

UNITED STATES

INTERNATIONAL TRADE COMMISSION

In the Matter of:
WOODEN BEDROOM FURNITURE FROM CHINA

) Investigation No.:
) 731-TA-1058 (SECOND REVIEW)

Pages: 1 - 119
Place: Washington, D.C.
Date: Thursday, November 10, 2016



Ace-Federal Reporters, Inc.

Stenotype Reporters

1625 I Street, NW

Suite 790

Washington, D.C. 20006

202-347-3700

Nationwide Coverage

www.acefederal.com

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

THE UNITED STATES
INTERNATIONAL TRADE COMMISSION

IN THE MATTER OF:) Investigation No.:
WOODEN BEDROOM FURNITURE FROM CHINA) 731-TA-1058
) SECOND REVIEW

Main Hearing Room (Room 101)
U.S. International Trade
Commission
500 E Street, SW
Washington, DC
Thursday, November 10, 2016

The meeting commenced pursuant to notice at 9:30
a.m., before the Commissioners of the United States
International Trade Commission, the Honorable Irving A.
Williamson, Chairman, presiding.

1 APPEARANCES:

2 On behalf of the International Trade Commission:

3 Commissioners:

4 Chairman Irving A. Williamson (presiding)

5 Vice Chairman David S. Johanson

6 Commissioner Meredith M. Broadbent

7 Commissioner Rhonda K. Schmidtlein

8

9

10 Staff:

11 Sharon Bellamy, Records Management Specialist

12 Nadiya Samon, Student Intern

13

14 Amy Sherman, Investigator

15 Vincent Honnold, International Trade Analyst

16 John Benedetto, Economist

17 Jennifer Brinckhaus, Accountant/Auditor

18 Michael Haldenstein, Attorney

19

20

21

22

23

24

25

1 Opening Remarks:

2 In Support of Continuation of Order (J. Michael Taylor, King
3 & Spalding LLP)

4

5 In Support of the Continuation of the Antidumping Duty

6 Order:

7 King & Spalding LLP

8 Washington, DC

9 on behalf of

10 The American Furniture Manufacturing Committee for Legal

11 Trade

12 Caughan-Bassett Furniture Company, Inc. (collectively the

13 "AFMC")

14 John Bassett, Chairman of the American Furniture

15 Manufacturers Committee for Legal Trade; and Chairman,

16 Vaughan-Bassett Furniture Co., Inc.

17 Doug Bassett, President, Vaughan-Bassett Furniture Co.,

18 Inc.

19 Wyatt Bassett, Chief Executive Officer, Vaughan-Bassett

20 Furniture Co., Inc.

21 Reau Berry, President, Johnston/TomBigbee Furniture

22 Mfg. Co.

23 Rosie Silvers, Employee of Johnston/TomBigbee Furniture

24 Mfg. Co.; and President, Caprenters Industrial Council Local

25 2445

1 John Sandberg, President and CEO, Sandberg Furniture
2 Mfg. Co., Inc.

3 Jennifer Lutz, Consultant, Economic Consulting Services
4 LLC

5 J. Michael Taylor, Stephen A. Jones, Stephen P. Vaughn
6 and Benjamin J. Bay - Of Counsel

7

8 Closing Remarks:

9 In Support of Continuation of Order (Stephen P. Vaughn, King
10 & Spalding LLP)

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

I N D E X

| | Page |
|----|--|
| 1 | |
| 2 | |
| 3 | Opening Remarks: |
| 4 | In Support of Continuation of Order (J. Michael Taylor, |
| 5 | King & Spalding LLP) |
| 6 | |
| 7 | John Bassett, Chairman of the American Furniture |
| 8 | Manufacturers Committee for Legal Trade; and Chairman, |
| 9 | Vaughan-Bassett Furniture Co., Inc. |
| 10 | |
| 11 | Doug Bassett, President, Vaughan-Bassett |
| 12 | Furniture Co., Inc. |
| 13 | |
| 14 | Reau Berry, President, Johnston/TomBigbee Furniture |
| 15 | Mfg. Co. |
| 16 | |
| 17 | Rosie Silvers, Employee of Johnston/TomBigbee Furniture Mfg. |
| 18 | Co.; and President, Caprenters Industrial Council |
| 19 | Local 2445 |
| 20 | |
| 21 | Gat Caperton, President, Caperton Furnitureworks, LLC |
| 22 | d/b/a Gat Creek and Tom Seely Furniture |
| 23 | |
| 24 | John Sandberg, President and CEO, Sandberg Furniture |
| 25 | Mfg. Co., Inc. |

I N D E X

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

Page

| | |
|---|-----|
| Wyatt Bassett, Chief Executive Officer, Vaughan-Bassett Furniture Co., Inc. | 32 |
| J. Michael Taylor - Of Counsel | 37 |
| Stephen P. Vaughn - Of Counsel | 41 |
| Closing Remarks: In Support of Continuation of Order (Stephen P. Vaughn, King & Spalding LLP) | 116 |
| John Bassett | 117 |

1 PROCEEDINGS

2 9:30 a.m.

3 MS. BELLAMY: Will the room please come to order?

4 CHAIRMAN WILLIAMSON: Good morning. On behalf of the
5 U.S. International Trade Commission, I welcome you to this
6 hearing on Investigation Nos. 731-TA-1058, second review
7 involving Wooden Bedroom Furniture from China.

8 The purpose of this investigation is to determine
9 whether revocation of the anti-dumping duty order on wooden
10 bedroom furniture from China would be likely to lead to a
11 continuation or a recurrence of material injury within a
12 reasonable, foreseeable time. Schedules setting forth the
13 presentation of this hearing, notices of investigation and
14 transcript order forms are available at the public
15 distribution table.

16 All prepared testimony should be given to the
17 Secretary. Please do not place testimony directly on the
18 public distribution table. All witnesses must be sworn in
19 by the Secretary before presenting testimony. I understand
20 that parties are aware of the time allocations. Any
21 questions regarding time allocations should be directed to
22 the Secretary.

23 Speakers are reminded not to refer in their remarks or
24 answers to questions to business proprietary information.
25 Please speak clearly into the microphone and state your name

1 for the record for the benefit of the court reporter. If
2 you'll be submitting documents that contain information you
3 wish classified as Business Confidential, your request
4 should comply with Commission Rule 201.6. Madam Secretary,
5 are there any preliminary matters?

6 MS. BELLAMY: No, Mr. Chairman.

7 CHAIRMAN WILLIAMSON: Very well. Let's begin with
8 opening remarks.

9 MS. BELLAMY: In support of continuation of order, J.
10 Michael Taylor of King and Spalding, LLP.

11 CHAIRMAN WILLIAMSON: Okay. Welcome Mr. Taylor. You
12 may begin when you're ready.

13 OPENING REMARKS OF J. MICHAEL TAYLOR

14 MR. TAYLOR: Good morning. Thank you Mr. Chairman.
15 Mr. Chairman, and members of the Commission, I'm Mike Taylor
16 from King and Spalding. On behalf of the American Furniture
17 Manufacturers Committee for Legal Trade, we are here today
18 to review the anti-dumping duty order that remains vital to
19 the domestic producers of wooden bedroom furniture.

