennessee and I've confirmed today that the plan is January of early 2021 from their senior level management.

But that is a group that primarily produces porcelain products, in addition to some mosaics and some wall tile. And not only are they focused on producing here, but they have already hired a very significant high-powered sales team. I think there's seven or eight industry veterans in addition to the gentleman that's gonna be the president of the U.S. for Portobello, they're already on staff selling that product from Brazil into this market with the hopes that they'll do the same thing out of their factory.

And I spin that right back to one of the petitioners as well as Wonder Porcelain. This is a Chinese-owned company that, quite frankly, opened up a facility in Tennessee and brought their staff on. Again, a very experienced sales staff, professionals. The president of their company was the gentleman that did the, I guess the co-business with Dal-Tile and their Chinese production facility that is still in place is now running Wonder Porcelain and their biggest competition was back and forth, specifically on the West Coast, was China shipping product in and then shipping China from Tennessee to California.

And my colleagues, and again, this is hearsay -- from the guys I've grown up in the business with, was price points were the same, but they struggled on the ability to get logistics from one side to the other. So to your question earlier, you know, I think a lot of it is positioning. So it's not just the cheap product coming from Brazil and coming from Mexico. It's the higher-end product as well.

MR. COMLY: So in the Tile Council's ceramic tile market update, the 2018 one, it noted that the imports from Mexico had declined in each year from 2015. And 2018 was the lowest share of U.S. imports since 2006. Do you know that why that might be the case? Why Mexican imports are declining?

MR. HANSEN: Dan Hansen again. I think I have that documentation here. Just so I can put my eyes on it. I think the bulk of Mexico has traditionally been, as Raj pointed out, lower-end red body products. There certainly has been a push from Dal-Tile producing the majority of their white body wall tile down there right now. There are a handful of factories that produce a porcelain product that's shipped into the U.S., but I do think markets specifically, I'll say Spain and Brazil have come on, and I think taken a lot of that demand.

We've seen a demand in the U.S. market for years. We spoke earlier about, you know, the homeowner would walk into a store and they want porcelain product. They don't know porcelain from the back side of the rug, but they just, it's a code word, it's marketing. And I think that's been the influx of these other countries with the porcelain products coming in. And, you know, one of the things that was pointed out is the inferior products.

So much of this coming in at least than a 0.5%

while we certainly would challenge with our data that it's not as high as what we've heard. That's happened from countries across the board, including domestic production. You know, production hitting the stores, getting tested and being higher than a 0.5, that issue's rectified and it's put back out, I don't think, for the most part, we haven't seen that that's been something that's intentional.

So I think these countries, specifically Spain, massive volume and massive growth over the last few years, as well as Brazil, are bringing in porcelain products. And that is taking an advantage over, we're seeing more of a demand over that than what we've traditionally seen out of Mexico.

MR. LEWIS: Mr. Comly, Craig Lewis again. Sorry, feel like I always wanna jump in on these, but this is something that we'll try to substantiate. But what I believe I'd heard as well is that there was substantial recovery of demand in Mexico. So that's certain proportion of the production in Mexico was remaining in the domestic Mexican market. Is that correct? Yeah.

MR. SHAH: Raj Shah with M S International. The answer for us has been freight costs, really, from Mexico. And lower costs for equivalent type products from Brazil and Spain, on a landed basis on most of the U.S. other than the Southwest, now makes more sense than to bring it from

Mexico.

MR. STOEL: Jonathan Stoel for the record. This just goes to what the Commission often hears which is, you know, ocean freight is just cheaper than rail or other ways of doing the transportation.

But I did wanna point out that, just because I don't wanna get away from the fact that, you know, petitioners have a lot of capacity in Mexico, so really, it's up to them, and I will point out that yes, their volumes are going down, but the reason why the percentages are looking so much lower is because apparent consumption in the U.S. is going way up and the good news about that is the U.S. industry is taking a lot of that additional volume that's available and, as you heard from them this morning, and also from our economists, their production capacity is expanding, their shipments are expanding.

I have to say that it's rarely where a case like this, especially in a prelim, where you see all these indicators going up, up and up for the petitioners, and that seems to be the case here. As to what's going on in Spain and Brazil and Mexico, the people to ask are over there on the other side. They're the ones who have the data, and again, I would go back to what I said before which is, it's their burden at this point.

You know, they're the ones who should be telling you what's happening. And you know, for them to claim that there's nothing going on with nonsubject imports in this case, given their relationships that they have, and given the data that -- the TCNA is the one putting out this data. We're not coming up with the data. We got it off their website. So it's really up to them to show you what's going on and to show that this alternative cause of injury is not the truth.

And also just a touch about something I'm sure you're gonna ask, you know, LVT, I mean, again, TCNA's own data and own evidence is showing you that all the people around this table have been hurt by LVT. We're sure the petitioners have been hurt by it, too, but that's not subject imports, so I really think that they needed to come to you and tell you what's going on, and we're trying to fill in as best we can. But they're the ones who need to have the questions.

MR. COMLY: Let me just ask one last question and then I'll turn it over to my colleagues. Is there any significant production of ceramic tile in Hong Kong that you know of?

MR. ELMAAGACLI: I don't think there is, no.

MR. COMLY: Okay, so you would agree with the, in the petition, they stated that imports from Hong Kong should be considered subject imports?

MS. BEDROSIAN: Sorry, can you repeat that?

MR. COMLY: In the petition, they asserted that imports from Hong Kong should be considered subject imports or rather, imports from China, really.

MR. LEWIS: Why don't I try to address that? My client KIto has a major export arm in Hong Kong.

MR. VANDER SCHAAF: Most likely a trading arm.

MR. LEWIS: It's wholly subsidiary shipping product produced by Kito in China. That is subject merchandise. I don't know the percentage that Kito comprises for exports out of Hong Kong of the subject merchandise, but I don't think they're insignificant. I think that the volume that they ship out of Hong Kong is about comparable to what they ship out of China. So there may be others like that as well in China who have an export arm in Hong Kong. It's common for most companies in China to have an export arm in Hong Kong.

And obviously, it's a place of manufacture that determines country of origin. I can ask my client if there's even production of ceramic tile in Hong Kong. I imagine thirty years ago there was, but I don't know if there still is today. And we can probably give you some information about that in the post-conference brief. But my client did include his exports in the questionnaire that all of it's subject merchandise, whether it was exported out of

China or out of Hong Kong.

MR. COMLY: Thank you, yeah. And any information you can provide in your post-conference would be very helpful. That's all the questions I have for now. Thank you.

MS. CHRIST: Thank you. We'll now turn to Brian Soiset, the Attorney/Advisor.

MR. SOISET: Thank you all for coming. I'm Brian Soiset from the Office of General Counsel. And I just had a few questions about the mosaic tile issue. I wanted to start out -- I just heard some mixed comments from some of the witnesses about whether or not there is U.S. production of those. Could you just clarify -- you know, is this something that U.S. producers don't make? Or they just don't make a lot of?

MS. BEDROSIAN: So, the petitioners -- this is Marisa Bedrosian from Bedrosians Tile and Stone. So petitioners had mentioned earlier that they can cut their floor tiles and make them into decorative tiles. So there's mosaics and the mosaics are mounted onto sheets. Like we had mentioned before, there're also decorative tiles. And those are loose pieces.

