THE UNITED STATES INTERNATIONAL TRADE COMMISSION

In the Matter of: )
) Investigation Nos.: ) 701-TA-490 and
HARDWOOD PLYWOOD ) 731-TA-1204 (Final)
FROM CHINA

Thursday,
September 19, 2013
Main Hearing Room
U.S. International
Trade Commission
500 E Street, S.W.
Washington, D.C.

The hearing commenced, pursuant to notice, at
9:33 a.m., before the Commissioners of the United States
International Trade Commission, the Honorable IRVING A.
WILLIAMSON, Chairman, presiding.

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On behalf of the International Trade Commission:

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THE HONORABLE PETER A. DeFAZIO, U.S. Representative, 4th District, Oregon
THE HONORABLE PETER WELCH, U.S. Representative, At-Large, Vermont

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

On behalf of The Coalition for Fair Trade of Hardwood Plywood:

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TESTIMONY OF DENNIS WAVERLY (WAVE) OGLESBY, VICE PRESIDENT FOR SALES AND MARKETING, COLUMBIA FOREST PRODUCTS

TESTIMONY OF NORMAN (NORM) ROBERTS, PRESIDENT AND CHIEF EXECUTIVE OFFICER, ROBERTS PLYWOOD, INC.

TESTIMONY OF TERRY AWALT, PRESIDENT AND CHIEF EXECUTIVE OFFICER, JSI STORE FIXTURE INCORPORATED

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CHAIRMAN WILLIAMSON: Good morning. On behalf of the U.S. International Trade Commission, I welcome you to this hearing on Investigation Nos. 701-TA-490 and 731-TA-1204 (Final) involving Hardwood Plywood From China.

The purpose of these investigations is to determine whether an industry in the United States is materially injured or threatened with material injury or the establishment of an industry in the U.S. is materially retarded by reason of subsidized imports from China of hardwood plywood.

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

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

Speakers are reminded not to refer to
business proprietary information in their remarks or answers to questions. Please speak clearly into the microphone and state your name for the record for the benefit of the court reporter. Finally, if you will be submitting documents that contain information you wish classified as business confidential, your requests should comply with Commission Rule 201.6.

Madam Secretary, are there any preliminary matters?

MS. BARTON: Yes, Mr. Chairman. All the witnesses have been sworn.

(Witnesses sworn.)

MS. BARTON: And with your permission, we would like to add Mr. Mike Taylor of States Industries to the witness list for Petitioners.

CHAIRMAN WILLIAMSON: Okay. Thank you. Very well. Will you please announce our first congressional witness?

MS. BARTON: Yes, Mr. Chairman. The Honorable Peter A. DeFazio, U.S. Representative, 4th District of Oregon.

CHAIRMAN WILLIAMSON: Okay. Welcome, Congressman DeFazio. You may begin when you're ready.

MR. DEFAZIO: Thank you. Appreciate the opportunity to address you today before you make your
final decision. I'm very hopeful that you will uphold
the judgment reached after considerable investigation
by Commerce.

I do come here as one who represents a very
substantial lumber and plywood industry in my state.
About half of the plywood manufactured in the U.S.
comes from my district. Five of the Petitioners have
at least one plant in my state and four are
headquartered there.

This industry has been decimated. Now,
there's some who would say well, it was really the
recession that caused the change in the industry. No.
It's quite clear, and I know that you have the charts
and the graphs before you that show that the Chinese
penetration into the market is what has caused us to
lose about half of our jobs in this industry.

I represent the southwest corner of the
State of Oregon, and I refer to some of my counties as
the new Appalachian. They have chronic unemployment
that exceeds 20 percent, despite having a skilled
workforce, despite being surrounded by forests, and in
part a number of those job losses and that high
unemployment comes from the plywood sector. There are
other factors that relate to the lumber sector.

And these aren't just jobs in the plywood
plants. You know, I've been doing this job for quite some time, and I remember early on when I would visit a plywood plant and it was an amazing process to watch them lay up because there were four guys throwing the sheets and the glue and doing this, and it was like a dance. But now we have the state-of-the-art plants in the world, and yet somehow we're losing market share to China.

Well, the reason we're losing market share is our companies have to pay a fair price for their legally obtained logs. Much of it comes off of federal lands, much of it comes off private lands in the northwest, but none of it is illegally logged as much of the supply for the Chinese plants is in Russia and Malaysia. So that's something we can't really compete with when someone has to pay a fair, market-based price for their raw material versus someone else who's buying it under the table and also purchasing generally from unsustainable sources. You just can't beat that.

And obviously as you know, it's endemic to China that there are many, many other subsidies provided to these manufacturers. They don't rise to our level of excellence, both in terms of the product or the level of technology and the state-of-the-art
that they're using in their plywood mills, but they make up for it with the subsidies and input.

And these aren't just jobs in the plywood sector, and I hope you'd keep that in mind. You know, in order to purchase the raw material we're talking about people again who are legally employed, working in an industry that actually pays taxes, who are logging in the woods, the truck drivers who bring the product to the mills, the truck drivers who remove the product from the mills and distribute it.

You know, we've been really hard hit, and it seems to me that if we're going to continue down the path we have -- I'm not a big fan of free trade agreements. Everybody knows that; mostly because of the lack of enforceability or lack of enforcement. Well, here's an opportunity where we're not dealing with the lack of potential enforceability.

We have an opportunity to enforce, to enforce the rules under these agreements and come to a just resolution, and hopefully this will not just affect the plywood sector if you uphold the Commerce decision, but it may send a message into other anticompetitive processes in China and elsewhere.

And we are not alone in bringing in this complaint. There's quite a lengthy list of -- here we
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The EU, South Korea, the Philippines, Argentina and Colombia also have antidumping cases in the plywood sector. I mean, this is a worldwide recognized problem, and we could lead the world today here toward a just resolution of this issue. I thank you for the time, and I hope for the wisdom of your vote.

CHAIRMAN WILLIAMSON: Okay. Thank you, Congressman. Are there any questions for the congressman?

(No response.)

CHAIRMAN WILLIAMSON: I want to thank you very much for coming today.

MR. DeFAZIO: Well, thank you. Thanks. I appreciate the opportunity. The first time I think I've been here. It's a nice place.

CHAIRMAN WILLIAMSON: We're honored to have you then.

MR. DeFAZIO: All right. Thanks.

CHAIRMAN WILLIAMSON: Thank you.

MS. BARTON: Opening remarks, Petitioner, Jeffrey S. Levin of Levin Trade Law, P.C.

CHAIRMAN WILLIAMSON: Welcome, Mr. Levin. You may begin when you're ready.

MR. LEVIN: Thank you, Mr. Chairman. Good
morning. Good morning, Commissioners. Good morning, investigation staff. My name is Jeff Levin, and I'm with Levin Trade Law. I have the privilege of representing the Petitioners in these investigations, the Coalition for Fair Trade of Hardwood Plywood and its member companies.

The members of the Coalition, with manufacturing sites in states throughout the country, represent approximately 80 percent of domestic production of hardwood and decorative plywood. I am honored to be joined today by a panel of industry witnesses whose participation in this industry is unparalleled.

Together, these industry witnesses have a combined total of nearly 300 years' experience. They know the product. They know the market. They know domestic manufacturing. They know the importers and the distributors and the foreign suppliers, and they know all too well what has happened in this industry at the hands of unfairly traded, cheaply priced and directly competitive imports from China.

Last November, this Commission unanimously determined that there was a reasonable indication that the domestic industry was suffering material injury by reason of the subject imports. The Commission's
preliminary determination was but a continuation of what the Commission found in its earlier Section 332 investigation, concluded almost exactly five years ago to the date of this hearing, namely that the competitive position of the U.S. industry has declined vis-à-vis the Chinese industry.

What we have seen since then is the havoc wreaked by imports from China upon the U.S. market. China is now the dominant player in the U.S. market, larger than any other single participant, and accounts for nearly half of U.S. consumption. Substantial portions of the market, which were once held by the domestic industry or at the very least on a fair competitive ground between the domestic industry and third country suppliers, is now the domain of the massive Chinese hardwood plywood industry.

The parties in opposition to this petition essentially make two arguments. First, that the Chinese industry serves a special need, an exploding demand for hardwood plywood with extremely thin veneers which simply cannot be obtained from domestic manufacturers or which they simply cannot obtain at prices they like. And they assert really the Chinese imports have not hurt you guys, the domestic manufacturers. We're just taking over from other
Neither of these propositions can withstand scrutiny unless, of course, one were to believe that in the past three years we saw an explosive growth to the tune of 300 million square feet and a newfound demand for cabinet backs and sides that can get away with micro thin face veneers.

Make no mistake. As will be detailed this morning, Chinese imports have cannibalized the U.S. market and in the process have upended the industry's entire cost structure, but they have not fairly done so. In addition to unfair trade practices, producers in China have found many ways to cut their prices, and China, as the largest consumer of logs and timber in the world, has not necessarily kept a keen eye on where their wood is coming from.

Imports from China have increased by 20 percent or more between 2010 and 2012. To the Respondents, that's not significant. Imports from China have undersold domestically manufactured product in 83 of 84 quarterly prices with underselling margins ranging to over 50 percent and, as we now know, dumping and CVD margins in excess of 50 percent.

But to the Respondents, that does not indicate any adverse price effects. The U.S. industry
struggles to maintain even a 50 percent capacity utilization rate and operates at a barely sustainable profit margin. But according to the Respondents, that ain't got nothing to do with us. So be it. Yet tellingly, in the period following the filing of the petition and particularly when the duty deposit requirements went into effect, imports from China slowed and the condition of the domestic industry improved. Coincidence? I think not.

We respectfully submit that the evidence of record demonstrates that this domestic industry is suffering material injury and is threatened with material injury by reason of subject imports. Thank you.

CHAIRMAN WILLIAMSON: Thank you.

MS. BARTON: For Respondents, Jeffrey S. Grimson of Mowry & Grimson, PLLC.

CHAIRMAN WILLIAMSON: Welcome, Mr. Grimson.

You may begin when you're ready.

MR. GRIMSON: Thank you very much. Good morning. My name is Jeffrey Grimson from the law firm Mowry & Grimson, here representing the American Alliance for Hardwood Plywood or AAHP as we call it, which is a coalition made up entirely of American companies -- importers, distributors, lumber
exporters. And our coalition also includes the Kitchen Cabinet Manufacturers Association, which is the leading association representing American kitchen and bath cabinet manufacturers, both large and small.

The U.S. kitchen and bath cabinet industry employs approximately 100,000 American workers and represents around $8.6 billion in sales. Well more than half of the KCMA's members are small cabinet shops with less than $10 million in sales. These are the small businesses that are the engine of economic growth.

Today you will hear from several of these cabinet manufacturers who will testify about how and why they use both domestic and Chinese plywood for different end uses. They are the most important group of purchasers. They cannot get the product from the domestic producers that meets the specifications of the Chinese, so if this case goes forward it means that the domestic cabinet industry will be cut off from its supply of a critical raw material that has no domestic counterpart.

Simply put, if this case goes forward the U.S. kitchen and bath cabinet industry will be seriously harmed and will have to compete with cabinets from Canada, Mexico and China that can be
shipped here duty free. This is a matter of survival for small cabinetmakers who don't want their jobs shipped overseas. As one cabinetmaker said to me, this is existential for us.

You will also hear from our coalition members who export hardwood lumber to China and are knowledgeable about the uses of that raw material in China and representatives from the Chinese industry as well.

As you know from our brief and the Petitioners' brief and as Mr. Levin previewed, we have a very different view of what is happening in this industry. The Petitioners come to you asking for extraordinary import barriers that may last for years or even decades. The burden is on them to prove that they deserve such government intervention in the marketplace.

But they have failed to meet that burden. They have failed to meet that burden for several reasons. First, as you'll hear from our economist, this is not an industry that is suffering injury. You could stop this case at that part of your analysis without getting to causation, but there is no causation case here either for the following reasons:

There is a big difference between the
products coming from China and the products coming from the United States, and this is not the kind of quality difference argument that you hear in many Chinese cases and other cases as well. It's a difference that you can measure with a micrometer.

I'm holding up a sample of a domestic red oak veneer. On the micrometer, this measures about .7 millimeters and it's beautiful. It's a wonderful product. It's what you want to look at. Because the Chinese face veneers are so thin, they're not easy to handle when they're dry. You can't use them in a machine. You have to handle them moist or wet. This is what it looks like. It's thin.

And in the production process they handle it by manual operations, and the Petitioners basically say these are the same thing. These are absolutely not the same thing, and you're going to hear that from the people that buy and use and spec out the product every single day. This is what the domestic producers have in their plywood and this is what's coming from China, and your data confirms that.

Please keep in mind these two samples of face veneer today when you're hearing the testimony. To believe the Petitioners, you have to ignore those differences. You have to ignore the testimony you're
going to hear today from the $8.6 billion cabinet industry that needs both products together to make cabinets.

This case should have been terminated at the prelim, and we think that now based on more complete evidence you have in the final it is time to terminate this case and to forestall the harm that will come to the cabinet industry and to the other end uses that require the Chinese product. Thank you very much.

CHAIRMAN WILLIAMSON: Thank you.

MS. BARTON: Will the first panel please come forward?

(Pause.)

CHAIRMAN WILLIAMSON: Okay. I want to welcome this panel and, Mr. Levin, you may begin when you're ready. Thank you.

MR. LEVIN: Thank you. Good morning again, Mr. Chairman, Commissioners. Our first witness this morning will be Mr. Brad Thompson of Columbia Forest Products. Brad?

MR. THOMPSON: Good morning, Commissioners.

My name is Brad Thompson, and I'm the chief executive officer and president of Columbia Forest Products, a 56-year-old American company that leads the nation in the production of hardwood plywood and veneer.
We are employee owned and are proud of our reputation for innovation and responsibility in terms of product development, green technologies and proper forest management techniques. We operate five U.S. plywood mills located in Oregon, Arkansas, West Virginia, North Carolina and Virginia, and we have three veneer mills in Wisconsin, Vermont, Maine, which supply our plywood mills and outside customers in a range of thinly peeled American hardwood decorative face veneers.

My work has taken me to all points of the globe, including China, to spend time in plantations, forests, production facilities, customer shops and showrooms, so I bring a very broad base of experience to my comments. I am testifying today on behalf of the 1,700 employee owners of our firm here in the United States.

Columbia Mills are located in rural communities where many more families, in addition to our own, are dependent upon our competitive viability. Landowners, logging firms, veneer, resin and parts suppliers, truckers, distributors and fabricators all benefit from the ripple effect of our mills and what they generate economically, and they have suffered at the hand of unfairly traded Chinese imports.
As the market peaked in 2004 before Chinese imports gained a foothold in the U.S., Columbia employed 2,400 individuals with family wage jobs. We have lost three of 10 members of the Columbia family who were here less than 10 years ago, and that tragedy began before the housing bubble burst. For that matter, our industry was essentially shut out of the housing boom because of Chinese plywood's influx.

A case study of how the Chinese embedded their greatly discounted plywood products within our industry will show that they penetrated at the low end of the grade scale and then moved on from there. To explain, when we peel a decorative veneer log -- let's say a birch log -- we obtain a ribbon of veneer that is graded to a common visual scale that accounts for knots, coloring and consistency. One log will produce X amount of high grade A veneer, X amount of B grade, C grade and D grade and so on. C and D grades are on the low end and are priced accordingly.

Because wood is a precious resource, we in the business of converting it into usable decorative panels must sell the entire mix of grades that come from each log. When the Chinese with their subsidized, low-cost material came to our shores emphasizing their C and D grade panels, they threw off
the entire economic balance of the American veneer procurement and merchandising system. Suddenly we had too much supply of their own C and D grade products and had to discount them to make them move. Thus began our profit and workforce erosion.

But to the users of hardwood plywood it must have felt like a gift from above. Instantly they could convert major portions of their purchasing needs to Chinese plywood, incorporate it into their furniture, fixtures and cabinets and pocket the 30 percent difference. They could still say their finished goods were made in America, and they still do, but they didn't have to reveal to Mrs. Jones that the entire chassis of her new kitchen that was built upon was constructed of Chinese plywood from half a world away that was being unfairly dumped by Chinese companies assisted by the Chinese Government.

As a life-long wood products manufacturing engineer, I can appreciate that instinct. You're incented toward cost savings and seeking less expensive, interchangeable materials to swap out and pass through. That's exactly what lured our customers away from us using our own domestic resources beginning in early 2000.

I routinely make visits to customers and as
recently as this spring conducted a tour of the Mid Atlantic region. I saw a mix of materials being used. When I inquired about what makes them choose Chinese over domestic I got a lot of sheepish apologies. They said they just couldn't turn down the price.

Many of these customers rely on word of mouth to get work. They don't do extensive manufacturing engineering. They don't run complex financial analysis on their business, but they can do quick math. And when one of their key raw material components can be purchased at a 30 percent discount they can't help but substitute.

I will say that since the rumor of this investigation began circulating as early as last year, then as the petition was filed and deposit duties were announced we experienced a higher frequency of interest in discussing supply arrangements with customers who had been heavily reliant on Chinese plywood.

The facts are what they are. The toll these unfair trade practices have taken on our fundamental American industry is tragic. Too many lost jobs, closed companies and too much unregulated formaldehyde coming out of these unfairly subsidized substitute Chinese plywood materials.
Before I close I would like to bring your attention to the samples I have with me, and they're on the table here. They were produced in several of our U.S. mills with extremely thin veneer some of the importers claim is unique to Chinese manufacturers. That's utter nonsense. We can peel veneer thicknesses that make them almost transparent. The plywood samples you see feature veneer peeled at .4 millimeter and, as you can see, it's a beautiful piece of plywood.

So there's two points I'd like to make. One, we can do it. And, number two, it only saves a fraction of the cost of the plywood, nothing close to what it would take to bring our cost down to that of a subsidized Chinese panel. And oh, by the way. There's one more sample, and there's some on the table, and that's a piece of veneer much like the one the gentleman just showed a few minutes ago.

I've put it in a plastic sleeve because it's very thin, peeled at .25 millimeter in our own Vermont plant. So we have the technology. We can do it, and it's a red herring. It gets a little fragile, so you may be careful with that. It just doesn't pencil out, again after you look at the dollars involved in peeling it thinner.
Finally, you'll also see various core options throughout these samples. The Chinese assert that we in the U.S. rely on softwoods for core material, and that's another big differentiator of their products. That's more nonsense. We utilize plenty of aspen and poplar hardwood in our cores. In fact, we held a grand opening this summer at a tree farm that grows fast-growing plantation poplar, which we use in panel cores in our Oregon facility.

Thank you again for the opportunity to tell our story and to seek a level playing field.

CHAIRMAN WILLIAMSON: Thank you.

MR. LEVIN: Thank you, Brad.

CHAIRMAN WILLIAMSON: Before we go on, Congressman Welch is here so I think we will take him now, and then you can continue.

MR. LEVIN: That's fine. Obviously whatever you would like, Mr. Chairman.

CHAIRMAN WILLIAMSON: Yes.

MR. LEVIN: I just want to move to enter these samples into evidence, but I'll hold off on that.

CHAIRMAN WILLIAMSON: Yes.

MR. LEVIN: Okay.

CHAIRMAN WILLIAMSON: We'll do all that
afterwards.

MS. BARTON: The Honorable Peter Welch, U.S.
Representative At-Large, Vermont.

CHAIRMAN WILLIAMSON: Okay. Welcome,
Congressman Welch. You may begin when you're ready.

MR. WELCH: Thank you very much. I first of
all really appreciate you letting me speak and
testify, and it's very kind of you to let me go out of
order, and I beg the indulgence of everyone who's
here.

You know, I'm here because this issue is
incredibly important in Vermont, and your job is
incredibly important to America. And this question of
the hardwood industry and what's happening as a result
of Chinese policies, three things in particular:

Significant government subsidies that pad
the bottom line of the Chinese competitors. Number
two, illegal logging. There's no requirement that
they follow any legitimate policies with respect to
the wood that they use. And then third, after they
are unable to sell products into their own market they
dump them in ours, and the effect on that is to crush
the hardwood industry in this country through illegal
practices, not through fair competition.

And those are the three specific things that
have been documented that the Chinese Government is doing and allowing, the dumping and the illegal logging and then promoting things with the subsidies, and this organization is absolutely critical in making certain that there is a level playing field. And that's all that the hardwood industry is asking.

You know, in Vermont we've got a good hardwood industry. A lot of the wood products come right from the land and then they're processed in the Northeast Kingdom, which is a beautiful part of Vermont -- and the Northeast Kingdom named that way by Senator George Aiken years ago -- and its hardworking people who depend on these jobs.

Columbia Forest Products is a national company, but it has one of its biggest facilities in Vermont. It provides very good jobs to local Vermonters; not just the jobs in the facility, but the wood products jobs of loggers who are out in the woods doing incredibly hard work that they're quite proud of.

So what we need is for you to use the authority that you have on the basis of the investigation that is turning up this I think irrefutable evidence of dumping, subsidies and illegal logging and to take the action that is within your
authority to take with respect to offsetting that with tariffs in order to give Columbia Forest Products and all our wood product industries a fighting chance.

Brad Thompson I think is here; Gary Gillespie, who runs the operation up in Vermont. We're very proud of him. These folks take care of the people that they work for. They're really good products, and we have to make certain that they have a shot at success.

So you have a big job. All we're asking that you do after due diligence, if you come to this conclusion that the evidence is there, and we're confident it is, that you take the appropriate action to not only help -- it's not to help our industry. It's to give them an even, fighting chance. That's the goal.

So I thank you very much for your attention and the opportunity to speak on behalf of an industry in Vermont and around the country that my colleagues support me in. Bipartisan, by the way, our letter. Let America do work with the good American workers.

Thank you very much.

CHAIRMAN WILLIAMSON: Thank you. Are there any questions for the congressman?

(No response.)
CHAIRMAN WILLIAMSON: No? Congressman, I want to thank you very much for coming.

MR. WELCH: Thank you.

CHAIRMAN WILLIAMSON: We very much appreciate your testimony.

MR. WELCH: I really appreciate it. You're getting more done here than we are over there. (Laughter.)

CHAIRMAN WILLIAMSON: No comment.

MR. WELCH: No comment. Yes. I've got to go back there and work hard.

CHAIRMAN WILLIAMSON: Okay. Thank you.

We'll let you get back then. All right.

MR. LEVIN: Mr. Chairman, if I may, first of all is my understanding correct that the hour clock froze for the congressional testimony?

CHAIRMAN WILLIAMSON: Yes.

MR. LEVIN: Okay. Thank you. Second, I would like to, with the Commissioners' permission, enter into evidence the samples that Mr. Thompson had referred to. All of the samples that are on the table we would like to formally introduce as evidence in the record.

CHAIRMAN WILLIAMSON: Fine. Thank you.

MR. LEVIN: Thank you very much. With that,
our next witness is Mr. Joe Gonyea of Timber Products. Joe?

MR. GONYEA: Thank you. Chairman Williamson and Commissioners, good morning and thank you for the opportunity to be part of this hearing. I'm Joe Gonyea, III, partner and CEO of Timber Products Company. I'm the fourth generation of my family to work in the wood products industry. I'm testifying today to represent the views of our 959 team members located in Oregon, California, Tennessee, Mississippi and Michigan.

I want to begin my testimony with what is most important. We support free trade that's fair trade. As we all know, we live in a global economy where free and fair trade is the norm. Regarding Chinese hardwood plywood sold in America, that's not the case, as the data and written testimony submitted to this Commission will show.

Timber Products Company is in the manufacturing, sales and marketing, transportation and timberland management business. We have eight manufacturing facilities located around the nation. We are proud owners and stewards of 114,000 acres of timberland that are third party certified to meet the strict standards of the Sustainable Forestry
Initiative or SFI.

Our largest product line is hardwood plywood, and with three mills we are one of the largest domestic producers in North America. Additionally, Timber Products Global imports wood products from around the globe, including South America, Africa, Russia and Asia, to complement our domestic production. Imported products represent an estimated 4.9 percent of our annual sales. We use this division, if you will, as our R&D center to explore products and market opportunities from around the globe.

At Timber Products Company, 950 team members used to be 1,450 just a short time ago. It has been an agonizing time for me, our management team, but mostly for our team members who lost their jobs due to lack of orders. Local communities where we do business rely on companies like ours that can offer family wage jobs with full benefits. This is especially painful when we know we can compete with any similar product from around the globe.

That claim is not just thumping our chest. We've invested millions in new technologies. We have modern manufacturing facilities, and we have embraced lean manufacturing. We are vertically integrated from
the tree to finished hardwood panels. We do it all. So how did the Chinese, who import most of their raw materials from thousands of miles away, make the product, then ship it thousands of miles back across the Pacific and sell it below our cost? The data submitted sends a clear message. We do not have a level playing field. Free trade must be fair trade, and that is not the case with imported Chinese hardwood plywood.

I have over 30 years of experience in business, 25 of those being in wood products. I have held a wide variety of positions over the years, giving me a thorough understanding of every aspect of the business, including firsthand knowledge about our markets. While our business has been impacted by the great recession, I can tell you with certainty the greatest sting has come from unfairly traded Chinese imports that have cannibalized our markets.

In 2002, the Chinese share of the North American hardwood plywood markets was in the low single digits. In 2012, Chinese products comprised essentially 50 percent of the total U.S. market share. In this short period of time, the Chinese have taken over markets and customers we once enjoyed, doing so with subsidized and unfairly traded products.
How can the Chinese do it? We don't pretend to walk in their shoes, but we see that the mills are often noncompliant with their formaldehyde use of the latest California and soon to be national standard. Their forestry practices are subpar, and the presence of illegal logs or wood fiber in Chinese mills is not a matter of if, but rather how much. They cut corners with the product with thin-faced veneers, undersized panels, the use of low grade interplys. Chinese hardwood plywood is often mislabeled or otherwise misrepresented. This all adds up to unfair advantage and cheap pricing of their goods sold in America.

In a newly released report, Appetite for Destruction, the Environmental Investigation Agency, EIA, reports that China is now the biggest importer, exporter and consumer of illegal timber in the world. In 2011, for example, the Chinese imported 180 million cubic meters of timber and wood products. About 80 million cubic meters of these logs were used as sawn timber. Of these, an estimated 18.15 million cubic meters were illegal, or 23 percent.

Many other studies from independent environmental organizations are available regarding the use of illegal logs in the China wood products industry. I don't know what the actual number is, but
the fact stands that the use of illegal logs is a major factor, one that has impacted the price of wood products sold in America.

I want to make something perfectly clear. Domestic producers can make the exact same product as the Chinese, but not at the same price. Come to our mills and see for yourself. The samples on the table that we have provided are just examples to prove that point. We ask you don't get distracted by the claim that the domestic producers can't make the same product as the Chinese. Instead, please focus on what our petition is all about: Unfairly traded Chinese imports that have cannibalized large portions of the U.S. market at the expense of domestic manufacturers.

In summary, domestic producers can compete on a level playing field. Free trade must be fair trade, and that has not been the case with the Chinese hardwood plywood. Thank you for your careful consideration of our extensive written and oral testimony.

MR. LEVIN: Thank you, Jim.

Our next witness will be Mr. Mike Clausen of Timber Products. Mike?

MR. CLAUSEN: Good morning, Commissioners.

My name is Mike Clausen. I'm Vice President of Sales
for Hardwood Plywood, both Domestic and International, for Timber Products Company. It is a pleasure to be here this morning.

By way of reintroduction, I have been involved in the hardwood plywood industry since 1977. I graduated from Oregon State University with a degree in Forest Products from the School of Forestry. During my 36 years in the business, I have worked in the domestic hardwood plywood industry in sales, production and sales management and then switched for 27 years into the imported wood arena. I have now returned to the domestic hardwood plywood industry.

I have traveled overseas extensively visiting many mills around the world, including Asia. I have had the pleasure to work with and know quite well the hardwood plywood marketplace in North America, including distributors, end use manufacturers and big box retailers. This morning I would like to take exception to comments made in previous testimony by some of the Respondents.

I would first like to present to the Commissioners some statistical evidence that shows that Chinese products of birch plywood has taken market share that was previously held by U.S. manufacturers and not because of a unique new product.
development with the thin face and back veneers and a secret sauce. The total U.S. production in thousand square feet of birch plywood from 2003 to 2012 declined by 49 percent, and during that same period the total cubic meters of Chinese plywood imported into the U.S. increased by 55 percent.

This shows domestic made products were losing market share each year, even though the U.S. housing market for the last two to three years has improved significantly with kitchen and bath vanities in every apartment and every single family home. We have seen little to no growth in our production, while Chinese imports have increased significantly.

Clearly, the Chinese portion of the imported plywood market has racheted up over a very short period of time. The importers of Chinese hardwood plywood and the domestic manufacturers of hardwood plywood sell to exactly the same market sectors and to many of the same customers.

Personally having spent 27 years in the import plywood business and then switching to the domestic hardwood plywood business at Timber Products has been a very smooth transition in terms of the customer base. At least 70 percent of the customers and 100 percent of the market sectors that I work with...
today in the domestic hardwood plywood are relationships that I began when I was in the imported hardwood market.

I can also emphatically state that contrary to testimony, the importers of Chinese hardwood plywood have not found a new use or a new application of their plywood. On the contrary, it's just cheaper. Regretfully, in these especially tough economic times cheap wins.

I would like to discuss the construction of any hardwood plywood panel and how it might differ or not between the U.S. plywood manufacturers or a Chinese manufacturer or, quite frankly, any plywood manufacturer anywhere in the world. An easy way to think about hardwood plywood is a sandwich. The bread is the hardwood face and back of the sandwich, and the filling is the core. This hardwood plywood sandwich is available in many different kinds of bread -- species of hardwood veneer -- and many different kinds of fillings -- MDF core, veneer core, particle board, et cetera.

The ingredients for the hardwood plywood sandwich are readily available to all manufacturing facilities worldwide. The reason why hardwood plywood sandwiches from around the world look different, such
as in China, is because the ingredients that are readily available nearby are different, and some ingredients have to come from a very long way such as hardwood veneer from the upper midwest in North American all the way to China in the form of logs or veneer.

In North America, almost every kind of sandwich ingredient -- hardwood and softwood products -- is available. You can order your bread, the hardwood veneer, in any thickness, and your filling, the hardwood panel core, can also be ordered in many different ways. If you want a softwood veneer core with uniform thickness of each ply, just order it that way. If you want very thin veneer, just order it that way.

Making the sandwich is quite easy once you understand the effects of heat, pressure, moisture, adhesive and the time as your sandwich, the hardwood panel, is being made. Simply press the components together. American hardwood plywood manufacturers can make your sandwich any way you want it. Yes, the Chinese product works and it has displaced U.S. production only because it does work and is cheap. On cabinet backs you can get away with core bleed through or a sand through on a drawer bottom, but really only
because it's cheap.

The entire argument by the Respondents on their thin veneers is a red herring. There are some applications where it works, yes, and the Respondents' argument that U.S. manufacturers cannot produce thin panels is also a red herring. We can and do manufacture thin plywood every day and can do it with thin faced veneers.

Regretfully, we don't often get the opportunity to quote or bid these panels because the customer knows that we cannot come close to compete on the price of Chinese panels. I can honestly attest that a very high percentage of the largest users of Chinese product have not asked for a domestic quote for months and generally years on what they're purchasing from the Chinese importers today.

The Respondents would like everyone to believe that domestic manufacturers have no ability to supply this market. I can tell you this. Domestic industry is only at 50 to 60 percent of manufacturing capacity, and we would love to produce these products.

I would also ask the Commissioners to look at the subject product from China. They are products one and the same with the U.S. production that we've been handing out. The Respondents have submitted that
because their product uses thin face and back veneers
this makes them unique and magical to the marketplace.
They are the same species, they are the same final
thicknesses, and they are used in the same
applications. The only true meaningful difference is
their cheap price.

Thank you for your time and attention this
morning, and I look forward to answering any questions
you might have.

MR. LEVIN: Thank you, Mike.

Our next witness will be Mr. Wave Oglesby.

Wave is with Columbia Forest Products. Wave?

MR. OGLESBY: Good morning. My name is Wave
Oglesby, and I'm testifying as the Vice President of
Sales and Marketing for Columbia Forest Products, a
North Carolina based producer of hardwood plywood.
I've worked at Columbia for 29 years and am very well
acquainted with the sales and marketing of hardwood
plywood as produced in North America, Europe, China
and elsewhere.

We've been competing with the Europeans for
decades in a very open and honest manner and with the
Chinese for 11 years in a very different, but very
disturbing way, if you can even call it competing.

It's more like suiting up for a football or basketball
game every day with your hands tied behind your back.

Today, our customers, the woodworking shops that are still in business in the United States, are operating at levels well below their capacity, and many feel they have to use the cheapest priced products they can find just to stay afloat. Many of our customers have told me that they can't raise their prices because of these cheap, imported raw materials in the marketplace.

The other day a cabinet shop told me I always liked Columbia Forest Products' hardwood plywood. All things being equal, I'd choose CFP every time, but I have to buy on price and can't buy CFP right now. Under these conditions, imported Chinese products continue to take market share and with it American jobs.

I estimate that the Chinese have taken 30 to 50 percent of the market for hardwood plywood in the U.S. It is extremely difficult to develop business in markets and market a product when you have the Chinese underselling the market prices by some 30 percent day in and day out. The Chinese have successfully penetrated the low-grade segment of our industry, and that alone is playing havoc with the rest of our system like a virus. Allow me to explain.
When we take a log, normally about eight feet long, we spin in on a lathe and peel off the continuous thin layer of veneer, much like a roll of paper towels unwinding. Our industry has organized definitions for decorative grades of wood veneer that result from this process. The high grades -- A and B they are called -- are mostly used in visual, important areas like the sides of cabinets or wall panels. Low grades like C and D are often used as shelves or in the backs of cabinets or drawer bottoms where their less than premium looks are not so exposed.

When we peel a log, we get a certain amount of all these grades and we must find a home for every one of them or the pricing structure of the industry gets out of balance. As you might expect, the low-priced Chinese plywood we're battling is making it extremely difficult to move our low-grade veneer. Thus, it has upset the domestic industry's need to distribute all the grades that come from our logs.