20 There are a number of witnesses here today for the
21 domestic industry who are available to answer your
22 questions. But we just wanted to assure you that we're
23 going to do everything we can to stay well within the one
24 hour allotted initial time. Shortly after the order was
25 published, imports of wooden bedroom furniture from China

1 reached the \$1.8 billion high water mark.

2 You'll hear a lot today about the importance of the
3 order. But one clear indication of the order's
4 effectiveness is that over \$152 million in subject imports
5 were recently reported in the Commerce Department's 2015
6 administrative review. Even so, Chinese producers have
7 continued to expand their production capacity. They are
8 export oriented and they are dominating the U.S. markets in
9 furniture sectors that are not under an order.

10 If the order were to be revoked, there is no doubt that
11 dumped imports of wooden bedroom furniture from China would
12 again flood the market and devastate the remaining domestic
13 industry. As a result of the last sunset review, Chairman
14 Williamson and Commissioner Pinkert, and I suspect the rest
15 of you all as well, are very aware of the hard-fought
16 history that underlies this order.

17 It is therefore striking that there were no briefs
18 filed by the foreign producers or importers. It also is
19 just as striking that there are no witnesses here for the
20 Respondents to testify today. Just six months ago, 50
21 Chinese respondent companies filed information with the
22 Commerce Department about their 2015 export activities.

23 They are not here today. In fact, only nine of those
24 50 respondents believed it was even worth their time to
25 answer the Commission's foreign producer questionnaire. As

1 we've argued in our brief, the Commission should draw
2 adverse inferences from this lack of participation. But at
3 a minimum the lack of participation is telling on its face.
4 The sunset review proceedings in this case is very
5 straightforward.

6 There are no credible arguments against continuation --
7 against revoking the order that the foreign producers or
8 importers believe were worth making. Or excuse me, there
9 are no arguments for revoking the order that the foreign
10 producers and importers believe were worth making.

11 Applying the statutory factors, it is clear that
12 revocation of the order would result in the continuation of
13 material injury. First, the likely volume of subject
14 imports would be significant. China has the world's largest
15 wooden bedroom furniture industry. China is the largest
16 furniture producer and exporter in the world, with reports
17 of over 80,000 factories and over five million furniture
18 employees.

19 Despite having excess wooden furniture capacity,
20 Chinese producers are still continuing to invest in capacity
21 expansions. We know from the administration of the order
22 that Chinese producers continue to have a keen interest in
23 selling to the United States. Not only are they still doing
24 so, they are willing to engage in evasion activities that
25 have resulted in criminal and civil penalties, and the

1 Commerce Department has sent numerous respondents specific
2 allegations to U.S. Customs, as we provided in the exhibits
3 to our brief.

4 Second, the likely adverse price effects in the
5 original investigation and in the first sunset review
6 proceeding show that subject imports consistently undersold
7 domestic like product.

8 In this case, even though the refusal of the Chinese
9 producers to participate has resulted in a lack of robust
10 data, purchasers continue to identify price as the key
11 factor in making their purchasing decisions, and nine of the
12 12 responding purchasers agree that Chinese wooden bedroom
13 furniture is priced lower than domestic wooden bedroom
14 furniture.

15 Finally, revocation would have a very significant
16 adverse impact. On this point, it is important to recognize
17 that the industry remains vulnerable. Sales of bedroom
18 furniture track new housing starts. In an analysis of
19 housing starts on a per capita basis shows that single
20 family housing starts are at their lowest levels since the
21 data began to be collected in 1959.

22 Even if we were to look at this on an absolute basis,
23 the only period with lower housing starts was the
24 recessionary period of 1981 and 1982. Also, the industry
25 has a high variable cost structure. So increased imports

1 from China at low prices would affect U.S. production,
2 market share, company profitability and jobs. A domestic
3 industry that just this year is beginning to show a profit
4 after years of recession would be devastated by the flood of
5 Chinese imports that would follow any revocation of the
6 order.

7 The outcome of this review is critical to the U.S.
8 manufacturers and their workers, who have invested so much
9 in this industry, who are very hard to overcome the
10 lingering effects of the recession, and competition from
11 other sources as well, and who are committed to surviving
12 and manufacturing here in the United States. Thank you.

13 CHAIRMAN WILLIAMSON: Thank you. So could you call the
14 first panel?

15 MS. BELLAMY: Those in support of continuation, King
16 and Spalding, LLP.

17 CHAIRMAN WILLIAMSON: Okay. Mr. Taylor, you may begin
18 when you're ready.

19 MR. TAYLOR: Thank you very much, Mr. Commissioner.
20 John Bassett will begin with us today.

21 CHAIRMAN WILLIAMSON: Okay.

22 STATEMENT OF JOHN BASSETT

23 MR. JOHN BASSETT: Oh, thank you. My name is John
24 Bassett. I am the chairman of Vaughan-Bassett Furniture
25 Company. I want to thank all of you for allowing us to come

1 and address you today, and giving you a chance and giving us
2 a chance to tell our story.

3 I'm a third generation factory man. My grandfather was
4 one of the founders of the Bassett Industries in 1902, and
5 two of the gentlemen sitting here today that will address
6 are my sons, and they are the fourth generation. But why
7 are we here? How did we get here? I went to China the
8 first time in 1984, and continued to go back over the years.
9 And that's when China had a status called Most Favored
10 Nations status.

11 But that changed, that changed in the end of 1999
12 beginning of 2000, when they became members of the World
13 Trade Organization, and that's when prices plummeted. They
14 truly plummeted, and we kept asking ourselves what's going
15 on? So we decided to go back to China again. We had been
16 there many times before, but this time we went to Manchuria,
17 where a complex of factories were being built to build wood
18 bedroom furniture, six large factories and a huge warehouse.
19 It was about 100 miles from the North Korean border.

20 We had bought the product before and we had reverse
21 engineered it, and we realized that the price they were
22 charging did not even cover material cost. Forget about
23 labor, overhead, GS&A or anything else. It didn't cover
24 material cost. So I sat down with the gentleman who was the
25 chairman of the company and I asked him, how could this be?

1 How can you sell this to us at this price?

2 Through an interpreter, he used a word that I did not
3 forget. He was very honest. He said it is the tuition we
4 pay to drive you out of business, and that's about as stark
5 as you could get. Now that gentleman had no idea what
6 dumping was, and we were just beginning to learn what the
7 WTO rules were and what the United States laws were.

8 This changed the whole picture. This is not what we
9 were told when our organization supported GATT and we
10 supported NAFTA. Nobody told us that this is what was going
11 to happen, and on the way back to the plane, I started
12 thinking about it, and I started thinking about civil
13 rights, and there are laws against civil rights in this
14 country and people losing their jobs because of race,
15 religion, gender, age.

16 I asked myself what's the difference of a person losing
17 their ability to support their family and a job because of
18 civil rights, and they had somewhere to go -- they had the
19 EEOC -- and losing your job because of illegal trade?
20 What's the difference when you lose your job? I also
21 realized ladies and gentlemen as management this time we had
22 to step up. These people can't do it by themselves.

23 Management had to be willing to step up and say
24 something is going wrong here. Now this is covered by two
25 books. The first one is on globalization. It was written

1 by a lady name Beth Macy and it's called Factory Man, and
2 it's about our industry and it's about our family actually,
3 and it's the story of globalization.