Decorative tiles can be different shapes and sizes. Like I mentioned, they can be three-dimensional. They have special glazes and colors. So when we talk about products that aren't produced in the United States, we're talking about bulk mosaics and decorative wall tiles that you wouldn't put on the floor. But they're not --

They're not necessarily in a sheet like a mosaic with like small pieces glued together, so I wanted to make sure that you understood that both of those are included in tile that's not produced in the United States. Cutting a piece of floor tile into a shape is not the same thing as producing a really unique-looking, decorative wall tile. It's not the same at all.

So, back in you know maybe 2000 to 2015 a lot of people were putting the same tile that was on their floor on their walls, on their countertops. It was just kind of you know this uniformed look, but over time that trend has faded out and so people want trendy, almost like art on their walls and that's the decorative wall tiles or the mosaics. It's a statement piece that they installed maybe in even like a linear line on the wall or an entire backsplash and that is not produced in the United States, not in the quantities that we need.

There might be some small arsenal type of factories that make small quantities, but not in the quantities that we need, no, and not with the lead times that we need as well. We had tried -- we purchased one line from Japan, for example, and each time we placed a PO it would take like four to six months to get the material. It's hard to do business when it takes four to six months to get material and so that's just an example.

China, like I mentioned in my testimony, is kind of this unique place because they have all different size factories. They have smaller factories, they have mid-sized factories, and then they also have the more automated factories and so they are able to produce sufficient quantities of decorative wall tiles and these are hand made. There's molds that are used to create these special designs and we work with the factories. They're very custom looks.

MR. LEWIS: I think a real direct piece of evidence that was presented by our panel today on this issue were the slides that Mike Manke presented. You know without a doubt, Home Depot and Lowe's are enormous outlets for these products and these were -- when were these done, just recently?

MR. MANKE: These pictures just came the last couple weeks.

MR. LEWIS: So, I mean the proof is kind of there in front of you. Does Dal-Tile offer us mosaics? Are they in the mosaic market? Yes, they are, but where do their mosaics come from? I think one of the slides there will tell you 100 percent from China. So, if they are producing them domestically, I'm not sure where they're selling them.

If there's another distribution channel, we're not aware of it. I'm not trying to be funny about it, but I think -- you know we're not prepared today to argue for a separate like product for a variety of reasons that I'm sure you can think of. But there isn't really much doubt, though, I think on the record that there is very little production of mosaics in the U.S. market and the level of competition between the two segments is extremely attenuated.

MR. HANSEN: The majority of the mosaics that we've been talking about today are really referring to what Gary showed you, more of the decorative. Anything from glass to metal to porcelain to stone. Currently, Dal-Tile does still produce mosaics in the United States at one of their factories. I think it was two years old or maybe three years ago, maybe 2016 they actually had a factory in Olney, New York, which was referred to this morning as one of the factories they closed. But is was a very different type of a product. It was a different mosaic.

So, Mr. Comley, you referred to your pink tile earlier back in those same days when they made the pink and blue tile. They were also making what was called an unglazed porcelain mosaic that did not have any level of a glaze on it. It was a colored body, your primary colors, and it was used commercially. So, you'd go into a lot of government buildings, for example, and you'd see the white and the black and the cream mosaics on the floor. Those were dot mounted. They were machine made. But the bulk of that product was produced in Olney, New York.

That look has almost disappeared from the commercial environment any more, certainly, not in the residential applications. So, it was a look that was kind of taken by the wayside. And they closed the Olney plant down because there was no demand for that. They do still make a little bit of that. I believe it's in the Gettysburg location in the U.S. But the mosaics that we're referring to they're not made domestically are more of your decorative -- what you're seeing as accents, seeing them on the walls. So, maybe just a little clarification there.

MR. ELMAAGACLI: I also just want to point out that two of the Petitioners did say that they produce some mosaics and they also both added that they were using tunnel kilns. So, I've been in this business since high school, so definitely not the level of experience perhaps as some other people in this room, but in my life I have not seen a tunnel kiln. That's how old they are.

In any of the facilities that I've ever been to in my life all across the world a tunnel kiln, where they were describing a 24-hour cycle when products are left in a closed area to fire over a 24-hour period I have not seen that technology used anywhere in the world because that's how outdated they are. Again, not a single tunnel kiln I've ever seen in my life.

They referred to a fast-fire method which is typically what they're using with obviously the larger, more typical size formats of tile production. That is what's typically used in every mosaic manufacturer that I've ever been to in my life. I also just want to try to illustrate a picture of what the capacities that we're talking about just so you understand what the difference between an artisan shop that we're all referring to that there may be some capacity in the U.S. for a smaller-scaled production, all the facilities that I've ever seen or heard about there's craftsmen, artisans that may employ 30, 50 people that are maybe making a portion of their production as maybe decorative wall tiles or mosaics.

As a single importer, on behalf Anatolia, in one of our holiday celebrations with our company we had a survey, a trivia for people to guess the closest number of people we believe we keep busy in various parts of the world for our mosaic production. So, this is just kind of a fun fact, a word thing that we had at our holiday dinner. And this was, again, considering the total number of people that these companies that we work with that make mosaics for us and if we take the proportionate of their total sales and using the same proportionate to the number of total amount of people that they employ, our company was upwards of 20,000 people, so that included all mosaics.

If I had to estimate the percentage of the 20,000 people that it takes to make only our imported mosaic products that actually are part of this tariff investigation, maybe it's 40 percent, maybe it's 60 percent of that. But you're talking about -- call it an approximately 10,000 people assembling mosaics just for our imports. So, try today imagine in Tennessee -- any of the Petitioners here. I would love to see if they can find 10,000 people at minimum wage in Tennessee to start assembling mosaics.

MR. SOISET: Alright, thank you all. That was very informative. A follow up on that, some of you also in describing the mosaic tiles sort of interchangeably talking about wall tiles and mosaic tiles. Are these distinct categories or is this something that you would normally be grouping together?

MR. ELMAAGACLI: Would I group decorative and mosaics?

MR. SOISET: No, no, wall tiles. I believe some of you had referenced to sort of saying that the Chinese producers were focused on wall tiles and mosaic tiles. And then some of the comparisons between mosaics and others -- between mosaics and flooring tiles specifically. And so, is there also this other category of wall tiles and how would you distinguish that from mosaics and is that made by U.S. producers?

MR. ELMAAGACLI: They're very, very similar, so more of the dimensional, the special glazes, the handcrafted looks, and the quantities that we're referring to are typically made in the same equipment and same type of manufacturing as what we're also describing as the mosaic products. So, yes, they're often related, not all the time, but often related.

MR. LEWIS: Considering I didn't know anything about ceramic tiles three weeks ago, I can't believe I'm going to say this, but I think that there is another category of wall tile, as I heard of it, and I think it was mentioned by Petitioners as well. I think it's the red body, kind of standard product that I would -- just from what I've heard, I wouldn't think you would consider that in the mosaic category.

MR. ELMAAGACLI: Again, we don't want to bore the entire team here with the details, but there's definitely a distinction between a more decorative wall tile and a more standard wall tile. The standard wall tiles are much more commonly made in China, as well as many other countries, that we as importers have options on. It's the more decorative wall tiles that I think would be more difficult for anybody else to source anywhere else outside of China.