It is becoming a vicious cycle where we have to charge more and more for the As and Bs since the value of the Cs and Ds have been held below normal by the artificially low-priced Chinese products. At this rate, it's unclear how long we can keep up this
imbalance. We respect and are quite adept at using our country's magnificent renewable hardwood resources responsibly, but that kind of thing doesn't seem to occur to the Chinese. Many hardwood plywood and veneer plants have shut down and no longer exist in the United States due in a large part to the pricing of these Chinese products. What the Chinese make and ship to the U.S. is directly substituted for domestically manufactured hardwood plywood, but at prices that are 30 percent or more below the U.S. product.

Our former customers who use these Chinese products where they used to use our domestically manufactured hardwood plywood do so because they can buy at 30 percent cheaper prices. We don't blame our customers for choosing less expensive products. Our industry is lucky to be operating in the black, although barely. If we invest what cash we have into equipment and methods that will help us hold or reduce our operating cost. And in the face of rising log prices, fuel cost, transportation charges and labor and benefits, we've been forced to keep our prices as stable as we can without going out of business like many of our competitors.
But we do blame a lot of our domestic industry's predicament on the pervasive and persistent underpricing by Chinese products. Furthermore, we have seen companies in the U.S. move from buying this product through importers to now buying it directly from Chinese mills. This eliminates the profit the importer was making and plays into the long-term Chinese game plan.

The cost of our hardwood plywood hardly goes up when ocean freight prices jump or inland freight transportation cost increases or even when a duty deposit is required from China. The Chinese mysteriously absorb these costs and keep the same low prices in the marketplace. We certainly can't do this as selling under one's cost in this country is a straight ticket to bankruptcy.

We have seen pricing stay flat to lower over the last three years when, as just one example, gas and oil costs have gone up drastically all over the world. My primary concern is what will we do when we have lost all the hardwood plywood manufacturing in the U.S. to these low prices?

Sadly to say, that will be the end to another distinguished and proud manufacturing industry in the United States and thousands of manufacturing
jobs in this and other related industries to the Chinese once again. Thank you very much.

MR. LEVIN: Thank you, Wave.

Our next witness will be Mr. Norman Roberts of Roberts Plywood. Norm?

MR. ROBERTS: Good morning, Commissioners.

My name is Norman Roberts, president of Roberts Plywood located in Deer Park, Long Island, New York. We are a family owned wholesale distributor of hardwood plywood, lumber and veneer. I have owned my own company for 36 years. I've been in the plywood industry for the last 42 years.

I started my business in January 1978 as a one-man business in a 1,350 square foot warehouse. Today, we are 39 employees in a 77,000 square foot building. I do the majority of all the purchasing of hardwood plywood for my company. I have traveled throughout the world to purchase material. Several years ago, I traveled to China to meet with six plywood mills. However, I do not sell any Chinese products. The only Chinese product I buy is lunch.

I receive market information from my sales team, along with conversations with people in the marketplace. Since I'm one of the few wholesale distributors in the tri-state area who does not sell
Chinese plywood, I have noticed I have lost a lot of orders to my competition. Unfortunately, this can be seen in the steadily increasing sales in such products as maple, birch and red oak.

We lose a lot of business to competitors who carry Chinese plywood strictly due to pricing. As a New York plywood distributor, certain areas such as Brooklyn and Queens are driven mainly only by price and price alone. These areas are a very close-knit, multicultural woodworking community who openly discuss pricing amongst one another.

Also, many companies have purchasing agents whose job is to call on a variety of plywood companies to source the material at the lowest cost. Unfortunately, this is where I often lose an order because I cannot compete with the price of Chinese plywood. My cost from the manufacturers such as Columbia Forest Products and Timber Products is more than what my competitors sell their products to the customers for.

I know from personal experience that imports from China directly compete with domestically produced hardwood plywood across a range of hardwood plywood products. This can be seen in a range of products from maple, birch, red oak, et cetera. From what I've
seen in the market, the Chinese compete with the
domestic manufacturers more so than on the high end
exotic segment of the market.

In the last decade, the increase of Chinese
plywood imports has had a direct inverse relationship
among American hardwood plywood manufacturers. Such
companies as Weber Veener and Atlantic Veneer in
Beaufort, North Carolina, to name a few, are no longer
in existence, as well as the companies that have
transitioned from two to three shifts a day down to
one. All this trickle down says less jobs in the
United States for salespeople, machine manufacturers,
veneer manufacturers, railroads, press equipment
manufacturers.

I know that in the investigation it made a
point of argument presented by the companies that
oppose the Coalition Petitioners the Chinese have
increased because the Chinese are able to manufacture
hardwood plywood products of particular thin face of
veneers. This cannot be sourced from domestic they
say. This is a false statement. American hardwood
plywood mills and veneer manufacturers have the tools,
the technology and the workforce to produce plywood.

I know from personal experience that all
Chinese products can be sourced from domestic
producers. However, domestic producers are and have been severely handicapped because it is not possible for domestic producers to meet the price points set by the Chinese products while remaining competitively viable. Domestic manufacturers have lost sales due to cheaper products sourced from China. The Chinese are selling vanities, kitchen cabinets and store fixtures. The loss of sales hurts the domestic producers.

Since the inception of the tariff, my business sales have actually increased 10 to 15 percent. This has allowed me to hire two new employees. The increase can also be seen with my suppliers in economically depressed areas as Corinth, Mississippi; Old Fort, North Carolina; Chatham, Virginia; Newport, Vermont; Medford, Oregon; Grants Pass, Oregon; and Yreka, California.

It is imperative we continue with the antidumping duties on imports of Chinese supply to restore fair competition and American growth within the industry so we can put more Americans to work.

Thank you.

MR. LEVIN: Thank you, Norm.

Our next witness will be Mr. Terry Awalt of JSI Store Fixtures, and I just want to note before Mr. Awalt starts his testimony at the direction of the
Commission JSI will be submitting a purchaser's questionnaire response. Terry?

MR. AWALT: Good morning, Commissioners. My name is Terry Awalt. I am the president, CEO and founder of JSI Store Fixtures. JSI Store Fixtures is an OEM manufacturer of refrigerated and nonrefrigerated displays for the supermarket industry.

Most displays we manufacture are made with solid veneer plywood. We have been a manufacturer of wood displays for the supermarket industry since 1991. We have 170 employees in a town that only has 3,500 residents. We are the largest employer in town and the third largest employer in the county. We are in a pine tree zone that the state has named as an economically depressed community.

I am proud to say that we have been named SBA Small Business of the Year for the State of Maine, we have received the Governor's Business Excellence Award, and last year we were named the SBIA Portfolio Company of the Year for the whole country.

I am happy to say that JSI has switched from Chinese hardwood veneer plywood to domestic plywood in August of 2012. We purchased about 25,000 sheets of Chinese plywood last year before switching to domestic plywood and then purchased about 10,000 sheets of U.S.
plywood for the remainder of the year. The major reason that we switched to domestic plywood from Chinese plywood was because of the poor quality that we were experiencing with the Chinese plywood. We experienced a large variance in thickness of the Chinese plywood, delaminating, pink glue bleeding through the thin veneer and voids in the core. All of these things caused us massive rework in the factory. We also experienced a large number of quality complaints from our customers. This caused us to sometimes ship new fixtures to the store and tell them to scrap the old ones.

At that point I made the decision to switch to all domestic veneer plywood and also instructed our plant manager to only use the import plywood we had on hand for hidden structural support parts. Our quality complaints have been reduced dramatically, and our rework is almost nonexistent.

Currently, C2 domestic maple veneer plywood, truckload quantity, is $48 per sheet versus import at $31 a sheet for Chinese birch plywood. This is based on our latest quote a couple of weeks ago. We have still made the decision to use only domestic plywood that is truly formaldehyde free. JSI has had no problems in sourcing plywood from the U.S., and the
supply is plentiful.

We are informing our customers that we use only domestic plywood truly formaldehyde free hoping this helps them to consider JSI as a top quality manufacturer and not to only consider price as the determining factor when choosing a custom wood manufacturer for their displays.

Our business is still thriving, and last month was our third largest month in our 22 year history. This month will probably even be better than last month. We have hired eight more people in the last two weeks.

Thanks for your time, and I look forward to answering any questions that you have. Thank you.

MR. LEVIN: Thank you, Terry.

Our next witness will be Mr. Kip Howlett. Kip is the president of the Hardwood Plywood and Veneer Association. Kip?

MR. HOWLETT: Good morning, Commissioners. I'm Kip Howlett, president of the Hardwood Plywood and Veneer Association in Reston, Virginia. HPVA is 92 years old. HPVA Laboratories is an IS accredited third party certification agency, which includes formaldehyde emissions, testing and certification for HUD and the California Air Resources Board, CARB.
HPVA is also the sponsor of the ANSI/HPVA HP-1 hardwood and decorative plywood standard, which from 1932 has served as the gold standard defining this product class.

I've been in the forest products industry for 30 of my 40 years in business. Unfairly traded Chinese imports have devastated the U.S. industry, shutting down 25 percent of the production capacity, and the remaining capacity operates at 50 percent or less of production rates. We've lost 25,000 direct and indirect and associated jobs in this industry.

We lost one manufacturer in Virginia who went bankrupt. Why? The platforms they were buying from a company in China that they laid up with veneer and prefinished for sale in the northeast market in Virginia eventually faced their Chinese platform supplier, who started selling the prefinished plywood made in China to their customers in the northeast at a price lower than the price of the platforms that they were buying. It was not just the economy.

Over the last decade, Chinese imports rose from less than $100 million a year to over $686 million last year. Their market share rose from less than 5 percent to over 50 percent of the U.S. market, and imports from other countries such as
Canada, Indonesia, Brazil and Malaysia declined as well. Unfair trade sinks all boats.

China undercuts U.S. producers by devious means. Hardwood plywood is a decorative panel product and not construction plywood. It is HP-1 compared with APA PS1 and PS2. Because resins used in construction plywood must withstand the outdoor elements and are typically made with phenol formaldehyde resin systems, they also have no formaldehyde emissions from these products because of the PF systems that are being used.

Wood panel products labeled PS1 are supposed to be construction grade plywood and nonformaldehyde emitters. Now, some Chinese producers mislabel hardwood plywood as PS1, construction plywood, and when tested it fails the boil test and falls apart. It also fails the carbon emission standard, even though labeled claiming that it meets it and PS1.

Let me be clear. A construction plywood claim is devious work to get around to a lower duty, 5.1 percent on softwood plywood, avoid CARB and soon the EPA formaldehyde regulations and those associated costs. Examples are right up there.

There are reports now from the EU that the duty free coniferous plywood quota has shot up 64
percent, raising questions about imports from China and Malaysia. The U.K.'s TTF reiterated that traders should only declare products under the quota if they're fully coniferous throughout the plywood. Now, Chinese poplar doesn't qualify under that quota system, and TFF has indicated that there's a possible trader ignorance about poplar or that traders are deliberately misdeclaring products.

Others labeled underlayment PS2 products. Labeled when tested, many violate the formaldehyde emission standard even though they claim to be compliant. They also fail the four hour soak test, and none of these mislabeled products are third party certified. They're just simply self-made declarations. These products aren't PS2 underlayment, but thin line plywood can be used for floor underlayment and also laminated for nonflooring applications such as paneling. As a class, you could call it tropical hardwood plywood, but its hardwood plywood nonetheless.

The face veneer thickness assertion is simply a red herring. You buy it because of the look and the thickness. This is U.S.-made, less than .4 of veneer thickness; Chinese-made, .4 veneer thickness. You can't tell the difference. You're buying the
look.

Hardwood plywood is sold on the basis of the overall thickness, nominal values like three-quarter inch, half-inch, quarter-inch, et cetera, or its metric equivalent. And that's actually specified in our ANSI standard.

Thickness in internal veneers, face veneers, and backs will and can vary. Species density is a factor. So in a less dense species like Fuma, these veneers compress more than a harder species like birch, for example, in a hot press. HP1 acknowledges that if you cut a higher-value facing back veneer log thinner, you get more yield and you make this up, and the interply is more or thicker.

Walnut and cherry in the U.S. have typically been cut thinner. The one-step and the two-step process are both used in the United States. China is not unique in that regard. Thinner faces may have performance limitations such as sanding, telegraphing, exposing of glue line, and you've got an example of it up there that claims CARB compliance. The exposed glue line failed.

I've never seen a label on Chinese hardwood plywood that specified a thin-faced veneer. This hardwood plywood is .4 millimeter or .3 millimeter
face. I've never seen that. What I do see are nominal thicknesses designated three-quarter inch, 23/32nds, half-inch, et cetera, or in millimeters, 5.0, 5.5, 9.0, 15.

The real issue is the overall thickness of the panel. If it isn't three-quarters of an inch, 24/32nds, but the panel is labeled 23/32nds, which is 0.72 inches, but it actually measures 0.708 inches -- or look at the metric value. It's not 18.4 millimeters. It's 17.9. As my baker grandmother used to tell me, you shorted the loaf. Or it's the race to the bottom.

Another technique to avoid the 8 percent duty on hardwood plywood is not -- it's not an uncommon practice to have the birch back declared as the face. Birch faces have a zero tariff in the U.S. The back will be oak, cherry, hickory, walnut. The pallet flips in the United States, and it's sold with its true decorative face.

We have seen this in products labeled as underlayment and hardwood plywood. We've often fielded questions from Customs on these types of matters.

China is the largest log consumer in the world, and in that volume China is also the world's
largest purchaser of illegal logs. It's estimated by EIA and Chatham House, who track closely the trade in illegal logging, that 17 percent of these illegal logs are used in the hardwood plywood sector. Another recent report put the value of illegal wood in hardwood plywood at 34 percent of the overall value.

Trade in stolen good and accurate reporting of those transactions are mutually exclusive terms. Does a thief file his 1040 taxes? I think not. EIA, WWF, Interpol, Greenpeace, and other angles focus on this trade. And the value of illegal logs in global trade is estimated to be $3.2 billion. If half of that goes into China, same as the legal portion, then a third of the value of China's wood consumption is illegal and deeply discounted.

Just like the retail jeweler can't compete with the sidewalk seller of a stolen Rolex, neither can U.S. manufacturers who pay fair market value for their logs. To add insult to injury, China buys hardwood logs in the U.S., can afford to bid the prices higher. When they're veneered in China, they come back in the U.S. as hardwood and decorative plywood, American oak, American maple, walnut, cherry, hickory.

Oh, and another example of Chinese plywood
labeled American oak. When they did DNA testing, it was confirmed that it was actually Russian oak, which misrepresents the country of harvest and raises a concern that the higher illegal risk of Russian versus American logs is hidden.

There is a pattern here of not playing by the rules and avoiding the cost. We saw even with the temporary imposition of the antidumping countervailing duty rates on Chinese imports result in more domestic manufacturing and imported from other countries bounce back as well.

It's clear evidence Chinese hardwood plywood has distorted the free and fair market for these products, and unfair trade has hurt us all. Thank you.

MR. LEVIN: Thank you, Kip. Before we move to our final witnesses, may I ask how much time we have remaining on our panel?

THE CLERK: You have 15 minutes remaining.

MR. LEVIN: Thank you. Our next witness will be Mr. Jim Dougan of Economic Consulting Services. Jim?

MR. DOUGAN: Good morning. I'm Jim Dougan from ECS. Respondent's case essentially relies on the arguments that, one, competition between the subject
imports and domestic hardwood plywood is highly attenuated; and two, that imports from China compete almost entirely with nonsubject imports.

The record evidence doesn't support these claims, and the experience following the filing of the case reveals the true nature of the degree to which subject imports compete with domestic merchandise, are injuring the domestic industry, and threaten it with future injury if trade remedy is not provide by the Commission.

Respondent's attenuation arguments place a great deal of emphasis on veneer thickness as a distinctive physical characteristic of imported versus domestic plywood. But as you've heard from the industry witnesses, veneer thickness is only one of many physical characteristics on which purchasers base their decisions, if they base their decisions on it at all.

Importers' responses to the pricing sections of the questionnaire indicate that they view thin veneer products as competitive with domestic plywood, with otherwise similar characteristics, regardless of veneer thickness. My colleague, Bruce Malashevich, will present further evidence regarding subject imports' competitive overlap with domestic plywood and
their injurious price effects.

Respondents claim also that their sales are more focused on plywood with thinner overall thicknesses. This is important because in nearly all applications in which hardwood plywood is used, the functional role of the plywood is determined by the overall thickness of the plywood. And on this dimension, the record evidence on the abundant competitive overlap is clear. See slide 1.

Over the POI, a virtually identical share of domestic and Chinese HGP was sold in thicknesses between 6.5 millimeters and 15.99 millimeters, 20.8 percent for the domestic industry and 19.8 percent for subject imports.

Thicknesses between 16 millimeters and 19.99 millimeters accounted for 56.3 percent of domestic shipments, and 26.2 percent of subject imports, still a substantial overlap. Therefore, notwithstanding Respondent's emphasis on subject imports focused on very thin plywood, three-quarters of domestic shipments, or 77 percent, and nearly half of subject import shipments, 46 percent, fall between thicknesses of 6.5 millimeters and 19.99 millimeters. This overlap is even more pronounced when each range of thickness is viewed as a distinct market segment in
which domestic producers and subject imports would
have market shares. See slide 2.

Even for products where either the domestic
industry or subject imports are relatively more
concentrated, the other has a substantial presence.
For example, in thicknesses 20 millimeters and above,
despite a relatively high domestic concentration,
subject imports still supplied 19.8 percent of the
volume over the POI.

Likewise, despite the relatively high
subject import concentration in thicknesses below 6.5
millimeters, the domestic industry supplied 21.9
percent of the volume over the POI.

The other segments show a much greater
overlap. In thicknesses 6.5 millimeters to 15.99
millimeters, there is a 43 percent domestic, 57
percent subject import split, and in thicknesses from
16 millimeters to 19.99 millimeters, there is a 61
percent domestic, 39 percent subject import split.
This constitutes very substantial overlap in a wide
range of applications and shows that Respondent's
theories of attenuated competition are contradicted by
the weight of the record evidence.

Clearly, subject imports do compete to a
large degree with domestic plywood, and they do so
primarily on the basis of price. There is a wealth of narrative responses from purchases presented at Petitioner's prehearing brief, pages 19 to 23, that show the significance of price in their hardwood plywood purchasing decisions, and about how they vary purchases among suppliers over time based on the prices offered.

There may be certain end-use applications for which there is a functional or other nonprice reason for the purchaser to select Chinese plywood. But these limited applications do not explain the sheer volume of subject imports, which increased by 21.5 percent from 2010 to 2012, and their market share, which began the POI at over 40 percent and grew to nearly 50 percent before the filing of the petition in late September 2012.

The Commission is familiar with examples of products that are truly differentiated from the domestic merchandise. Since these products would be largely unavailable from the domestic industry and do not compete on the basis of price, there tends to be little change in subject import volume after the filing of a trade case. That is not what happened here. See slide 3.

After the filing of the petition, the
subject imports dropped 27 percent in the next
calendar quarter, 21 percent in the quarter after
that, and 26 percent in the quarter after that. In
all, subject import volume dropped by 29 percent
between the first half of 2012 and the first half of
2013.

The importers slammed on the brakes. This
would not be the case for a differentiated product
sold primarily on the basis of nonprice factors. But
it is consistent with an undifferentiated product sold
on the basis of price. The severe drop in subject
import volume is strong evidence of Chinese customers'
price sensitivity.

The drop in subject import volume has led to
a number of improvements in the domestic industry's
condition. In a sense, the domestic industry's
improved health since the filing of the case is a
photo negative which allows the Commission to see the
injury the industry suffered earlier in the POI, which
may not otherwise be so readily apparent from the
data.

As Messrs. Thompson and Oglesby testified
earlier, the domestic industry's inability to sell its
lower grade HDP output undermines its entire economic
structure. The recovery of at least some of this
volume after the filing of the case has yielded substantial benefits. See slide 4.

Respondents claim that the market share gains by subject imports were all at the expense of nonsubject imports. Yet the share lost by subject imports between the interim periods was replaced by both domestic producers and nonsubject imports. Domestic producers' U.S. shipments increased by 13.1 percent, and their market share increased by 3.6 percentage points.

The filing of the case had other beneficial effects as well, especially on prices. While the underlying data are largely confidential, Exhibit 8 to Petitioner's prehearing brief shows the difference in trends for domestic producer prices before and after the filing of the case. Slide 5 shows the increase in subject import prices after the filing of the case. The impact is apparent. There were double digit percent increases for all but one pricing product. Had imports from China not been competing primarily on the basis of price prior to the case, it is unlikely that you would observe such substantial increases after the filing of the case. These pricing improvements were also manifested in the domestic industry's financial data, where average unit net
sales value increased from $1.14 to $1.16 per square foot between interim 2012 and 2013. See slide 6.

This may seem like a small improvement, but given the domestic producers' unit COGS remained flat at $1.03 between the interim periods, these increased prices flowed through directly to the domestic industry's bottom line, leading to improved operating income. Operating income increased by 142 percent from 8.2 million in the first half of 2012 to 19.8 million in the first half of 2013, and operating margin likewise more than doubled, increasing from 2.3 percent to 4.8 percent between the same periods.

In some industries, a 2.5 percentage point increase in operating margin might not be significant. But in the context of this industry, in which the operating margin began the POI in 2010 at 2.1 percent and declined to 1.6 percent in 2012, a 2.5 percentage point improvement is enormous. That it occurred precisely when subject imports declined sharply is not a coincidence, and is clearly attributable to the effects of the petition.

The filling of the petition also had beneficial effects on the domestic industry's employment indicia. See slide 7. The industry added as many workers between the interim periods as it did
over the two years from 2010 to 2012, 115 PRWs.

Similarly, there were significant improvements in hourly wages and productivity between the interim periods, as compared to 2010 to 2012.

Finally, the filing of the petition put a temporary halt to the domestic industry's asset cannibalization by allowing it to make much needed investments. See slide 8.

In each year between 2010 and 2012, the domestic industry's depreciation exceeded its capital expenditures by a very significant amount, such that the industry's capex to depreciation ratio ranged from a low of 32.4 percent to a high of 69.6 percent. The industry's inability to invest to sufficiently replenish its depleting asset base is a textbook case of asset cannibalization.

After the filing of the petition, the domestic industry's capital expenditures more than tripled, from $2.7 million in the first half of 2012 to $8.8 million in the first half of 2013. The industry's first half 2013 capital investments were greater than any full year from 2010 to 2012, and allowed the industry to make investments exceeding its depreciation expenses for the first time during the POI.
A final affirmative vote from the Commission to impose antidumping and countervailing duties will allow the industry to continue to make investments to ensure its future competitiveness, but absent the imposition of trade remedy, this improvement will not continue. Thank you.

MR. LEVIN: Thank you, Jim. Our last witness this morning will be Mr. Bruce Malashevich, with Economic Consulting Services. Bruce?

MR. MALASHEVICH: Thank you, Jeff. Good morning, Mr. Chairman and members of the Commission. Pleasure to be here.

I have one point to make in my five minutes of testimony, and that refers back to the Commission's unanimous preliminary determination last year. And reading that decision again, really on one of Respondent's economic arguments gained traction to warrant further investigation in this final phase, and that was the issue of the thing veneer.

In economist jargon, Respondents have argued that thin veneer stuff is a complement, not a substitute, to the domestic product, and therefore the two support each other rather than cause competitive harm.

In addition to everything you've heard so
far, this from the questionnaire record I think is
definitive last chain in causing Respondent's
arguments to fail, for the following reason. You have
the confidential versions in front of you. They're
directly taken from Exhibits 5 and 6 and the
prehearing brief. This is the public version of
Exhibit 5. Please look at your version, though.

The key line items are this. The total
volume of imports accounted for in the Commission's
questionnaire is a certain quantum of volume. This is
the universe of subject imports, according to official
Census trade data. The delta represents that share of
total imports not covered by the importer's
questionnaires received by the Commission. That share
on this line is a substantial number, as you can see.

Now, staff through its diligence collected a
lot of information on the thin veneer product, and the
public version of the staff report says that for those
reported subject imports in the questionnaires, nearly
100 percent of those imports were characterized as of
the thin veneer type. For instant purposes, I'll
accept that number as accurate. But it's very
interesting because it is not at all representative of
the large volume of total subject imports not
reflected in the questionnaire exercise. And as I
think we all know, there is a certain amount of self-
selection that goes into those who choose to cooperate
with the importers' investigation and those who don't.

So the first thing is we don't know what is
coming in of imports not covered by the questionnaire,
and it's probably a mixture of all kinds of veneer
thicknesses.

But going back to the thin veneer, I said,
well, okay, if virtually 100 percent of reported
subject imports are of thin veneer, let's compare that
figure to the total volume of import sales reported
for pricing products one through six. Those products
did not contain the thin veneer face criteria in
specifying the various products. So there was a
certain amount of discretion in how importers
responded to the questionnaire.

I'm reading from a standard ITC blank
questionnaire pricing products. For years, this
footnote has appeared. And I quote, "If your product
does not exactly meet the product specifications, but
is competitive with the specified product, provide a
description of your product."

So for a long time in answering the pricing
section and analyzing prices, the Commission has never
restricted reporting to identical product, but
products that are identical or regarded as competitive.

So I took that at its face, and I looked at the small volume of reported imports above the 0.4 threshold, and compared it to the total volume of subject imports accounted for for products one through six. The latter greatly exceeded the residual amount that's above .4 in veneer -- face veneer thickness, which means importers collectively considered a boatload of this stuff to be competitive with products one through six they identified in the Commission's questionnaires.

Now, please turn to Exhibit 6 before you. So my colleagues and I drill down. Who are these importers, and did they correctly interpret the questionnaire's instructions?

CHAIRMAN WILLIAMSON: Mr. Malashevich, you're going to have to wrap up because --

MR. MALASHEVICH: You can see for yourself that all of these importers considered their thin-veneer product competitive with other products meeting that specification across the board for products one through six. Thank you.

CHAIRMAN WILLIAMSON: Thank you.

MR. LEVIN: Thank you, Bruce. Thank you,
Mr. Chairman. Thank you, commissioners. That obviously concludes our panel for this morning.

CHAIRMAN WILLIAMSON: Okay. Thank you. I first want to express our appreciation to all of the witnesses who have taken time from their businesses to come today. Your testimony is very important to us. And this morning we'll begin our questioning with Commissioner Johanson.

COMMISSIONER JOHANSON: Thank you, Mr. Chairman. And I would also like to thank the witnesses for appearing here today. I realize some of you came a pretty long way to be here.

My first question will probably best be answered by Mr. Howlett. Mr. Howlett, you spoke on the issue of illegal logging. Has the Lacey Act prevented wood obtained from illegal logging from entering the U.S. market?

MR. HOWLETT: That's certainly the goal. But I don't think that there is an indication that it has been 100 percent effective. And a lot of that has to do with, for example, you take at face value if a problem is listed as the country of harvest that it is America. America is at low-risk. And yet if the face veneer is actually Russian, that's a much higher risk country, and that has been mislabeled. Actually, it
would be in violation of the Lacey Act, and yet that material came in because at Customs you have to -- I mean, we winding up taking things at face value, and that's what is important here.

Certainly we're still at the beginning stages. We don't have a program in place yet as to what defines consensus about doing due diligence. Actually, we at HPVA have been working to develop an ANSI standard with regard to that. The EU timber regulation is actually -- drives at the same point of trying to eliminate illegal timber. It's up and operational. And I think that between the two countries -- those are the two largest markets -- you'll begin to see the closure of that market.

But it's not 100 percent yet. It has seen a reduction, but it has not eliminated illegal logs in trade.

COMMISSIONER JOHANSON: I know that there is a modification to the Lacey Act. I believe it was in the 2008 farm bill, which I think was intended to crack down more on -- to put better teeth into the Lacey Act. Did that make a difference?

MR. HOWLETT: Well, it added wood, and I think that again you're still in the phase of implementing regulations, but more importantly, both
the EU and the U.S. programs are still in their early stages. There has been one sort of high profile prosecution, and I think that one of the things that Customs as well as the development of, for example, DNA testing will facilitate enforcement of the Lacey Act.

But again, I'll just say it started to put pressure in reducing the volume of illegal logs, but it has not eliminated it. The EIA, Chatham House, and others still estimate that there is a substantial amount of illegal logging. Interpol recently closed down a huge ring in Latin America. WWF just reported a substantial amount of illegal logging in Russia that puts into jeopardy the habitat of the snow leopard.

And so there is a lot of pressure to basically harvest illegally and use those proceeds, you know, for whatever.

COMMISSIONER JOHANSON: Thanks. And getting back to one of the points you made, was the Lacy Act -- did that not cover wood products prior to 2008?

MR. HOWLETT: No, it did not.

COMMISSIONER JOHANSON: Okay. I didn't realize that. Okay, thank you. Yeah, I'm just surprised because I know -- I assume there is a fair amount of illegal logging, but I also know the U.S.
has been trying to address this issue. Okay. Thank you for your response. Oh, yes?

MR. HOWLETT: It's a good effort, and we're still in the early stages.

COMMISSIONER JOHANSON: Aren't there industry standards as well? I think I see some paper products. I think they said like FSC on the back, something like that, which I think is an industry group?

MR. HOWLETT: Right. And I think that there are three types of programs. There is sustainability certification, which FSC, SFI, Tree Far, PEFC address that. That basically is the source of the log coming from a sustainably managed forest.

There is a second kind of a program called legal verification that basically each log as it comes out of the forest almost has a SKU on it that identifies that log has having been legally harvested.

The Lacey Act and the EUTR are basically due diligence programs, a reasonable and prudent man kind of a standard, that you engage in due diligence to reduce -- and your goal is to obviously eliminate the risk that illegal logs are going to wind up in your supply chain. So you look at areas where it's higher risk. Certainly that eastern island in Russia has
been clearly identified. Clearly when Interpol makes
arrests in Latin America in 12 countries, clearly when
you've got studies like Seneca Creek that basically
say the United States and Canada are at the lowest
level of risk, you have some assurance that an
American oak log is legally harvested.

You have to wonder about areas where it's
higher risk, and that's where it's not sustainability.

FSC is per se not a due diligence program with regard
to legality. And there have been problems with that
because there are really three different kinds of
programs.

COMMISSIONER JOHANSON: Okay. Thank you.

And, Mr. Levin, I have a question for you.

How should the issue of illegal logging help determine
the decision of the Commission? Would that be under
conditions of competition?

MR. LEVIN: Absolutely, Commissioner. We
believe, we believe strongly, we believe the evidence
strongly demonstrates and implicates that the access
and use of illegal or suspect-sourced wood inputs by
Chinese producers and exporters is one of several
factors that allows them to sell the product into the
U.S. market at the margins of underselling that we are
seeing in this investigation. And therefore it
becomes I believe a highly relevant condition of
c ompetition in evaluating the field upon which
domestically manufactured product must compete against
Chinese product.

COMMISSIONER JOHANSON: All right. Thank
you for your response. Respondents submit that
domestic hardwood plywood is generally not used for
underlayment or in the RV industry. They state that
the subject product is thinner and therefore more
suited to those applications. Would one of you please
respond to that? And this is something that you know
the Respondents spent quite a bit of time discussing
in their brief.

MR. CLAUSEN: I can respond to that, Mr.
Johanson. We have distributors in the Elkhart,
Indiana market, which is one of the largest RV
manufacturing areas of the country, and we sell a
tremendous amount of volume into that marketplace.
For years the U.S. industry produced thin panels with
paper overlays to go into the mobile home industry.
All of that can be done today.

And the second part of the question was not
only RVs, but --

COMMISSIONER JOHANSON: Underlayment.

MR. CLAUSEN: Oh, underlayment.
Underlayment, one of -- I know the Georgia Pacific plant that was in Savannah, Georgia and in Eugene, Oregon, that is now -- one has been sold in Georgia, and the one in Oregon is now owned by the Murphy Company -- produced tremendous amounts of underlayment in thin-panel form, roughly quarter-inch panels, and was done for years and years, so --

COMMISSIONER JOHANSON: All right. Yes, Mr. Howlett?

MR. HOWLETT: One of the points that I'd just like to add is you have examples up here of products that are labeled underlayment, and they are also labeled as being PS2, which is the construction plywood underlayment standard. And I would just point out that every one of those products up there, including one that was labeled actually PS1 construction plywood, and when you look at it, it's pretty clear that it's hardwood plywood, they all failed the boil test, that is, they delaminated. Several of them are claiming that they are either exempt from the formaldehyde rules or they have passed the formaldehyde rules. And in those circumstances, we had three failures and three pass. So how you label those things and misusing underlayment, PS1, PS2, those are the examples up
there. And certainly it's very clear from the samples
over on the left, which are U.S. manufactured, you can
see that we're manufacturing products that are like
those products that were tested there. They're
substitutable to each other.

MR. DOUGAN: Commissioner Johanson?

COMMISSIONER JOHANSON: Yes.

MR. DOUGAN: Jim Dougan from ECS. If I may
add to that, the language often in Respondent's brief
on these matters is quite careful. It often says, you
know, domestic products are not sold or do not sell to
these particular end-use applications. But it doesn't
mean that they cannot. It just means that they maybe
at a particular time do not because they're not
willing to meet the low price of the Chinese product.

But as the distribution of thicknesses for
overall plywood thickness shows, the domestic
producers certainly can and do sell at the lower
thicknesses.

COMMISSIONER JOHANSON: All right. Thank
you for your responses. My time has expired.

CHAIRMAN WILLIAMSON: Thank you.

Commissioner Broadbent?

MR. LEVIN: Mr. Chairman, if I may.

CHAIRMAN WILLIAMSON: Yes.
MR. LEVIN: My apologies. I did want to introduce before we started with the questions and answers -- we have two other industry witnesses. They didn't present affirmative testimony. They have been sworn in. They are available to respond to questions.

Mr. Pat Lynch, who is the plywood business director for Roseburg Forest Products; and Mr. Mike Taylor, who is the CEO of States Industries, both petitioning companies.

My apologies for not doing that at the outset.

CHAIRMAN WILLIAMSON: Okay. And they can raise their hand if they want to supply something to a question. Thank you. In response to a question. Thank you.

COMMISSIONER BROADBENT: Thank you.

CHAIRMAN WILLIAMSON: Commissioner Broadbent, yeah.

COMMISSIONER BROADBENT: Thanks. I want to thank the witnesses for their testimony and coming to speak with us today. On the formaldehyde issue, Mr. Howlett, can you describe to me how that works? I mean, who is certifying that as formaldehyde free, and what is the storage on the imports?

MR. HOWLETT: The state of California was
the first to put in to place recently formaldehyde restrictions. Actually, if you back to 1984, HUD had the first emission standards for these products.