4 There's another book written by me published this year
5 called Making It in America. That book is about survival.
6 How did we survive the period of globalization? So we
7 looked forward to talking to you and telling you our story,
8 and that's what you're going to hear today, our story. But
9 rest assured, we do not want a handout. We do not want a
10 bailout. We want one thing. We want the opportunity to
11 fairly compete. Ladies and gentlemen, that's our story.
12 Thank you.

13 MR. TAYLOR: Mr. Chairman and Commissioners, our next
14 witness will be Doug Bassett.

15 STATEMENT OF DOUGLAS BASSETT

16 MR. DOUGLAS BASSETT: Thank you. Good morning. My
17 name is Doug Bassett and I'm the president of
18 Vaughan-Bassett Furniture Company in Galax, Virginia. I've
19 worked on the executive management team at Vaughan-Bassett
20 since 1999, and I have been president since 2012. I am so
21 proud to be here testified with my dad, John Bassett and my
22 brother Wyatt.

23 I'm also proud to stand with my fellow domestic
24 furniture producers this morning. Most of us on this panel
25 have been part of the fight against dumped imports from

1 China since this case was originally filed back in 2003. It
2 has not been easy. We face pressure from customers who
3 wanted access to unfairly traded imports. We have known the
4 excitement of winning relief, only to realize that we have
5 to keep battling efforts to circumvent the order.

6 But all of us agree on the importance of maintaining
7 relief, because that is the only way that our companies and
8 our workers will have a chance to compete on a level playing
9 field. As you can tell from the witness list,
10 Vaughan-Bassett is a family business. My family has been in
11 the furniture business since 1902, when my great grandfather
12 began making furniture in southern Virginia. But when I
13 think of the Vaughan-Bassett furniture family, I also think
14 of the workers who have devoted themselves to our company,
15 and who make some of the best wooden bedroom furniture on
16 earth.

17 I think of Galax, a proud town of just over 7,000
18 people, near the Virginia-North Carolina border, with a long
19 history of furniture making. We employ over 600 people in
20 Galax, many of them with decades of experience. One of the
21 main reasons we're here, one of the main reasons we
22 supported this case from the beginning is that we want to
23 give our workers and our town a fair chance to succeed.

24 Today, we continue to believe that the order is
25 absolutely essentially for the long-term health of the

1 wooden bedroom furniture industry in the United States. The
2 last eight years have been a time of severe challenges for
3 domestic producers. The industry recognizes that demand for
4 our product is determined primarily by the construction of
5 new single family homes, because demand for new bedroom
6 furniture primarily comes from the creation of new bedrooms.

7 During each of the last eight years, construction of
8 such homes has fallen to levels not seen since the recession
9 of the early 1980's. In fact, if you adjust the data to
10 take the country's growing population into account, you'll
11 see that there hasn't been a period of such depressed growth
12 in single family homes since at least 1959, which is the
13 year when the government began keeping track of this
14 statistic.

15 So while some parts of the economy have recovered from
16 the economic crisis of the late 2000's, ours has not.
17 Furthermore, we continue to face difficult competition from
18 imports. Later this morning, my brother Wyatt will talk to
19 you about the desperate efforts by importers to bring dumped
20 Chinese furniture into this market, even to the point of
21 risking civil and criminal penalties to do so.

22 But we also face competition from non-subject sources
23 in China and non-subject countries like Vietnam. Do not get
24 me wrong. We know that this business, like any business, is
25 competitive. We and our workers relish the competition, so

1 long as it is legal. But large import volumes represent
2 another challenge for companies like Vaughan-Bassett. These
3 challenges have obviously harmed our profitability.

4 But we remain committed to this business. We believe
5 that market conditions are slowly improving, and we are
6 preparing for the future. In fact, since 2003, the year
7 this petition was filed, we have spent more than \$45 million
8 on capital expenditures to upgrade and improve our
9 facilities. The wood for our furniture comes from local
10 forests, and we developed a program with the Virginia
11 Department of Forestry to ensure that we replace every tree
12 used to make our furniture.

13 This year, we launched a new line of solid wood
14 furniture known as Artisan and Post, and just announced
15 additional entries to that line at the October market in
16 High Point, North Carolina. We are so encouraged by the
17 potential of this line that we have begun making solid wood
18 dining room furniture as well. I realize that dining room
19 furniture is not covered in this proceeding, but I want you
20 to understand that Vaughan-Bassett is committed to growing
21 our business here in America.

22 So we and our workers have survived dumped imports from
23 China, a terrible downturn in demand and competition from
24 the rest of the world. We are still here and we are hopeful
25 about the future. But please understand that revoking this

1 order and allowing a new surge of unfair trade to flood this
2 market would have devastating consequences.

3 Even today, 12 years after the order was imposed, we
4 continue to fight efforts by subject producers to circumvent
5 or otherwise undermine relief. So there is no question that
6 revocation of the order would lead to a rapid increase in
7 dumped Chinese imports. Chinese producers are very
8 sophisticated, and we would expect them to compete
9 throughout the U.S. market, including against our new
10 Artisan and Post line.

11 Under these circumstances, it would be impossible to
12 avoid material injury. Therefore, on behalf of all the
13 workers at Vaughan-Bassett, as well as their families and
14 everyone else who relies on a healthy American furniture
15 industry, I urge you to maintain this vital order and give
16 us a fair chance for a better future. Thank you very much.

17 MR. TAYLOR: The industry's next two witnesses will be
18 Reau Berry from Johnston/TomBigbee Furniture, followed by
19 Rosie Silvers, who is also at Johnston/TomBigbee and the
20 president of Local 2445.

21 STATEMENT OF REAU BERRY

22 MR. BERRY: Good morning. My name is Reau Berry and I
23 am president and owner of JTB Furniture Company. I'm a
24 third generation manufacturer of furniture and the business
25 was started by my grandfather, Russell Johnston. Back in

1 1932, during the worse Great Depression, he started making
2 furniture in the basement of a retail furniture store that
3 he received in lieu of a commission.

4 Ever since then, 84 years, we have continued making
5 furniture in our hometown of Columbus, Mississippi. Our
6 business has changed over time and for the last 35 years our
7 focus has been on making case goods for the hospitality
8 industry. In other words, we have made headboards, dressers
9 and other pieces of bedroom furniture for major hotel
10 chains. If you've ever stayed at a Hampton Inn, Holiday Inn
11 Express or any other well-known hotel brands, you have
12 probably used JTB furniture.

13 Here's how the hospitality business works for a
14 furniture maker like JTB. Many of the brand name hotels,
15 which we -- with which you are familiar, are franchises. In
16 other words, a particular hotel is owned by a franchisee who
17 licenses the right to use a brand like Best Western and
18 Holiday Inn.

19 Sometimes the parent company owns a particular hotel
20 directly, but these days most of the major hotel chains are
21 moving in the direction of more franchising and less direct
22 ownership. To use the brand, the franchise must meet
23 certain standards set by the particular chain. For example,
24 the franchisee will use a correct version of the company
25 logo as well as a company-approved promotional materials.

1 The franchisee also has certain obligations regarding
2 the furniture. As a general matter, the major hotel chain
3 requires that the wooden bedroom furniture we produce should
4 be replaced every seven to ten years. The hotel chain often
5 develops its own design for the furniture, thus ensuring a
6 consistent image for all the hotels using its brand.