MS. BEDROSIAN: When we say standard wall tiles, we mean like a square shape or a rectangle, sort of similar to what you'd put on the floor.

MR. ELMAAGCLI: Similar to what I believe Dal-Tile also produces in their Mexico plant is more of a typical wall tile.

MR. SOISET: Alright, thank you all. No further questions from me.

MS. CHRIST: Thank you. Before moving on to the Economist, I'd take a quick question from Douglas Corkran, who has a couple before a conflict.

MR. CORKRAN: Thank you very much and thank you to the panel as well. And actually, my questions are very, very closely related to the ones you just had.

I'm coming at it more from a data perspective. Are the terms ceramic wall tile and ceramic floor tile comprehensive and mutually exclusive. That means if you're thinking about the universe of ceramic tiles could you draw a line down the middle or wherever with floor tiles on one side and wall tiles on another.

MR. ELMAAGACLI: Yes, absolutely. The main difference is really the glaze that's applied on the surface. So, if they're both ceramic bodies, which is really a function of the water absorption that was also provided -- some details provided by the petitioning group. Anything greater than 0.50 percent is typically referred to as a ceramic body. So, the distinction between the wall and floor would be the type of glaze that's applied on the surface. Floor being more durable and a wall tile being a softer finish that may scratch or wear out being that wall tile.

Often in our industry floor tiles can be used as a floor tile or a wall tile, if esthetically pleasing and suitable for the project; whereas, a wall tile, typically, is obviously used as a wall tile because of the durability constraints.

MR. CORKRAN: Okay, let me quickly follow up on that question. So, that's where I was getting a little bit confused, that one could be used for another. So, the distinction is a physical distinction based on glaze rather than necessarily an application distinction; am I correct about that?

MR. BEDROSIAN: So, there's various rating systems in our industry and there's two rating systems in particular that determine whether a tile can be used on the floor and that's the breaking strength test and then also what's called the porcelain enamel institute test. So, the breaking strength test is a test that is essentially performed by placing designated weight onto the tiles. And so, for a wall tile, for example, the average breaking strength must be 125 pounds per foot or greater and no individual tile can be below 100 pounds per foot.

For a floor tile, the average breaking strength must be 250 pounds per foot or greater and no individual tile can be below 225 pounds per foot. So, there's that test and then the PEI rating test measures the abrasion resistance or the wear of the tile and that has to do with the tile's glaze.

And so this test, the PEI test is used only for glazed tiles. So, if the tile passes the PEI rate -- if the tile passes the PEI rating test and it passes the breaking strength test for the floor tile, then it can be used on floor tile and wall tile. If it only passes the wall tile breaking strength test, then it can only be used on wall tiles. So, a floor tile could be used on floors or walls; whereas, if something only passes the wall tile breaking strength test it can't be used on a floor.

MR. CORKRAN: Thank you very much. That was very helpful. My second question or my last question is similar. And basically, I wanted to make sure I was understanding correctly. Can mosaic tiles be either floor or wall or are they exclusively one or the other?

MS. BEDROSIAN: So, again, it will depend on that breaking strength test and each tile is tested individually to determine where it's suitable. You know for our company I can tell you that all of our tiles are tested so that we have all the data on the appropriate applications.

MR. HEINZ: Clearly, the Petitioners supposed tiles that they make for the walls that are made from the floor tile could be used on the walls as well and the floors. That makes sense, the ones they cut up.

MR. CORKRAN: It does. And those were my particular questions and I really appreciate the information you provided us today and thank you very much and I have no further questions.

MS. CHRIST: Thank you. We will now turn to Andy Knipe, the Economist.

MR. KNIPE: Thank you and thank you all. Just to reciprocate your appreciation for the iterative nature of these questions or completions. We know you guys don't have as much time as some others, so we really do appreciate it. I know I've been back and forth with several of you about the process, so thanks again.

So, the specific numbers are APO, but it looks like importers largely serve contractors. So, for those of you that do service contractors, can you talk a little bit about how the shipments are fulfilled. And I'm specifically wondering if you ship directly to jobs sites or do large contractors hold inventory holding buildings that you ship to? How does that typically work?

MR. SHAH: For each one of us, I think it's a little bit different customer segment. But to those of us who do serve contractors, it's actually a mixed bag. So, a lot of us have locations all across the U.S. or within states or regionally that contractors can come and pick up from.

Secondly, for job sites we will make deliveries as needed to job sites. And some contractors even have their own warehouses, so it's a mixed bag.

MR. KNIPE: Okay, thanks. So you heard me ask this morning to Petitioner panel since most -- well, since a lot of you do service contractors, I'm wondering if collecting purchase information by value would in fact be a fruitful exercise. Perhaps in addition to or in place of quantity. What's your take on that?

MR. SHAH: So this Raj Shah. Are you saying size of order, average order size? Is that what you're getting to?

MR. KNIPE: So when we -- in the event of a final phase investigation, we'll send out much longer purchaser questionnaires where we ask about purchase quantity. How much do you buy, and I'm wondering if a lot of the folks that are buying are contractors, how sophisticated the tracking will be? If we ask how much do you spend, if that's a better way to get a larger picture, than how much quantity-wise, based on these very specific product descriptions.

MR. STOEL: Jonathan Stoel. For the record, I think obviously, we hope we don't get to a final. But I think why don't we talk about it a little bit amongst ourselves, and we'll give you an answer in our post-conference brief, okay.

MR. KNIPE: Okay. What percent of the overall market are the decorative mosaics compared to the standard tile?

MR. STOEL: Sorry, Jonathan Stoel. Would you mind repeating the question?

MR. KNIPE: Sure. What percent of the overall market in ceramic tile are the decorative mosaics compared to the standard tile?

MR. ELMAAGACLI: Cengiz Elmaagacli from Anatolia. There's not a lot of hard statistics on this, but just from our own sales and experience, wall tiles have inclusive of I would say decorative wall tiles, are estimated to be about 20 percent. So if we included the mosaics and the decorative mosaics, we predict they would be somewhere around the 30 percent range.

MR. KNIPE: Sorry. So wall tiles --

MR. ELMAAGACLI: Wall tiles being 20 and inclusive of the mosaics. We estimate it to be about 30 percent.

MR. KNIPE: Okay.

MR. ELMAAGACLI: And I'm going to also add to that, that's calculated by revenue. So we're just estimating in our mind the revenue and keeping consideration that obviously per square foot unit, these are typically a higher average value than typical tiles, let's call it. That 30 percent of revenue may translate into 10 to 12 percent of the quantity I would have said.

Again, these are just rough estimates right now based on our own individual sales, but we can quantify that for you after as well.

MR. KNIPE: Sure, if you'd like to in your post-conference brief, feel free to do that, okay. You talked a lot about LVT. You mentioned that it's a growing segment. What percent of the market is LVT? It sounds like it's only used in floors, but for those who purchase floor tile, what percent is LVT?

MR. SHAH: Yeah. So today the -- this is Raj Shah with MS International. Today the ceramic tile category is about four point -- about $4 billion, and LVT last year surpassed $3.1 billion as an industry. But that one's growing at about 25 percent a year, while ceramic tile grew at 1.5 percent last year.