COMMISSIONER BROADBENT: Right.

MR. HOWLETT: Particle board, MDF, and hardwood plywood, but only as it related to their use in mobile homes. So California basically was the first one about four years ago to put into place emission requirements on those four types of products.

Subsequently, Congress passed a law, and EPA has proposed rules to implement that law. We would expect that in 2014 the EPA formaldehyde regulations will be finalized and probably be fully implemented by 2015.

The emission levels that are in the federal statute are identical to the emission levels in the California rate. The fact that manufacturers basically don't want to double inventory, that is, create products only for sale in California, and then make a different type of material for the other 49 states, basically the California standard has become a de facto national standard.

In the hardwood plywood industry, over 50 to 60 percent of the hardwood plywood now manufactured is not using formaldehyde technologies. The other 35
percent uses urea formaldehyde or other technologies like polyvinyl acetate. Irrespective of what resin systems that you're using, as a third party certification agency, I'm proud to say that the domestic manufacturers, probably 75 percent to 80 percent have now got emissions so low with any of these resin systems, certainly the formaldehyde free, the Soyad systems, but even the urea formaldehyde and the PVAs have all qualified for exemption.

Eighty percent of the domestic product, I would say, is exempt. The balance is in an emission quality control program in ISO-65, which is required in the regulations. In the regulations, they specify in CARB that if you're PS1 or PS2, it's assuming that you're using a phenol formaldehyde. You've got to cure those resins harder, longer, and hotter in the press, and basically it cures and cooks out all the formaldehyde, so there is no formaldehyde emissions from a PF resin system.

Construction plywood, softwood plywood, that material right there will be basically exempt because it uses a PF system. What you have here are claims of being PS1 or PS2, and ironically some of the labels on here claim both PS1, which if someone, an enforcement person, were to look at that and say, oh, PS1, it's
exempt, and assume that it meets the formaldehyde standard, some of the labels on there also say that they're CARB-2 compliant.

And as I mentioned, you have three of those that actually failed. A couple of the samples up there were four times the limit. And formaldehyde has been regulated, as I said, since 1984. And this industry, the domestic hardwood plywood industry, basically doesn't have a formaldehyde issue because of our compliance record.

COMMISSIONER BROADBENT: So if you're exempt, they do not monitor your manufacturing of it. Is that right?

MR. HOWLETT: Exactly, right. So that can be a self-made claim. And as we see here, it's a claim that when you actually take samples of the product and test it, it doesn't pass.

COMMISSIONER BROADBENT: Right. So but it just sounds like a lot of your problem here is circumvention and misrepresenting the standards associated with a product.

MR. HOWLETT: I would agree with that.

COMMISSIONER BROADBENT: Okay. And just one more --

MR. LEVIN: If I may.
COMMISSIONER BROADBENT: Yeah.

MR. LEVIN: Madame Commissioner, that along with illegal logging is another aspect of the conditions of competition. The circumvention of CARB certification of course lowers a foreign producer and exporter's cost, another factor that allows them to bring product into the United States at a cheaper price than domestically manufactured product that is going through the rigorous CARB certification process.

COMMISSIONER BROADBENT: Okay. So how does the production process apply to an import in terms of the restrictions on the production process? What can we do to an import on its emission levels if that happens in the production process?

MR. HOWLETT: Right now, if you're importing into the state of California, you have to meet the CARB limits.

COMMISSIONER BROADBENT: Meaning how you produced it in China.

MR. HOWLETT: Exactly. You have to meet it. And in fact, at the 660 mills that manufacture hardwood plywood in China, over 400 are on the CARB list as capable and certified to make CARB-compliant hardwood plywood that would meet the emission standards.
MR. LEVIN: And I was going to add that point because that touches on several areas here, the representation of the foreign producers through questionnaire responses and directly through importers' questionnaire responses, and hence what sort of import volume the Commission is looking at.

There are hundreds of Chinese producers that have at least gone through the CARB certification process. Now, we can't ascertain one way or another whether each one of those companies has actually exported to the United States. But what we can say with certainty is that we're looking at 400-some odd companies that have gone through the bother of CARB certification, and we have, what, 89 or so foreign producers that have submitted questionnaire responses.

COMMISSIONER BROADBENT: Okay, great. Thank you. This is a question for Mr. Roberts in the back row there. I really appreciated your testimony. Why don't you -- could you talk a little bit about why you don't purchase Chinese hardwood plywood anymore?

MR. ROBERTS: Yes, Commissioner. When I was in China, the first mill I went to was in northern China, north of Beijing, and they had -- you could tell it was a Chinese plywood plant there because they were drying the veneers in the field like cotton. We
walked into the plant. There was approximately six
30-watt light bulbs. They had a six-opening press,
and since they couldn't dry the veneer, they used more
formaldehyde. And the more formaldehyde you use, the
odor -- I walked out of there very high.

They also had no way of properly heating the
building. They used slag coal. It was like
antiquated compared to an American mill. But, I mean,
if you don't -- if you -- you have to dry that glue,
get that veneer very dry, keep the moisture content so
it won't warp.

I was at one mill. They opened the vans,
and everything went -- it went right up there because
the veneers aren't properly dried. They don't have
dryers there. American mills spend millions and
millions of dollars on dryers. So when it comes out
off the -- when the veneer is peeled, the log is
peeled, it goes into the dryer. They bring it down to
I think about a 6 to 8 percent moisture content, and
that, what they're using now with the NAUF glue will
keep that panel a lot more stable, but it also takes
all that formaldehyde out of the product.

That is why California passed the CARB-2
bill, which is basically the industry standard, and
the new federal law coming in will be even stricter.

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And I believe in the health and safety of my employees and my customers.

COMMISSIONER BROADBENT: Okay. Now, do you purchase hardwood plywood from other countries? Is that --

MR. ROBERTS: Yes, ma'am. I do deal quite often with mills in Canada, which is basically they have the same standards we do. I buy a lot of high-end, exotic lumber and veneer in Germany and Italy, and I have been -- I deal with one finish mill for the last 36 years.

COMMISSIONER BROADBENT: Okay.

MR. ROBERTS: But they all -- all that is PFEC, Pan-European -- I'm not sure of the exact, but it's the European certification. But we only deal with legitimate mills. Everything -- when we get a container in, we have to go through -- it has to go through Customs. It has to go through Lacey. It has to show the country of harvest, the country of origin. We keep all those records in case anyone ever comes in, open the file. Here it is, everything you want.

You know, we tend to -- our products, our speciality is high-end, exotic plywood. If you want to look up a web site, robertsplywood.com, my very beautiful daughter did a lot of hard work on that.
But that's where we want to separate ourselves from some of our competitors. And I just don't feel the Chinese have the quality that I want to sell to my customers.

COMMISSIONER BROADBENT: Thank you.

This is for Mr. Clausen. Tell me how customers choose between hardwood and softwood. What do they prefer and why for what uses?

MR. CLAUSEN: Hardwood and plywoods --

COMMISSIONER BROADBENT: Hardwood and softwood plywood.

MR. CLAUSEN: In most situations, softwood plywood is used for construction purposes. Certainly the West Coast and the Southeast, where there is softwood indigenous forests, the construction plywood is almost entirely softwood plywood.

And the hardwood plywood, it's a little bit of a misnomer. It's hardwood plywood face and back, and sometimes a softwood core, sometimes a hardwood core. So in that sandwich that I was describing --

COMMISSIONER BROADBENT: Right.

MR. CLAUSEN: -- the inner part of the plywood, if it's produced, for instance, at Columbia Forest Products' mill in Old Fort, North Carolina, there can be a poplar core. If they produce it in
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their Oregon plant, they now have a peeling facility
that's peeling poplar for the core of that product.

Timber products uses primarily a softwood
core, and we have forest lands where we actually are
logging and doing softwood core with a hardwood face
and back. But we also produce construction plywood as
well, and that's typically under APA grade rules that
Mr. Howlett was describing in his testimony, and it's
used for sheathing on roofs and the siding and
underlayment and some other products of that type.

COMMISSIONER BROADBENT: Okay. Thank you.

I'm really interested in this inside-of-the-sandwich
issue, but my time has run out, so I'll get you on the
next time around. Thank you.

MR. HOWLETT: Mr. Chairman, may I approach
the bench and give you some softwood plywood to look
at?

COMMISSIONER BROADBENT: You can approach
me. That's great, yeah.

(Laughter.)

CHAIRMAN WILLIAMSON: And she can pass it on
down afterwards. Okay.

MR. LEVIN: Mr. Chairman, Madame
Commissioner, whether in response to another question
or if you allow me to do so now, there are some tricky
and often confusing terminology in the industry regarding hardwood and softwood. We've gone through this in many -- should I go on?

CHAIRMAN WILLIAMSON: Go ahead. Finish, yeah.

MR. LEVIN: We've gone through many, many supplemental submissions, particularly at the beginning of this process, supplemental submissions to the petition, especially in response to some standing challenges that the AAHP had posed at the beginning of this investigation.

And the industry guys and the products guys can talk about this in a much more educated fashion that I can, but one simple point. The product that is known as hardwood and decorative plywood, the product that is the subject merchandise that is the scope of this investigation can and often does have softwood species as part of that product.

Oftentimes a softwood species is part of the core. On occasion it could be the face veneer. Now, the fact that a hardwood and decorative plywood product contains one or more layers of a softwood species does not make it softwood plywood. Softwood plywood is an entirely different animal, synonymous with structural plywood, much of what Kip was just
talking about and Mike was alluding to, about what they produce. Different products, different end uses, different standards, different industries.

So the word "softwood" can mean different things, and it can get very confusing very fast as to what any particular person may be referring to when they use the term softwood. And I just ran out of my technical expertise.

CHAIRMAN WILLIAMSON: Okay. Thank you. Just continuing on with that, so you're saying there is not a percentage of softwood that can be in a hardwood plywood to change it? It's all the use?

MR. THOMPSON: Yeah. I think this gets really confusing, and I think Mike did a good job. When we refer to the decorative hardwood plywood, we're talking about the appearance, the face and the back. It's used in decorative applications. That maple, birch, and red oak generally comes in the United States from a concentrated area.

In the Northeast, Joe has a mill in Michigan, we have one in Wisconsin. Those decorative faces are made for decorative plywood and shipped across the country to form what we call and what the industry calls and what the industry standard recognizes as hardwood decorative plywood, face and
back.

Now, the interplys, the core material, can be made with varying materials. In the West, we use a combination of poplar and we use a combination of fir, which is a softwood, technically. In our mills in North Carolina, because of where the mill sits, we use poplar. The core material used within the material could be of softwood or of hardwood, and typically related to where the mill sits in its wood basket in the United States.

I think I've got that.

CHAIRMAN WILLIAMSON: But there is no dispute that that's subject product, that it's the subject product that of this investigation.

MR. THOMPSON: Yes, yes.

CHAIRMAN WILLIAMSON: Okay. Thank you. I was going to turn to Mr. Roberts because you say you don't use any Chinese product. Are you trying to sell to sort of say quality cabinetmakers or other end users who -- where the -- that's a higher end, sort of, you know, the high end of the market?

MR. ROBERTS: We sell both ends of the market, but we concentrate on the higher end of the market. As you well know, being from New York, there is a lot of big office buildings, and now especially
hopefully we'll have the World Trade Center start rebuilding, and these corporate offices want high end materials.

We also sell a lot of birch, okay, cherry, maple, to people -- you know, we have the whole gambit, we have. But we sort of tend to go there. But the reason I didn't buy the Chinese was strictly on a quality, and especially with the formaldehyde. I mean, I'm very sensitive. I'm not a smoker. And when I walk in a place and all of a sudden my eyes start tearing and my nose gets -- that's not the kind of material I want to buy. And I don't want to sell it to my customers. We are very particular.

I limit the amount of domestic mills. Basically I deal with three domestic mills buying my hardwood plywood, and two of the gentlemen are here today. I try to buy the best product available. I won't buy -- I don't buy a product on price. That's why Chinese birch -- I've had people offer me, well, what do you want to pay. If somebody tells like that, I'm going to get screwed. I just don't want to touch a product like that. I want to buy a quality product and sell it to my customer as a quality product.

CHAIRMAN WILLIAMSON: So any idea what percentage of the market, you know, the customers, are
demanding that? And I'll give you a little side story
because --

MR. ROBERTS: Okay. On the high -- oh, I'm sorry.

CHAIRMAN WILLIAMSON: Go ahead.

MR. ROBERTS: On the high end, you know, we have the Hamptons. You know, we have Fifth Avenue. We have apartments where people -- we had one customer, it was ninety-some-odd thousand dollars just for hardwood flooring in an apartment. We have people that build expensive -- whatchamacallit. We just sold to a customer who built their conference table in an office in New York City, and it was -- my selling price was $25,000. The wood was 3 inches thick, 6 feet wide, 18 feet long. He made a 50-foot conference table and had to cut off the two ends. We have a lot of unique products.

But, I mean, on this particular, when I'm buying material from Columbia or Timber Products, I know what I'm getting, and I know there is a quality standard. These companies have been in -- I only like to deal -- I don't want to deal with a company who is in business six months. I want someone who I know is going to be there tomorrow.

Columbia Timber Products have been in there
many, many years. I have a long work -- you know, in
42 years I've developed a long working relationship,
and I know what I'm getting.

CHAIRMAN WILLIAMSON: I understand that. I
guess what maybe some of the others have to -- how
large -- what percentage of the market? Can you
survive on that market? I get the impression you
can't.

MR. ROBERTS: Yes. That's it.

CHAIRMAN WILLIAMSON: I mean, you can
because you know who you are, and you've got a niche.

MR. ROBERTS: You don't sell the high end
every day.

CHAIRMAN WILLIAMSON: Yes.

MR. ROBERTS: So you need to sell that part
of the market every day.

MR. THOMPSON: Maybe I can help with this.

CHAIRMAN WILLIAMSON: Yeah.

MR. THOMPSON: As we stated in our
testimony, when we spin a log, when anyone spins a
log, you have what God gave you. And within the log
there are various grades. Imagine as Wave described
it, a roll of paper towels. That's the log. And we
literally -- a knife comes and peels it, and it looks
like a ribbon of thin paper. But in this case, it's
And depending upon where you are in the log, you have different grades of material. You have to sell all of the log. You can't just sell the high grade and throw away the low grade. If you did that, then you have to raise the cost or raise the price of the high grade to an exorbitant amount of money, and people won't buy it. And it's what happened to our industry because of the low-grade influx from China. So it is a huge problem in terms of the dynamics of our industry because we have to sell everything that comes off that log, and it produces various different grades, much of which is of low-grade material.

CHAIRMAN WILLIAMSON: And I assume the various -- depending on the log, as to what percentage of what you get out of is going to --

MR. THOMPSON: Oh, sure, it does. But there is no log, for example, that will give you all A grade. That's very -- that's a small portion of the log itself.

CHAIRMAN WILLIAMSON: And are you saying that Chinese -- they get the same results, I assume, off their logs?

MR. THOMPSON: They do, yes.
CHAIRMAN WILLIAMSON: Yeah. Okay. And they're selling all of this -- they're dumping all of it, I think is what the contention is here.

MR. THOMPSON: Absolutely. They've started, I think, in the low grade and now are moving up the channel. But keep in mind, I think it's important to know where you have markets to move your wood. And so we have but one market in the United States, and so we have to sell the mix of that log. I'm not quite sure, and I can't speculate on how the Chinese move their mix. In some cases, you know, it would be speculation.

CHAIRMAN WILLIAMSON: Are you seeing any trends in terms of demand in the U.S. for the different grades? I imagine it varies in use, but cabinetry, since cabinetry is one-third of it -- while you're thinking of it, I once had a cabinet. The first time we did a kitchen, 20 years later, the cabinet fell off the wall. And I said, wait, this stuff is cheap. So you can imagine what kind of cabinet I went for the second time around. And I've been very curious about -- you know, people talked a lot about thinness and all that. But I assume that anybody who wants to go out and buy something, you're looking for something that's going to last and be
sturdy. But it depends on their -- you know, how much
they can afford as to how sturdy it is. Sometimes
they go to Mr. Roberts back there, but a lot of times
they can't.

So can someone address that in terms of what
trends we're seeing and how do we take that into
account here?

MR. OGLESBY: What I would tell you is low-
grade hardwood plywood in this country for the first
20 years that I worked for Columbia Forest Products
was primarily used for the interior parts of cabinetry
that you don't see.

Let's take this podium, for instance.
Inside that podium, where you can't see it, would be
used for low-grade pieces of hardwood plywood, the D
and the C. The outside or the areas that you see of
this podium are the high grades.

Now, as Brad pointed out, a log will only
generate a percent of 10 or 12 or whatever --

CHAIRMAN WILLIAMSON: Can I cut you off for
a second?

MR. OGLESBY: Yes, please do.

CHAIRMAN WILLIAMSON: But that D and C, the
strength of it, or the durability of it, it's not
going to be less strong or less durable than say an A.
MR. OGLESBY: No. It's the exact same --
let's go back again.

CHAIRMAN WILLIAMSON: Okay.

MR. OGLESBY: When I meant -- when I said A, B, C, and D, think of it this way. An A grade of veneer -- you know a limb that comes out of tree?

CHAIRMAN WILLIAMSON: Yeah.

MR. OGLESBY: Okay. That is a knot when you peel the veneer, okay? When you get into a lot of log that has less knots in it, it creates an A grade piece of veneer that will have no knots. The B grade piece of veneer might have a little pin knot the size of maybe an eighth of an inch or a quarter of an inch. A C grade veneer will have a knot maybe the size of a nickel or a quarter. And a D grade veneer will have a knot the size of a 50-cent piece.

The structure of the panel is all the same.

CHAIRMAN WILLIAMSON: And the strength of it and how long it lasts is all the --

MR. OGLESBY: Yes. It's just appearance.

So you wouldn't want to make this podium with knots all in it. So what you do is you put the A grade out front with no knots, and you take the low grade that has the knots and put it inside of it. The structure is the same as it.
My time is expiring, but, Mr. Levin, real quick.

MR. LEVIN: Yes, Mr. Chairman. Following up on what both Brad and Wave just said, Kip has some numbers here. And this is of particular importance, especially with regard to what Brad was saying, what I referenced in my opening testimony, and what you've heard from several of our witnesses. One of the major problems that the Chinese imports have presented to U.S. producers is that they have come in and basically taken over the lower grade market.

Now, it is absolutely true that they are moving up in terms of the grade of the product. But just by cannibalizing the lower grade portion of the market, it upsets the industry's entire cost structure because as Brad said, you've got to find a place for all the grades of veneer that are peeled from a particular tree.

Kip, what are the percentages? We have here -- it's birch, a birch log.

MR. HOWLETT: I can give you an example of the three -- if I can quickly?

CHAIRMAN WILLIAMSON: Quickly, please, yeah.

MR. HOWLETT: Okay. The three major species, birch, maple, red oak. And this is rotary
cut we're talking about here, the ribbon.

CHAIRMAN WILLIAMSON: Yeah.

MR. HOWLETT: It's what that species will yield. And in the case of birth, A grade is 12 percent, B grade is 28 percent, 42 percent C, D 9 percent, all other, which would include shop to AA -- I mean, that's the all other category -- 9 percent. Now, that's the industry, the U.S. industry average, okay?

MR. LEVIN: So that's about 60 percent in C and below.

CHAIRMAN WILLIAMSON: Okay.

MR. HOWLETT: In the case of maple, it's 9 percent A, 39 percent B, 24 percent C, 17 percent D, and all other 11 percent. For red oak, A is 14 percent, B is 41 percent, C is 40 percent, all other 5. And I've got the data for sliced, which is --

CHAIRMAN WILLIAMSON: No. Thank you.

MR. HOWLETT: -- different yields as well.

CHAIRMAN WILLIAMSON: Okay, yeah. I have to say, since we're only five today, we're all taking -- everybody can take a little liberty.

Commissioner Aranoff?

COMMISSIONER ARANOFF: Thank you, Mr. Chairman. I join my colleagues in welcoming all of
you here this morning.

Can you explain to me, are there any applications for which a very thin veneer is going to give you any performance advantage? Are there applications where you need to use it because it's better?

MR. GONYEA: No. Again, I think Mr. Thompson described it well. We have hardwood plywood decorative panels. And one thing, you know, as we get into technical terms, I invite you to visit our company's web site. Maybe Columbia has the same, but we have some of the processes and questions raised to today. We have videos available online, www.timberproducts.com, where you can see veneers being made, ribbons being made to further your understanding.

But to your point, there is no structural -- you know, limited structural integrity in a hardwood face. And it's only for appearances on the face and back of the panels.

COMMISSIONER ARANOFF: Okay. Now --

MR. LEVIN: Joe, that was on behalf of Timber Products. Wave, on behalf of Columbia, or Brad?

MR. THOMPSON: Yeah. I would -- I've been
in this industry 30 years, and I've never had anyone ask me we want this thickness of veneer, or it doesn't matter in the sense that what you're looking at is what you see. And you wouldn't care as a consumer how thick that piece of veneer was. What you care about is what it looks like in that direction.

COMMISSIONER ARANOFF: Well, I would care if I put my silverware in that drawer that it's lining and it immediately scratches through to the underlayer.

MR. THOMPSON: That is true. But we -- the products are directly substitutable in our industry. And in fact, I think you see a general trend over the years that face veneers have become thinner because of the nature of the resource, but more importantly the abilities of manufacturers. And typically material is coated to prevent what you're talking about in terms of scratching and those kinds of things.

COMMISSIONER ARANOFF: Okay. So let me turn from the thin veneer to the thin plywood products of the whole thing. We were talking in particular about the RV or mobile home category. And there seemed to be some suggestion, maybe by the Respondents, that a thin piece of plywood is preferred in this application, but I'm not entirely sure why. There was
some reference to bendability at one point. Mr. Howlett?

MR. HOWLETT: I'm going to show my age. The Hudroll, 1984. The reason that manufactured housing predominantly used hardwood plywood in the wall systems and why then there was concern about formaldehyde emissions from those products being used in manufactured housing was that hardwood plywood gave a benefit to manufactured housing that other materials didn't provide.

Most walls in your conventional home are gypsum wallboard, and in a manufactured home, it was the thin hardwood plywood. It gave you the structural integrity to hold the roof up and the walls, but as you were moving that unit down the highway or whatever, it could bend and gave you that kind of performance that gypsum could crack. And so that is one of the reasons that it has historically been used. The domestic industry has produced that product as well as imports. I mean, there's not some unique property or characteristic that it can only be made in China. That's not true.

COMMISSIONER ARANOFF: Okay. I think that helps. So the answer is you do need a thin product for that application so that it can be bendable when
you're moving, but the source could be domestic.

Okay. There's a hand way in the back.

MR. TAYLOR: Well, I would just say that my company, States Industries, maybe we have a bit of a unique niche in the market in that we produce a lot of those thin panels for that market that you're talking about. We produce thousands of pieces of week. We would like to produce more.

COMMISSIONER ARANOFF: Okay.

MR. LEVIN: Is there somebody else? Joe?

MR. GONYEA: The other factor is weight.

You know, Eugene, Oregon, where we live, at one point it was the RV capital of the world. And unfortunately, with the recession, a lot of those manufacturers have gone away, but the biggest factor for thin use was weight and designing those units to be as fuel efficient as possible.

COMMISSIONER ARANOFF: Okay. I sort of suspected that, but no one had said so. Thank you.

Now, the next question I wanted to ask is about lamination. Can you talk about what kind of hardwood plywood product would be used with a lamination application? What sort of features is a customer looking for? In the third row. That's Mr. Roberts.
MR. ROBERTS: Yes, Madame Commissioner.

They would use something like a birch or a maple D3, and they would put the -- say a plastic laminate at a 90-degree to it to keep it an even panel. You have to have -- like the typical three-quarter panel is seven plies. They alternate the ply. So to do that, they can put the face at a different angle than the board. The advantage is you could not -- you can move any way. It won't matter.

But that's what they will -- they need -- from a lamination you need a solid panel. And also, if it's going in a home, you want something without any formaldehyde in it.

COMMISSIONER ARANOFF: Okay. So when we're talking about laminating, we're talking about like a laminated kitchen cabinet? Is that --

MR. ROBERTS: Yes.

COMMISSIONER ARANOFF: Okay. And when you say they need a solid panel to laminate, there was some discussion in the Respondent's brief about whether for a lamination application you need a certain kind of core material.

MR. ROBERTS: Different manufacturers have different ways of doing it. It all comes out the same, but everyone has a different way. Like Ford
will make it do something one way, Chrysler and Chevy will make the same product, but they'll do it three different ways. It's just what a company is used to doing.

MR. THOMPSON: I would add to that, we have lamination machines and laminate in Klamath Falls, Oregon, in Truman, Arkansas, in Chatham, Virginia, and one facility in Canada, and all using different core substrates as we laminate.

COMMISSIONER ARANOFF: Okay. Let me change subjects a little bit and ask a question about the underselling evidence that we have in the record and how we should understand it.

The Respondents argue, obviously, that the extent of the underselling is proof of attenuated competition. They argue that you just couldn't have those margins of underselling sustained over that many products and that much time if there were actual competition between the products.

Now, I take your argument that there are many products that the domestic industry can make but isn't selling right now for price reasons. So I understand that argument. But there is also the issue that the Commission's pricing product didn't, for example, specify the thickness of the veneer. And I
think you've all testified that that can make a difference. I don't know how much of a difference.

If one of you gentleman was selling two products that met one of our pricing product definitions, but they had very different veneer thicknesses, would that have a difference? Would that cause a difference in price? And, you know, how much difference does the veneer thickness make to the price of the whole panel?

MR. LEVIN: Just for point of clarification, you're talking about the thickness of the face veneer, correct? Thank you.

MR. THOMPSON: I think that we can provide more additional information in our post-hearing brief, but the short answer is that the thickness of veneer is predominantly in material costs. And it's very little, in a very small portion of the difference in price related to the two products in the marketplace, meaning the discounting going on and the price discounting has very little to do if we were to -- for us to make that up with peeling the veneer thinner. And we can provide some of that data.

COMMISSIONER ARANOFF: Okay. That would be helpful. And what I'm trying to establish is if one accepted that it was true that all of the subject
product and some of our pricing comparisons was, say, .4 millimeters or less, and that the domestic product was a thicker veneer, how much of the observed underselling would we expect to be accounted for by that difference in veneer thickness?

MR. LEVIN: Question understood, Commissioner. We look forward to providing detailed and probably confidential information in the post-hearing.

COMMISSIONER ARANOFF: Okay. That's appreciated, and thank you very much for your answers.

CHAIRMAN WILLIAMSON: Commissioner Pinkert?

COMMISSIONER PINKERT: Thank you, Mr. Chairman. And I want to join my colleagues in thanking all of you for being here today and being willing to answer our questions.

I want to start with a terminology question because there seems to be some dispute about this softwood plywood classification. In your view, is there such a thing as nonstructural softwood plywood?

MR. HOWLETT: You can -- there is structural, which has to meet these standards. And again, there are span widths and a lot of performance that is tied to that. There are materials, though -- and you have examples there that may fall within that...
category, that term that you're using, but in fact the
materials are actually labeled as PS2 or PS2. But
they aren't certified.

That sample that went around is actually the
certification, third-party certification, that you're
meeting that standard. And in point of fact,
materials that are labeled PS1 or PS2, they fail the
boil test or the type 2 test, which is required -- to
be hardwood plywood, it has to pass the type 2 test,
and half of those samples have failed that.

So I think that there is a lot of confusion
because as the company representatives have indicated,
you can have softwoods and hardwoods in the core. You
can have -- you know, most of the hardwood plywood has
hardwood decorative faces. But you can have a
softwood decorative face.

The point really is, as Brad indicated,
we're making a decorative product for its face
qualities, but that doesn't mean that you can't make
and manufacture, which we do, a lower grade that can
have performance properties that could be used, for
example, as was just cited, in recreation vehicles and
in manufactured housing because it has got the weight
and the wood performance properties that you want.

But in order to be used, for example, in an
RV, it has to meet -- because the RV industry has a formaldehyde standard. It has to meet that formaldehyde standard. And there are examples up there that fail that. And also, it has to meet the performance properties in here of type 2, and there are two samples up there that fail that.

So, I mean, I struggle with creating a new nomenclature about a product type when for this industry -- I mean, hardwood plywood was first invented back in Mesopotamia. So this product has been around. Veneering has been around a long, long time, and there are commercial nomenclature and standards that pretty well define it. And I get troubled when I hear these new definitions and new nomenclature when there are commercial terms that basically define the performance properties.

COMMISSIONER PINKERT: So are you saying that the term nonstructural softwood plywood would not be part of the commercial nomenclature in the industry?

MR. HOWLETT: Well, I mean, we've heard it used, and I think that you could probably say that, for example, the hardwood plywood that's used in manufactured housing or in recreation vehicles is not necessarily a PS1 or like structural plywood that's
used to build a stick-built home.

You have an example there that the material in fact was labeled PS1. It's clearly hardwood plywood, and it failed PS1. Somebody looking at that, I think, would have great difficulty -- I'm sorry.

COMMISSIONER PINKERT: Mr. Gonyea?

MR. GONYEA: I would just elaborate. Our company manufactures both softwood plywood and hardwood plywood. And to your question, I would say, yes, it is not commonplace nomenclature for softwood plywood.

MR. LEVIN: And if I may, Commissioner, I understand the reference in the AAHP brief. It tells a little bit of the story about what has transpired so far in this investigation. We can go through this in greater detail in the post-hearing brief as much as you'd like.

COMMISSIONER PINKERT: Please do.

MR. LEVIN: I will indeed. But I want to make two quick points. The argument made by AAHP in their prehearing brief is the same issue from a slightly different angle that had been presented in challenging the standing of this industry to file a petition in the first place. The AAHP was very, very good in their brief about citing to all the
allegations that they presented to the Commerce Department in the pre-initiation stage.

They don't cite at all to the Commerce Department's initiation memorandum, which shot down point by point every allegation that had been made, point one, point two. I respectfully submit to the Commission's attention our supplemental petition submission of October 17th, 2012, where we specifically discuss some of the major manufacturers that are referenced in the AAHP prehearing brief.

What bothers me about the way that information was presented is that it omits directly relevant information obtainable from the web sites that they are looking at, and which we pointed the Commerce Department to, which specifically and directly rebuts what they are alleging.

COMMISSIONER PINKERT: Thank you. Mr. Howlett, we cut you off there. Did you want to finish your answer?

MR. HOWLETT: No. They cut out the long-winded response.

COMMISSIONER PINKERT: Thank you.

Now, I've heard a number of you on this panel suggest that the Chinese product is moving into higher valued categories. And I want to give you the
opportunity to point to evidence in the record that
doesn't show that they're doing this.

MR. LEVIN: Commissioner, if we may save that for the post-hearing briefs so that we don't do a scattershot answer right off the cuff.

COMMISSIONER PINKERT: Absolutely.

MR. LEVIN: Thank you.

COMMISSIONER PINKERT: Now, did the increase in subject import volume from 2010 to 2012 come at the direct expense of nonsubject imports? And if that's the case, can you discuss the implications of that for the analysis under the Bratsk and middle line of cases?

MR. MALASHEVICH: This is Bruce Malashevich. I'll start out on the former, and I'll let the legal talent talk about Bratsk after that.

COMMISSIONER PINKERT: He said talent, not suit, so I guess that's a compliment.

(Laughter.)

MR. MALASHEVICH: I'm at the bottom of the food chain, Commissioner. I have to be very careful about such comments.

Really, the first thing to call your attention to is this is not an old argument. It was proffered during the preliminary phase investigation
in at least two pages of the unanimous opinion, including, if I recall correctly, a footnote by you dismissing the argument in a summary manner. So that's my first point.

Secondly, in the normal course of the research I did preparing for the final phase, obviously I did a lot of research and talked to all the gentlemen here, exploring all the facets of the case. The reality is this, and I would invite -- I'm doing a summary. I would invite the industry members to add as they wish.

But prior to the incursion of China into the U.S. marketplace, imports were by no means absent. The industry competed in hardwood plywood for years, with producers in places like Brazil and Russia, Canada and elsewhere, who are very active in the market, but active at pricing levels and conditions that do not cause material harm to the industry and that continue to do very well.

When the Chinese came in, yes, you could look a simple look at the trade data and the statistics, and the Chinese went up, and share of subject imports went down. But the Chinese incursion occurred at the expense of everybody else participating in the U.S. market, both domestic and
the Brazilians and the Russians and the Canadians because of pricing.

Now, in the case of the Europeans, Canadians, Brazilians, they had options. They're major exporting countries, and they could just afford not to meet the Chinese prices and reduce the shipments to the United States and happily sell elsewhere.

The U.S. industry, as the staff report shows, is not a big exporter. There is no option other than to compete in the United States, so they chose to hold the line on prices and reduce them as necessary to retain volume, especially for the lower grade C and D that people have been talking about here.

But the effect of the Chinese entry going from single digits to nearly 50 percent through price distorted the pricing structure previously in place in this market for everybody selling into it. But the nonsubject producers had options, the domestic industry didn't.

So I think the Commission properly dismissed it out of hand as an old argument in these cases. In some cases, it's appropriate. In most cases it's just, you know, what people do by playing with the
statistics.

And I won't talk about Bratsk.

MR. LEVIN: I'll talk a little bit about Bratsk. We respectfully submit it does not apply here. This is not a commodity product. Bratsk and the line of cases following Bratsk apply to commodity products. The product has become more commoditized over the course of time, but with different thicknesses, different sizes, different cores, different face veneers, different end use applications, this is anything but a commodity product.

And if I also may add, we present 15 or so pages in our prehearing brief on the threat argument as well, and I don't want that to be overlooked in the course of all the other fun stuff going on this morning. But on this point it is well established that the Bratsk analysis does not apply in the threat context.

COMMISSIONER PINKERT: Thank you. Thank you, Mr. Chairman.

CHAIRMAN WILLIAMSON: Thank you.

Commissioner Johanson?

COMMISSIONER JOHANSON: Thank you, Mr. Chairman. I'd now like to turn to the issue of
nonsubject imports, something which I don't think has
come up this morning, at least not yet.

Respondents contend that increases in
subject imports came at the expense of nonsubject
imports and not domestic producers. Are imports from
nonsubject countries substitutable with domestic
products as are subject imports? Are they used in the
same or different applications as subject imports?