7 The chain also will qualify certain companies that are
8 officially authorized to make such furniture for its hotels.
9 In other words, to satisfy its furniture requirements, the
10 franchisee is supposed to buy his furniture from a qualified
11 producer like JTB. But the franchisee usually decides which
12 producer to use.

13 Furthermore, it is very important for you to understand
14 this point. Every major chain qualifies multiple furniture
15 suppliers, so the individual franchisee can choose from a
16 number of potential sources. Putting all of this together,
17 you can see that in the hospitality business, sales of
18 wooden bedroom furniture are heavily influenced by
19 differences in price.

20 The franchise must buy furniture every so often that
21 the furniture must be made to a certain specification, and
22 the furniture must be produced by a maker that is acceptable
23 to the hotel chain. Once those qualifications are met, the
24 franchisee is free to take the lowest price from a qualified
25 suppliers, and by and large that is what they do.

1 This background explains why we at JTB care so much
2 about the order at issue today. We make a great -- we make
3 great furniture of all different types and styles, but we
4 are extremely vulnerable to low-priced competition, and we
5 have suffered from years before the order went into place.
6 Even with the order in place, we continue to face stiff
7 competition.

8 Demand for hospitality furniture has improved in recent
9 years, as lower gas prices have encouraged more travel. But
10 due to continued oversupply in the market, our margins are
11 still not where they should be. When you recall that we
12 suffered through years of unfair trade, only to then have
13 one of the worse economic crises in history, it is obvious
14 that we are in no position to face yet another increase in
15 dumped imports.

16 But that is exactly what will happen if the duties on
17 China disappear. I know that within days after that
18 happens, importers will be in touch with my customers,
19 explaining how cheaply they can bring dumped Chinese
20 furniture back into this market. They have the capacity to
21 make whatever my customers want, and since they've already
22 demonstrated their willingness to trade unfairly, they can
23 offer prices we cannot afford to match.

24 Because the competition in the hospitality furniture
25 sector is based largely on price, we will lose sales that we

1 must have in order to survive. The bottom line is this: if
2 this order is revoked, unfairly traded Chinese imports will
3 evaporate the domestic industry. Factories will be
4 shuttered, jobs will be lost.

5 Entire communities like my hometown of Columbus will be
6 devastated, and all of our efforts to survive, all the hard
7 work from great people like Rosie Silvers, who you will hear
8 from shortly, will be for naught. I urge you not to let
9 this happen. Keep these necessary duties in place. Thank
10 you.

11 STATEMENT OF ROSIE SILVERS

12 MS. SILVERS: Good morning. I am Rosie Silvers. I
13 have worked for Johnston/TomBigbee Furniture Manufacturing
14 for the last 41 years. All of them in our plant in
15 Columbus, Mississippi from 2004 to 2015 I was Vice President
16 of Carpenters Industrial Council Local 2445. Since 2014, I
17 have had the honor to serve as president of our Union. You
18 have heard from a number of executives here about what the
19 antidumping order on wooden bedroom furniture from China
20 means to American Companies.

21 Now, I would like to tell you what it means for
22 American workers like me. I started at JTB furniture at
23 1975. Since 2008, I have worked on a like that prepares
24 assembly furniture for painting. My job is quality control.
25 I check every piece to make sure there are no imperfections

1 or other flaws that would interfere with the painting
2 process. It is a very important job because we are in a
3 highly competitive business.

4 I have checked every piece to have it good and make it
5 good but I'm not alone, there are 200 workers at JTB and 140
6 is in our bargain union. We all are proud of our work and
7 our job. Every week we take wood and transform it into
8 beautiful pieces or furniture that are sold all over the
9 United States. As a Union President, I know that JTB
10 Furniture is fortunate to have such a dedicated and talented
11 workforce. I also know that we are fortunate to have such
12 good jobs.

13 Columbus is a small town in Northeast Mississippi near
14 the Alabama line. It is a great town but like a lot of
15 American towns these days it does not have too many good
16 jobs for people who didn't have the chance to attend
17 college. JTB Furniture is the only significant manufacturer
18 within driving distance for those of us who work there.
19 Over the last 41 years, JTB has provided me with a good job,
20 with steady income.

21 That job has put a lot of Thanksgiving dinners on our
22 table, put a lot of Christmas presents under our tree. It
23 meant health insurance for me and my family. For me and
24 other workers all across this country, making furniture has
25 been our chance at the American Dream. We need these jobs.

1 Now, let me be clear. Those of us who work at JTB Furniture
2 understand how business works. We know that you have to
3 make a high quality product at a good price in order to
4 satisfy your customers. We know you need people who are
5 committed to doing their best. We know you need to invest
6 in new equipment and that you must be prepared to change
7 with the times.

8 We have seen many ups and downs in this business. We
9 don't expect something for nothing. All we ask is a fair
10 chance. Don't make us compete with imports that our own
11 government say are dumped. That's not fair. Don't put our
12 jobs at risk because the Chinese built too many factories
13 and now want to sell furniture at any price just to keep
14 their mills running. That's not fair. Keep the order on
15 dumped imports from China in place and give me and all of us
16 in this critical industry the opportunity to keep doing our
17 job. Thank you for your time.

18 MR. TAYLOR: The next industry witness will be Gat
19 Caperton.

20 STATEMENT OF GAT CAPERTON

21 MR. CAPERTON: Good morning. I'm Gat Caperton. I own
22 and run a wood furniture manufacturing company 90 miles west
23 of here in Berkeley Springs, West Virginia. We build
24 bedroom, dining room and accent furniture. Our specialty is
25 converting Appalachian hardwoods into beautiful furniture.

1 Sustainability and craftsmanship are the key tenets of our
2 operation.

3 All of our wood comes from locally and sustainably
4 harvested forests. Each piece of furniture is signed and
5 dated by the artists who built it. Our business came to
6 life in the 1950's. Our founder Tom Seely served on the
7 Flying Tigers of World War II to help liberate the coastal
8 China from the Japanese occupation. After the war, Tom
9 began buying, restoring and reproducing antique furniture.
10 I purchased the business from Tom Seely twenty years ago in
11 a leveraged buyout and I've ridden a long roller coaster
12 ever since. Tom passed peacefully last year at the age of
13 96, still proud of the company and the furniture he helped
14 build.

15 Ten years ago, at the time of the original antidumping
16 order, our business was in deep trouble. Our sales had
17 shrunk 30+ percent and were totaling less than 10 million
18 dollars. Employment had dropped from 140 to under 100
19 people. Our lines of credit were fully extended and we
20 needed almost 100 days to pay our vendors. We had no way to
21 compete with product that was priced below the cost of its
22 inputs.

23 The antidumping order brought price stability back to
24 wooden bedroom furniture and saved our business. Today, we
25 employ 120 artisans, run a world-class factory and will

1 properly produce over 16 million dollars' worth of
2 furniture. I believe technology, specifically CNC
3 technology is leading a manufacturing renaissance today. We
4 run three CNC machines and will order a 4th in the coming
5 months.

6 CNC stands for computer numerically controlled. Our
7 CNC machines use the same technology as the digital printers
8 we hear so much about today. The key difference is that our
9 machines use this technology in a subtractive manner instead
10 of an additive manner. We start with a block or panel of
11 sawed wood and then sculpt away the material that is not
12 needed to create the part.