MR. STOEL: And just for the record, this is Jonathan Stoel. For those of you who haven't seen this product, I had not seen it before until actually I started working on another investigation before the Commission, and I went out to a couple of our clients' stock rooms. You can see why LVT is eating the lunch of these other products.

I mean the convenience of it, the way it's made, it's just a very unique product and I think I want to go back to something, which is we're not raising LVT because, you know, we're trying to say the Petitioners are not doing well. Quite the contrary. This is also eating into the profit margins of a lot of the people around this table.

So this is a product that's coming on the market, and I just have to say it really is surprising to us to hear this morning that they're claiming they don't know about it and it's not taking market share, when their own documents are -- we're giving you statistics from their own documents. The numbers that Mr. Shah just gave you are from TCNA. So it's really again, the credibility here is important and I think we're going to give you everything we can. But I don't think you're getting a straight story from the other side.

MR. LEWIS: This is Craig Lewis. I just wanted to add one other point on that too. I got the impression from hearing the testimony this morning from the Petitioners that LVT was kind of being depicted as almost like a fad. It's LVT today and it's going to be LVP, I forgot what the other item was.

But I think the statistics show that that's really not the case, and the fact that Petitioners themselves have been ramping up their own production capacity to produce these products is probably the ultimate proof that this is not some, you know, passing phase in the industry.

MS. BEDROSIAN: This is Marisa Bedrosian with Bedrosians Tile and Stone. Just to give you an example of the LVT popularity, I was riding in the car with one of our managers just last week, and he was telling me about how, you know, he and his wife sold their home in San Diego and moved up to Orange County.

He told me that before they sold the home, they re-did the flooring. So our manager can get ceramic tile or porcelain tile from us at cost, right. But instead of using ceramic or porcelain tile on his floor, he used LVT because he could install it all himself, and it took him a weekend to do it all with his wife, and it was really simple and easy. I was shocked that he used LVT instead of tile, because that's what we sell and he can get it so easily.

So it really is taking a significant portion of the market share, and I mention this in my testimony, but even for our company, like we've seen a decline in sales because those sales have been taken by LVT. You know, when people are, when builders or commercial developers are building apartments, they're not going to put in ceramic tile when they can put in LVT and the labor is cheaper.

You know, apartment buildings, you have to redo them every couple of years because people trash them, right. So a lot of these commercial projects, ceramic tile is getting replaced by LVT unfortunately.

MR. LEWIS: Craig Lewis, who just -- and not to beat this into the ground, but maybe to beat it into the ground, or cover the floor with it. This is -- we're not hyping this issue. It's a huge, you know, I think the word that was used was "disrupter," and that's exactly what it is.

There is -- there are a couple of influential magazines in this industry that track. There's one in particular that does an annual survey of all floorings and not just ceramic tile, but carpeting, anything that covers the floors. It is sort of the issue, because the growth rates in LVT are something I think in 2017, I don't think the 2018 figures are out, were like 28 percent. It was just massively large, and there's a fair amount of statistical information to back that up, which we intend to provide you in our post-conference brief.

MR. KNIPE: That would be great, thanks. I have LVT in my kitchen, although I don't know how luxurious it is. It's starting to produce gaps in between. It could be my fault though.

MR. LEWIS: We're happy to get you some ceramic tile.

(Laughter.)

MR. ELMAAGACLI: Sorry, Cengiz from Anatolia. I just also want to touch on a point. From the TCNA reports that they've provided, the consumption increase on ceramic tile has been 1.5 percent in 2018, while the housing starts were, had an increase of 3.9 percent.

So I also want to touch on that, where the growth for obviously a direct use of consumption of tile, the housing starts far exceeded the consumption, which means that that material went somewhere. That material was replaced with something else. So that's directly from TCNA's report as well.

MR. KNIPE: Okay. I just have one more question. So it sounds like you're saying that mosaics are more expensive to produce and its use to the market than standard tile. I don't know if you have the list of pricing products in front of you, but I'm curious. I think Ms. Bedrosian you mentioned that 12 by 12 is a standard size for tiles.

Do mosaics fit into all the pricing product descriptions, at least the dimensions of the four pricing products, or are they specific to one or another?

MS. BEDROSIAN: Marisa Bedrosian. I think the smallest was between 3 to 6 inches, is that right?

MR. KNIPE: Yeah. It would be Product 4. It says 3 to 6 inches by 6 to 12 inches.

MS. BEDROSIAN: So some of our decorative products would fall under that category, but not the mosaics.

MR. KNIPE: So I'm just going to briefly read the dimensions. No. 1 is 6 to 8 by 24 to 36, and the other ones are 12 to 24 by 12 to 24. Are there any of those that the mosaics would not be included in?

MR. STOEL: Maybe it makes more -- sorry, Jonathan Stoel. Would it make more sense that maybe we should just give you a written answer after the --

MR. KNIPE: Sure, absolutely. I'm just trying to make sense of my price data.

MR. STOEL: Oh, I completely understand.

MR. KNIPE: Yeah.

MR. STOEL: Is that okay with you with us to do it post-conference?

MR. KNIPE: Yeah, yeah, sure. If you would, Mr. Ginsburg you touched on this. You expressed some concern that the descriptions are overly broad and they might include both standard tile and mosaics. But if that's the case, then mosaics are more expensive. That's predominantly what you offer and would that help you guys? So if you want to elaborate a little bit more on that on the post-hearing or the post-conference, that would be great.

MR. STOEL: Jonathan Stoel. We agree it would help us, but let's make sure we get you the answers post-hearing.

MR. KNIPE: Okay, thanks. That's it.

MS. CHRIST: Thank you. We'll turn to Joanna Lo, the accounting auditor.

MS. LO: I thank you. I want to go with my colleagues' thanks for helping me understand your industry. I don't have a ton of questions specific to (audio interruption) importers data. But I just wanted to have a better understanding of the slides and also some of the discussions today. In those slides of the Home Depot and Lowe's, it's correct that those mosaics, a lot of them are not ceramic mosaics, right, like stone and glass, perhaps in stone; is that correct? Marble, stone, glass, correct?

MR. MANKE: There can be -- Mike Manke, Jeffrey Court. There can be varying, you know, degrees of things in there. The point of that was especially in terms of the mosaics, you know, this was the Petitioner's bay. So in the Home Depot or Lowe's, the way they operate is because they don't want to have multiple, multiple sources for things. You know, some will bid on it such as Mohawk and they'll get four bays in all these Home Depots across the United States.

When you look at the percentage and how much product's actually made here versus made overseas, that's really the point. MS. LO: And to be fair, full disclosure, we did two bathrooms, two very small bathrooms in a 100 year-old home, and I put in LVP flooring in my basement, and I was also on the multi-layer wood flooring case, which of course that's a direct competitor to LVT/LVPs. I don't know, as a consumer I think the jury's still out in terms of preference.