MR. MALASHEVICH: Commissioner Johanson, as
I mentioned earlier, in the original unanimous
determination the issue was considered by the
Commission and summarily dismissed. And I discussed
earlier about the history in that the nonsubject
imports and domestic producers lived happily together
for years before the Chinese entry, and they are
substitutable.

When the Chinese entered and completely
distorted the pricing structure, beginning with the
lower-quality grade C and D, all other participants in
the U.S. market were hurt. Nonsubject producers had
opportunities elsewhere because they're major
exporters. The U.S. industry is not a major exporter,
so it had to dig in its heels and compete the best it
could by holding and lowering prices, especially for
the lesser grades.
So I think nonsubject imports, just as they and the domestic producers suffered by the Chinese entry, both have enjoyed something of a rebound following the imposition of the preliminary duties. And that's discussed at some length in the prehearing brief. But I invite other industry members to amplify on that if you like.

MR. CLAUSEN: You know, I think Bruce really hit it on the head. It just really -- the entry of the Chinese really just disrupted the entire market, and today it's -- since the preliminary rules came out, some of the nonsubject imports have started gaining ground as well.

MR. OGLESBY: And I would certainly agree with my colleague, Mike Clausen. That's exactly what has happened over the last 15 years.

COMMISSIONER JOHANSON: All right. Thank you. Could one of you please discuss shipping costs? U.S. production is concentrated in rural areas far from large U.S. markets. In contrast, Chinese product is shipped to major U.S. ports, which are directly linked to rail lines.

How does shipping affect cost or prices?

MR. ROBERTS: Shipping is a large factor.

Most of the material we receive is either by truck or
by rail, and the rail is more competitive. But for an importer, if you bring something in California, you put it on a rail, that's going to add cost. But they don't seem to -- they seem to absorb it. It doesn't show up in the price.

MR. DOUGAN: Commissioner Johanson, this is Jim Dougan from ECS. According to the staff report at page Roman V-1, it says that U.S. producers inland transportation costs ranged from 3 to 12 percent, but all but one importer reported costs ranging from less than 1 percent up to 7 percent.

So in some instances you are perhaps seeing the effect of it comes into a port and it's on rail, there is a shorter distance to go. But there is a substantial amount of overlap in those percentages from, you know, 1 to 7 and 3 to 12. That 3 to 7 range of percentages would suggest that it's not the shipping costs that would be a determinant in the overall end price to the user, and certainly not to the degree suggested by the underselling data.

COMMISSIONER JOHANSON: Okay, yeah. I'm just -- I'm asking this because I know in many investigations or a number of investigations the shipping cost from Asia and other parts of the world can actually cost less than shipping within the United
States. And I would think in particular with the products that you all produce, which are in rural areas, I thought that would make a bigger difference.

MR. OGLESBY: Well, what I would tell you is as far as the plants that Columbia Forest Products is concerned, all our plants are located within 500 miles of the top 100 metropolitan markets in the United States. So freight is not that -- it's not 12 percent, I can tell you that right now.

COMMISSIONER JOHANSON: How about from Oregon?

MR. OGLESBY: Well, if you think Oregon, I think L.A. from Klamath Falls, Oregon is 600 and some odd miles. So it's just outside of that. But Oregon services -- all those plants service the West Coast quite regularly on truck, not on rail.

MALE VOICE: And we have the same situation at Timber Products. We have our plant in Oregon, but we also -- a number of plants in Oregon, but we also have our plant in Corinth, Mississippi. So we ship into eastern markets primarily out of the plant in Mississippi.

COMMISSIONER JOHANSON: Okay. Thanks. In your brief, you concede that for some applications, the subject imports are not interchangeable with
domestic hardwood plywood. In which applications are those and how much of the domestic market do those applications represent?

MR. ROBERTS: The one part where the domestic manufacturer makes a specific thickness, we have customers when they're building things it has to be to an exact thickness, which your domestic manufacturers will comply with. The imports, it's all over the board, and customers cannot accept that. If you put five pieces in a row in building a long table, you can't have all those different thicknesses. Your domestic manufacturers have better tolerances.

MR. DOUGAN: Commissioner, this is Jim Dougan. And I said the same thing, I think, in my testimony today, which is, you know, the concession that there may be some applications where there are, for example, a nonprice reason to prefer the Chinese product is basically because we weren't interesting in making a categorical statement that there is absolutely no situation in which, you know, someone might prefer it.

So we're not saying that. We're not making a categorical statement. What we are saying is that the argument made by the other side, which is much more categorical, that there is limited overlap or no
overlap, couldn't possibly explain the volume and the
market share of the subject imports. So that's really
the reasoning behind that statement.

COMMISSIONER JOHANSON: All right. Thank
you. Why are so much more of subject imports in
thinner panels?

MR. DOUGAN: This is Jim Dougan again. I
can't speak to the reasoning as to why the emphasis is
there. But what I can say, based on the data -- and
this was presented in my testimony -- is that while
there is a concentration, a relative weight, of the
subject imports in the thin panels, that is, the ones
below 6.5 millimeters in overall thickness, nearly
half of them are between -- nearly half of their
shipments are distributed between the 6.5 millimeters
and the 19.99 millimeters.

So relatively compared to the domestic
producers they are more concentrated in the thinner
panels. But again, nearly half of what they ship is
not the thin panels. And that's a very substantial
panel.

COMMISSIONER JOHANSON: Yes, Mr. Levin?

MR. LEVIN: Yeah. I was just going to add,
I mean, as is in any case that the Commission looks
at, as is the case in any industry where there are
both imports and domestic product present, there is not going to be, and we're not claiming there to be, in practical terms, day-to-day basis, 100 percent overlap in competition.

But we respectfully submit that's not the issue here. What we're submitting is that there is a substantial degree of competition, as Jim has just outlined, and as we detailed further in the prehearing brief, and to the degree that there is a concentration of Chinese product within certain thicknesses, that has to do with the fact that they are coming in at a cheaper price.

MR. DOUGAN: And if I may add one more thing to what Mr. Levin has said on this point, not only in the data presented at slides 1 and 2 of my presentation, but on Roman II-9 of the staff report, there is a pie chart that shows the end use for imported hardwood plywood. This was presented by the Respondents themselves in their post-conference brief, and it shows the RV is 12 percent, underlayment is 18 percent. So that's 30 percent of their shipments. And cabinets are 34 percent of their shipments.

So altogether, that's 64 percent of their shipments. Only 54 percent of their shipments are below 6.5 millimeter, according to their questionnaire.
data. So even if you assume that everything they
ship, from cabinets to underlayment to RV, the end
uses that you hear about from them is the very thin
panel. You know, it's still a very large substantial
portion of what they're shipping to other end uses at
much greater thicknesses.

So while there is a concentration, it's not
-- you know, it's not so quite as clear as they would
have one believe.

COMMISSIONER JOHANSON: All right. Thank
you for appearing here today. My time has expired.

CHAIRMAN WILLIAMSON: Thank you.

Commissioner Broadbent?

COMMISSIONER BROADBENT: Great. I wonder if
someone could talk to me about what they expect future
demand for this product to be and what is sort of
driving it. Is it new home starts or is it people
holding back and remodeling and starting to remodel
again? What do you see happening?

MR. HOWLETT: Well, as the economy improves,
we certainly hope that demand is going to increase. I
think the key economic indicator that as an industry
we follow and track is really twofold for our
industry: new home construction, which, you know, we
have been at horrifically low levels and gradually
moving up. We've gone year over year from 750,000 new
starts to this year anticipated just under 1 million,
probably in the 950,000 range.

We're hopeful that next year in most
indicators, we look at 14 different agencies that
report their estimates for the coming year. The
composite average of those has new housing starts
coming in at about 1.15 million starts. It's still a
far cry from what we once used as an industry as
sustainable being 1.6 million housing starts per year.

The other key indicator is home repair and
remodel, which is also trending up, though there is
some belief with rising interest rates they're
actually predicting a slight decrease in home
repair/remodel use for the coming year.

COMMISSIONER BROADBENT: Okay. And then
what about -- and so what is that key indicator? I
set my note apart, but it's the --

MR. HOWLETT: New home construction and home
repair/remodel.

COMMISSIONER BROADBENT: I guess it's the
leading indicator of remodeling activity?

MR. HOWLETT: Yes.

COMMISSIONER BROADBENT: Okay. And then is
the product used -- does demand grow more -- I mean
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proportionately, where do you sell more of this, in new construction or in remodeling?

MR. HOWLETT: I have to follow up and get the percentage breakout, but, you know, we've been so low coming off the recession that, you know, clearly they're moving in the right direction, and that would be my comment.

COMMISSIONER BROADBENT: Okay.

MR. LEVIN: And, Commissioner -- I'm sorry, Brad. But we will go back to each of our members, and we'll be able to provide at least a good ballpark estimate of the breakdown between shipments to new home construction and shipments for remodeling, to the extent that we can do that because there is a distribution channel here. So the manufacturer, when selling to a distributor, may not necessarily know where the distributor is selling to. I just wanted to throw in that caveat.

COMMISSIONER BROADBENT: Okay. And then how do we know that the improvement in the industry that was experienced in the last part of the period, the interim period, isn't due to this increase in demand?

MR. HOWLETT: Again, I guess would -- we're pleased with the nominal increase, but again, we were once dealing with housing starts of 1.6 as being
sustainable. We reached a low of 500,000 starts, so
the increase we're seeing, though, may be a large
percentage year over year, it's still a far cry from
what we once saw as acceptable or sustainable housing
starts, so --

COMMISSIONER BROADBENT: Right. But a lot
of the improvement in the industry is really because
of the increase in demand.

MR. HOWLETT: Well, I think that, you know,
there is certainly a percentage that is attributable
to new starts. But it's still very nominal, and it's
historically this would be recessionary still numbers
that we're looking at for housing starts.

COMMISSIONER BROADBENT: Okay. Mr. Dougan,
did you have a comment on that?

MR. DOUGAN: I just wanted to add one thing,
which was that there was -- you know, there was an
improvement in demand between '11 and '12 as well
based on these indicators that are in the staff
report. But there wasn't quite such a substantial
improvement in the domestic industry's condition of
financials or its other indicators.

While the improvement in overall demand
between '12 and '13 has been greater than '11 to '12,
the degree of improvement by the domestic industry,
especially when viewed against the drop in subject imports and the increase in subject import prices, I mean, I think that's a much stronger indicator for the reason for the improvement.

Is none of the improvement attributable to demand? No. Of course, some of the improvement is attributable to demand. But would that benefit have accrued to the domestic industry absent the filing of the case and the drop in subject import volume? I don't think anybody here would agree with that.

COMMISSIONER BROADBENT: Okay. Who can tell me about import restrictions in other markets? I think we probably need that on the record, kind of comprehensive listing of where you're seeing --

MR. LEVIN: There are several countries that have dumping investigations that have either been completed or are in process, and with the commissioners' permission, we'd like to go through a more detailed rundown of that in the post-hearing brief.

COMMISSIONER BROADBENT: Okay. Hang on one second. I had one more question here. When did the Chinese begin sort of the cannibalization -- I think that was the term that was used earlier today. At what sort of point of time could you identify?
MR. HOWLETT: Well, we -- as HPVA, we do a stock panel report and a trade report, and in the 2000 stock panel report, China is listed in the other category in terms of --

COMMISSIONER BROADBENT: Sorry, which year?

MR. HOWLETT: In the other category. It doesn't even rise to --

COMMISSIONER BROADBENT: Which year?


MR. HOWLETT: So, you know, 13 years ago. And in about 2006, the onslaught starts. And it moves up to where now it's 50 percent market share, and it has moved out of the other category to where it's 65 percent of imports, 50 percent of the U.S. market. So and the comment that was made earlier that when you see that kind of market penetration, it has absolutely changed the market equilibrium of this industry. I mean, it has absolutely turned it on its head.

COMMISSIONER BROADBENT: Sure.

MALE VOICE: I would add, as in my testimony, I think our company noticed it around the year 2007, where I think that those numbers on imports was single digits around that time, and so though it has been occurring over 13 years, I think we've seen
the biggest impact since 2007.

COMMISSIONER BROADBENT: Okay. All right.

MR. LEVIN: And if I may add, Commissioner, when this Commission did its section 332 investigation, the report was released in September 2008, and it covered through 2006, early 2007. And at that point, the Commission had already recognized that imports from China have grown quite a bit and posed the most significant competitive challenge to the domestic industry as of the time of that investigation.

Now, the period of investigation here follows by a two- or three-year period the period that was examined in the section 332 investigation. And just in that period, you're looking at a 20, 25 percent increase in imports. So, yeah, like in a lot of industries, China was negligible or a nonplayer prior to their admission to the WTO. And once they signed on to the WTO, 2001, 2002, things began to ratchet up. By 2006, 2007, already the dominant supplier to the United States. 2012, a 20 to 25 percent increase just over a three-year period.

COMMISSIONER BROADBENT: But I guess I didn't -- the connection with the WTO membership is --

MR. LEVIN: I'm just saying that as a
general macroeconomic matter a lot of industries, not
just our industries, it was China's admission to the
WTO that was sort of the trigger event for the -- I
don't want to use surge, but the ratcheting up of
imports from China, whether it was in textiles or toys
or clothing or hardwood plywood.

COMMISSIONER BROADBENT: That the membership
in WTO, there was some causal effect there that
triggered that?

MR. LEVIN: Well, the protections afforded
both ways to China and to other WTO signatories was in
essence really Chinese big coming out party to be a
major player in the global economy.

COMMISSIONER BROADBENT: Okay. Let's see if
I had any -- I guess -- oh, my time has expired. I
apologize.

CHAIRMAN WILLIAMSON: Okay. Thank you.
Should we rely on importer questionnaires for import
data? If not, how do you respond to Respondent's
arguments regarding HTS data being both over and under
inclusive?

MR. MALASHEVICH: Well, there is an argument
that I thought was fought to a conclusion in the
preliminary round, when the official trade data were
used in calculating volume of imports and their market
share, and that continued, I suggest, properly because
the gentlemen around the table could tell you that in
our research, there is a variety -- we have reason to
believe a large volume of product that is not properly
classified as what you might call the mainstream
hardwood plywood HTS numbers.

So our view is that staff properly drew the
necessary conclusions and relied primarily on the
official trade data for appropriate HTS numbers rather
than the questionnaire responses.

MR. DOUGAN: If I may add to that, Chairman
Williamson, the Respondents want -- would prefer to
use the questionnaire data because it gives them more
favorable volume and market share trends, particularly
between the interim periods. But what is worth noting
is that for both the import stats and the
questionnaire data, for import entries you do see the
same severe decline between the part-year period.

So that's not in question. The effect of
the case on the import volume coming in is pretty much
the same. Now, the questionnaire data do show an
increase in U.S. shipments of imports because these
were sold out of inventory. So that's what gives them
the favorable thing to show, maybe not the shift in
market share that you'd say by looking at the import
But, you know, even if this U.S. shipment of imports is flat, they're pulling that out of the large inventories that they had built up in the end of 2012, after the case was filed. And that drawdown is what meant that you didn't see using questionnaire data quite so severe of a decline like you did in the actual import entries.

However, the import entries did come down, and questionnaire data support that. So you will see that represented and manifested in the import shipments, you know, actually by importers eventually. They will ship eventually because their inventories have been drawn down. And I think, you know, when assessing this -- and, I mean, the short answer is just use the import stats. But you also have to ask what gives a more accurate view of what is going on in the marketplace and the market dynamics. And what you're hearing from purchaser questionnaire responses, the narratives, the importers stop shipping. We had difficulty getting the Chinese stuff.

You know, that doesn't seem to be consistent with the increase in import shipments that you see in the questionnaire data. So obviously it's missing something.
CHAIRMAN WILLIAMSON: Okay. Thank you for that answer.

On page 2-9 of the prehearing report -- Mr. Dougan, I think you referred to it -- there is a pie chart from the preliminary showing end use for imported plywood. And I was wondering, can you provide similar data for domestic product post-hearing?

MR. LEVIN: Absolutely, if we may do so in the post-hearing brief.

CHAIRMAN WILLIAMSON: Yeah, of course, yeah.

MR. LEVIN: We'd be please to do so, yes.

CHAIRMAN WILLIAMSON: Thank you.

Respondents argue that the domestic producers sell to only a limited number of distributors, and that subject imports are sold to a much larger pool of distributors, making it more accessible to customers. How do you respond to that?

And if you don't want to do it now, you can do it post-hearing.

MR. CLAUSEN: In my testimony I stated that when I made the transition from being in the import business to the domestic hardwood plywood business, that there were at least 70 percent of the customers that were crossover customers that both bought
domestic hardwood plywood and import plywood.

MR. HOWLETT: Again I'm reading from our 2012 stock panel report, and this is consistent with regard to the distribution chain for domestically produced hardwood plywood. But 28 percent goes through single distributors, 42 percent goes through multiple distributors. So our supply chain is largely through distributors, two-thirds, who then sell to customers in their local regions, 5 percent furniture, 8 percent cabinet, 13 percent retail, and 4 percent fixture or other.

MR. OGLESBY: I would also say that at Columbia every year we add distributors or drop distributors, primarily on creditworthiness, and also if we want to penetrate other markets or markets where we're trying to get more market share in areas. So every year we add distribution.

CHAIRMAN WILLIAMSON: Okay. So you don't think that you're any less accessible to customers than the -- okay. Thank you. Can elaborate on the evidence that shows either price depression or suppression on this record? I am looking at AUVs, pricing product data, and the COGS to sales ratio, and I'm not seeing strong evidence.

MR. DOUGAN: If I can add to that, in my
testimony -- this is Jim Dougan. In my testimony, I mentioned how the improvements in the industry after the filing of the case were sort of a photo negative for the injury that may not have been as apparent before.

On the price suppression side, the fact that the domestic producers were unable to raise prices sufficiently to basically recover costs and to increase their margins is apparent from the data. If you look at the COGS to sales ratios -- and I'm going to have to go to table 6-1, it is pretty flat from 10 to 12. So the COGS to sales ratio is 90.1 in 2010, 90.6 in 2011, and 90.7 in 2012.

So I'll give you that that is flat and doesn't seem to show a particular trend. The fact that it goes from 9.6 in January to June 2012 to 88.8 in 2013, while unit COGS remain the same and flat, does suggest that after the filing of the case and with the decline in subject import volume and the increase in subject import prices you saw in the chart in my presentation, the prices were being held down in '10, '11, and '12, and were suddenly able to increase in '13, and that is evidence of price suppression in retrospect.

MR. MALASHEVICH: This is Bruce Malashevich,
Mr. Chairman. It's also an indication of how depressed prices were in absolute terms before the progress of this case. In addition to Mr. Dougan's testimony, I'm reading from the public version of Petitioner's prehearing brief, page 38, and the linkage to the change in the pricing behavior of subject imports after the case was progressing is undeniable. There is no other event to explain it.

For all six pricing products, the percentage of underselling margins narrowed substantially following the filing of this case in the second half of 2012, the first half of 2013. Domestic prices generally rose in the early half of 2003, but subject import prices rose even faster, therefore increasing the incentives for purchase to buy domestic rather than importing from China.

So I really think the delta of both the Chinese pricing, the sharp narrowing of the margins of underselling, is a key event explaining why domestic prices were able to increase relatively speaking rather robustly in 2013. No event other than the progress of this case can explain that.

So comparing '13 to earlier levels, as Mr. Dougan suggested, is kind of a photo negative measure of how depressed they were in the first place,
notwithstanding a flat ratio of COGS to sales.

CHAIRMAN WILLIAMSON: Okay. Thank you for those answers. The pricing product data cover only a small share of the total domestic shipments, about 8 percent. What are some of the domestic products that might account for the balance of domestic shipments, and do these products face competition from subject imports?

MR. LEVIN: I'd like to respond to that in the post-hearing brief so I can have my industry guys refresh their memory as to the specific products that were subject to the quarterly pricing comparisons.

CHAIRMAN WILLIAMSON: Okay.

MR. LEVIN: As a general proposition, with few if any exceptions there are no products that do not face competition from China, either directly or indirectly. And by indirectly I mean, you know, pricing pressures evinced on higher grade products by lower grade Chinese products, an issue that we've discussed at length so far this morning.

CHAIRMAN WILLIAMSON: Okay. Thank you.

Mr. Awalt, we haven't heard much from you. You're selling primarily display -- I guess furniture, you would call it?

MR. AWALT: Yeah. It's display furniture to
the supermarket industry, so primarily produce
displays, bakery, wine, floral to companies like Whole
Foods, Wegman's, Price Chopper, Weis Markets, Stop N'
Shop, Giant Foods, those types of customers.

CHAIRMAN WILLIAMSON: Okay. And you're
saying that -- and all those folks I guess since the
margins in that industry are not great, price must be
a big factor.

MR. AWALT: Right. So the challenge that I
have is, you know, if we're doing a reverse auction,
which is becoming quite common in our industry,
customers typically aren't letting us go in and
explain quality over price. It's a reverse auction,
so you do it online. And if I'm using a, you know,
formaldehyde-free domestic product, and I'm competing
against somebody that's using an import birch plywood
product, then the chances of me winning that business
is less than if I was also using an import birch.

The challenge that I would have is if I
don't use an import birch, what do I use to compete?

CHAIRMAN WILLIAMSON: Okay. Even though the
product you want to use is a better quality?

MR. AWALT: Right. And in certain cases,
you know, shipping to California, you have to use
formaldehyde-free. But if again I'm bidding a
product, and they're giving me the drawings, but they're not giving me specific specifications on how thick the veneer has got to be, the core, any of those sorts of things, it's just a price -- you know, they -- it's a reverse auction. You're just hitting the button going down on price, and typically the lowest price wins. And again, if I'm bidding with a domestic product versus my competitors with an import birch, I may not win that business. My cost is somewhat higher.

But consequently, I don't want to use an import birch to try to compete.

CHAIRMAN WILLIAMSON: Okay. Thank you. Do any of the other producers face this, see a comparable situation, depending on how your customers -- just using reverse auctions or something like that, where I guess it really is more pressure on price?

MR. AWALT: I just want to add that no customer is specifying a real thin veneer.

CHAIRMAN WILLIAMSON: Oh, okay. So they give you a standard product, and they want a -- okay. Good, okay. Thank you for that answer.

Let's see. Commissioner Aranoff?

COMMISSIONER ARANOFF: Thank you, Mr. Chairman. Just a few followup questions. I'm trying
to reconcile some of the arguments that you've made.  
One the one hand, I've heard from this panel that  
Chinese products entered the U.S. market at the low  
end and are moving upmarket, and I know that you're  
going to look at the record and point out where there  
is evidence of that post-hearing.  

In the meantime, can you explain how that's  
consistent with some of the arguments I've heard from  
purchasers and from Mr. Howlett concerning quality  
issues with the Chinese product? How is it going to  
move upmarket if it's already bad quality for the low-  
end applications that it's being sold?  

MR. LEVIN: Well, I'll let some of the  
industry guys talk to this as well, but I think it is  
very commonplace in this industry, as it is in other  
industries. Everybody wants the best quality product,  
but when you are looking at a competing product that  
is being offered at 30, 35, 40 percent less as a  
purchaser, especially in tough economic times, you may  
be willing to overlook any qualms or any concerns that  
you may have about the quality of the product or other  
issues associated such as where the wood is coming  
from.  

COMMISSIONER ARANOFF: Well, that's true to  
a point. But at a point if the product is not
performing, if the veneer is peeling off before you
can sell it to the customer and get rid of it, or, I
mean, or there are problems that are just obvious --
and I know we had some testimony about how product was
just defective in its end use application and that
customers were complaining about it. And I'm trying
to understand how widespread that is and how you can
account for the widespread acceptance of the Chinese
product if these kinds of problems happen as you push
lower end product into the market?

MR. LEVIN: Well, I don't know if, Brad or
Joe, you want to speak to this. The indications of
quality problems that have been presented in the
testimony is anecdotal from their experience on a day-
to-day basis in the marketplace, this particular sale,
this particular product, et cetera, et cetera. But
overall, I don't think there is anybody on this panel
that will not claim that as a general proposition the
quality of the Chinese imports is comparable to the
same U.S. product.

MR. CLAUSEN: Excuse me. I think if you
talk about ten years ago, the imports that were coming
from China were really a disaster. People were
bringing in plywood. It was high moisture content.
As soon as the bands were broken on a bundle of
plywood, the plywood would start to twist and turn like a potato chip as it dried out.

Chinese plywood got a terrible reputation initially. But over the last ten years, I would say that the product has improved tremendously, to the point today where even though we're talking about in general mostly lower grade plywood, the C and D grades, the actual quality of the plywood, the delaminations, and the workability of the product has just improved significantly, so -- and it's on par with the domestic-made low-grade plywood today, I would say.

COMMISSIONER ARANOFF: No. We did have some testimony earlier about the Chinese mills drying veneers with light bulbs and such. Are we talking about a world-class plywood industry here, or are we talking about amateurs out drying veneers in wheat fields or something?

MR. CLAUSEN: Well, part of the way the Chinese plywood is manufactured and has been manufactured is really a unique process. Air drying veneers is very Third World, okay? And that has been done tremendously in the hundreds of mills that exist in China. Many of these mills are very, very small. And so there is a peeling operation where they
actually are turning logs. You know, I've got photographs where they were actually hand turning a big crank to run the log through the knife as opposed to even being powered by a big Genset. And over time, it has developed and improved, and new equipment has been put into a lot of these mills.

But the air dried veneer took tremendous amounts of labor, one, to dry it. And then secondly, when you actually lay up these high-moisture content veneers, you would have to -- too much moisture in a hot press causes blows. It creates pockets of steam in between the plies of veneer, and they call it a blow. It actually -- the steam expands under the temperature, and it actually blows apart the plywood.

That high moisture, they would lay, and still many today still do -- they lay up three plies of the interplys of veneer, drive off some of that surface moisture as they're pressing. Then they sand it, then they put it back through the glue, and put on two more plies and press it, and drive off more moisture because this is again air-dried material, and it's very difficult to get wood down into the 8 to 10 to 12 percent moisture while it's just out in the air.

So that process continues until ultimately they sand it, and then put a face and back on it.
COMMISSIONER ARANOFF: Now, the Respondents were arguing that when you're dealing with the very, very thin face veneer, that you have to put that on wet. You can't dry it, and you have to handle it by hand because it's so incredibly fine, and we were shown a small piece of it during the opening statement.

When the domestic industry makes products with a very, very thin face veneer -- and I know that some of the samples we saw said they were available down to .25 millimeter face veneer -- are you handling that very thin veneer wet?

MR. THOMPSON: No. It's machine dried. We have dryers that are capable of drying thin veneer, although in our mills, because of the thinness, we have to make adjustments downstream as we handle the veneers, is the only difference. And so no, we don't lay it wet.

COMMISSIONER ARANOFF: Okay. So the same production process that you might use for a thicker veneer you can use with some adjustments to the machinery?

MR. THOMPSON: Yes. And I've been in many Chinese mills, and in many cases they use full-face material as we do. It's not all laid up wet like it
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was indicated initially.

COMMISSIONER ARANOFF: Okay.

MR. ROBERTS: Madame Commissioner, I was the one you were answering the question about. I was there like close to ten years ago. In the last ten years, the product has improved. The reason I still don't buy it, I'm a very proud American and a veteran, and I try to buy an American product wherever I can, and that's just me. And a lot of my customers feel that way.

We actually are seeing specs stating American made. But also one of the biggest differences is today with the FSC, people want no added urea formaldehyde. But my personal -- you know, I may be different from other people, but I still prefer to buy an American product.

COMMISSIONER ARANOFF: Okay. Well, thank you for that answer. If the Chinese producers are sending C and D grade product to the U.S. largely, are they getting A and B grade from their logs in about the same proportion? They have some different species. Are they getting less high grade product? Are they using it in other markets or for other applications? Does anyone know?

MR. HOWLETT: I would answer on the basis --
and given the fact that there's over I want to say
it's 170 some odd million, but in the posthearing
brief we'll lock that number down, of American
hardwood logs that are exported to China for
processing in veneer, I would think that that same red
oak, white oak, maple, cherry, walnut log that's
processed here has to yield about the same grade
distribution irrespective of where it's being
processed.

COMMISSIONER ARANOFF: Okay. And so the
native species that are going into the Chinese
product, those are the core?

MR. HOWLETT: Yes. Unless they're using a
Russian birch or one of the other tropical species as
the face, yes, or domestic. Right.

COMMISSIONER ARANOFF: Okay. All right.
Well, thank you very much. With that, I don't have
any further questions, but, Mr. Malashevich, you have
something to add?

MR. MALASHEVICH: Thank you, Commissioner.
When you asked about underselling earlier I didn't
want to shoot from the hip, but I've gathered some
materials here that are very responsive to your
question, and in general I think we could probably
agree that the average margins of underselling found
in the earlier years of the POI in this case are not
terribly unusual in absolute terms for cases involving
China or certain other countries around the world.

The thing that is unusual in my mind that's
very relevant to your question is the change, the
narrowing of the margins of underselling, after this
case was filed, and the details in that appear on page
38 -- it happens to be the same page I read from
earlier -- with supporting exhibits as appropriate.

And the reason why that's so unusual is
because in my experience, and I suspect in general
Commissioners would agree, when you have margins of
underselling of that magnitude if you look over time
it's hard to discern a particular pattern. They jump
all over the place, and whatever pattern they may be
is only for certain of the products surveyed, but not
all of them.

In this case we have a perfect link in time
between the progress of this case and a very
significant narrowing of the margins for all six
products across the board at the same time. And to
answer your question, it would be reasonable if you're
trying to discern the effect of the dumping from other
factors -- you name it; formaldehyde, quality,
whatever -- looking at that delta can be very
instructive because the delta of course only occurred in response to the preliminary determination at the DOC.

The now final determination is much more severe and in the dumping case now applies to all the Chinese industry. So the delta that could be discerned in the data currently of record of the change in underselling is an understatement of the share that dumping represents as an explanatory variable for the margins of underselling generally. So that's what I submit answers your question.

COMMISSIONER ARANOFF: Thank you very much.

Mr. Chairman, I tried to come in under my time, but I failed. I'm sorry.

CHAIRMAN WILLIAMSON: You're still ahead on average.

COMMISSIONER ARANOFF: Thanks to all the witnesses.

MR. MALASHEVICH: I'll cede you all my time, Commissioner.

CHAIRMAN WILLIAMSON: Okay. Thank you.

MR. LEVIN: With your indulgence, Commissioner and Mr. Chairman, I think Mr. Thompson wanted to add one thought to that.

MR. THOMPSON: Well, Ms. Aranoff, your
question. I had to give it some thought about the grades and what comes off of the log. And Kip indicated that logs coming from the United States and moving to China would produce the same grades. However, that's only true if the processes involved are capable of not doing harm to the log as it's being peeled.

And so our mantra in our Veneer Division in which we peel that very thin veneer is buy the best log you can for the grades you're interested in making and do no harm. I would say that based on my travels in China the veneer that's peeled over there has got some harm to it and would fall into lower -- have the propensity to fall into lower grades. And so I wanted to -- it's a complicated response. Logs have the potential, but you have to process them correctly.

CHAIRMAN WILLIAMSON: Thank you.

Commissioner Pinkert?

COMMISSIONER PINKERT: Thank you, Mr. Chairman. I just have a couple of follow-up questions.

First off, does this panel agree with Respondents that the Commission obtained a high degree of cooperation from subject producers in this case?

MR. LEVIN: No. There's a huge gap between
the number of questionnaire responses and what we think to be the most comprehensive listing of Chinese hardwood plywood exporters to the United States, which is the list of qualifying companies for CARB certification. I think they organized themselves very nicely and very, very quickly, but I think there's a huge gap in the number of companies.

COMMISSIONER PINKERT: Thank you. Now, my next question is one that I would ask Respondents to comment on as well in the posthearing, but you can either address it here or in the posthearing or both.

I understand the arguments about petition effect, and the focus of your panel presentation on petition effect was look at how the market share of the subject imports went down and the financial performance of the domestic industry went up as a result of the petition and the preliminary determination.

But I don't understand why this causal mechanism that you've identified doesn't work the same way during the period from 2010 to 2012. And let me be more explicit about that. During that period you see subject import market share increase. Why don't we observe the trend in financial performance that one would expect based on the causal mechanism that you've
MR. DOUGAN: If I can answer that question in part, Commissioner? And I believe Mr. Malashevich answered or gave me the intro to this answer to some degree, which is it wasn't only the volume and the market share effects of the Chinese imports during the earlier parts of the POI that were causing harm, but their presence and their pricing and the way that they disrupted the pricing structure of all grades for all participants in the market caused harm in ways that may not have been observed in changes in market share, and their withdrawal from the market and the spike in their prices, you really see in reverse what was going on prior to that.

So there was the increase before, but the harm was perhaps observed in other ways and what improvements were not allowed to happen.

COMMISSIONER PINKERT: And just to clarify your testimony on the pricing during the petition and preliminary period, I thought I heard one of the witnesses say that the duty deposits were being absorbed by the importers so that it was not having an effect on the pricing in the U.S. market. Is that true? Is that what you would say?

MR. MALASHEVICH: This is Bruce Malashevich.
It's not what I'd say -- everyone is entitled to his or her opinion -- but it's what the record says. Of course, those not under the APO don't have access to the confidential record, but as I was saying earlier in response to a question from Commissioner Aranoff I have never seen a case where the closeness in time and the lack of other explanatory events can explain the cross-the-board increase -- decrease, excuse me -- in the margin of underselling because even though domestic prices also increased, subject import prices increased faster. There's no other explanation other than the progress of the case.

And I'm not sure if that answers your question, Commissioner, but I think everyone to some extent -- a lot of the witnesses in the room, and I'm not saying this critical at all, but where they stand in the marketplace they're holding different parts of the elephant. The Commission and staff fortunately and the higher guns have access to all the parts of the elephant in the confidential record, and I think staff has done a particularly good job in this case of putting everything together in a fashion that lends itself to analysis.

So once again I call your attention to the
relevant sections of Petitioners' prehearing brief.
Otherwise I'll be happy to do anything else you would
like me to.

COMMISSIONER PINKERT: Well, what I'd like
you to look at for the posthearing is this. You
talked about the pricing during that period after the
petition and the preliminary results came out. You
talked in your original panel testimony about the
withdrawal of market share; that is, that the subject
imports lost market share during that period.

So how am I supposed to weigh those two
things against one another? If they're pulling out of
the market and they're increasing their prices, what's
the factor that's having the most powerful influence
on the market?