13 A 3D printer would build a similar part in plastic or
14 resin by stacking or adding thin layers atop one another.
15 This is powerful stuff. It eliminates the need for many
16 smaller, more dangerous pieces of equipment as well as hours
17 of non-value added time moving components between each
18 machine. It also requires a long-term capital investment.
19 We'd rather pay for these machines over a ten-plus year
20 period.

21 Continuation of the antidumping order is absolutely
22 critical for these types of investments. The technology
23 that drives our competitiveness requires long term capital.
24 Our bank, suppliers and other creditors all trust that we
25 are allowed to operate in a market where foreign product is

1 not dumped at prices below the cost of its inputs.

2 If we lose the antidumping order, we will lose access
3 to the capital that we need to maintain our competitiveness.
4 Creditors will not wait for prices to drop and losses to
5 mount as they did prior to the original antidumping order.
6 They will begin pulling capital out of our industry
7 immediately. Without capital the manufacturing renaissance
8 will pass us by.

9 Furniture manufacturing takes more than a few machines
10 to be successful. We have a long history of craftsmanship,
11 lean manufacturing, hard work and commitment to doing things
12 right for our customers, our employees, our community and
13 our environment. Nonetheless, we need the dumping to stop
14 ten years ago. It was painful and nearly killed our
15 business.

16 For our survival we still need the law to continue to
17 be enforced. Without the antidumping order in place, our
18 bank, our suppliers and even our employees will immediately
19 assume, correctly I fear, that dumped product will return to
20 the market and will quickly take sales from us. We don't
21 want this. We're invested for the long term. We want to
22 continue our mission to make beautiful furniture, creating
23 great jobs, adding to our community and protecting the
24 natural resources that we love. Thank you.

25 MR. TAYLOR: Next will be John Sandberg.

1 STATEMENT OF JOHN SANDBERG

2 MR. SANDBERG: Good morning. I'm John Sandberg,
3 President of the Sandberg Furniture Manufacturing Company.
4 Like some of the other witnesses here this morning, I
5 represent a family business. I'm the 4th generation in a
6 family business that goes back to 1890 and that has been
7 making furniture since 1918. Sandberg Furniture is located
8 in Vernon, California in an industrial town only a few miles
9 from downtown Los Angeles. While our furniture is
10 sold nationwide, most of our business is in the western part
11 of the United States. Sandberg Furniture focuses on the low
12 and middle income consumer who wants to furnish their home
13 or apartment beautifully and who wants quality furniture
14 that suits their taste at a price they can afford. To do
15 this, our bedroom collections use paper laminates for the
16 exposed surfaces instead of solid wood or wood veneers.
17 Paper laminates allow us to create attractive and
18 sophisticated-looking products at an affordable price. We
19 also use advanced technology such as computer program panel
20 saws and rodding equipment to ensure a high-quality product.
21 We developed a trademarked proprietary finishing technology
22 called Ultragloss that gives our paper laminate a finish
23 that is second to none.

24 We have an outstanding workforce that brings an ethic
25 of hand craftsmanship to everything they make. Our workers

1 belong to Local 721 of the Union of Cabinetmakers, Millmen
2 and Industrial Carpenters and we just signed a new labor
3 contract. Thanks to our dedicated workers and our
4 commitment to using the best technology, we believe that
5 Sandberg Furniture can and should compete successfully in
6 this market.

7 We've learned however that a private company like ours,
8 a company that must make a profit over time so that it can
9 pay its workers, upgrade its technology and remain
10 competitive cannot afford to compete with imports at duped
11 prices. We've learned that lesson over twelve years ago
12 when we saw Chinese Imports pouring into this country in
13 large numbers.

14 In a true market, paper laminate furniture like ours
15 involves lower raw material costs than furniture that has a
16 wood veneer but Chinese Producers were not offering their
17 goods at true market prices. They were dumping imports at
18 prices no American Company could afford to match. Soon, my
19 customers were reporting that they could obtain wood veneer
20 furniture from China cheaper than they could buy paper
21 laminate from us.

22 I knew then and I know now that the Chinese producers
23 had to be cheating and that's why we decided to support this
24 case because our company and our workers deserve the chance
25 to compete on a level playing field. As you've already

1 heard, the order has been very effective. Even with the
2 order in place, however, we continue to face major
3 challenges. We still face significant volumes of low-priced
4 imports from countries other than China. Economic crisis of
5 the late 2000's hit our customers very hard.

6 To this day, lower and middle income customers, the
7 back bone of our business, haven't seen as robust a recovery
8 as the customers in the higher income brackets. These
9 developments have certainly lowered demand for our product
10 and made it much more difficult to recover from the injury
11 caused by unfair trade.

12 These problems, serious as they are, are minor compared
13 to what would happen if the order was revoked. China has by
14 far the largest and most aggressive furniture industry in
15 the world. Last year, China shipped over 4.1 billion
16 dollars of wooden furniture other than bedroom furniture to
17 this country. That figure was up more than 680 million
18 dollars from the 2010 levels. Only a few weeks ago
19 Furniture Today reported that China accounted for 57 percent
20 of all U.S. furniture imports during the 1st half of 2016.

21 We understand that China is pouring significant
22 resources into the paper laminate business and that Chinese
23 Producers are technologically more sophisticated than they
24 were during the original investigation or the last review.
25 Under these circumstances, I am absolutely certain that

1 revoking this order and opening the door to unfair trade
2 will be a disaster. Not only for the Domestic
3 Industry as a whole but specifically for my company and our
4 workers. We deserve better. We deserve the chance to
5 obtain a fair price for our product and a fair profit on our
6 investment. We deserve the chance to take advantage of
7 improvements in market conditions. We deserve the chance to
8 grow our business and to get as many sales as our hard work
9 and our quality deserve. That's the vision my family had
10 when they started making furniture in 1918 and that's the
11 vision I have today. On behalf of the men and women at
12 Sandberg Furniture and all of us who care about this
13 industry, I urge you to keep this order in place. Thank you
14 very much.

15 MR. TAYLOR: Next will be Wyatt Bassett.

16 STATEMENT OF WYATT BASSETT

17 MR. BASSETT: Mr. Chairman and members of the
18 Commission thank you for the opportunity to testify before
19 you this morning. My name is Wyatt Bassett and I'm the CEO
20 of Vaughn Bassett Furniture Company. You already have heard
21 from my father as to why it was so important for the
22 Committee for Legal Trade to file a Petition for Antidumping
23 Duty Order in 2003. You also have heard from others as to
24 the devastating effects that would follow if the order were
25 revoked.

1 I now would like to spend a few minutes providing some
2 additional background on the administration of the order.
3 Recent proceedings before other agencies prove that the
4 Chinese exporters are determined to keep selling wooden
5 bedroom furniture into the United States. This is not a
6 case where the Chinese decided to abandon the U.S. Market
7 after publication of a trade remedy order. They still
8 desperately want to sell wooden bedroom furniture to U.S.
9 Consumers.