But another question I had, can -- first of all, I do realize homedepot.com and lowes.com do show you, if you go into the specs of each tile you're looking at, whether it's suitable for flooring or walls or a combination of both. But I also understand that there are some sealers and also some underlayments like waterproofing membranes like Schluter and some other systems, that could potentially convert a wall-only tile to flooring tile for ceramics. Is

that possible or no?
MR. MANKE: Mike Manke, on the record no. I mean Schluter is kind of a trim piece, and it's not to convert the use of a tile for another use, from floor to wall or vice versa.
MS. LO: What about sealers, no?
MS. BEDROSIAN: This is Marisa Bedrosian. No, so sealers would be used for like stone, stone products, simply to prevent absorption since stone is porous. So, sealers could also be used for like a polished porcelain tile simply because there's little -- there's micro, when the tile is polished, it creates little micro holes, like you can't really even see them, so it needs to be sealed so that dirt can't get inside of those little micropores, but it doesn't change whether or not it's suitable for a floor or not.
MS. LO: So, is it true that a lot of those ceramic tiles in scope product are used a lot in say pools, industrial or residential, so that's like 100% all the time water, I guess touching, I don't know what the word is. And then there's like those penny tiles or those hex tiles, you know, that you see a lot the Parisian bathroom back in the day, very popular, I like, but I guess that's fallen out of favor, are those the kind of mosaic but you're kind of saying are no longer in demand?
MR. ELMAAGACLI: Cengiz Elmaagacli, no porcelain

tiles have the glaze, imagine like your mug. It has a layer of glaze that covers the surface. As long as it's glazed, it will be on the surface waterproof.

So, if the backing is also porcelain, which reduces the water absorption of that particular porcelain and it meets the breaking strength that Marisa explained, those are suitable for floor in wet or dry areas, so those are the same porcelain mosaics that could easily be installed in the pools and so on. Does that answer?

MS. LO: Yeah, I guess yes, no it's the messy like form I'll defer to it on those issues in your post-conference brief.

MR. HANSEN: Could I throw one thing in there that I think we're -- we've talked about the absorption rates. Typically, with a porcelain less than a .5 absorption rate tend to typically find a stronger body or a stronger breaking -- higher breaking strength.

When porcelain first became one of the buzz words and people wanted to use product inside and outside, that absorption rate is really the defining line there. So, if it's higher than a .5 and it absorbs water in a free/thaw environment, it absorbs the water, it freezes, it expands like the ice cube in a tray and it pops.

It pops the glaze -- it breaks the tile. So, if it's a .5 or under, there's less absorption there and therefore even in an area like a pool, it's not going to absorb the water or if you have it outside on a patio, it's not going to absorb the water in the event that it does freeze out after a rainstorm or snow melts and it freezes again, that product is still sustainable.

So, that -- I think that's one of the points that's been missed through here, but that again is a very defining statistic for not only for the porcelain, but where you can use that product. You know, and to your point I think you asked the question, the penny round, the small mosaics, actually that's one of our most popular shapes and sizes right now, it happens to be in a porcelain body.

MS. LO: Again, it's porcelain body? To me it looks ceramic, I mean the non-porcelain ceramic, but it is porcelain?

MR. HANSEN: It's all based on the absorption rate, yes.

MS. CHRIST: And that's Dan Hansen?

MR. HANSEN: Yes, it is Dan Hansen, thank you, sorry.

MS. LO: That's all I have thank you very much.

MS. CHRIST: Thank you, we'll now turn to Karl Tsuji, the Industry Analyst.

MR. TSUJI: I just have one question and one request. The question just for clarification on the -- what are being referred to, we've heard several different labels, decorative or custom mosaic tile. Are they predominantly of non-porcelain or are they also porcelain ceramic?

MR. ELMAAGACLI: Cengiz Elmaagacli, I think they're both. And there are as many products in decorative mosaics and wall tiles that are made in a ceramic body versus a porcelain body. And again, to be really truthful, it typically doesn't make a difference for a consumer or the decision that they're making. It's more of an anesthetic desire that creates that -- let's call it that instinct to purchase, to make that purchase decision.

I don't think anyone, if they're installing in a kitchen or a bathroom, are really looking to understand technically if it's a ceramic or a porcelain. I don't think for most of the consumption and the application that it's purchased for, it really doesn't make a difference.

It's -- the only time as Dan mentioned, is if there's a freeze/thaw situation that it requires to be a porcelain. Beyond that, for the typical decorative products only, it's almost irrelevant in most cases.

MR. TSUJI: Okay, thank you. That's helpful. And then finally, there's also been a number of snippets of details about the differences in production between the custom and decorative mosaic tile versus for lack of a better word, the more standard wall and ceramic tile.

So, this is the request for your post-hearing brief. If you could please compile, compare, contrast, the production process or the custom and decorative mosaic tile versus the production process that we've already seen this morning, as well as presented in the petition for the standard wall and floor tiles.

MR. STOEL: Mr. Tsuji, Jonathan Stoel for the record, we'll do that. I just want to make one last point on that which is we do think there is clearly attenuated competition between these products that my witnesses today have so clearly annunciated. Again, we're not seeking a separate domestic like product and I think we all know some of the legal reasons for that.

We may revisit that if we -- and we certainly hope it doesn't, but if it this goes to a final. Thank you again.

MR. LEWIS: Sorry, this is Craig Lewis. I'd be remiss in not mentioning that we have a competing video that would show you the production process for the mosaics and decorative's too, so we can place that on the record as well.

MR. TSUJI: Very good, I appreciate that, thank you. Miss Christ, I have no further questions.

MS. CHRIST: Thank you. Let me just check and see if there's any follow-up questions? Hold on, is there any follow-up questions? We'll turn to second round for Nate Comly.

MR. COMLY: I'll try to make my questions short and sweet. So, as a consumer, how do I know if something is porcelain or not? So, there's been talk about how certain tiles have been called porcelain but have not met that water absorption rate. So, how as a consumer, do I know if something is or not? Is there a stamp on it that says porcelain?

MS. BEDROSIAN: This is Marisa Bedrosian. Yes, so all of our marketing collateral states what the product is. So, if it's porcelain, if its ceramic, if its glass, if its marble, it will say it on every single piece of marketing collateral and it also says it on the tile box, it says it on the price tag, so when you're shopping for tile you know exactly what you're buying.

MR. STOEL: Mr. Combly, Jonathan Stoel for the record. You know there was a lot of talk this morning about IP issues and so I would actually save some of that for my final remarks, but I did want to say that I think among those on the panel, you know, certainly there's strong disagreement about some of the points that were made.

But I guess I would just make a point to you as a staff at a great institution, which is you know, there's a lot of places that you can deal with IP. You can go and file in the courtrooms just a little way from here at 337 Casan. I have to point out, Mohawk has actually done that.

They filed a 337 case with respect to LVT, so they know how to do that. You could also go just a little way away from here to the FTC, that's not the ITC, last time I checked, and you can file cases of bad business practices. If people lie and cheat in our country, which none of here in this room want to have happen, there are places to remedy it.

Similarly, you can go to USTR and you can make claims about IP violations or you can go to the CBP and you can make allegations of importers who are doing wrong things. No one is here to defend any of that, but you all have a complicated enough job before you. You have to determine whether there's been injury or a threat of material injury to a domestic industry.

That's not a question that has to do with the IP allegations that were made this morning, and I just had to say that for the record.

MR. COMLY: So, the Petitioners --

FEMALE SPEAKER: Pull your mic closer please.