MR. MALASHEVICH: Well, I can answer that in
part now if I may, and I think the factor is as the
record shows, and it was touched on in somebody's
testimony this morning to the effect that the
preliminary determination in particular came to
something of a shock to the system.

And it isn't simply a matter of importers
providing for coverage of the duty deposits. It's the
uncertainty it placed into the marketplace as to the
ultimate outcome of this case, and importers simply
refused in some cases to continue doing business in the United States or to substantially reduce their exposure to the United States.

I don't know what's APO or not so I'm going to be very careful, but there's evidence in the record about a lot of importers formerly participating that simply said you know, I'm done until this plays out. so there's a scarcity factor that I think entered into it.

It's not just a simple passing through the costs and the duties. It's the suddenness and the scarcity factor affecting the subject imports that caused supply and demand. The imports were raising prices, cutting back on the supply they were willing to send to the United States. Prices rose.

COMMISSIONER PINKERT: Well, again for the posthearing what I want you to look at is whether the increase in subject import pricing -- not the increase in pricing in the market generally, but the increase in subject import pricing -- was important during that period after the petition and the preliminary results or whether the important factor in the market was really the reduction in supply of the subject imports.

MR. MALASHEVICH: I will do my best, Commissioner.
COMMISSIONER PINKERT: Thank you.

CHAIRMAN WILLIAMSON: Thank you.

Commissioner Johanson? Nothing further? Okay. Does any Commissioner -- yes, Commissioner Broadbent?

COMMISSIONER BROADBENT: Just one. I mean, I think we're all kind of struggling a bit here where we're trying to find injury, and that's usually a price/volume impact on the industry.

And you didn't lose market share during the period of investigation and the unit values remained flat until we reached the point in time that the preliminary came out and I'm just wondering. Is this more like material retardation rather than injury? I mean, you couldn't raise prices as much as you want?

Can anybody respond to me on that?

MR. CLAUSEN: I think during the period we did lose market share, and we lost significant market share because if you look at the increase in the amount of Chinese plywood that was brought into the country during that period it offset and our production was relatively flat. That was the market share that we lost.

You know, the improvement in the last couple of years in the housing industry going from 500,000 to this year somewhere around 950,000 and the remodeling
index improving going over the baseline for the first
time in the last two years, that is the market share.
You know, remember we were in this tremendous great
recession, and we have struggled to maintain all our
market share as the housing went into this deep
depression.

The housing industry felt it probably worse
than any other industry in this country, and that
increase in the Chinese percent of production -- and I
know, Bruce. It was 23 percent in the last two years
I think. But that's all out of our hide I would say.

COMMISSIONER BROADBENT: So there was a
certain amount of that demand that you felt that you
owned that you didn't get when the market went up?

MR. CLAUSEN: Absolutely. Absolutely. If
you look back 10 years ago, I think every hardwood
plywood producer in the United States would say that
they shipped tremendous, tremendous volumes to the
south central part of this country in lower grade
plywoods, and I'm talking Texas, Oklahoma, Arkansas,
Louisiana. Huge, huge volumes of what we'd term in
the C and D grade type veneers.

That market today is almost entirely owned
by the Chinese market. We ship some in there, and I'm
sure Columbia does and States and all the other
manufacturers, but that market is almost totally gone for the domestic manufacturer because of price, and it's the same product. It's exactly the same product.

MR. MALASHEVICH: If I may add, please, Commissioner? Bruce Malashevich speaking. Actually, Mr. Clausen's argument is summarized very well, in the Commission's preliminary determination. At page 19 it says:

"Thus, despite increasing demand over the period of investigation the domestic industry was able to sustain only a low, albeit positive, operating margin and suffered from low capacity utilization. We find for purposes of the preliminary phase of these investigations that there is a reasonable indication that," and here's the relevant part, "the large and increasing volume of low-priced subject imports which took market share from the domestic industry as demand was recovering from the recession had an adverse impact on the domestic industry," and then you go on to discuss the final phase.

COMMISSIONER BROADBENT: Yes. I'm always a little -- we have a pretty low standard on initiating a case because of this American Lamb decision and so forth. So we try to give folks a hearing to make their case to us. So quoting back the prelim doesn't
necessarily help what we're trying to find out as we tease out some of these numbers.

MR. MALASHEVICH: I'm well aware, Commissioners. Just a neat way of summarizing Mr. Clausen's testimony.

COMMISSIONER BROADBENT: Okay. Good. Thank you very much. And I appreciate all the testimony.

Mr. Roberts, I was able to look up your website and what your daughter did there, it was beautiful. Yes. This is this thing I just got from our IT guys, which I'm having fun looking at, but it was neat to be able to go and see it, and I saw your family picture there and stuff.

MR. ROBERTS: Okay.

COMMISSIONER BROADBENT: But that kind of makes it human to us, and we really appreciate all the effort everybody did to do the presentation. Thank you very much.

CHAIRMAN WILLIAMSON: Thank you. Does any other Commissioner have questions?

(No response.)

CHAIRMAN WILLIAMSON: If not, does staff have any questions for this panel?

MR. McCLURE: Jim McClure, Office of Investigations. Staff, as well as I'm sure everyone
else in the room, is hungry. We have no questions.

CHAIRMAN WILLIAMSON: Okay. Do Respondents have any questions for this panel?

MALE VOICE: No.

CHAIRMAN WILLIAMSON: Okay. Okay. Then it's time for a lunch break, and we will resume at 2:00. Let me remind you that this room is not secure, so if you have any propriety or business confidential information please be sure to take it. And we'll see you again at 2:00. Thank you.

MR. LEVIN: Mr. Chairman, Commissioners, thank you very much.

CHAIRMAN WILLIAMSON: You're welcome.

(Whereupon, at 1:03 p.m., the hearing in the above-entitled matter was recessed, to reconvene at 2:00 p.m. this same day, Thursday, September 19, 2013.)
AFTERNOON SESSION

(2:03 p.m.)

CHAIRMAN WILLIAMSON: Good afternoon. Okay, Mr. Grimson. You may begin when you're ready.

MR. GRIMSON: Thank you, Mr. Chairman. As a preliminary matter, I would ask that the Commission accept into the record an affidavit in lieu of testimony of a fourth cabinet producer who was unable to be here. Thank you very much.

And it's Jeffrey Grimson from Mowry & Grimson here on behalf of the American Alliance for Hardwood Plywood joined by numerous members of the kitchen cabinet industry. We're going to get to our industry witnesses as soon as possible, but we first want to start with economic testimony.

And because we think that you need a major reset here on the picture that you were painted of the condition of the domestic industry this morning we're going to show you a slide that summarizes the domestic industry condition. And it's normally the ones you see Petitioners show you, but they didn't show you that because all the numbers are going up. So take it away, Tom.

MR. ROGERS: Good afternoon. I'm Tom Rogers. I'm going to highlight a few issues on
injury, causation and the data that should be
considered by the Commission. I'll refer to the
slides to illustrate the main points in my testimony.

The first slide summarizes the key industry
indicia from the prehearing report. As you can see
from these numbers, this is not an injured industry.
The upward trends in every factor are obvious,
including from 2010 to 2012. This industry-wide
improvement coincided with strong increases in demand
as the economy and the market for wood products,
including hardwood plywood, surged.

As summarized in the prehearing report, the
main drivers for hardwood plywood demand -- housing
starts, remodeling activity, kitchen cabinet sales and
RV shipments -- these all increased substantially,
particularly in 2012 and then again in 2013. The
domestic producers benefitted from this rising tide.
We can see that in these numbers. Thus, before even
getting to the question of causation we see that the
domestic injury is not materially injured.

My next point concerns the appropriate data
set to quantify the subject imports. We talked a
little bit about this this morning in the questions, I
think. The HTS categories used in the prehearing
report are not specific to subject plywood. This is
indisputable. As shown in the second slide, 75 of the 82 HTS categories used by the Commission to calculate total imports overlap with categories identified in the 2011 Multilayered Wood Flooring case.

The next slide shows this overlap in terms of the total volume of imports from China. The very small red bars that you can make out at the top of each stack show the quantity imported under the hardwood plywood categories, those seven HTS codes. The massive blue bars show that nearly all imports are captured in the basket categories that could include plywood, nonsubject flooring or perhaps other nonsubject products.

In the Wood Flooring case, the Commission recognized that the HTS data are unreliable precisely because of this overlap. It would be inconsistent and inappropriate to reverse course and rely on these same basket categories to calculate plywood imports in this case. This is particularly true when the Commission has received a strong response rate with usable questionnaires provided by numerous importers. Purchasers' questionnaires -- we didn't hear much about those this morning, but purchasers' questionnaires corroborate the high coverage. Nearly every importer listed as a significant supplier also
submitted an importer questionnaire. Using official statistics to calculate market shares results is an unbalanced comparison that does not accurately reflect actual shipments of imported plywood into the market. A fair analysis of import trends requires comparing U.S. producer shipments with importer shipments. Contrary to the Census data, Table C-II in the prehearing report shows that shipments from all sources increased in 2013 as would be expected in a rising market.

In the next slide, we see that U.S. and subject import shipments increased moderately, and those are the first two bars on the graph. The third bar shows nonsubject imports, and they grew even faster, increasing by 113 million square feet. That's almost a 20 percent increase.

The next chart in Slide 5 combines shipment volumes and market shares. U.S. producers maintain their share throughout the period. These are the same import volumes that we saw in the previous chart. So U.S. producers maintain their share throughout the period while competition occurred between subject and nonsubject imports if they swap market share back and forth. So a negative photo image I think we heard somebody describe it as this morning.
With respect to pricing, yes, prices did increase in 2013. This is not, however, due to any so-called petition effect, but to rising demand and a general increase in prices for hardwood plywood and other wood products. For example, in the next slide this graph shows that prices of hardwood lumber exhibited a comparable trend line to hardwood plywood prices.

The price increases from 2012 to 2013 are not due to the petition, but are linked to the strong trends in key sectors driving demand. And we've talked. This came up again in some of the questions this morning about all these sectors -- housing starts, remodeling activity. Everything has been going up, and it's been going up for a while.

Now, my final point concerns the attenuated competition between subject imports and domestic products. The record is replete with comments from purchasers on the limited competition between imported and domestic plywood. Put simply, the products are physically different in terms of core, panel thickness and thickness of the face veneer. Purchasers buy plywood based on these product characteristics.

Now, a face veneer thickness isn't everything. It is an incredibly important
distinguishing characteristic of U.S. and imported plywood. It is possible in certain cases to use plywood of different face veneer thicknesses. As the industry witnesses will tell you, however, in the real world this simply isn't done in a substantial way.

Slide 8 demonstrates the sharp divergence in the face veneer thickness of imported and domestic plywood. Now, Petitioners kept saying this morning that they can produce this thin face veneer. That's a great sound bite, but the Commission has a lot of data in front of it, and when you look at the data on the record it shows this very divergent picture.

As illustrated in this chart, there's virtually zero overlap in the two main size ranges. Almost all U.S. products are thicker than 0.6 millimeter and nearly all subject imports are less than 0.4 millimeter. This clear separation is why importers and purchasers will tell you that there is limited or no competitive overlap, and I think you'll hear that from the witnesses too.

Finally, the proposed elasticity of substitution range of two to four in the staff report indicates that staff recognized that competition between domestic and subject hardwood plywood is limited. Even the higher number confirms that this is
not the interchangeable product that Petitioners are trying to present. Chinese and domestic plywood are different products, and subject imports are not injuring the domestic industry. Thank you.

MR. GRIMSON: Thank you very much, Tom. Our next witness is Shawn Dougherty from Northwest Hardwood.

MR. DOUGHERTY: Good afternoon. Thank you for the opportunity to speak here again at the Commission. My name is Shawn Dougherty. I'm a board member of the AAHP, and I am the Director of Asia for Northwest Hardwoods.

Northwest Hardwoods is one of the largest producers of hardwood lumber in the United States with 18 manufacturing facilities and annual production of approximately 400 million board feet. We employ 1,300 Americans in our sawmills, remanufacturing, related sales and support facilities. Our industry produces about seven billion board feet annually. We are one of the largest hardwood lumber exporters in the U.S., and China is our largest of nearly 40 overseas markets.

We also import hardwood plywood from China and other countries to provide a diverse product offering of panels to meet our customers' changing
needs in the U.S. Just like the Petitioners, our
customers include manufacturers of cabinetry,
furniture, flooring, RV and millwork, which often we
refer to as the industrial segment.

With the perspective of a lumber producer
selling to both U.S. and Chinese customers, I want to
focus this afternoon on the raw materials and products
that are available in both markets. In our business
we call this the wood basket. The species of trees
selected, grade of logs utilized, manufacturing
capabilities and the mills' proximity to the resource
all have significant impact on both the products that
can be manufactured and the mills' capacity to
produce.

All manufacturers try to make the most
efficient use of available nearby raw materials. The
raw material for a panel is approximately 70 to 80
percent of the panel's cost, total cost. The raw
material wood basket in China is ideal because much of
the hardwood plywood industry is located very close to
tree plantations in the eastern, southern and
southeastern provinces. These provinces are near to
the coast, which means near to ports.

The primary species used in China for
plywood cores are unique species of fast growth poplar
and eucalyptus. Both are harvested from plantations and farms. In the case of poplar, from seedling to harvest the cycle is only seven to 10 years, and as short as five years for eucalyptus. The logs are relatively small. For example, Chinese poplar is typically 20 to 25 centimeters in diameter, and eucalyptus is around 15 centimeters.

In contrast, in the U.S. the predominant species used by the domestic hardwood plywood producers for their core stock are softwoods such as Douglas fir, which has a 40 to 60 year growth cycle and the average diameter is 50 centimeters. Why does this matter?

The difference in growth, the time from seedling to harvest, plus the distance in which the raw material must travel to reach the mills explains why China's wood basket is so efficient.

You see in front of you samples of typical Chinese birch and poplar logs and U.S. domestic red oak log that was cut at one of our mills here on the east coast.

The diameter of Chinese birch is 25 centimeters on average. The diameter of red oak can be 90 centimeters and above. This one here is only 53 centimeters.
So even the dramatic difference you see here is understated.

Keep these logs in mind as I turn now to the peeling of the face veneer. It is the quality of the face veneer that determines what grade the panel will receive, with the highest grading AA and so on down to E and below.

At the preliminary conference Mr. Kip Howlett of the HPVA said, "God didn't create a AA tree. He created a tree that will have maybe five percent or less AA, 10 percent A, B, C; and then there are Ds, Es, 1s, 2s and 3s. And you've got to find someplace to utilize the entire log."

I'm not sure at all what species he was referring to, but I do know that the handbook his own organization publishes states that 58 percent of the log is recovered into AA through C grade product.

Also his statement overlooks the fact that there are different species of trees as you can see right in front of you. The petitioners are in a unique position as they start with a beautiful and carefully selected log that has taken a half century to grow and is large in diameter. They want to maximize the output of the higher grade veneer that shows off the natural beauty of the resource which
adds value to their decorative panels. Before they even see the log, the logs are sorted and only the best are designated as veneer logs. So right from the beginning a selection process occurs that increases the chances of higher grade recovery when the logs are peeled or sliced.

For their face veneers, the domestic manufacturers predominantly slice or peel red oak, white oak, cherry and hard maple. These are very side diameter veneer quality logs that will yield a very large diameter of A through C high grade face veneers and are ideally suited to serve the architectural and decorative applications.

In China by contrast, the log predominantly used by the Chinese plywood producers for face veneer is Chinese birch which is a much smaller diameter log that naturally generates much lower grades. Because the logs themselves are small, it is only logical for the Chinese to peel very thin veneers. Otherwise, if the logs were peeled as thickly as the U.S. industry which peels down to only about 0.6 millimeters, the Chinese would get only a few rotations before the log would be gone. In China the average veneer face for birch, for example, is 0.22 millimeters and 0.28 millimeters.
This means that the Chinese get about two to three times the square footage of veneer out of the same log as the U.S. producers can, which are significantly higher yields.

Put another way, it means that American buyers of domestic plywood are getting almost three times more face veneer than if they buy a Chinese plywood product.

I have here some samples of domestic and Chinese face veneers. There are two sets -- red oak and birch. And you can clearly see for yourself the difference in the thickness. It's tangible and transparent.

If you lay the thin peeled birch over the card attached to it, you will see, you can read right through it. Not so with the thick face. The difference is real and it has an impact on how the panel is produced and the ultimate end use of this product.

Because they are peeling so thin from small diameter logs, the Chinese do not produce high grade products. The resource does not lend itself to this. Their output of face grade veneer is much more concentrated on D, E and below.

Domestic producers maximize their yield of
higher grade face veneer by clipping and splicing
veneers to remove imperfections using a Kuper splicer
which is like a large sewing machine. It would be
rare in China, on the other hand, to get an A grade
veneer.

Why don't the Petitioners just peel their
large diameter logs very thin. They peel thicker to
emphasize the beauty of the wood which is their
natural niche. This means a thick-faced veneer that
can be sanded and finished to show off the wood's
natural characteristics.

I hope you see that there are fundamental
differences between the starting raw materials in
China versus the U.S. These differences flow through
production processes that are tailored to maximize the
value in the finished products.

The product differences dictate how the
Chinese and domestic products are sold for different
end uses as we will discuss today.

Thank you.

MR. GRIMSON: Thank you, Shawn.

Our next witness will be Greg Simon from Far
East American.

MR. SIMON: Good afternoon.

My name is Greg Simon. I'm the co-chairman
of the American Alliance for Hardwood Plywood and Executive Vice President of Far East American, Incorporated.

We are an importer of the subject merchandise from China and other countries. We also have joint venture ownership interests in two Chinese mills producing hardwood plywood.

I have been at Far East American for the past 22 years and have experience with all aspects of the import plywood business including logistics, procurement, sales and management. Today I proudly serve as a board member for the North American Building Material Distributors Association as well as the International Wood Products Association.

Our company specializes in the distribution of imported plywood and wood products from China as well as Russia, Indonesia, Malaysia and South America. We supply manufacturers and distributors.

My testimony today will focus on difference in the production process and how that affects the end product.

Based on my time in China, a third country, and domestic mills, I'm thoroughly familiar with the differences in the production process for making plywood in China versus the United States.
There are critical differences in the manufacturing process which flow through to almost every way in which the Chinese and domestic products are sold and used.

We have a PowerPoint presentation that I will refer to in this discussion.

In general the Chinese use a labor-intensive two-step layup process to produce plywood whereas the domestic producers primarily employ a much more highly automated one-step layout process.

To make the core the Chinese first assemble each of the different layers by hand. They mainly repair and tape together small veneer pieces into full sheets creating interplys. By manually taping the veneer the Chinese are able to use much lower quality veneer pieces in their process.

The process in China is much like putting a jigsaw puzzle together. They apply glue and press the multiple layers together into a platform made entirely of thinly peeled core veneers.

On the domestic side the industry predominantly uses core composing machines to create uniformed seamless interplys that are stitched and spliced together to decrease core defects.

The Chinese typically air dry their core
veneers and further dry them, if necessary, by using the cost-effective hot press instead of dryers. By contrast, U.S. manufacturers use a kiln to dry the core veneers to a low moisture content which the Petitioners say accounts for 70 percent of the thermal energy consumed in plywood production and 60 percent of the mill's total energy requirement.

The U.S. and Chinese production process diverges even more from this point forward. As I mentioned, the Chinese press the core veneers together into a platform. Chinese producers run these platforms through a calibration sander where it is sanded smooth and tight, prior to adding the thin face and back veneers.

This process corrects any thickness variation in the core caused from efficiently utilizing lower quality core components or defects resulting from manually assembling the cores by hand. As the Chinese production process continues, after the platforms are run through the calibrator, a light colored base coat or paint primer is applied to both outer layers of the platform to mask imperfections on the surface of the core.

The domestic industry rarely takes this intermediary step of calibrating the core.
We next take the second and final steps of the two-step layout. Here's the big difference with the U.S. manufacturers. The paper thin veneer cannot be laid up in an automated dry assembly process, nor can it be joined together with splicing machines as is done in the United States. So the Chinese handle the face veneers in what is known as the wet lay up process. They apply a glue line to both sides of the calibrated primed platform and adhere the thin, wet face and back veneers to the outer surfaces of it by hand.

Then the plywood panel is once again sent to a high pressure cold press and a quick cycle hot press to complete the glue curing process.

In the U.S. they predominantly use a one-step process where there is no calibration or special preparation of the core layers of veneer. The domestic industry relies on the fact that they have uniform machine joint interplys and exceptionally thick face and back veneers to hide core imperfections that may transfer through the face.

Typical U.S. face veneer runs 0.6 to 0.8 millimeters in thickness. Put another way, this is three to four times thicker when compared to Chinese veneers.
Domestic hardwood plywood manufacturers do not peel or slice veneer as thin as they do in China because it would deprive them of their main value-added product attribute, the ability for end users to sand and stain the product for decorative applications.

But this begs the question. Why would anybody want to buy beautiful thick-faced veneer plywood to cover it up with a laminate, paint or flooring?

This gets me to my next topic, differences in the Chinese versus domestic product.

We have here samples of domestic three-quarter inch and Chinese 18 millimeter plywood so you can do a side by side comparison yourself.

The first thing you'll notice is that the domestic product is thicker than the Chinese. If you put the two panels flush and run your finger from the domestic product to the Chinese product you will feel a drop off from the thicker domestic panel to the thinner Chinese panel.

Even at the nominal thickness you were comparing an 18 millimeter Chinese product with a 19.05 millimeter domestic product.

Second, if you look at the edges of the
panel you will see differences in the core. Most domestic product has a soft wood core while the Chinese is hardwood. You can see that the Chinese product uses a large number of thinner layers of veneer. The domestic core veneer layers are much thicker and there are fewer of them. For applications such as paper overlay laminating, the Chinese product is superior to the domestic product because it is a very tightly calibrated thickness.

Third, there is also a dramatic difference in the face veneer itself. Chinese face veneer is so paper thin that it does not perform well when sanded or stained, which makes it unsuitable for decorative applications.

These extreme differences in face veneer thickness are critical to understanding that domestically produced plywood and Chinese import plywood are two fundamentally different non-competing products.

Fourth, the domestics dominate the market of higher grade veneers and the Chinese are focused more in the lower grade veneers. The fact is the domestic industry has grown by making visually beautiful, thick-faced product that can be sanded and finished in custom and decorative applications.
Turning now to end uses of plywood.

You will hear today from the kitchen cabinet industry and how they need both domestic and Chinese product. Beyond cabinets, the functionality of the Chinese product is also used in manufactured housing and recreational vehicles where the plywood surface is covered up. Underlayment is another major market segment for the Chinese imports. By underlayment we mean hardwood plywood that is installed underneath flooring.

This is truly a market segment that the domestics do not serve and never have in my many years in the industry.

Chinese underlayment is a very thin panel, 4.6 millimeter total thickness with very thin non-decorative face veneers. In the preliminary hearing one of the Petitioners said that he can compete in this market, but he was clearly referring to structural plywood which is not part of this investigation.

The underlayment market is one where the Chinese replace the Indonesian and Malaysian producers of similar thin panels that formerly dominated the U.S. market. You will hear more testimony this afternoon as to the impact that duties can have in the
Based on my 20-plus years in the industry, I can tell you that the domestic industry is not going to increase its sales if the Chinese product is barred from the market. Rather, end users will be forced to replace the Chinese plywood with other third country imports.

You don't have to take my word for the fact that the Chinese and domestic products are fundamentally different and serve different market segments. You can listen to what the Petitioners themselves have said.

As a leading importer, Columbia Forest Products previously stated that they offer their customers a mix match of domestic and imported panels to complement the domestic product line and that the uses for Chinese plywood imports is for utility panels, shelving, frame stock, laminating, backs and bottoms. We simply couldn't agree more.

Timber Products also stated that there are two market segments stating, quote, "We learned long ago that Chinese hardwood plywood filled some customers' needs at a different level than we produce domestically."

These statements by the Petitioners confirm
that Chinese plywood is serving a segment of the U.S. market that the domestic manufacturers cannot.

Finally, Far East American sells to many distributors in the United States who also buy from the Petitioners. Most of those that I spoke to about this completely agree with what we were saying about the differences in the product. However, when we asked them to testify to that effect here today most apologetically claimed that they could not because the legitimately feared retribution by members of the domestic plywood industry.

Many distributors are required to participate in special programs with the Petitioners that prohibit the distributor from offering products from other domestic producers in designated regions. But they're completely free to buy Chinese hardwood plywood imported from my company or from one of my competitors and sell it right alongside the Petitioner's product. The reason is obvious. The Petitioners know that they are competing with other domestic producers, in effect with each other, and that the Chinese product is in a different world.

MR. GRIMSON: Thank you very much, Greg.

Our next witness will be Mr. Bill Weaver.

MR. WEAVER: Good afternoon and thank you.
My name is Bill Weaver. I'm the CEO of Canyon Creek Cabinet Company located in Monroe, Washington. I've been in the cabinet industry for 40 years, the last 19 as CEO and President at Canyon Creek. I've also served for the last 13 years on the board of directors of the Kitchen Cabinet Manufacturers Association known as the KCMA, and I've fulfilled several executive positions in the KCMA including serving as President for two years.

As I listened to the testimony this morning I felt that I was living in a parallel universe, that I had lived during those same years but my interpretation of some of those outcomes, as you will find out, are different than what you have heard this morning.

The cabinet industry is approximately $8.6 billion a year. We're hardly a niche industry. Our industry uses both domestic and imported plywood for cabinet construction.

My competitors and I are here today to directly and unequivocally refute the claim that the Petitioners have made that the need for thin-faced veneer plywood is a red herring.

Canyon Creek manufactures custom frameless
and framed cabinetry for kitchens, baths and other
rooms in the house. Like the rest of the country, we
have had some hard times. These following statistics
will show you part of that.

In 2007 we had 700 employees and factory
utilization was 100 percent of our capacity.

In 2012 we averaged 208 employees and
utilization was 35 percent.

From 2008 until 2012 we were unable to raise
our prices in spite of increased cost.

These numbers are very similar to what you
heard this morning from the Petitioners. They went
through the same thing that we did. We don't blame
this on Chinese imports in our industry. We blame it
on an economy that tanked, a home-building industry
that declined dramatically, and it wasn't due to
imports.

It's amazing, though, how our statistics
mirror theirs.

The improving economy has allowed us to
increase our work force 24 percent this year and our
increased utilization is up to about 50 percent --
just like the Petitioners stated. I know a lot of
other cabinet companies having served in the KCMA
board and their statistics will mirror ours.
I'm troubled by the actions that have been taken by the hardwood plywood manufacturers to restrict imported plywood. Many of the executives of the petitioning companies are personal friends of mine and are men I have known, trusted and done business with for many years. But their actions have greatly damaged my business and the entire cabinet industry in the United States.

Our material costs have increased; our supply chains are disrupted; we have delayed new product introductions due to uncertainty in the supply chain; and the ability to plan for the future is in turmoil.

It allows Canadian and Chinese cabinet imports an immediate price advantage.

This petition will chase jobs out of the U.S.. I have never seen a single issue impact our industry as this is, and it could mark the beginning of the end of the almost 100,000 jobs in the cabinet industry.

The U.S. cabinet industry is the largest woodworking industry left in the U.S. and the largest consumer of domestic wood plywood and it may well disappear.

While each of us here have different
strategies to cope with the results of this petition if it is upheld, if these duties stay in place I can tell you with great certainty that we at Canyon Creek may not be able to fully manufacture our cabinets here in the United States. We've already begun exploring moving some of our manufacturing capabilities to Canada and are exploring the use of alternative materials. I guarantee you that none of these alternative materials will come from the U.S. plywood manufacturers, and let me explain why in a minute.

There have been many claims made about how Chinese imports have hurt the U.S. plywood business and many of them are misleading. I'd like to explain what we use Chinese plywood for and give you my perspective from 40 years in the industry.

Let me briefly address the history of the use of plywood for cabinet interiors.

In the 1970s when I first started in the cabinet industry there were two primary species of plywood for interiors. Fir, softwood plywood from the U.S., and luan from primarily the Philippines. In the late 1970s to '80s, fir fell out of favor because of its finish properties, boat patches, and how the grain telegraphed through overlays.

Luan continued until the supply diminished
and was replaced by various other imported species. Because of the wide color difference in imported ply and the desire to use multiple species, most cabinet manufacturers began to overlay imported board with either paper or vinyl overlays with either white or wood grain patterns.

At Canyon Creek we went through these same cycles.

In 2007 we experienced customer demand for what we call a real wood interior. They wanted it to be wood. At that time we changed to Chinese thin-faced plywood. Our plywood cabinet interior sales quickly grew from five percent of the cabinet boxes we produced to 35 percent -- a 700 percent increase.

No domestic plywood whatsoever was displaced by this change. Particle board was displaced and other imported plywood.

In the last six months we've heard a lot about how things have increased greatly and the import disruption. We experienced that primarily because of the turmoil that has happened in the marketplace which disrupted our supply chain.

Measured in square footage, about 60 percent of the plywood sheet stock we use is domestic and 40 percent Chinese. We use both American and Chinese
plywood because we need to. They're two different products with distinct physical properties and different uses. We use Chinese plywood exclusively for our plywood cabinet interiors and some drawer parts. We use domestic for all exterior surfaces, primarily being doors, finished ends, finished backs, and cabinet interiors that need to match the exterior. I brought some samples with me today to illustrate the physical differences in the manufacturing of cabinets, and that tall cabinet there came from our plant.

What customers typically want is for the cabinets to be functional and beautiful. To simplify my message, we can say that the Chinese plywood is functional and domestic plywood is beautiful. You can see the beauty in our doors. Our doors and other exterior parts once again are made 100 percent from domestic thick-faced veneer hardwood plywood and probably always will be.

We use U.S. manufactured thick-faced veneer for our door and drawer fronts, end panels and any application that requires an exposed surface for several reasons.

First, it is a superior product to Chinese plywood in the quality of the veneers and in the
Second, because the finishing process includes sanding, staining and further work. This creates the fine finished look consumers demand. The Chinese thin-faced veneer is not suitable for this type of finished process. The American thick-faced veneer plywood is an excellent product as I cannot get this quality and performance from Chinese plywood. By contrast, the interior of the cabinet is made with Chinese thin-faced birch plywood. The thin-faced veneer in plantation poplar core construction make this product ideal for applying a UV clear-coat, vinyl overlays, and other laminating processes. For this component I need strength and a smooth surface.

Now I'm not quite sure I understand what the implication in this proceeding that was touched on this morning on softwood plywood. I'll leave that to the lawyers and to you. What I am sure of, though, is not all softwood plywood is structural as we heard this morning, slightly different. Certified is APA grade, PS1-09. What's called the industrial segment of the softwood plywood industry is softwood plywood that's used in cabinets, furniture, RV's and truck
beds. This is not certified as construction grade PS1-09 because it doesn't have to be. There's not going to be a building inspector coming through our factory to check for the stamp. It's going to be used for the non-construction applications I just mentioned.

From what I've heard in previous testimony, the Petitioners are hoping that having the duties on Chinese plywood will give them some relief and allow them to increase their sales, but they simply cannot make this product and cannot sell it.

After this petition was filed, I immediately scheduled meetings with Timber Products, Murphy Plywood and States, all vendors we use, to discuss the ramifications of their actions.

I looked each one of them in the eye and asked them what they could do to mitigate this. Each tried to reassure us that they could meet our needs and we tasked each to come back to us with a domestic solution. To date, none of them have been able to provide anything remotely usable for this application and no domestic manufacturer has ever presented a thin-faced domestically made product to us.

It came as a complete surprise to me this morning to hear that they claim that they can produce
this. We have no experience with that whatsoever in our supply chain.

We do not see nor believe there's a domestic solution suitable to the application we use imported plywood for. As I said earlier, if Chinese plywood is not available to us at a reasonable cost, we will find another solution and it will not include domestic plywood companies. I cannot state that strong enough.

We will do what it takes to compete. We are not asking for special considerations other than to have the advantage of a global economy and not be damaged by protectionist moves the U.S. Hardwood Plywood Manufacturers are asking for.

Thank you for your time. I look forward to answering any questions you may have.

MR. GRIMSON: Thank you, Bill. Our next witness is Peter Bendix.

MR. BENDIX: Good afternoon. My name is Peter Bendix and I'm the Vice President of Operations at StarMark Cabinetry, a division of Norcraft Companies. Collectively Norcraft Companies employs over 2,000 American workers and is the fourth largest cabinet manufacturer in the United States. We manufacture six different brands of cabinetry which are sold primarily through kitchen and bath dealers.
across the entire U.S.. StarMark Cabinetry manufactures two of those brands in South Dakota.

I've been working in the kitchen cabinet industry for more than 30 years and over that time I have managed manufacturing operations at five different factories in various states across the U.S..

Today I would like to speak specifically about our product and the materials used in the manufacturing of our products at StarMark Cabinetry.

We have extremely exacting demands for the performance of our raw materials, specifically where and how they are used in our products. Our fancy panels are produced by domestic mills and our interior panels are generally import products.

Over the course of several years we have worked with both domestic and import suppliers to continually improve the grade and quality of the plywood products that we use in our cabinetry. In fact many of our products we have gone beyond what would be considered the standard grade of plywood as defined by the HPVA.

Those specifications include the thickness of the panel, the size of the panel, the materials used in the panel, the quality and construction of the cores, the calibration of the cores, and of course the
thickness and general pleasing esthetics of the
t veneers that our customers expect.

Every plywood panel that we purchase is from
a mill that is able to produce to these
specifications. We have found that different mills
have different capabilities and strength. We work to
align ourselves to capitalize on each of these
suppliers' strengths.

As an ongoing process we continually test
various plywood products from many manufactures,
always working to improve the quality and performance
of the raw materials that we use. In the end we
always choose the best product for the purpose, not
the least expensive. This is true for both domestic
and import products and is not a price play for our
company. Rather our motivation is focused on the
performance of the plywood panel and ultimately the
quality of our end product.

The mills we have selected and work with
domestically each have individual strengths that have
allowed them to be our preferred partner for the
specific products that we purchase from them. We are
not able to source Chinese plywood to substitute for
these domestic plywood uses, nor are we able to source
domestic plywood to replace our Chinese plywood. They
are clearly and simply different products.