10 This is a case where the U.S. Industry has needed to
11 remain vigilant which we have, to ensure the effectiveness
12 of antidumping relief. In an average week I communicate two
13 to three times with the Committee's Attorneys about
14 dumping-related issues. In fact, we often speak daily.
15 Interest by Chinese exporters in the United States Market
16 has been and remains intense. Over 200 Chinese Companies
17 have participated in various commerce proceedings to a
18 sufficient degree to be assigned their own customs module
19 number. After publication of the order, it's notable that
20 23 new shippers, new companies began shipping to the United
21 States and requested their own new shipper reviews. Again,
22 the Chinese remain dedicated to the U.S. Market. In January
23 of 2005 when the order was published, the estimated weighted
24 average dumping margin for cooperative respondents was
25 6.65%. That rate served as the cash deposit threshold for

1 most importers immediately after the order was published.

2 Imports of wooden bedroom furniture from China
3 subsequently reached a high-water mark of 1.8 billion
4 dollars in 2006. Chinese shipments began to decrease with
5 the first administrative review however which was completed
6 in 2007. As you can see in this slide, Subject Imports did
7 not stop overnight but they did slow over time. The
8 Commerce Department only has the resources to investigate
9 and assign company specific margins to a small number of
10 mandatory respondents usually only 1 or 2 per review.

11 This means that it may take years for Commerce to look
12 at the pricing and exporting practices of a particular
13 company. But the Orders' effect on the volume of Chinese
14 Imports is undeniable. In each of the 1st five
15 administrative reviews, Commerce calculated weighted average
16 dumping margins between 29 and 43% showing continued
17 aggressive dumping by the Chinese exporters. As you can
18 see, the falling import volumes coincide with the imposition
19 of higher duties.

20 While the first five are reviews concentrated on
21 dumping, the 5 most recent reviews have dealt with duty
22 evasion. In the 5 most recent reviews, a majority of the
23 Chinese Respondents have either not established that they
24 are not controlled by the Chinese Government or have just
25 refused to cooperate with the Commerce Department. As duty

1 evasion has become more frequent, fewer if any Chinese
2 companies are willing to have their company-specific margin
3 calculated.

4 In fact, during these five most recent reviews, only
5 one Respondent has received a rate below 216 percent. It
6 should come as no surprise therefore that only a small
7 fragment of the Chinese Exporters are cooperating with this
8 Commission. Today, over 70 percent of Chinese Exporters are
9 subject to duties in excess of 200 percent and only 48
10 companies continue to have a rate lower than a 40 percent
11 cash deposit rate.

12 To be sure, the individualized assessment of margins in
13 administrative reviews has enhanced the effectiveness of the
14 order but that has not diminished the responsibility of
15 Domestic Producers to remain vigilant with respect to
16 continuing imports and evasion efforts. Our committee is
17 actively participating in the Commerce Department's eleventh
18 administrative review. In April, fifty Chinese exporters
19 filed submissions with Commerce concerning their 2015
20 exports of wooden bedroom furniture.

21 It is notable that only 9 of those Respondents, less
22 than twenty percent were willing to answer the Commission's
23 Foreign Producer Questionnaire and none of those companies
24 is here today. That's because the Chinese Producers don't
25 have a good argument for revoking the order. If the order

1 were to be revoked, the Chinese would again flood the market
2 with dumped wooden bedroom furniture and injury U.S.
3 Manufacturers.

4 The current and eleventh Administrative Review provides
5 a real-life example of how far Respondents and Importers are
6 willing to go in their efforts to sell dumped products in
7 the United States. In October, Commerce sent a letter to
8 the U.S. Customs Department regarding a potential
9 duty-evasion scheme that involved a mandatory respondent
10 Nanton Wangjhang Furniture and U.S. Importers.

11 Similar letters that addressed evasion and
12 circumvention schemes also had been sent to U.S. Customs by
13 Commerce in the 7th and 10th reviews. The U.S. Government
14 has determined that circumvention and evasion of the order
15 is occurring. In September 2014, the Department of Justice
16 announced that the former managing director of La Jobi
17 Incorporated had pled guilty to lying to U.S. Customs and
18 filing false customs documents in an effort to underpay
19 antidumping duties.

20 In separate matters, Justice also has announced civil
21 settlements concerning evasion of the order. If exporters
22 and importers are willing to risk criminal and civil
23 penalties through evasion schemes and they are, they
24 certainly would resume dumping at extraordinary levels if
25 the order were not in place. Thank you.

1 STATEMENT OF MICHAEL TAYLOR

2 MR. TAYLOR: And to wrap up this morning, Stephen
3 Vaughn and I would like to walk through some of the facts of
4 the investigation that are on the record today. We've
5 already heard extensive testimony from people in the
6 industry and we thought it might be helpful just to quickly
7 summarize the record with respect to the key statutory
8 factors.

9 So in reference to the slides, first, here are the key
10 points to keep in mind. Subject Producers generally have
11 refused to participate in this review even though they were
12 and are very active in administrative reviews at the
13 Department of Commerce. By way of example, no one is here
14 today to testify before the Commission.

15 Second, Chinese Producers remain very active in this
16 market and will flood the United States with dumped imports
17 of wooden bedroom furniture if the order is revoked.

18 Third, competition in this marketplace takes place on
19 the basis of price and a new surge of unfair trade will
20 drive down domestic pricing.

21 Fourth, while the order has been very effective, U.S.
22 Producers remain extremely vulnerable to material injury.

23 Finally, in light of these facts which we will cover in
24 some detail, there can be no doubt that revoking the order
25 will have a devastating consequence on the Domestic

1 Industry. we have a major issue here involving the failure
2 of Chinese Producers to cooperate in this review. The
3 Commission sent questionnaires to 121 Chinese firms but only
4 10 of those firms responded. The responding firms accounted
5 for less than 25 percent of the value of Subject Imports
6 reported by Chinese Producers to Commerce only a few short
7 months ago as part of the ongoing administrative review.

8 In other words, a significant number of Chinese
9 Producers decided that they would answer a questionnaire
10 from Commerce but would not answer a questionnaire from this
11 Commission. Of course, Subject Producers who currently
12 export subject merchandise to the United States make up a
13 relatively small portion of the Chinese Industry. Remember
14 that most Chinese producers face duties of more than 200
15 percent so they are effectively locked out of this market,
16 but they are out there and they would return if the order
17 were to be revoked.

18 Look at this slide. The first two bars represent
19 shipments to the United States. They are the same two bars
20 you saw on the last slide. That third much larger bar
21 represents Chinese Exports to the entire world. The Subject
22 Producers represent an enormous industry and you have almost
23 no questionnaire data from them. Nothing about their unused
24 capacity, their new capacity, their export markets, or any
25 of the other information we could have learned from their

1 questionnaire responses.

2 They must not be allowed to benefit from their decision
3 to hide this information from the Commission. We urge you
4 to infer that the missing data and information would
5 strongly support a finding that the order should remain in
6 place.

7 Now, let's talk about likely volume. China's wooden
8 bedroom furniture industry has grown significantly since the
9 last 5 year review. Here you see that since 2010, reported
10 Chinese exports of wooden bedroom furniture is up 1.3
11 billion dollars. Notably, the increase alone from 2010 to
12 2014 is greater than the total exports of wooden bedroom
13 furniture from the next largest exporting country, as seen
14 in the next slide.