MR. COMLY: I'm sorry. The Petitioner noted today, earlier this morning that there were trade remedies in some of the top ten importing countries. And how should the Commission view that in terms of threat, in the threat analysis?

The Petitioners pointed out this morning that there are trade remedies either in place or ongoing investigations in seven of the top ten importing countries. How should the Commission view that in terms of threat?

MR. STOEL: Mr. Comly, Jonathan Stoel for the record and then I'll throw it to Mr. Vander Schaaf. Look, this is obviously an issue, I think that's relevant to threat and we certainly will deal with it in our post-conference brief.

I think I'd just like to make a couple of points that are basically about threat which is related to, which is you have a very strong domestic industry. You heard evidence from Mr. Ginsburg that actually imports, subject imports have fallen by 25% in the first two months.

So, clearly we know as a statutory provision in the Commission's past precedent, you're going to look at those proceedings, but the question is -- is there an imminent threat? And I think the answer to that is clearly no. But we will of course, detail that in our post-conference brief in our responses to your questions.

MR. VANDER SCHAAF: This is Lyle Vander Schaaf. You know, if you correlate the timing of things with the imposition of these trade measures, we'll provide numbers in the post-conference brief. But as I said in my testimony, the capacity to produce in China is going down, so they're not exporting their way out of a problem and they're not shifting their exports to the U.S. market as a result of these trade remedies going in place.

They also have a very vibrant home market -- the Chinese do. So, I don't think that the typical argument that because remedies have been imposed in another market, products are going to shift to the U.S. market holds true.

It hasn't happened, first of all, and the Chinese have been decreasing their capacity to produce while these trade measures have been going in place and they've been growing their home market which actually has a lot of import competition in it because it's a very, very large market.

So, we don't think that these trade measures going in place in the other countries serves as evidence that there's a threat of injury to the United States, or a threat of increased exports to the United States.

MR. LEWIS: This is Craig Lewis, if I might add again, and first of all I agree and subscribe to those comments. And just to amplify on that, on the timing issue, let's take the EU measures. They just had a sunset review in 2017 which means that the initial order went into effect in 2011 or '12, if I'm getting my numbers right.

So, these measures have been there for a long time and I do understand the potential relevance of that question is you know is this a factor in the global market that could lead to diversion and to an increased volume into the U.S. market -- understood.

But that's where I think I'm tying into Lyle's comment which is well, this is history. It's been there for a long time, there's no change in the global market or there hasn't been a recent imposition of a measure that might lead to increased volumes.

But I do think the other points that were made as well are important which is you know, I think one of the most striking things I saw in one of the reports, another one I'll put on the record for you all, was a survey of the global ceramic industry, and one of the characteristics that that survey did uniformly for every country in the world that was a producer of ceramics, was kind of take a measure of export orientation of the industries.

And I'll be frank with you, when you're talking about China my ordinary expectation would be that China would be listed as export oriented. You hear it in every case. That's not this case here. China's correctly identified as a ceramic industry that is not export oriented.

And that's manifested itself in the data for the period of investigation. The import volumes from China, despite this comment about 20% increases in volume, the absolute numbers, whether those figures are right or not, that may be the case but I think what's relevant is that the market grew in that time period as well -- very robustly, over 5% in all of those years.

And if you accept the TCNA estimates, and TCNA is not appearing to be a completely unbiased source there, Petitioner in this case. But even their figures show nothing more than over the entire three-year span of this investigation, a 2% growth in Chinese market shares, that's trivial. That's not as significant. That's not a surge or explosion of imports.

And it's not surprising, that's my point. It's not surprising because Chinese exports are a stable presence in this market, have been for a long time, and it's not a particularly export oriented industry.

As strange as that might sound.

MR. COMLY: This may have been mentioned before, but why is China concentrated in the wall mosaics? And I think I understand mosaics because its labor intensive, right? So, why have, I guess, to rephrase my question, why is China concentrated in the wall ceramic tile whereas U.S. is concentrated more in the floor ceramic tile?

MR. SHAH: So, this is Raj Shah, with M S International. I think it goes to the point that Cengiz brought up earlier. It's their domestic markets that ports a lot of wall tile. If you look in the U.S., we're one of the lowest per capital users of tile period, because we use carpet on the floor.

But one of the other reasons is we don't tile our walls generally speaking. China, Mexico, Brazil, they all tile their walls so there's a huge demand for wall tile domestically, so they have a huge manufacturing base for it.

MR. COMLY: I think Mr. Knipe, and I touched on this for the pricing products, but in general just for imports, is using square feet the best available measure of quantity in this?

And are there any caveats that the Commission should be aware of when looking at square feet as a representative quantity or should the, I guess the second part of that question is should the Commission focus on value when it's analyzed in the data rather than quantity.

MR. STOEL: Mr. Comly, Jonathan Stoel for the record. We've been thinking about that same question. Let's get back to it in the post-conference brief.

MR. COMLY: And then one last question or I guess request that I had. I think I remember someone on this panel talking about the inability of U.S. producers to supply them. If you have any documentation of that in the post-conference brief that would be great, thank you, and that's all the questions I have.

MS. CHRIST: Thank you. We'll turn to, I guess, Nate took care of that, any other questions? Alright, thank you very much. I want to reiterate the appreciation everybody else has already indicated for you coming down here and giving us additional information.

Particularly, it was nice to see that it turned almost more into a conversation which allowed us to really get information and learn about the industry which I appreciate just having conversation with people who have insight and knowledge that they have come a long way to share with us, so I don't have a lot of extra questions.

I think this is the case. I don't know if anybody explicitly said it and I missed it. LVT is only on floors, it's not on walls?

MR. SHAH: Raj Shah, with M S International. I think it's at least 95% is on the floor, so virtually all of it is on the floor.

MS. CHRIST: Okay. I just wanted to make sure.

MR. SHAH: Yeah.

MS. CHRIST: Then somebody, I believe Mr. Elmaagacli mentioned there's a little production of pressed mosaics. Can you explain what that means? What does it mean by pressed and what is non-pressed and what does that mean for the different products?

MR. ELMAAGACLI: Thank you, Cengiz, again, Anatolia. So, from our perspective a pressed mosaic is similar to how a tile is made. It's individually pressed pieces where it doesn't require any further processes for it to be, I guess, completed by simply joining them together on an assembly on a mesh-mound door, other methods of connecting them together for the ease of installation.

So, whereas cut mosaics are a different category where often, from our perspective, we produce cut mosaics that coordinate with our floor tiles, so just from a practical example I'm going to try to explain.

In a shower setting, if you were doing a new bathroom renovation and you have a certain floor tile that's running in your bathroom and possibly up the walls, you may have a coordinating mosaic that is cut from the same tile to be installed in the shower floor.

So, those are commonly made from cut tiles and I think that's what they referred to, the Petitioners as having capacity and tenancy. There are certain companies that that's what they do. As a, I guess as a supporting product for tile manufacturing that is a different type of product that I typically refer to as a functional mosaic, so it completes the function or purpose to coordinate with a floor tile or a wall tile that is applied in a shower setting, let's call it whereas a pressed porcelain typically, like I said, it can be a lot more decorative.