I would also like to point out that competition does exist between these domestic mills. Domestic suppliers bring in various materials for us to test with hopes of gaining market share over other domestic suppliers. In my opinion this is healthy and necessary competition. Such competition is necessary for any segment of our economy to function effectively and it works to help keep everyone in check without cornering a market.

The same is certainly true for the kitchen cabinet industry where my company daily competes with several hundred other cabinet manufacturers.

I would now like to turn your attention to some samples that I have brought here for your review. I believe the miniature cabinet samples will clearly highlight the difference of plywood panels that we use in our cabinetry.

Here I would like to point out several differences.

The first cabinet you are looking at with the finished ends, that is domestic panels using our product which we can fancy veneers. You will see they have an MDF cross-band under the thick base veneer. The MDF cross-band is necessary from a quality
standpoint to provide us with a smooth, consistent surface when applying those fancy veneers. This is a premium product that we are purchasing from our domestic partners for this specific use. We cannot obtain the same level of quality from a Chinese product.

The next sample you are looking at is an example of a cabinet using Chinese plywood, how it is used and how it is different.

Our Chinese panel has a birch face and back veneer and a hardwood poplar core. We use the Chinese product for the stability the extra plies provide in the panel.

Furthermore, the holding strength of the fasteners, primarily the screws and staples used in assembling our cabinet, is superior in the hardwood core of the Chinese panel as compared to the softwood core of a domestic panel.

Lastly, the birch veneer on the Chinese panel laminates very nicely for the interior of our cabinet, where our testing to date of domestic panels has resulted in unsuccessful performance. We use the Chinese panel because it is the best product available to us for this specific purpose.

I'd like to point out we also use an
Indonesian panel on the back of the cabinet because it is the only panel to date we have found with a veneer core, a solid veneer core versus MDF.

That product is not available either domestically or from Chinese mills. Testing of other product has either produced unacceptable results or they have not been available in a veneer core in a thin panel.

Again the point is we use different panels for different specific uses.

Another sample being passed around comes not from my company but from MidAmerica Cabinets. This set of panels demonstrates the superior performance of a Chinese panel over the domestic panel in the laminating process. You can clearly see the air bubbles and imperfections of the laminated domestic panel. Although this is not my specific product, we have seen similar results when testing domestic plywood for this use. We have also experienced problems with inconsistent cores and telegraphing.

Before leaving this topic I would like to reiterate, we routinely test many different plywood products from many different plywood manufacturers. Every one of these suppliers has the opportunity to win our business. They seldom win our business due to
pricing. It is typically due to their ability to produce a product that meets our requirements and our standards.

Another point that I feel is relevant in this review is our concern of the ability of our domestic suppliers to keep up with our growing business, let alone the overall growth in the economy. Since January of this year we have repeatedly had our domestic suppliers either drastically extend their delivery times or even go off the market. I can provide you specific disruptions to our domestic order log since January of this year.

Lastly, today I wish to point out the pricing adjustments that our domestic suppliers have passed along to us. I cannot help but think that this is proof enough that little competition exists between domestic suppliers and the Chinese product because they are different products and the price increases had nothing to do with the duties of the Chinese product. Again, I can provide specific details, but in general the price adjustments were cited to cover increasing veneer costs, increase in glue costs and MDF pricing, and increases in energy costs.

I want to thank you for this opportunity to present to you what I feel are distinct differences
between the domestic and Chinese plywood products. I welcome any questions you may have for me at the conclusion of the panel.

MR. GRIMSON: Thank you, Peter.

Our next witness will be Carl Spencer.

MR. SPENCER: My name is Carl Spencer. Forty years ago this past April I got a job running a panel saw for Armstrong Cabinets in Ottawa, Kansas. While I was there I mastered every cabinet-making task on the shop floor and every business task in the office.

Since that time I've been recruited several times throughout the industry, managing plants for tiny Draper DBS, middle-sized Omega Cabinets, and MASCO, the very largest cabinet manufacturer at that time.

Eight years ago last week my wife and I took our shot at the great American dream and started Spencer Cabinetry from our life savings with just the two of us as its only employees.

Despite the recession we grew and steadily created jobs. We're very proud of our company and our 15 employees. Over the last eight years we've maintained one of the fastest growth rates in North America, currently approaching $2 million in sales.
The kitchen cabinet industry overall is currently almost a $9 billion industry which has a very low barrier of entry and is therefore highly fragmented. Roughly one-third of the U.S. cabinet market is controlled by just seven companies including Norcraft. But 60 percent of the industry is made up of approximately 9,000 companies like mine, all under $15 million a year. We are in fact the backbone of our industry, both in terms of aggregate revenues and aggregate jobs.

Small cabinet companies like mine struggle for existence every day. We can't afford attorneys to plead our case, let alone lobbyists. While we're awake we're either selling cabinets or are making them with our own hands, putting bread on the table of ourselves and our employees, the old fashioned way. This daily imperative is why this room is not overflowing with many more of my 60 percent of the industry whose predicament I must now represent.

Let me explain. Virtually all of us use both domestic and Chinese plywood just like the big boys and generally in the same way. For as long as I've been in the industry domestic hardwood plywood has been conventionally used as the primary wood. The veneers not only look better, there's less unsightly
telegraphing of the underlying veneers and virtually
no voids or depressions.

In addition, the face veneers are
substantially thicker, permitting appropriate sanding
for the best finished surface on the completed
cabinet. It's this great appearance on the outside
that attracts customers.

Imported plywood has always been relegated
for use as a secondary wood. This is not a recent
phenomenon. It was true 40 years ago when I started
on that panel saw and it remains true today.

Imports look adequate for structural
interior parts where imperfections are not critical
and that's about it. This prudent economy is what
makes cabinets saleable to the general public.

No one in the cabinet industry would confuse
these two types of materials just because they both
come in 4x8 sheets and have a hardwood veneer face.
Even the HPVA has noted these distinct quality
differences between domestic and imported plywood in
their arguments.

The key is fitness of use. You see, Chinese
hardwood plywood was never a substitute for domestic
hardwood plywood. Chinese plywood as a secondary wood
is a substitute for particle board or thin panels from
other import sources. Pretending domestic plywood will now be purchased in place of Chinese plywood for secondary wood applications simply defies logic. The capacity limits of domestic plywood companies will create shortages and drive the domestic prices up. Whose orders get filled first when there are shortages? Not the small guys like me.

AS the duty for Chinese plywood drives up all hardwood plywood prices, most of my small business peers will be forced to go to particle board interiors, wiping out our unique market differentiation and forcing us to compete head-on with the very biggest stock cabinet manufacturers who primarily use particle board and their overwhelming economies of scale.

Domestic plywood manufacturers will not get the additional business they hope for. The American consumer will only be offered a choice between cabinets with lower quality and less water-resistant material or cabinets too expensive to buy.

The cabinet industry as a whole will be driven towards consolidation, wiping out a high percentage of small cabinet shops like mine.

Remember us? We're 60 percent of the U.S. cabinet production. We're 60 percent of the U.S.
cabinet jobs. And we're more than 60 percent of the
innovation and job creation.

More cabinet jobs are at risk of
disappearing than plywood jobs that could possibly be
created.

Please, please remember us when you're
making your decision. After all, it's the domestic
cabinet and furniture companies that buy all that
hardwood plywood, especially the smaller cabinet
manufacturers. If we're priced out of business, who's
going to buy all that American made hardwood plywood
even for primary wood?

It gets worse. The new duties won't punish
the Chinese plywood factories one iota. They'll
merely shift their output away from the American
cabinet companies towards rapidly expanding cabinet
companies in China, Canada, and Mexico among others.
From our point or view, our own government's actions
amount to a de facto stimulus not for Americans, but
instead for Chinese, Canadian and Mexican cabinet
manufacturer, all of whom can still buy plywood from
China at the true world price.

In the end it's the American cabinet
companies that will be punished, especially the small
ones. And American jobs that will be lost. From
where I stand in Washington State, the economy's starting to come back. More houses are being built and our sales are already up by more than 40 percent over last year. We've hired more people and we're currently continuing to hire. As our sales volume increases we're buying significantly more of both domestic and Chinese hardwood plywood already.

Most of the 60 percent of the U.S. cabinet industry I represent are also growing stronger and also buying more of both types of plywood. Why would anybody in this room want to artificially interfere with this process when we'll all benefit by letting nature take her course?

Thank you for your time.

MR. GRIMSON: Thank you very much, Carl.

Now we'll turn the microphone over to Mr. Neeley.

MR. NEELEY: Hi. I'm Jeff Neeley from Barnes, Richardson Colburn on behalf of the China National Forest Products Industry Association and its members.

We're going to have two witnesses today, Mr. Shengfu Wu from the association who is going to talk in general about threat issues and about the industry, and then Mr. Sam Du who is from the Dehua company.
which is probably the top quality producer of plywood in China.

Mr. Wu?

MR. WU: Good afternoon. My name is Wu Shengfu, the Director of Marketing Department for the China National Forest Products Industry Association. I would like to talk to the Commission today about the hardwood plywood industry in China and explain why it does not pose a threat to the U.S. hardwood plywood industry.

Of course we agree that there is demand for the thin face veneer and that the U.S. industry will not be able to make those veneers no matter what happens in this case.

Our association has been working hard to make sure the Commission has a complete record in the industry of China just as we did in the Section 332 investigation in 2007. Members of our association provided 80 questionnaire responses, of which 76 were from the producing companies and 4 were from companies that no longer produce.

With the other Chinese responses be sure that these accounts for the substantial majority of product in China, for goods exported to the U.S.. The Commission, therefore, should have a complete record
The Chinese hardwood plywood industry is increasingly focused on the domestic market where the demand has been strong and growing. This has been particularly true in 2012 and 2013. The building industry in China has been booming and strong growth is expected to continue for the foreseeable future as millions of people achieve middle class lifestyles.

The data that has been submitted shows that capacity utilization in China is and will remain high. While exports to the United States have dropped in 2013 due to the high preliminary dumping and CVD margins, for those companies who cooperated with Commerce and were not selected individually, the Chinese home market demand has been increased as other export markets. There is not an industry that has built or keeps a lot of excess capacity. Capacity is in line with demand in the market.

I think that the Commission knows that the capacity in China for plywood is almost all for thin-faced veneer product. That is what we sell in China, in third countries and in the United States. That is why China specializes in because it is a labor intensive product. Only lower labor cost countries such as China, Vietnam, Indonesia, Malaysia and other
similar countries can effectively make this thin-faced veneer product.

I know that the Petitioners here are saying that there are a huge number of plywood mills in China, but this is not true when we examine the companies that can export to the U.S..

For any sophisticated market like the U.S. or Europe, the exports need to be qualified by the buyer and the physical quality needs to be strong and good.

Another barrier to entry into the U.S. market is being qualified under Lacey Act as well as under the California Air Resources Board, CARB, for California and other U.S. markets.

U.S. buyers usually stay with the same reliable suppliers who have a track record of compliance rather than taking risks.

Chinese producers have no need to focus only on the markets in the U.S. or other developed countries. plywood demand is driven mainly by the many end uses inside China for the products, including uses in kitchen cabinets, engineered floor, concrete forms, container floors, furniture and packaging.

Housing starts continue to be strong in China and with an increased demand for products using plywood.
It is important that in looking at the statistics to examine only hardwood plywood and not double counting products. For example, in China the production of veneers is counted once as a production of plywood, and then again as part of the production of the finished plywood. Thus data problems are serious for Chinese and also for the U.S. import statistics.

I think that the Commission understands this problem with U.S. statistics and that is why it relied on importers' questionnaires in the recent multi-layered wood flooring case. If the official statistics were not good enough for the flooring case, I cannot see how they could be good enough for the plywood case.

I would like to address the issue of capacity as reported in our members' responses. You can see that capacity is being used at a high rate in China and is in line with demand. The Commerce Department found that there are no subsidies in this industry for any of the companies actually examined and there is no ability or incentive for these private companies to expand without a market being available. The plywood prices in Europe and even in China now are higher than in the U.S., so the
incentives to sell more in the U.S. now are much less than the incentives to expand the sales into the Chinese market or into Europe.

Finally, I should mention that the exchange rate and the labor costs are making Chinese products less competitive every day and I cannot see that changing. In the last few years RMB has increased in value against the dollar by over 20 percent and the labor costs are increasing rapidly by about the same amount in about every area in China. In addition to other issues that I've mentioned, this will make the home market of China even more attractive in the future.

For these reasons I ask the Commission to conclude that China does not pose a threat to the U.S. industry producing hardwood plywood.

Thank you. I will be glad to answer any questions.

MR. GRIMSON: We'll now turn to Mr. Du.

MR. DU: Good afternoon. My name is Sam Du, Export Manager for Dehua TB New Decoration Material Co. Dehua has been producing plywood since 1993 and started exporting to the United States around 2002. Dehua is one of the largest plywood producers in China and has a high market share in China. Dehua considers
itself to be the highest quality plywood producer in China because we use higher quality veneers, including cherry, oak and maple face. Most Chinese producers use birch for the face veneer.

However, our company is a very small part, 1 or 2 percent of Chinese exports to the United States and other Chinese producers are focused on the thinner faced veneer products that are not competed with U.S. producers. None of Dehua's plywood is over .06 millimeter in face veneer thickness which is what the U.S. industry produces. To my knowledge, no U.S. producer makes plywood with a face veneer under .4 millimeter.

I wanted to talk today about why we are trading in the thin veneers and why we cannot compete for the thick veneers where the U.S. and Canadian produces laminate.

We have looked at making thicker face veneers over .6 millimeter, but have never produced any. We concluded that it was simply not cost efficient to produce such products in China.

The production of the thick veneers is more efficient with machinery which is what U.S. producers do.

In addition, to produce veneers above .6
millimeter in China would cost more than in the United States because we do not have suitable raw material in China and it would not be cost-effective to peel veneers into those thicknesses from the small plantation lots available to Chinese producers.

In addition, we have longer lead times for delivery to our customers and would face an 8 percent duty on non-birch face veneers together with ocean freight costs. On the other hand, it is not efficient for U.S. producers to produce the thinner veneers under .5 millimeter which their machines cannot handle and given the labor intensive production process and the resulting higher labor costs.

For the future we will use our resources to increase sales in the home market and other markets for our existing products rather than attempting to enter market for thick-faced veneers where we do not have a cost advantage. We expect that the same is also true of the U.S. industry which is why they do not sell plywood which has thinner face veneers, where they do not have a competitive advantage.

I agree with the testimony you heard earlier regarding differences in the production process in China and in the United States. The production machinery and the technology in China is less...
automated than what is used in the United States and
is designed to be used with the small lots available
in China.

We also do air drying in China while they
use dry machines in the United States which consume
electricity.

U.S. production has better equipment than
China producers and those machines are significantly
more expensive than the machinery used by Chinese
producers.

In China the production process is also more
labor intensive as you have already heard.

The differences in available materials,
costs and the production process makes the Chinese
advantage different from the U.S. advantage that we
will not change any time soon.

Dehua has analyzed making thicker veneers
but has determined that it does not have a cost
advantage in the thick product. If Dehua, which is
the highest quality producer in China, has not been
able to expand beyond its current market segment for
thin face veneer plywood, it is highly unlikely that
any other Chinese producers could do so.

I would be happy to answer any questions you
may have. Thank you.
MR. NEELEY: Thank you.

CHAIRMAN WILLIAMSON: Thank you very much.

WE will now have our next congressional

witness.

THE CLERK: The Honorable Ron Wyden, U.S.

Senator, Oregon.

CHAIRMAN WILLIAMSON: Welcome Senator Wyden.

You may begin when you're ready.

SENATOR WYDEN: Thank you all for your
courtesy. I understand that you've had a long day.

Let me spare you the filibusters this afternoon and
just touch on a couple of issues that are particularly
important from our vantage point in the northwest, and
we want to start by expressing our appreciation to
Chairman Williamson and the distinguished members of
the Commission for the opportunity to be here today.

Suffice it to say that today's hearing is of
ermous importance to American manufacturing and
American workers, especially in my home state of
Oregon.

As you may be aware, I serve as the chair of
the Senate Finance Subcommittee on International
Trade, have consistently supported efforts to grow the
global economy, create opportunities for our workers
and others, and I will tell you it feels a little bit
different to be on this side of the dais at this point having chaired a number of hearings on trade in the Senate, but I'm certainly happy to be here with all of you because it seems to me you play a crucial role in upholding the basic proposition of a rules-based trading system.

These efforts are in effect what allow our manufacturers, those who innovate, those who provide services a chance to be successful in the global marketplace.

I also want to begin by expressing my appreciation to the Commission for your work in examining the impact of unfairly traded imports of hardwood plywood from China and the impact that those inequitable practices have on American businesses and the workers on which they rely.

This independent Commission rightly determined, in my view, in your preliminary report that U.S. manufacturing was in fact injured, and you made that judgment as a result of import of hardwood plywood from China in which the Department of Commerce determined are illegally dumped and illegally subsidized.

Now this is not the first group of manufacturers and workers who have been harmed by

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China's unfair trade practices. At the Commission you all are well aware of them, and you're aware of them whether it's related to steel or solar panels or to other sectors.

China is implementing an economic model that in my view is at odds with its commitment to world trading partners and I would submit it is at odds with what they pledged when I and others in the United States Congress supported their effort to be part of the World Trade Organization.

In effect the commitments that they made as a part of that effort to be included in the WTO were commitments to a market economics, commitments to global growth, and in effect the kinds of practices that I'm outlining today and that have impacted my constituents in such a negative way, are inconsistent in my view with what China pledged more than a decade ago when I and others listened, we heard, they said they were going to be committed to market oriented economics, we supported their effort to be part of the World Trade Organization, and what has clobbered our wood product sector in Oregon, in my view, is inconsistent with those pledges that were given more than a decade ago.

The results of China's unfair trade policies
in my vie cry out for a remedy. Not just for the sake of American manufacturing, but to stand up for the global trade rules that have in effect propelled the post-war global recovery and enabled our country to enjoy its status as the world's biggest economy.

When China's suppliers dump unfairly traded hardwood plywood into the American market, it is a direct affront to American workers and to the proposition that I focused on today, the value of a market oriented economy.

Left unchecked, these illegal trade practices undermine economic growth, struggling Oregon communities, and encourage more of these unacceptable trade practices by China and others who in effect are going to say there may be world trade rules but we're pretty much going to play by our own rules. I think that's essentially what is at issue here.

In so many cases small communities like those across Oregon that rely on manufacturing are really up against the wall in terms of their very survival and a portion of that predicament is in my view unquestionably due to these unfair trade practices.

The last few years has seen a rebounding of the U.S. economy that ought to provide some measure of
relief to manufacturers struggling to keep the doors open, yet unfortunately even though the U.S. hardwood plywood market has grown in recent years, a number of our manufacturers have not been able to reap the fruits of that kind of economic growth.

U.S. manufacturers of hardwood plywood are operating at less than half of their production capacity. It appears to me that China's subsidies and the dumping practices employed by Chinese suppliers enable these suppliers to unfairly capture market share that otherwise would be claimed by American producers. The growing tide of Chinese imports have the potential to sink the boat of the American hardwood plywood industry and they have done considerable damage already.

Our country is, in my view, the greatest manufacturing engine in the world. This is a mantle that in my view was earned by having a top flight work force and by especially promoting innovation and measures that increase our productivity in the private sector.

Our nation cannot allow its capacity to manufacture goods domestically to continue to be eroded by unfair trade practices from China or elsewhere. If those of us that are elected and tasked
to ensure that unfair trade is checked and is remedied, I think we can ensure that our companies get a fair shake and are successful.

If we fail to act it will come at the cost of American companies, American jobs, and American communities.

Let me just close by saying that I hope that once again the Commission will do what it has a tradition of doing very, very well, and that is to in effect, after listening to all sides, look at the facts and the circumstances in this case, apply the nation's trade laws accordingly, and in my view an analysis based on the Commission's longstanding tradition will as I have tried to assert this afternoon, will show that our producers have been treated unfairly and this deserves a remedy.

Thank you all very much.

My understanding is you're going to spare me a grilling and questions. I'm appreciative of that given the Senate schedule, but I just appreciate the courtesy to be here.

CHAIRMAN WILLIAMSON: Unless there are pressing questions we'll let you get back to the Hill, but we want to thank you very much for coming to the Commission today and you're always welcome here.
SENATOR WYDEN: Very good. My thanks to all
of you and I appreciate your service.

CHAIRMAN WILLIAMSON: Thank you.

I want to thank this panel all for coming,
especially some of you have come a very long way.
This afternoon we're going to begin our questioning
with Commissioner Broadbent.

COMMISSIONER BROADBENT: Thank you very
much. I appreciated all the testimony we had this
afternoon.

I wonder if, and this may be for one of our
Chinese guests. Does the Chinese industry use
radically different types of manufacturing process
than the U.S. industry to manufacture the subject
imports?

MR. WU: Yes. Thank you for the Commission
questions. I can say that process in China, the
facility in China, technology in China for the plywood
industry is quite different from the American
processing here.

In China the raw material in China is mainly
we focus only on the plantation forest as we hear
before. The diameter for the logs around about 27
millimeter average.

Here the raw material is different.
Secondly the material in China is focused on designing for the small lots processing which is different for the traditional logs processing which is being here.

Also the technology. For the small lots when you can peel efficiently, we can not use the conventional peeling lathes and processing technologies. We have to focus on the small lots process.

For cost effective, we have, as we note already here, we use air drying for our process which saves about 20-27 percent of energy of plywood production.

Also in China the laborers are relatively cheap and well organized and managed. We can use labor replace the machinery for the thin veneers we can handle which machine cannot do it.

COMMISSIONER BROADBENT: Thank you very much.

When you say it's plantation wood, it's this birch wood, where is it mostly grown?

MR. WU: The plantation in China is growing and booming in China. As data show in the FAO, China is the biggest plantation in the world. Maybe you heard the word about agriculture forest which is
leading and doing in China.

COMMISSIONER BROADBENT: Okay.

MR. GRIMSON: Commissioner Broadbent,

perhaps one of our witnesses might have some

additional views on that.

Shawn?

MR. DOUGHERTY: In provinces such as Linye,
Pizhou, you'll find plantations of poplar all over.
In southern areas, Guangxi, you'll find eucalyptus
plantations." It's important to distinguish though,
the meaning of a plantation.

Oftentimes if you look at New Zealand or
Australia or other parts of the world you'll see
continuous land and it's more fragmented in China. So
in my testimony I also said farmlands. So you will
see poplar trees that have growth cycles of seven to
ten years that can actually be put out in rice fields,
spaced apart well so that the trees can grow straight
and fast.

So I just wanted to kind of clarify the
difference between what we view plantation and also
with farmland. It's different than you would see in
other parts of the world.

COMMISSIONER BROADBENT: Thank you.

Mr. Weaver, thank you very much for your
testimony. Can you describe the exact product specifications that you discussed with the domestic producers in terms of what you would need if you were not going to be able to get the imports.

MR. WEAVER: Yes. This is Bill Weaver.

We had a meeting with them, and they know us well. They know our production well. So it wasn't like we were presenting something that was totally new to them. We gave them samples of what we use. They knew the application.

We gave them in essence a blank sheet to come back to us with what can you produce, whether you have to produce something different than what you do today, but what can you produce that will work in this interior, not needing a thick face, not needing the finer veneers that we use on the exterior of the cabinet. We could allow a certain amount of defect inside, in the face veneers, et cetera. None of them came back to us with, some of them didn't even come back to us, and some did come back to us, but in essence with their hands up.

But we gave them license to figure out what they could do. We did not try to put them in a box and say come back to us. Here's the application. Here's the specs that we use now. What can you do?
COMMISSIONER BROADBENT: It seems strange since you're such a great customer of theirs on the hardwood side and the more up end product, they must understand your manufacturing issues.

MR. WEAVER: Yes, they understand our manufacturing, and we were surprised also. We really fully expected them to come back with some suggestions that were at least within a workable range, and that did not happen.

MR. GRIMSON: Commissioner, I wonder if Peter Bendix might jump in because I know, Peter, you were talking about some of your testing, periodic and basically constant testing of new product offerings.

MR. BENDIX: Yes, I'd be happy to add to that.

As Bill mentioned, we were also surprised actually by the action taken as Bill mentioned in his testimony. Certainly speaking for ourselves, but we believe the industry, as Bill mentioned there really is no confusion that these are different products and they're used differently.

However, we do engage in an active testing process for different materials. We test domestic products against other domestic products; import products against other import products; as well as
open up the door for an opportunity for domestic suppliers to offset that import business, and we have tested that as recently as 2012. We tested that extensively in 2009. But in 2012 we had three more efforts that produced unacceptable results to use a domestic product to replace our import panel that you saw in these samples.

COMMISSIONER BROADBENT: What's unacceptable? What did you define as unacceptable?

MR. BENDIX: There's a fundamental difference and I believe we've been talking about it somewhat, but I think it's a key point in the differentiation in the product.

One is the hardwood core we certainly feel is superior with the hardwood poplar core. But as you also saw in the PowerPoint, with the people laying up these cores, they are able manually to fill these core voids and openings with wood, wood patches, and fillers. What that allows them to do is have a nice sealed core without openings and gaps.

Then the second part, equally as important, they calibrate these cores and sand them to a specific thickness. That does two things for us. One, it gives us a nice even panel for laminating which would be the interior that you've seen in our cabinet which
is a paper laminate. An uncalibrated core which isn't as consistent will result in core voids or the paper won't laminate down, if you will, in depressions and voids in the panel. That's why the calibrated core is key as a starting point for that import panel.

Then of course the veneer we use, the birch veneer that you're seeing there laminates very, very nicely for us and doesn't -- it laminates nice and smooth without telegraphing of wood texture and so forth.

So for all those reasons it continually provides superior results for that interior laminate purpose of the cabinet.

COMMISSIONER BROADBENT: And you're really telling us that the domestics are refusing to do this product and this quality?

MR. BENDIX: Again, I go back to the difference where the domestic testing has always failed at least us has been the inconsistent cores and the voids. What happens is we're not able to get that laminate paper, which is very thin, it doesn't consistently press or laminate on the panel. There's always voids and pockets. Then when we cut the 4x8 or 4x6 sheets into parts, we have loose paper and therefore reject parts.
COMMISSIONER BROADBENT: Why don't the domestics use the hardwood as the core?

MR. BENDIX: They primarily have not been available to us. We've heard this morning that they are available. I think if they are, they're a specialty or limited availability. They certainly have not been, we haven't been aware of that availability.

Number two is that calibrated core, number two, is just an essential key point to this. So regardless of what it's made and what you put over it, the fact that those cores are filled with wood patches and fillers so there are no gaps, and then calibrated, is really a key difference in the panels that we test.

COMMISSIONER BROADBENT: And that's a labor intensive process.

MR. BENDIX: Very, very labor intensive.

COMMISSIONER BROADBENT: Thank you.

MR. DOUGHERTY: Excuse me, this is Shawn Dougherty with Northwest Hardwoods.

I think if you were to compare the wood basket, you see a lot of the Petitioners' mills are located in softwood growing regions which have different characteristics and different attributes. In fact the only thing remotely similar that I've
seen, it doesn't mean there aren't others, but is in Boardman, Oregon. Great poplar plantations. Large extensive, continuous lands.

I understand that one of the Petitioners is starting to try to work with that resource and incorporate it, so that's encouraging. It's a sustainable species, it's renewable, it's great.

But the real reason is the availability of the resources within the regions that these mills are located.

COMMISSIONER BROADBENT: Thank you.

CHAIRMAN WILLIAMSON: I do want to express appreciation to the witnesses.

Just continuing on that theme, cabinets that were made like 30 or 40 years ago, before we had any imports, we were using a different technology or different process? I'm just curious, when you say using the paper thin veneer. Or just paper on the insides of some of these cabinets.

MR. SPENCER: Let me take a shot at it from my perspective because I was on a panel saw 40 years ago right now.

CHAIRMAN WILLIAMSON: That's where I got my first cabinets.

MR. SPENCER: Specifically kitchen cabinets,
we were using imports then. We were using primarily
luan and meranti and imports like that from Indonesia.

Or we were using particle board. Generally speaking
where we needed the screw holding we would use the
plywood and where we didn't we'd use the particle
board.

Shelf pinholes, for example, collapse if you
don't have the right strength in there.

What happened was as better laminations were
developed the appearance became more and more
important to our customer, the consumer and they were
looking for better looking stuff, and that's when the
papers came out and started to be laminated onto both
particle board and plywood.

The problem is when you go back to particle
board you go back to your shelf pins collapse on you,
or might, especially since the little five millimeter
shelf pin hole are also used nowadays for mounting all
the accessories.

If that blows out on you you have a big
crater on the inside of the cabinet, a very unhappy
customer. Staples can pull out. Things can fall off
the wall, although that's not always the fault of the
cabinet maker.

So when Chinese plywood became available we
essentially abandoned both the luan, we abandoned the
particle board and went to the Chinese plywood which
is not a new thing. This didn't happen in the last
two or three years. My personal experience goes back
into the 1990s with Chinese plywood, the exact same
stuff we're using today in the exact same application.

What happens next? That's the question.

MR. WEAVER: I'd like to add to that, if I
could. This is Bill Weaver.

You mentioned 40 years ago. Forty years ago
there were three significant players that don't exist
in the business today that were making cabinets.
Excel out of Lakewood, New Jersey; you had, I'm sorry,
the name escapes me now, out of Red Wing, Minnesota;
and then Longbell out of Longview, Washington. All
three of those at the time were using luan interiors.

So even back 40 years ago when you look at who the
majors were, they were not using domestic plywood.
There were a few people who were using some domestic
plywood, usually on a smaller scale, and they
generally used fir, and it was fir uncovered.
Laminating fir back then was not a big deal.

When fir started began to be laminated it
worked for a while, but the consumers didn't like the
fact that the hard and the soft grain telegraphed
through the laminate. That's why the imports from Indonesia and other countries really became the standard through that period of time.

But in my 40 years the domestic hardwood plywood has never been a significant player in cabinet interiors.

CHAIRMAN WILLIAMSON: Okay.

MR. BENDIX: Peter Bendix here again. If I can just add to that.

In our case, not going back 40 years ago, but prior to 2009 we were using Indonesian plywood panels where we're using the Chinese panels today. We never have used a domestic panel for that product.

We switched from Indonesian to Chinese panel because of the superior construction and consistency of that panel. But it never had offset domestic orders.

CHAIRMAN WILLIAMSON: Thank you.

Let's switch to another subject. Does anyone believe any domestic producer should be excluded from the domestic industry as a related party?

If so, please provide analysis in your post-hearing brief.

MR. GRIMSON: We will do that, Commissioner.
CHAIRMAN WILLIAMSON: Thank you.

Given the increase in demand over the period of investigation, especially if we use the import data you advocate, why wasn't the domestic industry's performance better? Especially as we came out of the deep recession?

MR. GRIMSON: I think if you remember back to the first slide that we showed, the answer is that it was better. It was getting better throughout the period, way before the petition was filed. The selling prices were going up, profits were fluctuating, but by the time that, from 2010 to 2012 you did see an improvement.

Tom, would you like to chime in on that?

MR. ROGERS: Just to add to that, I think we also heard about the macro economic factors going on in this country and we were coming out of a tremendous recession, are still in it, at the beginning of the period. Housing starts were down, everything was down in the wood products industry. Overall, was down. Now as the economy's recovering and those commercial activity is rising and housing starts are going up we're seeing a rebound in the performance of the industry.

Nevertheless, despite the recession, this
domestic industry still generated profits throughout
the period and I think that's remarkable.

MR. WEAVER: This is Bill Weaver. I'd like
to also add to that.

A lot of the statistics we heard were fit
into years. Unfortunately we don't operate in years,
we operate in continuous time.

The timing of the housing recovery, the
first quarter of calendar 2012 was actually probably
one of the worst quarters in the housing industry
throughout the recession. We hear a lot of numbers
and depending on where you get those sources from on
when it began to recover, but it really began to
recover about the middle of last year.

If you look at the ramp up, if you start
measuring from about the middle of last year and look
at that ramp up in the industry, we all came out of
the doldrums, we all were at kind of status quo
through that whole, and several years previous to
that, and most all of us began to experience that
pickup then.

That is the exact same time period that the
plywood companies also began to increase and pick up.
And if you look at their utilization against our
utilization across industries, they're about the same.
They sunk to the same levels, they've risen to about
the same levels. So really it is that wind at
everybody's back is floating everybody to about the
same place. Not outside competitive factors. It's
simply the economy got that much better and the
expectation that that would double your bottom line,
as was shown, was because you wind up getting a better
utilization on your fixed overheads, et cetera, which
drives your profit line higher. The more you fill
your factory, the better it is.

CHAIRMAN WILLIAMSON: Is the information in
the pie chart on page 2-9, it shows how the wood is
used, is that still accurate? If not, can you provide
an update?

MR. GRIMSON: That's our projection of the
various end uses?

CHAIRMAN WILLIAMSON: Right.

MR. GRIMSON: Okay.

CHAIRMAN WILLIAMSON: Figure 2-1.

MR. GRIMSON: We provided that back in the
preliminary phase based on talking with the large
group that we had and we don't hear or see anything
that really changes it very much.

I would say that in one respect we differ
with the projection of the Petitioners, and it relates
to the sector of the cabinet industry. Our folks when we asked them what portion of end use of the cabinet industry, we said about one-third, approximately that. The Petitioners said it's close to 50 percent. Maybe it's somewhere in between those two numbers.

CHAIRMAN WILLIAMSON: Given all those other uses, almost everything you've talked about has been about cabinetry today. Do you want to give some comments on the other?

MR. GRIMSON: Sure. And I think that one important one to discuss is the market for underlayment.

As you heard our witnesses just talking about the thin panel that the Indonesian product has been in the market for 40 years. That has been the product that people buy when they're going to tack down flooring on top of it. They don't care about how the product looks. They don't care about it having thick faced veneer. They're going to buy thin product that meets a certain panel thickness.

So in that segment the Chinese and the import market has always served that segment and it's significant.

In our slide regarding the differences in the panel thicknesses, the Petitioners tried to kind
of group the two, the middle two panel thickness
ranges together, but if you really look at the thin
panel market which is below 6.5 millimeters, you have
two things in there. You have quarter inch panels --
that's what the Petitioners sell; and you have
everything below that which starts to pick up the
underlayment. Those are not the same.

So stacking those two bars on top of each
other and saying this is competition in the same
market is not really, it doesn't really capture the
reality. We designed Product 6 to capture
underlayment. If you look at the volumes that the
domestic industry reported in volume 6, I think you'll
see exactly what we're saying.