15 In fact, as you can see here China is by far the
16 world's largest exporter of wooden bedroom furniture, with
17 exports almost 4 times as large as the next country. It is
18 obvious that were the order to be revoked the enormous
19 Chinese furniture industry, an industry that already is
20 shipping massive volumes of subject product around the world
21 immediately would attack this market again.

22 Meanwhile, our brief contains a significant amount of
23 detail regarding new subject capacity being built in China.
24 We won't detail everything here but here are a few examples
25 on the slide. China's government also supports furniture

1 production and even provides some export subsidies. These
2 facts further indicate that upon revocation Subject Imports
3 and import volumes will soar.

4 In fact, China already has a dominant position in this
5 market with respect to products where it is not under order.
6 The data on this chart show that in the first six months of
7 2016 China accounted for over 60 percent of all U.S. Imports
8 of furniture and not covered by this case. If the order
9 were revoked, you could expect to see a similar pattern with
10 regard to wooden bedroom furniture.

11 Furthermore, U.S. Imports of Chinese furniture are
12 rising. Here, you see that from 2013 to 2015, U.S. Imports
13 of wooden furniture other than bedroom furniture rose by
14 half a billion dollars and as the Commission has already
15 recognized, changing from wooden furniture to wooden bedroom
16 furniture is an easy switch by most manufacturers.

17 Here you see that U.S. Imports of upholstered seats and
18 chairs with wooden frames from China grew by 700 million
19 dollars over the same period. Again, the order is the
20 primary reason you have not seen a similar pattern with
21 regard to wooden bedroom furniture but if that order is
22 revoked, a catastrophic volume of Subject Imports will again
23 flood this market.

24 In fact, Subject Imports are trying to enter this
25 market even with the order in place and not by selling at

1 fair prices. You just heard from Wyatt Bassett who
2 described the efforts that are necessary to prevent
3 circumvention and evasion of the order and here you can see
4 just a few examples of what's happening with one being a
5 criminal case and they are very civil proceedings that
6 resulted in efforts to address evasion of the order. It is
7 difficult to imagine more compelling evidence that the
8 likely volume of imports would be significant upon
9 revocation.

10 If importers are this desperate to buy dumped Chinese
11 Imports with the order in place, there can be no question
12 that they would do so also if the order were to be revoked.

13 STATEMENT OF STEPHEN VAUGHN

14 MR. VAUGHN: Now we'd like to discuss price effects.
15 As an initial matter, we would note that the pricing data in
16 the prehearing report are of little value in determining the
17 likely behavior of Subject Producers if the order is
18 revoked. The vast majority of Chinese Producers now face
19 very high rates, showing that they cannot compete in the
20 U.S. Market without dumping but that would change if the
21 order were revoked.

22 Furthermore, the Commission has only limited responses
23 from importers and we have identified some problems with the
24 pricing data. Under these circumstances, the Commission
25 should give little if any weight to the pricing data in the

1 Staff Report and rely instead on the overwhelming record
2 evidence showing that if the order is revoked, Subject
3 Imports will have a severe adverse effect on pricing.

4 For example, here you can see that in both the original
5 investigations and the first 5-year review, Subject Imports
6 undersold the domestic like product in almost all
7 comparisons. Given that Chinese Imports have declined
8 significantly in recent years, the figures you see here are
9 much more representative of the likely pricing of Subject
10 Imports in the event of revocation.

11 Furthermore, in this review 75 percent of the
12 responding U.S. Purchasers stated the Chinese prices were
13 generally lower than the Domestic pricing. This fact
14 constitutes compelling evidence that Chinese Imports
15 continue to undersell the domestic like product and will do
16 so upon revocation. Here you see extensive evidence that
17 Subject Imports compete with the domestic like product on
18 the basis of price.

19 Price is an important factor for purchasers and Chinese
20 Imports are generally interchangeable with the domestic like
21 product. Under these circumstances, a new surge of Subject
22 Imports would force Domestic Producers to lower their own
23 prices or lose sales. Thus, the adverse price effects of
24 Subject Imports would be significant.

25 MR. VAUGHN: Finally, let's take a look at the likely

1 impact of subject imports. As you will see, the Order has
2 been extremely effective. Nevertheless, forces beyond the
3 control of the domestic producers have left them highly
4 vulnerable to material injury going forward. Under these
5 circumstances, revocation of the Order would likely have
6 devastating consequences.

7 This chart shows the total value of Chinese imports.
8 The value of subject imports is confidential. Even here,
9 however, it is clear that the Order has had a dramatic
10 impact. It has been very effective.

11 Unfortunately, since the Order was imposed there has
12 been a dramatic downturn in demand for wooden bedroom
13 furniture due to one of the worst housing crises in American
14 history.

15 Here you see data on U.S. privately owned housing
16 starts limited to single-family units. While conditions
17 have improved somewhat in recent years, demand remains close
18 to half of normal levels.

19 The problem becomes even more obvious after one
20 accounts for the fact that our population has grown.
21 Government statistics go back to 1959 and they show nothing
22 like the crisis of the last eight years.

23 As you can see here, housing starts of single-family
24 homes are close to one-third of normal levels. Even if such
25 starts were to double, they would be low by historic

1 standards. Plainly, this crisis has left domestic producers
2 of wooden bedroom furniture more vulnerable to material
3 injury.

4 Meanwhile, domestic producers are also vulnerable due
5 to increased competition from countries other than China.
6 These rising imports have certainly made it more difficult
7 for U.S. producers to grow their business. And here you see
8 the bottom line: The weak financial performance of the
9 domestic industry during the period of review.

10 These figures do not mean that the Order has not been
11 effective. As we have already shown you, it has been
12 extremely effective. But these figures do mean that because
13 of a terrible housing crisis, and because of tough
14 competition from other sources, domestic producers have
15 faced significant financial challenges.

16 As we have shown in our brief, some of them did not
17 survive. If, on top of these serious challenges, the
18 Commission revokes the Order that has effectively restrained
19 unfairly traded subject imports, the very future of this
20 industry will be at risk.

21 Accordingly, the Commission should reach an affirmative
22 determination and keep the relief in place.

23 MR. TAYLOR: And, Mr. Chairman, Commissioners, that will
24 conclude our principal presentation. As promised, I think
25 we have 12 minutes left and we'll reserve that time, if

1 needed, but we're pleased to answer any questions you may
2 have.

3 CHAIRMAN WILLIAMSON: Okay, good. Thank you very much.
4 I want to thank all of the witnesses for coming today. We
5 appreciate you taking your time from your business to be
6 here.

7 Mr. Taylor, I want to compliment you on putting all the
8 testimony together in this booklet. It really makes it
9 very--it is very helpful as we listen to the witnesses and
10 have this right in front of us. So I really appreciate
11 this. I have been advocating for this for years.

12 MR. TAYLOR: You're very welcome.

13 CHAIRMAN WILLIAMSON: So thank you.

14 Mr. Caperton, I will start with you. You talked about
15 the CNC technology. I was just wondering, how does that
16 impact the competitiveness of furniture manufacturers? And
17 I also want to ask others, how many are using that, or how
18 extensive is that technology being used?

19 But, you know, what kind of impact? I know it's been
20 mentioned that it's an increase in safety. But what effect
21 does it have on the number of workers you use, and cost?