When you're cutting something, the limitations of shape and size are very limited. It's very difficult to cut something in a circular. You would have to use water jet or other means that are extremely costly whereas if you want to make an example that we brought a lantern shape, just to give you -- so that particular tile, for you to be able to cut that out of a larger traditional tile -- ceramic tile, would be extremely expensive whereas that particular one is done by pressing it in that shape.

So, the capacity of install capacity in North America for actually pressed mosaics like that is what we were saying is pretty much non-existent and if it does exist in very limited amounts that I'm not aware of, it was brought up by the Petitioners that they were using technology that I have not seen as of yet myself.

MS. CHRIST: Okay, so just to make sure I understand then what you were saying is that there's two kinds of mosaic production processes, one of which is the pressed production process and one is the cutting of the production process.

The pressed production process is what there is little -- what you claimed as little production capacity in the United States that the mosaic production that does exist in the United States is of the cutting, and it's meant to be primarily coordinated with the existing production of other types of floor or wall tile?

MR. ELMAAGACLI: Yes, ma'am, that's perfect, you're an expert.

MS. CHRIST: Okay, just wanted to make sure, okay, so that's the pressed. I'm sorry, Mr. Heinz, you mentioned SWAM?

MR. HEINZ: Specialty wall and mosaic tile.

MS. CHRIST: Is that particular to your firm, or could we use it in a questionnaire, and everybody would understand?

MR. HEINZ: We kind of made it up, so you might have to explain what it means. The owner is a visionary and he likes having his own acronyms, so.

MS. CHRIST: Okay, so that is specific to.

MR. HEINZ: Very specific.

MS. CHRIST: Okay, just wanted to make sure.

MR. HEINZ: We're trying to get others to use it, so, Petitioners and you guys, you're welcome to, just there might be a minor fee, a royalty if you will.

MS. CHRIST: This is probably more appropriate for the post-conference brief, but to the extent that you could elaborate on -- I think we've touched the point in different ways, but specifically how the product variety of products coming in from different sources subject and non-subject. We've touched on mosaics, walls, floors, how did those product varieties directly affect interpretations of the average unit values of imports?

And along those lines, I think somebody mentioned that mosaics might be about four to five times more expensive than wall? Could you elaborate on where that four to five times the price presents itself? Is that four to five times at the retail level? Four to five times at the distribution level? Four to five times at the import cost, because that will help us also understand how we might better interpret average unit values, depending on where that magnitude difference occurs.

MR. STOEL: Sure, Director Christ, Jonathan Stoel, we'll do that.

MS. CHRIST: My last question also for post-conference briefs. To the extent that it's helpful for us to be able to compare data in a way that you find is the best representation of the information, if you could provide sort of like a matrix of product types, the wall, the mosaics, the pressed, whatever makes the most sense, and help us to break that down into the different sources and the percentage of the imports that come from those different sources.

I know it might be a little bit of a big table, but and there's some assumptions that might need to be made but that would help us for both U.S. subject and non-subject, what you see in the major categories, what do you see as coming in and estimated range? Where is there some overlap if you have to make assumptions on definitions?

I like tables. I can see these in tables it helps me. That's all I have, thank you very much. You can see from the questions that we really got a lot of information out of you guys all taking the time to come down here and explain the nuances.

This is way more than I learned even in my two years of throwing pots at a pottery studio. We did have a ceramic wheel that none of the red clay was allowed to touch because it would contaminate, and that's about as much as I know between the red and the white, but now I know a lot more and I appreciate the time that you guys have taken, thank you very much.

(Participants in unison.): Thank you.

MS. CHRIST: Alright, Madam Secretary, let us proceed with rebuttal and closings.

MS. BELLAMY: Closing remarks for those in support of the imposition is David M. Spooner of Barnes & Thornburg, LLP. Mr. Spooner you have 10 minutes.

CLOSING STATEMENT OF DAVID M. SPOONER

MR. SPOONER: Thank you Madam Secretary. I hope not to take the entire 10 minutes, but thank you again, Commission staff for meeting with us today. Again, both of us, both Respondents and Petitioners know how busy you are with other cases.

I'd like if I may to address a few of Respondent's arguments. Respondents, I believe, proffered four primary arguments in their affirmative presentation. Certain of these arguments may merit Commission's scrutiny in the final phase, but none of them, in my humble opinion, should be determination at the preliminary phase.

First, Respondents argued that this case is taking perhaps the more incendiary is a poor word, but the toughest one head-on first. Respondents argued that this case was filed for Dal. But Dal doesn't need the case, and that the goal was for Dal to boost imports from non-subject countries.

And that oh, by the way, Dal imports from China too. For goodness sakes, the Petitioning Coalition is composed of eight companies representing approximately 95% of U.S. production. Representatives from Crossville, Florim, Florida Tile, and Del Conca all traveled here today to plead for relief.

Meanwhile, imports of tile from certain non-subject countries such as Mexico, particularly Mexico, have declined as demand in Mexico has grown and as it has become more costly to bring goods over the border.

And we'll be happy to supplement the record with public and BPI information about Dal's situation. I must say though, that I quickly pulled the quote on the Respondent's last slide. A quote that was from a 2018-earnings call of Mohawk, Dal's parent company.

Mohawk, as Commission staff probably knows, makes far more than ceramic tile. Mohawk makes a variety of products. The question and response on the Respondent's last slide was not directly related to ceramic tile and the CEO immediately qualified his statement by saying that Mohawk needed to get its U.S. plants up and running.

Second, Respondents argued that Chinese exports -- that China exports mosaics. That competition is at best attenuated and that therefore the Commission should terminate at the preliminary phase. We know this is not true. Please, just glance at the questionnaire data.

China exports substantial quantities of floor and wall tile. Moreover, the Commission has no questionnaire data on mosaic imports and wasn't, in my humble opinion, provided with a clear definition for the term during the staff conference.

Third, Respondents argue that LVT has really caused any harm to tile manufacturers. The market share of LVT is tiny compared to the market share of ceramic tile. We're happy in our post-conference brief to provide data on the relative market shares of LVT and tile and other flooring products.

This data, I trust, will demonstrate that LVT is eating the lunch of carpet, if anything, and yes, it's important to note that LVT is used on floors only, and not used on walls, around pools, in hearths, on countertops, and all sorts of other places where ceramic tile is used.

Fourth, Respondents argue that Chinese ceramic tile exports do not pose a threat to U.S. producers because Chinese producers serve the Chinese market. And in so far as they export to Asian markets, for goodness sakes, China is the largest exporter of ceramic tile in the world. It is the larger exporter of tile to the United States.

As we've noted a couple times today, 7 of China's top 9 export markets have imposed safeguards or trade remedy measures on Chinese ceramic tile. Chinese production dwarfs U.S. production.

We would quibble with the notion that Chinese exports are a stable presence in the U.S. market. Chinese imports grew by 18.6% over the POI, and China, again is by far the largest source of ceramic tile to the United States.

Simply put, Chinese exports are a threat to U.S. producers. We would respectfully ask the Commission to find that Petitioners have demonstrated a reasonable indication of injury or threat thereof from imports of ceramic tile from China. Respondents have offered a few interesting arguments this afternoon, and I don't mean the word interesting to sound flip, but none of these arguments merit termination at the preliminary phase. Thank you Commission staff.