CHAIRMAN WILLIAMSON: Okay.

MR. GRIMSON: Perhaps some of our industry
folks would like to talk about the underlayment market
a little bit more.

MR. SIMON: This is Greg Simon.

We've been importing plywood for
approximately 30 years. We've imported large volumes
of what we would call quarter inch plywood that would
be used in an underlayment application. It has served
the needs of the U.S. market from various countries
around the world during that period and it will
continue to be sourced from another third country
because the domestic manufacturers of hardwood plywood
in this petition do not make this product in any
volume sufficient to support this marketplace.

CHAIRMAN WILLIAMSON: My time has expired.

I might come back to this.

Thank you.

Commissioner Aranoff?

MR. SIMON: May I add one more thing? I apologize.

Predominantly what would be supplied from the U.S. market in underlayment would be softwood plywood which again is not part of this investigation.

CHAIRMAN WILLIAMSON: Is it used for underlayment though?

MR. SIMON: Softwoods are used for underlayment.

CHAIRMAN WILLIAMSON: Thank you.

COMMISSIONER ARANOFF: Just to clarify that. When you're referring to softwood that's used for underlayment you're referring to a product that's 100 percent softwood with no hardwood?

MR. SIMON: That is correct.

COMMISSIONER ARANOFF: Thanks.

Welcome to this afternoon's panel. I
appreciate your being here.

I asked this question to the morning panel and I want to ask it again. When you're talking simply about the thickness of the veneer face on a piece of plywood, you can start with a kitchen cabinet application but you can talk about any application. Are there any performance advantages associated with having a very thin face veneer as opposed to a slightly thicker face veneer?

MR. GRIMSON: Commissioner Aranoff, I'll get the ball rolling here.

I do not think that the thickness, the thinness of the face veneer on the Chinese panel is what gives the product from China the superior quality. It's what's underneath that. And it is the core that Mr. Bendix was talking about.

Maybe you guys can chime in on that.

MR. DOUGHERTY: The core is a critical component, and I think before you just look at the attributes of the core you have to start with the resource. It's a plantation crop. Understanding that it's a plantation crop, it's a small diameter log. It gets peeled very, very thinly which allows the manufacturers to lay up multiple cores, more cores than what the domestic producers do.
So from there, all of a sudden you start building better product capabilities, screw hold capabilities, stapling capabilities, into the panel itself.

COMMISSIONER ARANOFF: The domestic producers told us this morning that when the Commission is being asked to look at the fact that so much of the Chinese product that's imported is a very thin-faced veneer product. They said that's really a red herring. Nobody wants the product because it has a really thin face veneer. I think you've just agreed with them, you said that's not why you want the product. Is that correct? It just happens to have a very thin-faced veneer.

MR. WEAVER: Can I comment on that? This is Bill Weaver.

I think it lies somewhere in between those in that I'm not sure I can say nobody wants a thin-faced veneer. A thin-faced veneer is a component that drives into that panel. A thin-faced veneer is acceptable in certain instances. The ones that we have talked about. But it all drives back into that panel, and obviously it drives into a cost factor at some point.

When you look at the things that we have
talked about, plantation growth, what the core is, how
it's done, et cetera, et cetera, and the greater
utilization of those veneers, they'll drive into a
costing. Not necessarily are they dumping, but are
the actually underlying costs to produce that panel
less? The utilization of the veneer provides that.

So that's one of the factors. Like if we
were to look at a material we would use, we would look
at first the quality of it, we would look at supply
chain, how well that supply chain can support us, et
cetera, et cetera. Then we would look at price.

But through that, a thin-faced veneer is
adequate for what we want.

So a thick-faced veneer would be a waste to
us in that application.

Does that make sense?

COMMISSIONER ARANOFF: Yeah.

I sort of consider myself an aficionado of
kitchen cabinets having recently redone my kitchen for
the second time.

MR. WEAVER: I hope it was a good
experience.

COMMISSIONER ARANOFF: It was, because I had
a good contractor.

When you're making the back panel of a
cabinet, let's say, and you're importing this imported plywood product with this very thin veneer and this hardwood core of many plies. You get the product that way and aside from cutting it to shape, what do you do to it? What are you putting on top of the face veneer that you're seeing in the back of the cabinet?

MR. WEAVER: Different manufacturers will use different things. In our case we use UV coating so it's clear and you see the veneer through it. In Pete's case, they use a paper overlay that has a wood grain to it. So different manufacturers will do different things with it. It just depends on that particular manufacturer.

But once again I think it was pointed out this morning to the use that you asked, what really determines for you the wearability on that is what is that coating on top of it and what is the wearability of that coating. Not the piece of veneer underneath it.

The piece of veneer, as you saw those samples, could you read this and could you not read this? That's really the difference in that for is it good enough or not. But once again, for durability it's going to be the top coat that's on there.

MR. SPENCER: This is Carl Spencer.
Specifically to the cabinet back, and by the way that's an excellent question because the back is in fact the strength of the cabinet. How the back is applied has a lot to do with whether cabinets stay on the wall or not and stay together. That's the right thing to look at.

For that very reason the way we attach ours is they're actually stapled onto the box and then they're held in place with shear-loaded nailers. The critical factor there is do the staples pull through it or do they hold? If you have a softwood they don't generally stay put. If you have a hardwood you've got more resistance and you have more shear strength in the back.

COMMISSIONER ARANOFF: Is there anyone here today who is selling into the RV and mobile home segment?

MR. SIMON: This is Greg Simon again. We've sold into the RV and mobile home segment for most of my career.

The predominant use there is very thin panels, thinner than what we've described here, 2.7 millimeter or one-eighth of an inch, 3.4 millimeter plywood that's used in all parts, including paper overlay lamination. Predominantly there are sources
for that that come from other countries besides China. They come from Indonesia and Malaysia. That is the predominant use. There are other end users of wood products in that industry that use the plywood from China for the same applications in many senses that cabinet makers have stated for paper overlay lamination, and will continue to use an import source.

COMMISSIONER ARANOFF: Just so I understand, this very thin plywood that’s going into these mobile home applications, this is being used for the inside of the walls or for partitions between rooms? Is that what it's being used for?

MR. SIMON: A mobile home or RV is literally almost a plywood box if you think about it that way. So even the aluminum or the fiberglass is laminated to plywood to make up the outer walls. Almost every component in the RV -- floors, ceilings -- utilize some form of plywood. That's correct.

COMMISSIONER ARANOFF: And then of course if you're going to hang a cabinet in there for the kitchen you've got to hang it on something that's stronger than two millimeter plywood, right?

MR. ROGERS: Commissioner Aranoff, this is Tom Rogers.

I think if you look at the purchasers'
questionnaires you'll see from some of those manufacturers that they buy from all sources. I think it's a reflection of they need different products for different uses.

MR. DOUGHERTY: This is Shawn Dougherty with Northwest Hardwoods.

We sell a lot of hardwood lumber into the market. We sell a lot of imported panels. It's a significant market for us because as you can imagine an RV or a mobile home is predominantly a wood product with large exterior shells.

Probably the biggest change for us though in the last few years to our surprise was the ability for China to do more 5.2 panels which took away from other countries such as Indonesia and Malaysia and removed market share from them as they got into thinner panels.

COMMISSIONER ARANOFF: So 5.2 is thinner than what they were providing before for that application or thicker?

MR. DOUGHERTY: It became an additional product for them.

COMMISSIONER ARANOFF: Okay.

MR. SIMON: If I can also add, there's a weight issue. As you imagine, a mobile home, RV, or
trailer that you'd pull along, gas is very expensive. You obviously want in all manufacturing aspects to think about weight. Whether that means that you're shipping a cabinet like these gentlemen do, or you're building an RV. It's fuel efficiency. So there's a tremendous amount of resources in China which are made of lighter weight cores that are specifically designed to decrease weight. Heavy softwoods like fir add weight to a product like that when everyone's trying to cut down on their shipping costs and to increase fuel efficiencies.

COMMISSIONER ARANOFF: I'm going to try and wrap my brain around the idea that a hardwood core weighs less than a softwood core of the same size. It doesn't seem intuitively obvious, but you gentlemen are the experts.

MR. SIMON: The two small squares of plywood that we handed up may illustrate that very thing if you can find them.

COMMISSIONER ARANOFF: It looks like I'm out of time so I'm not going to go onto the next question that I had. I'll come back in the next round.

Thank you very much.

CHAIRMAN WILLIAMSON: Thank you.

Commissioner Pinkert?
COMMISSIONER PINKERT: Thank you, Mr. Chairman. I join my colleagues in thanking you for being here today to help us understand this industry. I want to begin with a question that's prompted by something that the domestic industry talked about. They talked about the difficulties they experienced in competing with the Chinese product in the lower product grades.

I know that you've testified about differences between the subject imports and the products made by the U.S. manufacturers. But can you state specifically the extent of the head-to-head competition in the lower product grades between the Chinese product and the U.S. made product?

MR. SIMON: This is Greg Simon again.

I think that probably all my colleagues here have something to add to that, so I'll start.

One of the things you need to think about is when they're peeling these logs they're peeling it to a thickness. So their lower grades are all coming off with the same thickness as they have in their higher grade applications.

So you're already adding a component there to that that the Chinese are doing differently. Everything's peeled thin. The lower grades are also
thin veneers. It contributes greatly to someone's production and the way that they would use those products. They would be used differently. That's one thing.

The other is you heard what their yields were on their logs. That was a huge percentage of high grades that came off of there.

So customers that we talk to struggle to get enough of the lower grades from the domestic manufacturers and sometimes have to buy a certain percentage of the higher grades to get a certain amount of the lower grades.

MR. WILKINSON: I haven't spoken yet. Gregg Wilkinson, Senior Vice President with Liberty Woods International.

Also in adding to that, just inherent of the logs that you're looking there, the yield predominantly is going to come out of the Chinese material is all going to be by log diameter, the lower grades.

Lower grades, adding to what Greg said, thinner veneers, more veneers than the core allows with the calibration. A little different strength aspect than the U.S. produced material. So it goes into different applications. It can go into formica
overlay into a store fixture. It can go into crating that needs strengths characteristics that's not inherent of material that's going to have a thicker face. That's actually a downfall for a decorative product.

There are a lot of different applications that that product is going to go into, besides just the interior of that cabinet. Even though that process with the thin veneer and the way it's laid up is a perfect application with the thin veneer. It's going to lay a super smooth surface down for them to lay that 30 gram paper on so that there's no telegraphing.

So it's multi-structural kind of integrity uses that they're targeting in that product.

MR. DOUGHERTY: Of I might also add, in that market segment these are my competitors. The fellow importers. I'm competing with them and they're competing with me in that market segment. The domestics are competing with themselves.

When you're talking about the low end. There's an apples and oranges comparison.

COMMISSIONER PINKERT: So you're saying there's no head-to-head competition in the lower grades between the subject imports and the
domestically produced product.

MR. DOUGHERTY: What I'm saying is that in terms of the total market, I'm not saying there's zero overlap, but on a day-to-day basis these are my competitors in that market segment.

MR. SIMON: I think, Commissioner Pinkert, one thing to keep in mind is that the grade is a measure of the appearance, of the veneer, of how it looks. But that doesn't mean that a Chinese grade C and a domestic grade C are the same. All the other fundamental differences that we're talking about are still there. I think that Gregg said it best. The Chinese product is competing with China and other imports; and the domestics are competing with each other.

MR. WEAVER: If I can add to that from a user's perspective.

What Jeff said is true. It is -- From a Chinese log you don't get a veneer that looks like an A face from an American log. They're just two different worlds entirely. So the best veneer you would get from a Chinese log is going to be a lower grade, very far down the spectrum to begin with.

So there's not this direct overlap in the choices that we get. When we go to a domestic
manufacturer what they might call a B grade or a C grade, is going to be very different than the lower end that we get from the Chinese and its appearance in what we can do with it. They're just not the same at the end of the day.

COMMISSIONER PINKERT: Thank you.

Any other comments on that issue on the panel?

MR. DOUGHERTY: I'm going to step out of the 4x8 dimension product. As we're trying to go back to capacity at Northwest Hardwoods, we have a range of grades that don't easily fit into the marketplace. So we're constantly reinventing ourselves, we're constantly finding new applications, we're constantly looking for new customers around the world.

So as most companies try to increase their capacity, it's part of the growing pains.

COMMISSIONER PINKERT: Thank you.

To what extent do big box retailers drive competition and pricing in the U.S. market?

MR. GRIMSON: There is an analysis that we provided in our brief that's all proprietary, but it provided a compilation of the big box questionnaire data and I would recommend you to taking a look at that.
The big boxes are not here today. I know that they rarely are here, but they tend to operate in their own world. I think you've seen that in a lot of cases.

When we surveyed the room yesterday, preparing for this hearing, I asked if anybody had ever been told, your price is too high. I can go down to Lowe's and get that product, and they all just looked at me like I was crazy.

Perhaps you all can elaborate some more on that.

But we do not see the ripple effect out from the big boxes that the Petitioners alluded to.

MR. SIMON: This is Greg Simon. I'd like to add to that. Many of the big box stores are huge consumers of domestic hardwood plywood. One of the Petitioners recently entered into an agreement with one of the big boxes that certainly will take a lot of capacity off the marketplace.

There have been many distributors and end users that have told me that because of that agreement they can't get quite as much or quite as, can't get their orders filled quite as quickly because of the commitment to the big box.

So I think the big boxes do influence it,
but certainly on the supply basis for what's being produced here domestically.

If this petition goes into effect, it's going to further enhance that supply chain shortage.

COMMISSIONER PINKERT: Thank you.

I heard your testimony about the Petitioner's arguments about the petition effect in this case. And you talked about how general market conditions were improving during that period.

For the post-hearing what I'd like you to take a look at during that period after the petition was filed and the of course after the preliminary duties were imposed.

What I'd like you to look at is first, changes in domestic industry market share.

General conditions could be improving or not improving, but that wouldn't explain changes in market share, it seems to me.

Secondly, take a look at that argument that Mr. Malashevich made about the gap in prices between the subject imports and the domestic producers changing during that period.

So we're not talking about overall increases in prices or overall decreases or overall steadiness, but rather the gap between domestic prices and subject
to import prices. And if there were changes during that period. I'd like you to explain that.

            MR. GRIMSON: We certainly will do so.

            One consideration I'd like to point out though is that there are some timing problems with the Petitioner's story about the post-petition effects. First being this case wasn't even filed until the end of September, so third quarter 2012 was pretty much in the books. Yet you were seeing price changes beginning to occur in 2012, and I think that our cabinet folks discussed that.

            Second is the duties, the first countervailing duty began on March 14th. So that was almost through the whole first quarter.

            So then you get to finally the second quarter and you say is this where maybe the duties have their first impact on pricing? And I think that maybe you guys can talk about your lead times in placing orders, how fast can something roll through your procurement process to lead to price changes?

            COMMISSIONER PINKERT: Just briefly, please, because I'm at the end of my round.

            MR. WEAVER: We have the ability to forecast quite a ways out, so we're placing orders sometimes on some goods maybe three or four months out. We'll have
a lot of stuff in the pipeline. It's a continuous process for us. So we recognize those fluctuations and variations but there's some long term planning that goes in there. So we were ramping up already as you came into the year. We picked up in the middle of last year. That continued into this year in the 20-some percent range. So we were already increasing that procurement as we went along, projecting out.

COMMISSIONER PINKERT: Thank you very much.

One last thing for the post-hearing, I had asked this question of both sides earlier today, but I want to reiterate this in the context of that petition effect issue.

If at the end of the day you conclude that there was some impact on the domestic industry financial performance of the filing of the petition and the preliminary duties, then I think you should contrast that with what happened during the main part of the period of investigation. Because I think this goes to your but for argument that you made in your brief, it may be that there are some differences between that petition period and the main part of the investigation period that would help you with your but for argument.

With that I thank the Chairman and I thank
CHAIRMAN WILLIAMSON: Thank you.

Commissioner Johanson?

COMMISSIONER JOHANSON: Thank you, Mr. Chairman. I would also like to thank you all for appearing here today.

I'm going to start with a very basic question. If U.S. hardwood plywood does not compete with Chinese hardwood plywood, why would U.S. plywood manufacturers initiate this investigation?

MR. GRIMSON: We asked ourselves that question many, many, many times. I think you can ask these three gentlemen up here why would the Petitioners launch something that is going to harm if not destroy their biggest customers.

Frankly, we think that either they believed their theory going into this case and they Just have fundamental disbelief of the difference in the products, or they were mistaken.

Nobody here really can explain what was going through the minds of the Petitioners, but I think that the level of passion that you heard out of especially Mr. Spencer as a small manufacturer, you hear that they really can't explain it.

MR. NEELEY: I would just add, this is Jeff
Neeley from Barnes Richardson, this is something we'll be glad to address a bit in our post-hearing. It is a question as Jeff Grimson said that we've asked ourselves.

There are reasons that are not necessarily economic reasons directly that people file cases. And I think we'll give you some further thoughts about that in our post-hearing brief.

COMMISSIONER JOHANSON: I'd appreciate that, because hearing the producers we have here today, Mr. Spencer, Mr. Weaver and Mr. Bendix, you all feel very strongly about this, it's very apparent by that. But then again it entered my head well, why are the resources being used to bring this investigation if this product indeed does not compete.

MR. WEAVER: This is Bill Weaver. Quite frankly, I don't know. As Jeff pointed out, we've looked at it every which way and it just doesn't make sense to us and there's a lot of speculation. I'm not sure it would be fair for me to put what that speculation is out in my own mind, but I do recognize that there are only a handful of domestic suppliers. If you take the foreign competitors out, you then own the market. I'm not saying that's the reason, but when I look at it from my chair, what does this do?
It forces us all to have to go to their will. It takes away choices from us.

MR. SPENCER: This is Carl Spencer.

Just an observation. I'm not sure it answers the question, but I think it can kind of demonstrate our confounded mindset on this.

I don't believe any of us have changed our product mix or our material mix within our products in any significant way over the last ten years. Certainly maybe even more than that.

So if we're not changing, then what gives here?

The only thing that we know is that in the fall of 2008 our business went down and it's just now starting to recover.

COMMISSIONER JOHANSON: Mr. Bendix?

MR. BENDIX: Not to be repetitive here, but that is a question on the table because we're completely baffled as well. We have not changed our procurement strategies for a decade plus.

We have close relationships, we feel, with our domestic suppliers. We have been as hurt in this great recession as many companies and industries have. Our company and our industries have suffered greatly with loss in top line, with loss of operating margins,
and it's been very, very difficult.

Finally, the sun is coming up on the horizon
it would seem a little bit with the economy, and now
we have this in front of us and it's been very
deleagating for our industry because we've been also
suffering significantly through these last years.

Again, our procurement strategy has not
changed at all. It's completely the same as it was
since the petition was filed. We completely don't
understand.

MR. SIMON: Yes.

MR. DOUGHERTY: Again, Shawn Dougherty,
Northwest Hardwoods, largest producer of North
American hardwoods. Our industry is $7 billion. We
share a lot of the same customers as the Petitioners.

We ask ourselves that same question, especially when
you look at the output from the Petitioners at about
600-700 million board feet. It's a great question and
we can provide more information in the post brief.

COMMISSIONER JOHANSON: I look forward to
reading that. What effect has the Lacey Amendment had
on subject imports? Has either the prohibitions or
the declaration requirement affected sourcing or the
level of imports?

MR. GRIMSON: Thank you, Commissioner
Johanson. I know that everybody is anxious to speak about this, but I wanted to say a few words about the Lacey Act. The first is, as you know, it's the world's strictest anti-illegal logging regime.

We took a great step in 2008 as the world leaders to try and combat the problem of illegal logging. There are very high penalties for violating the Lacey Act including strict forfeiture of the goods whether or not you knew you had illegal timber.

But there is a great effort amongst everybody buying from China, including the Petitioners, to make sure that they and everyone else is sourcing legally. The first place it starts is those logs right there that are plantation grown.

You already are looking at a resource that is less risky, not more. When you're talking about the plywood case, the environmental investigative agency, sting operations that are very much attention grabbing relate to exotic woods from Madagascar or India or Mozambique was a recent study.

But we're not talking about any of that stuff, and it's easy to come in here and to smear a whole country and to say that everything over there is illegal which is more or less what we heard this morning.
But you have to look at the starting point for all this raw material. It is a very sustainable resource. These folks take it very seriously and if anything, the Lacey Act is a threat factor that weighs against the Petitioners because these folks want to continue buying from the few companies that they know and trust, not the other unknown numbers of folks in China. It is a barrier to trade, barrier to entry.

MR. DOUGHERTY: I think it has been effective, but I agree with Kip. It's not something that gets fixed overnight. It's going to be continuous efforts by PEFC to recognize other countries' forestry standards whether it's in Malaysia for MTCC certification.

They're doing a great job of creating an umbrella of like standards which give other countries PFC recognition. I think there are many good things in place. The environment keeps changing. Initially, we were SFI certified and now we've become PEFC certified.

Consumers in the European market with the new EUTR are taking it seriously. And so it's a great thing, but it's a big world. I think all of us that go into this, we have varying levels of maybe due care that we pursue, but you'd be surprised how many people
actually want to do the right thing.

CHAIRMAN JOHANSON: Is compliance expensive?

MR. DOUGHERTY: There is a cost associated with it.

CHAIRMAN JOHANSON: Thank you very much. I first because familiar with the Lacey Act back there with the 2008 farm bill and just kind of forgot all about it. But it's somewhere in the back of my head. But thank you for speaking on it today.

I think I have time for one more question in this round. You all, the three manufacturers here today, spoke on the construction of cabinets. You spoke on generally on high-quality cabinets.

What about lesser quality cabinets? What percentage of the cabinets in the United States are of lower quality in which appearance is not that big of a factor, in which might be painted over?

I ask that because I've live in many places with cabinets like that which weren't as nice as the ones that you're demonstrating here today. And are those cabinets primarily constructed of imported wood?

MR. WEAVER: This is Bill Weaver once again. Usually the division you're going to get is between is it a plywood cabinet or a particle board cabinet?

It's not necessarily going to be lesser degrees of
plywood. It will be one or the other. So when that
price drops, generally you're going to drop into
particle board which has totally different properties
than plywood.

COMMISSIONER JOHANSON: That makes sense and
that was a very quick answer which is good because I
have about three seconds left. So thank you for your
responses.

COMMISSIONER BROADBENT: Thank you. For Mr.
Wu from China and Mr. Du Bo, what steps do Chinese
firms take to limit sourcing from illegal logs?
What's your perspective on that issue in China and
tell me, please.

MR. WU: Thank you for the question. I
appreciate it. With regard to illegal logging, the
Petitioners and also others have been talking a lot
about illegal logs. In December 15, 2008, United
States already published the Lacey Act Amendment.

Those released that year, you also published
the EUTR. This is quite good for the industry to take
of the environmental. Personally myself, I've been
part of many seminars organized by the Interpol,
Green Peace, POI, Traffic and EFI.

Those are part of the meetings in Chatham
House and WWF in DC here. We paid quite a lot of
attention to this illegal logging issue. Our industry is also aware of this. Personally, I also wrote a book about Lacey Act, practical guide in Chinese for our industry, which is the only book on the Lacey Act in the world published which I did for our industry.

Our industry also take quite seriously the illegal logging issues. We already started the due diligence issues and it start off with assessments. The company here also they public for the copy of the social responsibility report.

If you want somebody here when you want, we are available to take and send it to you. Those are in the industry in China, we also have this certification together with the PFC, not endorsed yet, but will be in the near future.

We call it CCC. F.C. certification in China has been booming in less than a year. For the F.C. certification in China for F.C. now recently the figure is close to 3,000 certificates on our manufacturers. Nearly 900 for the forest.

Also for the materials we are using for our industry for the piles as everybody know that. We are using majority poplar and eucalyptus for the core which is environmentally friendly.

People are saying that. Okay, we have logs
imported from Russia which is 70 percent illegal. These numbers I heard many times. Those participate six times dialogue between China and Madagascar about the Lacey Act. We have been negotiating and talking a lot.

The figures are not reliable and I do want to comment, but we take care for ourselves side. The logging in Russia has been dramatically reduced in recent years. On top of that, the F.C. and PFC certified logs coming to China are coming more and more.

Also on the business side. I think all American buyers together and Petitioners, you also do a business. Also, this year, you're still doing business in China. I think you are the serious man doing the business. Thank you.

MR. NEELEY: I'd like to just add one or two thoughts perhaps. One is, if we could have the opportunity to perhaps supplement some of this that data that Mr. Wu has, it may be helpful in the post hearing.

COMMISSIONER BROADBENT: Right, it would be helpful to know sort of how much of this product exported from China is from imported wood.

MS. NEELEY: We can take a look at that and
other issues as well. The other comment was, and you've already heard it from the importer's group and from Mr. Wu, that the Chinese side takes this very seriously.

One reason they take it very seriously is because their customers take it very seriously. Their customers are very much on the line for any penalties. That's driving a lot of the seriousness over there.

COMMISSIONER BROADBENT: Am I correct that China has not signed the illegal logging agreements?

MR. WU: I do not aware of any illegal logging agreement. Which one you mean, the EFI one or Green Peace one or Traffic one? There are several issues about the program I know.

MR. NEELEY: We can address that probably in more detail in the post brief.

MR. SIMON: May I please weigh in on this from both perspective of an importer and also a joint venture manufacturer in China?

COMMISSIONER BROADBENT: Right.

MR. SIMON: I testified earlier that we have two joint venture operations in China, one of which was a mandatory respondent in the Department of Commerce ADA case.

We're intimately familiar with Lacey procedures,
our requirement as a manufacturer to be fully
compliant with all products that are coming out of
China or anywhere else in the world That come into the
United States to assure that we practice due care and
the materials coming here from both sustainable
resources and legally harvested woods.

The Lacey Act is remedial. There is
something that can be done. I know that doesn't agree
with all aspects of it, but it's having an affect, and
as Jeff said, is somewhat of a barrier to imports as
is.

Our mill base has shrunk dramatically simply
by our compliance and due care process of which mills
we'll buy from to ensure that we know where the source
of the wood or coming. These are my customers here.

They have the same needs, the same
requirements. They have to practice due care. They
have to know who their suppliers are. I have to know,
they have to know, the end user has to know. All
those things are happening.

Lacey has a criminal component to it. I
have a family just like Mr. Roberts. I don't want to
be hauled off. So we practice due care.

COMMISSIONER BROADBENT: I should know this,
but when you say legally harvested, who defines that?
Is that each country or is there an international agreement that defines that?

MR. WU: By my knowledge, it's each country based on their own law.

COMMISSIONER BROADBENT: On their own domestic law?

MR. NEELEY: I believe that's part of the Lacey Act actually, that it's defined by each country.

COMMISSIONER BROADBENT: Okay. Great. Helpful. Can some of the cabinet manufacturers here tell me, are you seeing important competition with your product, the product you're competing in the market? Are the Chinese starting to export that?

MR. WEAVER: This is Bill Weaver once again. Yes, the Chinese cabinets that originally started becoming popular in the nation, I want to say maybe 15 years ago, they have greatly picked up in magnitude. We just had a kitchen and bath industry show and there was probably 15 plus either importers or Chinese cabinet companies going in that shape and probably five American cabinet companies.

Predominantly, they have been in the lower-end products which then force the US lower end producers to produce a higher-end product which kind of squeezed that competition band a little bit.
We've seen lately some better grades of cabinets coming in to the United States from China than in the past. I would like to comment on Chinese cabinet production. I've been to China a number of times.

The Chinese do have the ability to make some very nice cabinets. They make some low-end cabinets, but they also have the ability to make some very nice cabinets.

That is one of our concerns through this whole hearing is that this will narrow that gap between us and the Chinese and probably put the Chinese in a more competitive basis of these duties stick because they'll be able to, one, import more product to be more price competitive than they are in the higher-end products.

COMMISSIONER BROADBENT: Okay.

MR. SPENCER: Commissioner, this is Carl Spencer. I just want to point out that we have a competitor that's about three miles from the Canadian border, which is about 100 miles from our plant.

We have another competitor that comes in that we see all the time every day. We're seeing a lot of competition from Canada. We're dealing with it. If you look at a lot of the Canadian companies, a
large number of them have distribution throughout the
continental United States, not just the Northwest.

The Northwest, we get whacked pretty good
because even the little guys come after me. But if
you just wander through. The United States is the big
dog when it comes to a customer for Canadian cabinet
companies.

MR. DOUGHERTY: Shawn Dougherty with
Northwest Hardwoods. One of our fastest growing
segments in China for our hardwood lumber exports has
been the kitchen cabinet industry.

However, we're very relieved because the
product has predominantly staying in country. That's
good for us for exports. But we do see a little bit
of the domestic manufacturers in China trying to
understand the U.S. market a little bit more.

COMMISSIONER BROADBENT: Helpful. Let's
see. Mr. Grimson, could you talk to me a little bit
about global trade and the subject product here. I
understand there's a lot of trade remedies on this
product in other markets at this point.

And it's a little bit different than some of
the other cases we get where we're sort of the first
person putting in a trade remedy, the first country.
I just wonder what you thought was going on there, and
whether that had anything to do with why the case was filed.

MR. GRIMSON: Again, I can't speak to the very last part of your question. But as to the other countries' trade remedies, I think like the Petitioners panel, we want to give you a complete and accurate list of those, and perhaps address that in the post hearing brief.

COMMISSIONER BROADBENT: Seeing particular trends in particular markets in terms of demand, growth, anything else you can tell me about global trade and this product?

MR. GRIMSON: Okay. That's a lot different than what I was understanding.

COMMISSIONER BROADBENT: The first part I want to.

MR. GRIMSON: Okay. We'll get that.

COMMISSIONER BROADBENT: Good.

MR. GRIMSON: So other countries demands in other countries, other markets.

MR. DOUGHERTY: I think it's better being addressed in maybe the post hearing because there are a lot of different applications. It's film faced, it can be used as a packaging Japan.

It can be used for packaging in Japan, it
can be construction form work in the Middle East.
There are just a lot of different applications and so maybe we can give you some of that information in it.

COMMISSIONER BROADBENT: It seems to me that the Chinese exports to the U.S. are growing much faster than to any of the major market. I just wondered about it. Take a look. See what you can say. I appreciate it.

CHAIRMAN WILLIAMSON: On page 84 of AAHP pre-hearing brief, you argues that underselling margins show that U.S. sales are almost entirely isolated from movements in Chinese prices and volumes.

Mr. Grimson, can you cite any investigations where the Commission made this type of finding?

MR. GRIMSON: I can think of a few where there have been a disconnect between the line of the import pricing and the domestic industry pricing that were really related to product differences. One that come to mind right off the top of my head, I have to think back 15 years to see.

CHAIRMAN WILLIAMSON: If you want to do it post hearing, that's fine.

MR. GRIMSON: I think we'd like to do that is deal with it post hearing.

CHAIRMAN WILLIAMSON: On page 78, 79 of your
brief, you argue that there is no impasse on domestic prices. There are no price conversions as would be expected in substitutable products. Again, can you say any investigations where the Commission made that type of finding. If you want to do that post hearing, that's fine.

MR. GRIMSON: We'd like to do that.

CHAIRMAN WILLIAMSON: Okay. Thank you.

What do you see as likely future U. S. demand, and what Can you say about likely future of raw material consists?

MR. WEAVER: I'll speak in terms of use in the cabinet business as we expect the economy to recover.

CHAIRMAN WILLIAMSON: Mr. Weaver, yes.

MR. WEAVER: Mr. Bill Weaver. Normalized housing market is about 1.6 housing starts based on household formations, house destruction, etcetera. We are roughly in the 90,000 to 1 million, depending on who you look at right now.

We expect that growth to recover as long as there are no black swans out there over the next few years. We look at internally what kind of market share we can gain in addition to that.

Our projection is that we'll continue to
grow. It might be 20-25 percent base a year until new
construction comes back fully, and then there will be
a leveling off from there just based on meeting the
demand at that point in time.

CHAIRMAN WILLIAMSON: Did someone else ask
you this question because I heard it before?

MR. WEAVER: Say that again?

CHAIRMAN WILLIAMSON: I was wondering if
somebody had already asked you this question because I
think I heard it before?

MR. WEAVER: No, but you heard of some these
statistics from other people before. They all kind of
all blend together when you look at market projections
and you look at that growing demand.

CHAIRMAN WILLIAMSON: You're looking into
housing market which bear in mind, the housing market
and the existing home sales market. The existing home
sales market is the primary driver of the remodel
market. New home sales are obviously the primary
driver of new construction.

But those two are two different curves that
usually flow the same way over time. They may have
some differences in them for a short period of time,
but over the same period of time, they're going to
have to follow the same trend lines.
A normalized market increases everybody's business in the United States probably at least another 50 percent including the private manufacturers. I assume that demand for cabinetry for remodeling lags behind the purchase and sale of housing.

MR. WEAVER: Right. As you follow existing home sales, right now it's a little different than more normal times primarily because of the number of underwater mortgages. That has dulled that affect on existing home sales somewhat. But there will come a point where all those converge back to a more normal curve.

CHAIRMAN WILLIAMSON: Thank you. What about raw material costs?

MR. DOUGHERTY: This is Shawn Dougherty with Northwest Hardwoods. If you own a saw mill of any sort or plywood mill, your number one concern at night is your raw material, right?

You could be in a great region, but not have enough raw material and you're producing it at 50 percent capacity. That is your future. So raw material costs, we're seeing them increase.

With all the capacity that's been taken out of the system, we're seeing more people fighting for
what's left. We're seeing people hold off markets on
selling resource.

We're coming out of a terrible recession.
It's going to take a little while for it to stabilize
and everybody to get their capacity back up to where
they like it. It will probably include new closures
to some because they're not in the correct growing
regions.

CHAIRMAN WILLIAMSON: Thank you. The data
from the Chinese producers show that they shipped this
to the home market as the total shipment fell in 2011
and 2012. I wonder, how do you explain this given
your arguments about demand and growth in China.

MR. Wu?

MR. WU: Actually in China, not only the
housing is developing, we are in need of the products.
But our product is driven which is using the product.
As I said earlier in my briefing that the furniture
packaging company, hardwood flooring, and also
packaging who use different kind of hardwood flooring.
Actually, the whole market demand for flooring, it is
increasing a lot everyday.

CHAIRMAN WILLIAMSON: Is it increasing
faster than your overseas demand?