MS. BELLAMY: Closing remarks for those in opposition to the imposition of duty orders, Jonathan T. Stoel, Hogan Lovells, US, LLP. Mr. Stoel, you have 10 minutes.

CLOSING STATEMENT OF JONATHAN T. STOEL

MR. STOEL: Good afternoon, Dr. Christ and staff. Again, we thank you very much for all your hard work. We know that these 45-day wonders are no easy project.

We all know and acknowledge that the legal standard in a preliminary phase is relatively low for Petitioners to meet. But every now and then along comes a case where they have not met their burden. And I would like emphasize that; it's their burden. They need to show you that there's a reasonable indication of material injury or threat thereof.

We respectfully submit that they have not met their burden in these investigations. Let me explain why. I'd like to walk through a litany of things you did not hear from Petitioner this morning or from my good friend, Mr.

Spooner, a few minutes ago.

No claim that the domestic industry's financial performance has been harmed by subject imports. I've know Mr. Malashevich and his fine team from ECS for my whole career, now nearly 20 years. They're quite good. When there is something to be said about financial performance or about why a domestic industry might be harmed or if they're a Respondent why they're not being harmed, they'll speak their mind.

You heard nothing from Mr. Malashevich or his fine colleagues today. The reason for that is clear. The financial performance of this industry, now seeking relief from you, I extraordinary. I can't remember a case, looking at the preliminary data, when a domestic industry has been doing so very well.

Second, my friends, the Petitioners, have given you no explanation for the fact that Chinese AUVs and market share were stable over the POI. Yes, as Mr. Spooner said, it's true that Chinese imports have increased moderately, but that has to be taken into account with a market that is itself growing. You can't look simply at numbers in the raw. You have to look at their share in the market and what they've been doing in the market. That's your task in these investigations.

Petitioners have offered no explanation for why a sophisticated ceramic tile producers like Porte Bella, which has thousands of employees in Brazil, would announce in December of 2018 -- let me repeat, December of 2018. I checked their website earlier today to make sure we hadn't misunderstood it. That they were going to invest $150 million to develop a very large factory in Tennessee. Why would they do that if the circumstances of the domestic industry was so poor, as the Petitioners have alleged?

I also note the Petitioners seem to be claiming that there's some issue around their capacity utilization. I'd like to point out that if that is true, and we will obviously look hard at the data they've submitted for the record, you must consider that the domestic industry, not even including the Porte Bella 150 million that is mentioned, has expanded its capacity significantly during the period of investigation. When you expand capacity, it takes time to ramp up production.

I think you heard from one of Dal-Tile's witnesses that it typically takes one year to put a product to market. That means you have to test the product, you have to put it into production. It's not surprising that capacity utilization would go down while that optimization process is going on. But again, from your raw indicators, rarely do we see in a preliminary phase where capacity, production, shipments all are going up -- very, very rare.

Petitioners have also failed to explain to you why they have alleged harm from an overly broad scope of product. We heard nothing this morning from the Petitioners regarding the mosaic issues that my friends, Mr. Heinz, Ms. Bedrosian, Elmaagacli and others have explained to you so clearly this afternoon. Maybe it's because they didn't want to admit that they are importing mosaics from China. That's what I would call chutzpah in my family, complaining about imports when they themselves are the ones importing that very product from China, the country under investigation.

They've given you no explanation of non-subject imports and their role in the market, except you heard repeated admissions from the Petitioners that they're the ones importing from Italy, Mexico, and Brazil to supplement their U.S. production. That's not injury by reason of subject imports. If there's been injury because of non-subject imports, you again you must find in the negative. And that's particularly important because I did not hear any disagreement today that imports from those non-subject countries are the lowest value, lowest cost, lowest price imports. So, if prices are being driven down by Mexico or Brazil or by somewhere else, that can't be laid at the hands of my clients or the hands of China.

And again, they're the ones who are shipping from these other countries. It's their burden to provide you with the data. We will do everything we can in our post-conference brief, but the burden is on them to show you that those imports are not causing the harm that they allege is from China, not on us.

Now, I've laid out for you a litany of failures. I've already explained to you one plausible reason for these failures on their behalf. It's my humble opinion that they filed this case in the wrong forum. This is not the ITC's 337 Department. This is not CBP. This is not the FTC. If you have complaints about intellectual property, and all of us in this room believe that people should abide by their intellectual obligations, there are other fora in which those complaints can be filed. This trade remedy proceeding is not the place to deal with IP issues, which appear to be the fundamental issue that the TCNA was laying out this morning.

Finally, Petitioners' claims appear to rest on the theory of we would be doing much better but. We would be doing much better but. I would have you look at their gross profits, net profits, operating margins. I'd like to be doing as well as they have. I can tell you they're doing very well.

But let's assume that there is a reason why you need look at some alleged harm. Where's the harm? I think you've heard today from all of our witnesses. You can look at the TCNA website, you don't need to believe us, that LVT is clearly making a big impact on this market. We can all debate exactly how much, but there's no question that LVT is cutting into the margins of ceramic tile. So, if you want to know where that additional "but" may have gone, you have to look very hard at LVT. That's the causation. It's not subject imports from China, which were stable on both a price and a volume basis.

Now Mr. Spooner, he's a good lawyer. He's trying to tell you, well, my clients are doing great, but maybe over the clouds, over the clouds there might be some threat. Well, respectfully, first you need to look at the performance of the industry today. When an industry is doing as well as it is today, there is no threat on the horizon. Companies don't invest 150 million in our great country when there is a threat on the horizon. They believe America is great. They believe the industry is great. That's why they're investing. That's not a threat.

Furthermore, as Mr. Ginsberg testified, yes, there was a moderate spike in imports because of the Section 301. That's clear. But January and February imports are down 25 percent. That's not a threat. That's a drop off. If we were seeing a very substantial increase over time leading into this case, I might see a reason why I'd agree with them, but that's not the case right now. The first few months of 2019 show that there is no threat.

We will address, of course, all of the other statutory factors, but when an industry is doing as well as it is today and when subject imports are going down that have been stable during the POI there is no threat of material injury to the domestic industry.

For all these reasons, I know this case is rare and we appreciate all the hard work you're doing, but we respectfully submit that you must render a negative determination. Thank you for your time and your attention.

MS. CHRIST: On behalf of the Commission and the staff, I would like to thank the witnesses who came here today, as well as counsel, for helping us to gain a better understanding of the product and the conditions of competition in the ceramic tile industry.

Before concluding, please let me mention a few dates to keep in mind. The deadline for submission of corrections to the transcript and for submission of post-conference briefs is Monday, May 6. If briefs contain business proprietary information, a public version is due Tuesday, May 7. The Commission has tentatively scheduled its vote on these investigations for Friday, May 24. And it will report its determinations to the Secretary of the Department of Commerce on Tuesday, May 28. The Commission's opinions will be issued on Tuesday, June 4.

Thank you all for coming. This conference is adjourned.

(Whereupon, the conference was adjourned at 4:11 p.m.)

CERTIFICATE OF REPORTER

TITLE: In The Matter Of: Ceramic Tile from China

INVESTIGATION NOS.: 701-TA-621 and 731-TA-1447

HEARING DATE: 5-1-19

LOCATION: Washington, D.C.

NATURE OF HEARING: Preliminary

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: 5-1-19

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
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
Court Reporter