MR. WU: Yes, definitely.
CHAIRMAN WILLIAMSON: Okay. Was there any difference, say, in 2011 and 2012 as regards to, say, 2013 going forward?

MR. WU: The industry is growing quite a lot actually. Economy grows. Industry grows. Product market grows.

MR. NEELEY: We'll take a look at that and comment on it in the brief.

CHAIRMAN WILLIAMSON: This is for anyone. How do you explain the higher importer inventory levels that we're seeing?

MR. GRIMSON: Commissioner, this gets to one of our major points obviously which is the difference between the import stats using HTS categories and using the questionnaire data reported by the importers.

We think that you can't possibly use the import stat data because of reasons related to the timing of what you're seeing there. A better data set is to look at the import questionnaire, the import questionnaire data.

If you look at the import questionnaire data, you see a build up of inventory that appeared at the end of 2012 and what I was hearing in our discussions about that is that was in anticipation of
increased demand.

We actually in 2012, and you heard today, started to climb out of the recession really in terms of demand for hardwood plywood. There is another affect that is lesser one, but one that happens related to the Chinese New Year and when that comes and perhaps some of the guys can speak to that.

MR. SIMON: The purchasing plan that we put into place always takes Chinese New Year.

CHAIRMAN WILLIAMSON: Mr?

MR. SIMON: Mr. Simon. I'm sorry. Our purchasing plan always takes Chinese New Year into effect almost for whatever country we're buying from in that region. We have to plan ahead.

Normally, the factories will take a three-week holiday, but it really does affect production for almost two months. We are always factoring in Chinese New Year, and whether it's a good market or a bad market for us here, and whether the economy is up or down, that's always a factor in our purchasing decisions. It did affect our decisions in this period.

CHAIRMAN WILLIAMSON: Thank you.

MR. WILKINSON: Gregg Wilkinson. I'd like to add to that of Liberty Woods. That is industry
wide. That is not unique just to Far East. All importers from Southeast Asia are planning around that. It's very typical in season.

CHAIRMAN WILLIAMSON: Thank you. I can't help but ask this last question since this domestic red oak here keeps blocking my view of Mr. Bendix there. I think there was some mention this morning about U.S. exports of logs to China.

I ask the question in light of the fact that some were saying that you're not going to see the type of veneer coming from China that would be made with U.S. logs. I was saying, why not, if we're exporting some there? Is that a factor?

MR. DOUGHERTY: Shawn Dougherty, Northwest Hardwoods. When you own a sawmill and you've taken a tract of land or you've done the buy on the logs, you bring those logs in and you merchandise them. What I mean by merchandise them is we take our saw logs, better used for the sawmill, and we take our veneer logs and we will try to sell them to a domestic veneer manufacturer.

However, if they are several hundred miles away, the further away those veneer operations are, the less the log can travel. Oftentimes, we see those logs going export. The export market is right there.
If you're in West Virginia, you're not far from the port.

So it becomes a tradeoff at the mill when we merchandise the product. But as for peeling a log and why the mills do differently in China, I'll leave that for others.

CHAIRMAN WILLIAMSON: Yes.

MR. SIMON: This is Mr. Simon again. The technology in China is designed to produce thin-faced veneers. They peel those logs thin just like they do, in some cases, with their birch logs.

It's not a market that we participate in whatsoever. With thicker veneers, if they were to choose to do that, and those logs are actually a very fractional percentage of the plywood that's actually being examined in this case.

CHAIRMAN WILLIAMSON: Fractional percentage?

MR. SIMON: Meaning that the predominant amount of material that's coming to the U.S. that we're looking at here is coming from birch logs, not the American species that you see here.

CHAIRMAN WILLIAMSON: Okay. Thank you. I'm sorry, Mr. Bendix, yes.

MR. BENDIX: Pete Bendix, Starmark. I can't speak specifically, but I think we just are looking at
whole different scale here with American logs being exported to Chinese mills. I think we've just included a slew of other countries now that they're going to for exporting.

For example, I know mills I work with are shipping plywood products before I got there to Japan, to Europe. I don't think that's linear to the kitchen cabinet industry in the United States. I think now we are talking about a larger scope I suspect.

CHAIRMAN WILLIAMSON: Thank you. Ms. Aranoff?

COMMISSIONER ARANOFF: The argument with which this panel started off your direct testimony this afternoon was to the affect that there have been improvements in a number of indicators of the domestic industry's performance and so they're not materially injured and the Commission should reach a negative determination.

I wanted to ask you either now or post hearing if you would consider in a number of cases that the Commission has looked at since the recession and during the economic recovery where the Commission has noted that a general economic recovery can mask injury by reason of subject imports.

And that even though the domestic industry's
performance improved from where it was at the depth of
the recession, it could have improved more absent
competition from subject imports. Do you want to
comment on whether we should be looking at this case
form that perspective now or would you like to think
about it post hearing?

MR. ROGERS: We'll certainly --

COMMISSIONER ARANOFF: Could you give your
name, please?

MR. ROGERS: Tom Rogers. We'll certainly
take a more extended crack at it in the post-hearing
submission. Just I'd say as an initial point that
it's pretty clear that the industry was profitable
throughout the entire period.

Even when the housing industry was in the
doldrums, the industry was making money. So as a
starting point, we have not seen this tremendous rise
that you're talking about in terms of just at the end
of the period as the economy is coming out. But we'll
certainly look at that in more detail.

COMMISSIONER ARANOFF: Okay. I also had
asked the morning panel, I was trying to look at the
underselling data that we have for the six pricing
products on which we asked for specific comparisons.

And I want to give you an opportunity to
comment on that too. I was trying to get an assessment
of whether differences between the domestic and
imported product that were not included in the product
specification, could account for the degree of
observed underselling.

I know that there was an argument that some
or all of the Chinese product that was reported for
Products 1 through 6 reflects a thinner face veneer
than what the domestic product that was being report.
I know that our description 1 and 6 did not require a
face header and particular thickness.

So that's one factor. If there are other
factors that you can identify that could account for
some of the price difference, that would also be good
to know because I'm really trying to identify whether
there are product differences that can account for
most of that underselling or whether we can't account
for that difference, in which case we have to assume
that they're comparable products that are exhibiting
underselling.

MR. GRIMSON: Certainly. We'll take a crack
at that in the post hearing brief. I would like to
react to the theory that we heard this morning that
simply by answering the questionnaire, according to
the definitions that the Commission set, the
Respondent's side is somehow admitting that this is competitive product.

Ad you pointed out, face veneer thickness and probably many other factors were not part of the definition. So how could the Chinese and the importers not report the data? If they hadn't, I think that that would have been an even bigger problem.

But there is no way that they would agree that those are competitive products. I think if we take a look through the questionnaire responses themselves, you will see many instances where the folks answering the questionnaire said, okay, I'll give you the data according to the definition you're asking for, but there are a lot of differences that make these very different products.

I would just say in Product 6, we asked you to include face veneer in the definition. But the questionnaire that went out omitted that part of it. We would have liked the definitions to probe that question deeper just like you did on a macro basis and found the Chinese product is all below .5 mm.

So by extension, everything in Products 1 through 6 is also below .5 mm. But to your point, face veneer thickness is one of the differences that I
think you've heard about today.

So that might not be the only one that accounts for differences in pricing and cost. But it certainly is, from the witnesses today, a very major distinction between the Chinese and domestic product. It flows right through to how the product is used.

MR. ROGERS: I think if these products were interchangeable or whatever word you want to use there, we'd see very different data in those pricing tables. We would see much more, with that level of underselling, you would see dramatic shifts in volumes.

You would see dramatic shifts in the pricing of the U.S. products, and we're not seeing any of that. So to me, that suggests that these products are really not competing.

COMMISSIONER ARANOFF: I understand the argument that you're making and I'm also willing to agree that just because a Respondent filled out the questionnaire for the pricing products don't mean that they concede that the products compete.

But now I'm left with these underselling margins, and I want the best empirical theory under which to understand where the price difference comes
from. If you can document the differences, and I can
ascribe the price different to product differences, 
that's one out come. If I can't, that maybe is a
different outcome.

In their brief and a lot of this was
confidential so you'll probably want to look at it
post hearing. The Petitioners pointed to a number of
purchaser questionnaire responses in which purchasers
say or suggest that when they go out looking for a
supplier.

They look at the price first and they don't
check the quality or do any sorts of supplier audited
until after They found a supplier that has a price
that they're happy with. Do you want to respond to
that?

MS. MOWRY: I'll chime in on that. This is
Kristin Mowry. I actually chuckled at that part of
their brief because all of the quotes that they put
forward are quotes in response to the question
regarding negotiations.

I think it's fair to say that price is an
important factor when you're negotiating with your
supplier. I don't think that the overall impact of
what they're referring to means that price is the
first factor when choosing the product. It's after
they chosen the product that they want. Of course price is a factor. That's the market system.

COMMISSIONER ARANOFF: A question on the issue of threat for the Chinese producers who are represented. My understanding is that Chinese hardwood plywood is sold essentially on a spot basis, not subject to any long-term contracts; is that correct?

MR. SIMON: This is Greg Simon again. We saw our product both that's here and in the ports that we bring in and store material for quick distribution and short lead times to our customers predominantly.

We also sell some product that's based on the future basis. We'll discuss an opportunity with a customer and arrange shipment with a lead time that was described before. So we do both. The majority of our business is on the spot basis. I think that's more indicative of the industry than anything else.

MR. DOUGHERTY: Shawn Dougherty, Northwest Hardwoods. The quality of hardwood lumber that we produce is some of the better quality in North America. The last thing that we want to do is pull in questionable product, not have any forward contracts with our OEMs that we sell to domestically. So we probably, more so than my colleagues where, we
probably do a little bit more future buying not specific to end users specifics.

COMMISSIONER ARANOFF: The reason I'm asking is there are some investigations in which the Commission can see that there are long-term contracts or other long-term structure relationships between foreign producers and their customers either in the U.S. or in some other market.

And particularly when it's some other market, that can be used to demonstrate that that amount of supply is not available to come into the U.S. market.

And so, I'm trying to establish whether there are any arrangements like that in this case. We've seen that product from China has left the U.S. market and it's gone elsewhere. The question is how easy it would be for it to come back if conditions were right?

MR. WEAVER: This is Bill Weaver. Let me address that briefly. In our supply chain, we buy through an importer. We have agreed upon pricing that extends for some period of time that can be renegotiated within different intervals.

So we're not buying a load today that we find out is "x" amount, and a load tomorrow that's
this month. We have a contract that says it's going
to be "x" amount until we renegotiate that price.

COMMISSIONER ARANOFF: Anybody else who
wants to talk about that, please feel free post
hearing. Before I wrap up, I just did want to follow
up on Respondent's presentation this afternoon with a
question for post hearing for the Petitioners.

I believe it was Columbia this morning who
gave us product samples that indicated that the
product was available down to an 0.25 mm veneer, and
also some very thin overall panel products.

The witnesses who testified this afternoon
indicted that they've never been offered a domestic
product that meets those descriptions. But my
recolleciton this morning was that the testimony was
that those are available for the asking, and that
those are products that have been available from the
domestic industry for some time.

So I would ask domestic producers who are
able to produce either thin veneer or thin-panel
products to please specify who you sell them to or who
you used to sell them to, and for what applications,
how much so that we can get a sense of how big your
market is or was for these products.

It can be in a time period prior to our
period of investigation because if the argument that you're going to make is that you were pushed out of some of these markets, then I'd like to get a better sense of who you were selling it to, when you were selling it, and how much.

MR. LEVIN: Madam Commissioner, we'd be happy to, and I appreciate the suggestion of going back. Context is often a lovely thing.

COMMISSIONER ARANOFF: Could you say that again into the microphone?

MR. LEVIN: Certainly. I said we'd be happy to provide that information. I appreciate your suggestion about looking back at an earlier period of time as well. I just noted that context is often a lovely thing.

COMMISSIONER ARANOFF: Thank you very much. With that, I have no further questions for this afternoon's panel. But I do want to thank you all for taking time away from your businesses to answer our questions.

CHAIRMAN WILLIAMSON: Thank you.

Commissioner Pinkert?

COMMISSIONER PINKERT: Thank you. Mr. Weaver, you talked about the impact of potentially having these duties become finalized in this
investigation. You talked about how the domestic industry wouldn't benefit from that.

But rather, the sales would go to other countries besides China. I want to ask you whether the pricing from those other countries would be the same as the Chinese pricing that we see in this investigation.

MR. WEAVER: Thank you for that question. It would be not necessarily the same, but it would be close and competitive to it. There are some variations depending on the specifications we ask for, and what we choose to do with that.

We would probably be forced though into doing an overlay versus doing the natural interior that we now primarily because of color differences in that wood.

The reason we would do an overlay is, one, it would be tropical species. There's a lot of color variation in tropical species that you don't get in the Chinese wood. So, therefore, it just looks better when you cover it with some type of overlay.

COMMISSIONER PINKERT: Mr. Bendix?

MR. BENDIX: Yes, our natural go-to we would think of at this point would be to go back to Indonesia. We would pay less for that panel than
we're paying for our Chinese panel.

We've speced out a premium panel. It's better construction, better and a thickness, it is not commodity product. It's produced to a thickness to meet our specifications to match with other panels we use. We'd actually pay less going back to Indonesia. We'd prefer to stay with the panel we were using.

COMMISSIONER PINKERT: Do I see any other heads nodding? No. You may have heard or remembered that there was some testimony about how the duty deposits were being absorbed by the importers so that it was not having an effect on price.

There was some discussion on the earlier panel about whether that anecdotal evidence was, in fact, accurate. But I want to give this panel an opportunity to comment on that question.

MR. GRIMSON: Thank you, Commissioner Pinkert. That's a strange assertion actually. We're not really sure to make of that. So the duties of course didn't go into effect until really the second quarter of 2013.

And the anti-duping duty was even well into that when that was laid on. So I guess if their argument is that you didn't see a price spike equivalent to laying on the duty rates and, therefore,
there is absorption of duties, I think that's their theory as I understood it.

I think you really have a timing issue there about what is sold by the importers during the first and second quarters of 2013 versus what is being imported and having to bear those duties.

I really don't think you can make the connection that they're making just by comparing price incases in the one had and saying they should have gone out 22 percent or 44 percent or now in the new world of using a European country as a surrogate for China, 70 percent.

MR. WEAVER: This is Bill Weaver again. In our supply chain, they did not absorb it. We have some stuff that was already on the water that came in under the duties. We have some stuff that's coming in after the duties and we're the one paying for it. It's past on in our price.

When I heard that this morning, I was kind of surprised and thought if that's true, I should have had that supplier. But I don't, and we're paying out the duties as they come due.

COMMISSIONER PINKERT: Mr. Bendix?

MR. BENDIX: Yes, if I could chime in too. Peter Bendix. The same is true in our case. We have
hundreds of thousands of dollars escrowed already for these duties. And we have already have been expensing them as we're using the product on our PNL statement. It is extremely harmful to our business and our profits to date.

COMMISSIONER PINKERT: Thank you. Did I see you had another comment?

MR. GRIMSON: Maybe Mr. Simon wants to fill in a little bit about the history of how importers dealt with this difficult case where, of course, up until two days ago, every single company Congress looked at got a 0 percent duty. That was the starting point and it was a very curious thing for the market to deal with. But I'll let Greg take it over.

MR. SIMON: Thank you very much. Greg Simon. When this case was initiated on September 27th, I had a day job. Since that time, we've managed to come together as an industry.

We've cooperated fully with each part of the investigation. Our joint venture mill was chosen as one of the mandatory respondents in this case. Up until Monday, we had zero dumping margin after being thoroughly examined, when compared to the Philippines. Now, I know that this Commission is not here to evaluate Department of Commerce decisions, but I
certainly know that this is a very intelligent impartial body that has great integrity and I'm speaking to you today on that behalf.

Suddenly, when the Department of Commerce changes to Bulgaria, an EU country, suddenly our zero dumping margin goes to 73 percent. I'm not expert in these situations, but I know that that's somewhat shocking to a market, and that that will have ripple effects that will take customers like this and force them to look elsewhere in the world for their supply.

The disruptions will be huge for those jobs that Senator Wyden spoke so passionately about will go offshore where the kitchen cabinet industry in China will be supplying your cabinets in the future.

COMMISSIONER PINKERT: Thank you. With that, I have no further questions for the panel. I appreciate the testimony, and I look forward to the post hearing submission.

CHAIRMAN WILLIAMSON: Thank you.

Commissioner Johanson?

COMMISSIONER JOHANSON: Thank you, Mr. Chairman. Some of you all have spoken this afternoon on different end uses for Chinese versus U.S. produced hardwood plywood. Some witnesses this morning distinguished Chinese versus U.S. produced hardwood
plywood in terms of quality and not end uses. Could you all speak on the issue of quality?

MR. DOUGHERTY: Again, we sell quality hardwood lumber. That is our primary business. The last thing that we can afford to do is go import poor quality panels from around the world.

So we have strict QC processes. We have strict mill qualifications. We have a whole chain of basically accountability in our process so that we don't lose our primary business which is selling hardwood lumber to customers because we imported the wrong panel.

MS. MOWRY: This is Kristin Mowry. If I could, maybe because I'm the only female panelist, I won't have to identify myself before I speak every time. But if I could speak briefly to one of the end uses that we have not talked about very much here today.

I'll refer you to the confidential exhibit 14 of our brief. What I can say publicly is the information that you all have on the record regarding the domestic furniture manufacturing industry shows quite clearly that what the domestic furniture manufacturers is purchasing is U.S. hardwood plywood or U.S. softwood plywood that is not PS 109 rated.
And I can only refer you to the rest of that exhibit for more information, but that is one end use that the Petitioners have identified as a major end use. And it's stark that we don't more information on the record.

MR. WEAVER: This is Bill Weaver. If I can address that from the user's standpoint. Quality is a subjective thing. You need to put some flesh around that to really know that you're talking about in quality.

There are different uses, different construction methods and different uses relative to terms of problems with either one of them. We get about equal problems with domestic that we do with foreign.

However, the problem is different. Usually with domestic, the problem will be with the veneer and with import, it will be in the core. But relative to saying does one have more problems than the other, over the span of time, that's just different.

MR. BENDIX: Commissioner, Pete Bendix again. I would agree with Bill that quality is definitely subjecting in this contest. For us a quality panel, for the laminate interior panel is one with a thin veneer that laminates so well.
And also a panel that is stable. To us, that defines the definition of quality for that panel.

On the other hand, it would fail miserably for how we're using the domestic panels. It would not finish well, it should not lend itself to be sanded well.

So, in the context of these finished panels or these fancy panels, the definition is different for quality. There, we're looking for a thicker veneer, a good quality veneer, aesthetically pleasing veneer, and one that finishes up so nicely as you're looking at it. Agree that it's subjective and different depending on the context of the party.

COMMISSIONER JOHANSON: Thank you for your response. I just noticed, we have some very nice wood up here. I might ask you all when this is done, what it's made of. I'm kind of curious. Getting back on our topic of today, are imports from non-subject countries substitutable with subject imports?

MR. ROGERS: This is Tom Rogers. I'll kick it off just from a data perspective and I think you've seen the market shares. I think Petitioners refer to a negative photo effect I believe when they're talking about other elements.

But we've seen that in the chart I provided showing the market shares and you'll see the subject
and non-subject going in opposite directions. I think that's the first thing you can look at. But as to the specific product interchangeability. The cabinet manufacturers can talk about that.

MR. SIMON: If I can add to get a little bit beyond the cabinet industry with your question. The products are directly substitutable from non-subject countries to the subject country in so many applications.

Underlayment is one of them. When I started off my career, we imported a lot of thin panel 4.8 mm plywood from Indonesia and Malaysia that was sold throughout this country for use as underlayment. Today we do that from China.

That's a product that the domestic manufacturers, as I mentioned earlier, don't make in any kind of volume. The sample that they showed you was an MDF. That's not a product that you would use in underlayment as an example.

So they'll directly substitute. The same thing would apply in the market that uses it for RV manufacturing. Where they're using quarter-inch plywood that was previously from a non-subject country to laminate papers too.

The same thing would in thicker panels, that
they would do the same thing to for their production
scheme. It transcends to all categories. So it's
import to import and it's non-subject to subject is
what it is.

MR. WILKINSON: Sir, this is Gregg
Wilkinson. I'm going to add that my company, Liberty
Woods International, we carry both interchanging
Southeast Asia and Chinese.

COMMISSIONER JOHANSON: Thank you. That
answers my question. As you all know, the issue of
non-subjects and the way they have moved in the market
is of interest to us. So I appreciate your responses.

I have just one more question. Page 21 of
the public version of the staff reports indicates that
most U.S. produced hardwood plywood is sold
unfinished. Is this also true of subject imports from
China?

MR. WILKINSON: It's UV finished or non-UV
finished. Speaking for my company and I think for the
industry, the vast majority of imports come in
unfinished as well. They do have the capability top
UV finish in China. That is done, but in a much
smaller proportion that what comes in raw or
unfinished.

COMMISSIONER JOHANSON: Who finishes them
then, the cabinet producers, manufacturer?

MR. WEAVER: This is Bill Weaver. In our case, we have a company the panel goes to here in the States, and they actually do the finishing for us.

COMMISSIONER JOHANSON: I guess that makes sense because during shipment, they may get damaged; is that part of the issue?

MR. WEAVER: Possibly. And we feel that we get a higher quality UV finish here than we would in China.

COMMISSIONER JOHANSON: That concludes my questions. I'd like to thank you all for appearing here today. I found your responses very informative. Thanks again.

CHAIRMAN WILLIAMSON: Thank you.

Commissioner Broadbent?

COMMISSIONER BROADBENT: Yes, I think I'm pretty much finished. I just wanted to give you a chance to put in perspective some of the testimony that we got this morning from the purchasers, Mr. Roberts and Mr. Awalt, who said they didn't really need any imported product.

And they were much more comfortable sourcing domestically. I take it your perspective on the market is you need the different sources for different
uses. But could you kind of put in perspective why
you think they have that perspective. It's kind of
unusual that they would come and say we don't need any
imports at all.

MR. GRIMSON: I'll first address Mr. Roberts, $25,000 conference tables, $90,000 apartment
room floors. That is a market where it's not a big
surprise they don't want Chinese.

I think it was pretty clear from his
testimony that it might not be only product reasons
why he's not buying from China. If you go to China 10
years ago and go to one factory and write off the
whole country, it's really not, I don't think it's
fair to, the way all these folks produce, to say that
the Chinese quality is always at rock bottom.

But on the other hand, nobody is going to
want a three-inch thick conference room table for
$25,000 made out of Chinese plywood. Clearly not. As
for the store fixture market, I guess during the
original testimony, I thought he sounded an awful lot
like one of our witnesses saying they like to use
domestic on the fancy faces and the visible parts, and
had relegated the Chinese import product to the non-
visible sides. And then getting out of the Chinese
product altogether.
MR. SIMON: If I can add to that. This is Greg Simon. Our main customer base is wholesale distributors in the United States. We sell a wide variety of import products to this customer base.

Mr. Roberts has chosen a very high-end niche in the product that he carries, Italian poplar, Russian birch, other import sources, particle board from Canada.

He showed you his Web site. I think all those products are there. Bending board from South America. I know that one of the Petitioners makes bending board, one of the domestic petitioners may judge he could purchase it from them.

But he's electing to purchase it from South America according to his Web site. So there's a lot of reasons why someone might choose to carry that. He's choosing to carry certain items and that's his niche that he's serving at the high end of the market.

COMMISSIONER BROADBENT: Okay. Well, I want to thank the witnesses for all the time and the preparation you took to come here today. It was very helpful. Yes, Mr. Bendix.

MR. BENDIX: Commissioner, if I could make one more added.

COMMISSIONER BROADBENT: Sure.
MR. BENDIX: I think that was the same discussion where the reference of the environment, if you will, of the Chinese mills were being discussed. And though I don't doubt that that was or was not the experience, I can tell you that the manufacturing facilities that we work in and source from, again we're supplying to Japanese markets and Europeans before we even started bringing in from the United States.

It's also my understanding that Japanese regulations are the tightest formaldehyde standards in the world, followed by, my understanding, the European E-zero standards, which our new CARB standards are just slightly higher than that. So they were complying with the tightest standards in the world before we even started sourcing from that.

So our experience would be -- couldn't be more different than the ones we heard about this morning.

COMMISSIONER BROADBENT: Okay. Thank you. I appreciate all your time. Thanks a lot.

CHAIRMAN WILLIAMSON: Do any other Commissioners have questions for this panel?

(No response.)

CHAIRMAN WILLIAMSON: Does staff have any
questions for this panel?

MR. McCLURE: Jim McClure, Office of Investigations. Ms. Hughes from the General Counsel's Office has a question.

MS. HUGHES: Following up on the line of questioning by Commissioner Aranoff regarding the thinner veneer product, if in your post-hearing brief you could actually state what applications the thinner veneers used in -- excuse me -- and why, whether it's for cosmetic reasons or weight, and define what you mean by the thinner veneers. That would be helpful.

And if Petitioners could respond to this, to the extent they may want to, we'd appreciate that as well. Thank you.

CHAIRMAN WILLIAMSON: Thank you. Do Petitioners have any questions for this panel?

MR. LEVIN: Mr. Chairman, no, we do not.

CHAIRMAN WILLIAMSON: Okay. It's time for closing statements. Petitioners have five minutes total for closing, and Respondents have five minutes total for closing.

So I want to thank this panel for their testimony. We appreciate very much your taking time to come, and we'll ask you to take your seats at the back, and then we'll have closing statements.
(Pause.)

CHAIRMAN WILLIAMSON: I thought you were going to sit here, and I wanted to make sure that I wasn't -- no. I just wanted to -- no. It's okay. Wherever you want is fine. Okay. Thanks.

MALE VOICE: Is that okay?

CHAIRMAN WILLIAMSON: That's fine, yeah.

You may begin when you're ready.

MR. LEVIN: Thank you, Mr. Chairman. Thank you, Commissioners. I don't think I will need to take all five minutes, but I tend to be long-winded, so perhaps.

I'm left with a little -- well, actually, a lot of confusion by some of the things that were said this afternoon. First of all, from the get-go we have seen and heard from the AAHP in particular that it's going to be an absolute disaster for the kitchen cabinet industry if orders are issued as a result of these investigations.

Notwithstanding a rather legal issue of the relevance of that to the Commission's determination, what I heard very clearly this afternoon is that imports from third countries are directly substitutable with Chinese imports. So to the extent that they're concerned about where they're going to
get raw material supplies from if an order is issued, and if they just don't want to pay a fair price for the Chinese imports, then apparently they can go to third countries, which are at this point considered fairly traded.

So for all the arguments that they've been making in press releases and et cetera, that pretty much seems to be the answer to their problem.

Second, up to about 3:30 this afternoon, their case was largely based on the uniqueness of the thin face veneers and the thin thickness of the plywood. And now we heard that it may really have a lot to do with the core with the product. So I'm not quite sure where at this point their primary argument lies. Where is the uniqueness of the product? And maybe that has something to do with the fact that we heard testimony this afternoon that the kitchen cabinet manufacturers are beginning to see some really nice cabinets coming in from China, which leads me to wonder, where does the wood come from that they're making these really nice cabinets from if all they have access to domestically, Chinese producers I mean, are these, you know, thin-diameter eucalyptus and poplar trees.

And that has a lot to do, I believe, with
the fact that, yeah, they did a very nice job of
explaining how by the nature of the eucalyptus -- and
I think they referred to Chinese birch and poplar
trees as well. Because they're small diameter, they
have to pin -- they have to peel into very thin
veneers.

Well, that may be true to some extent
concerning their wood import -- input raw materials.
But I also note that there is about $252 million of
hardwood logs that are exported from the U.S. to
China. China, by the way, very cleverly has a zero
percent duty on those raw material inputs.

So you have a huge amount of logs that are
being exported to China. Presumably a good portion of
that is going into this product, other wood products
as well, but I'm sure hardwood plywood, let alone
products that may be coming over the Siberian border.

Also, I have to say there is two things that
really sort of bother me. First of all, there was
references made by Mr. Weaver of Canyon Creek about
never being able to get a quote once the petition was
filed from the domestic manufacturers while he was
looking for possible alternative supplies. That's not
true. That's just not true.

I have two companies at the witness table
that have actually provided quotes to him. I think what Mr. Weaver may have been referring to is being able to get quotes at price levels that he had previously enjoyed.

Another point. I understand that the Chinese producers don't like the fact that we filed a petition. I understand, I appreciate, I'm even sort of empathetic to some of the business model difficulties this may present to cabinet manufacturers. But what I'm hearing is the next best thing to a direct accusation that the domestic manufacturers have done this in order to form a monopoly or an oligarchy on the marketplace.

That's a pretty strong accusation. And without some documentation that that's the motivation, I take objection to it. And thank you. I guess I did use the five minutes.

CHAIRMAN WILLIAMSON: Yes, you did.

MR. LEVIN: We respectfully submit the facts in evidence support an affirmative determination.

Thank you very much.

CHAIRMAN WILLIAMSON: Okay. Thank you.

Mr. Grimson?

MR. GRIMSON: Thank you very much, Mr. Chairman and commissioners. You heard a tale of two
worlds today. We do not think that you have a
difficult decision in this case, though, because the
facts back up our explanation of the market and not
the Petitioners.

Let's review why. First, let's talk about
the condition of the domestic industry. Did you see a
chart that listed all the statutory factors and
showing which way they're trending from the
Petitioner's side? No. And why not? Because that
chart is not very good for them. The best that we
could see today was some complicated comparison of the
depreciation and capital expenditures, which, by the
way, still went up during the period of investigation.

So we submit you can stop at step one. This
is not an injured industry. And I disagree that you
should try to sift through every particle of data in
this case to find masked injury. I don't think that
the statute instructs you to go that far seeking out
injury where there isn't any supported by the record.

Second, if the domestic industry is injured,
did the subject merchandise cause that injury? And
again we would say no. Under the but-for standard,
definitely not. And this goes to the product
differentiation that you heard about today.

You heard why that product differentiation
from those logs that you can see on the table and had a chance to observe throughout the day, and why that naturally leads to the way you processed the products and how that goes into very specific product characteristics. And we think the record absolutely supports that there is a hard line at .4 millimeters, and the Petitioners do not make anything below that line. And look at what Chinese volume is below that line.

And so an example of a piece of veneer sliced to .25 millimeters that we saw here today, where was that in table D3 that was submitted with the product thicknesses? When I looked at that today during Petitioner's testimony in the public version, what percentage of your product is below .4 millimeters? Every year, 0.0 percent.

You heard from the cabinetmakers that that difference is actually extremely important to them, and that they spec out product to go in certain places and certain end uses based on whether it's an import product with a thin-face veneer or a domestic product with a thick, fancy face veneer.

The Petitioners do what they do very well, and there isn't a substitute for them. The only check on the Petitioner's pricing is each other.
Why should you care about these cabinetmakers and their jobs? First, as a condition of competition, they represent the single largest group of customers for both the Petitioners, the domestic industry, and the Respondents. For this reason, their testimony as to the purchasing decisions is a vital part of your record, and you don't have to listen to lawyers or importers when you have three plus fourth written testimony that we submitted on the record vouching for this fact.

There was no cabinet industry witness here today on the Petitioner's panel. And the cabinet industry is huge, and they are dreadfully worried about their jobs being shipped overseas and having to compete with third-country supplies of cabinets that do get the Chinese plywood that is ideal for what they want.

Congress created the injury standard as a filter to weed out cases that do not merit extraordinary government intervention in the marketplace, and for this standard to have any meaning, it's reasonable to think there is some cases that don't meet it. And you have each been placed on the Commission because of your expertise and ability to sift through the data to get to the truth. And the
Commission is absolutely not a rubber stamp for every petition that comes along, even if it has the word China it.

And I'm sorry to say that there are people in this room who are still reeling from the Commerce Department final antidumping margins that were released yesterday. And to these folks and others outside the Beltway, Commerce invented those margins out of whole cloth with a clear bias towards the Petitioners. And it's outrageous to them. And I want them to know that this body, the ITC, is not a political animal, that you'll make your decision on the merits. And there are people in this room who truly believe that the government is out to kill their jobs. And I think you heard that in our testimony today.

You are the only ones standing between them and the decline of the U.S. cabinet industry, and for what you heard testimony that the hardwood -- no additional domestic hardwood plywood will be sold.

So on behalf of my clients, we ask you to take a fair look at the record and the testimony you heard today from both sides, and we think that when you do, you'll find that there is no injury in this case and will terminate this case before it slays the
domestic cabinet industry. Thank you very much.

CHAIRMAN WILLIAMSON: Okay. Thank you.

Closing statement. Post-hearing briefs, statements responsive to questions and requests of the Commission, and corrections to the transcript must be filed by September 25th, 2013. Closing of the record and final release of data to parties, October 18th, 2013. Final comments are due by October 22nd, 2013.

And I want to again thank all of the witnesses who participated in today's hearing, and the hearing is adjourned. Thank you.

(Whereupon, at 5:20 p.m., the hearing in the above-entitled matter was adjourned.)
CERTIFICATION OF TRANSCRIPTION

TITLE: Hardwood Plywood from China

INVESTIGATION NO.: 701-TA-490 and 731-TA-1204

HEARING DATE: September 19, 2013

LOCATION: Washington, D.C.

NATURE OF HEARING: Hearing

I hereby certify that the foregoing/attached transcript is a true, correct and complete record of the above-referenced proceeding(s) of the U.S. International Trade Commission.

DATE: September 19, 2013

SIGNED: LaShonne Robinson
Signature of the Contractor or the Authorized Contractor's Representative
1220 L Street, N.W. - Suite 600
Washington, D.C.  20005

I hereby certify that I am not the Court Reporter and that I have proofread the above-referenced transcript of the proceeding(s) of the U.S. International Trade Commission, against the aforementioned Court Reporter's notes and recordings, for accuracy in transcription in the spelling, hyphenation, punctuation and speaker-identification, and did not make any changes of a substantive nature. The foregoing/attached transcript is a true, correct and complete transcription of the proceeding(s).

SIGNED: Rebecca McCrary
Signature of Proofreader

I hereby certify that I reported the above-referenced proceeding(s) of the U.S. International Trade Commission and caused to be prepared from my tapes and notes of the proceedings a true, correct and complete verbatim recording of the proceeding(s).

SIGNED: Kyle Johnson
Signature of Court Reporter

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