22 MR. CAPERTON: Sure. Again it's kind of a cool
23 technology. It's fun to talk about. Essentially we're
24 using our current machines that are called 5X CNC machines
25 and they'll articulate in five directions: up, down, left,

1 right, and diagonally. Essentially they'll articulate like
2 a hand, pick up a tool and shape a part, and machine a part,
3 and do everything that's needed for a part at one time.

4 Obviously it gives us a lot of flexibility. It's very
5 efficient. But the short answer is, it's what allows us to
6 create a great job. Because an individual can be
7 fantastically productive on a machine like this, as opposed
8 to doing something on a manual basis.

9 You know, it's something that creates a great job and
10 allows us to, you know, work in this country.

11 CHAIRMAN WILLIAMSON: Okay. What is--so does it
12 increase productivity? Does it--and what happens, how does
13 it affect employment?

14 MR. CAPERTON: It increases productivity dramatically,
15 both in the sense that we don't have any nonvalue-added
16 movement. We're not moving pieces from machine to machine
17 to machine. All the machining is done on one piece of
18 equipment. So it becomes very quick in that sense.

19 Second, it's much, much more accurate. So the piece
20 that comes off a CNC machine is machined to 1/1000th of an
21 inch precision. So when it comes to assembling that part,
22 it assembles quicker and more accurately.

23 And, you know, essentially it allows one person to do
24 what it took four or five, or really ten to twelve people to
25 do before. It cuts a dramatic amount of time out, gives us

1 flexibility. You know, we're a lean manufacturer, which
2 means we really try to do what the customers pays us for.
3 And that's labor and lumber, wood and material.

4 And any time you can eliminate something that the
5 customer doesn't pay for, you're creating value. And that
6 is how we try to become competitive. And it's a great tool
7 for us to get to really doing what's value-added.

8 CHAIRMAN WILLIAMSON: Do any other industry--Mr.
9 Bassett? Watt Bassett?

10 MR. WYATT BASSETT: We're in a little bit lower price
11 point than Mr. Caperton, and we compete really right in the
12 middle of the market. And it's very, very competitive,
13 particularly with imports from China.

14 One of the advantages China has, and some other
15 countries, is by our standards a very, very low labor rate.
16 And the CNC equipment very definitely helps us produce a
17 better quality product, but it also significantly increases
18 our productivity, particularly our man-hour productivity.

19 The equipment does the job of what used to take 5, 6, 7
20 smaller machines. So that makes it a lot more productive.
21 The second thing is that it does it a whole lot faster. So
22 what used to take a process that might take a whole
23 man-hour, now might only take a third of that. And it
24 allows us to help mitigate some of the disparity in the pay
25 and benefits and costs we have associated with labor costs

1 here versus the cost of some of our competition.

2 CHAIRMAN WILLIAMSON: Mr. John Bassett?

3 MR. JOHN BASSETT: Let me add this. We, over the years-
4 -and I've been doing this a long time--we always bought
5 better equipment. So we've always become more efficient.
6 With technology, that has speeded up.

7 I mean, this is a fast track than we used to be on, but
8 we've always eliminated some jobs over the decades. So when
9 people say it's just technology, you really have to subtract
10 what we used to do versus what we do now. There is your
11 difference.

12 But one thing that helped us tremendously is that we
13 need to change the depreciation laws of this country. We
14 depreciate our equipment the way we did 20, 25, 30 years
15 ago. Today, technology is moving so fast we can't wait to
16 fully depreciate the equipment. We have to move that much
17 faster.

18 And what really helped our company was CD SOA payments.
19 We took that money and we invested it back into our
20 facilities.

21 CHAIRMAN WILLIAMSON: Which CD S?

22 MR. JOHN BASSETT: CD SOA, the Byrd money.

23 CHAIRMAN WILLIAMSON: Okay.

24 MR. JOHN BASSETT: We took that money and we invested it
25 exactly where I think Senator Byrd wanted us to invest it.

1 We bought equipment. We expanded factories. We did all of
2 these other things to make ourselves more efficient. But we
3 truly need to change the depreciation laws of this country
4 because we can't pay the best wages. We can't have the best
5 benefits. We can't have retirement, health benefits, and
6 everything else, and not have the most aggressive
7 manufacturing operations in the world. I mean that's the
8 only way we're going to be able to do this.

9 So, yes, technology is helping. And America needs to
10 invest in itself, and that's exactly what we did.

11 CHAIRMAN WILLIAMSON: Thank you. Ms. Silver, I wonder
12 if you might want to comment on this introduction of
13 technology into the plant. You've seen that it's changed a
14 lot over the 40 years, and what does that mean for Union
15 workers, and how do you all cope with that? In other words,
16 how do you all get a benefit from these efficiencies?

17 MS. SILVER: Well I look at it like this. We benefit
18 from this because we as older workers, we experience the
19 younger generation. And we are headed out of the door, but
20 the younger generation are coming in. And so we try to
21 train them so when we are gone somebody will know how to
22 stand and do what we have already experienced in our years
23 in the past.

24 So this is helping the younger generation after the
25 older generation pass on out the door. And I'm headed that

1 way myself, so I try to train all of those that are under
2 me. And since I became the vice president of our Union, a
3 lot of the younger members they look up to me as godmother,
4 as a mother that has been there for experience. They want
5 to question how can I do this? Or how can I better myself?

6 I give them the info that they need to better
7 themselves. So, and otherwise it's helping the younger
8 generation because, like I say, a lot of the older one have
9 already gone and some are ill at this time and probably
10 won't be back to work. So I'm trying to train somebody when
11 I go on and Mr. Berry, you know, the company is there to
12 keep the company going, it will still be moving.

13 CHAIRMAN WILLIAMSON: Thank you. I often have the
14 feeling that our most important job is to prepare the next
15 generation.

16 MS. SILVER: Right.

17 CHAIRMAN WILLIAMSON: Good. Wyatt Bassett?

18 MR. WYATT BASSETT: I just want to add one quick thing.
19 We lost a lot of jobs in the first half of the 2000s to the
20 incredible incursion of the dumped Chinese imports into the
21 U.S. market. We've lost significant jobs in the second half
22 of the 2000s and since then because of the utter collapse of
23 the housing market.

24 If you look at the worst of it, the Order went into
25 effect in 2005, and within only a few years after then,

1 single-family new housing starts had dropped 75 percent. So
2 we've lost a lot of jobs due to the housing collapse and the
3 state of the economy and the furniture market because of
4 that.

5 But one deal we made with our employees years ago is we
6 said, to compete and be competitive we've got to be
7 efficient. We've got to be productive. And part of that is
8 we've got to buy state-of-the-art equipment.

9 While it's going to make us more productive and more
10 efficient, we told our people we would never have anyone
11 lose their job because we bought a piece of equipment that
12 was going to be more efficient.

13 If we bought something that was going to be more
14 efficient and we were able to save--have more efficiency, or
15 more productivity, we always kept those people. If it took
16 attrition till it got back down, we let that happen, but we
17 couldn't allow the new equipment to be the enemy for our
18 people of being efficient.

19 CHAIRMAN WILLIAMSON: Okay. Thank you. Does anyone
20 else have a comment? I'm raising these questions because
21 when you think about the Orders are helping industry, how do
22 you stay competitive in a rapidly globalling economy? Yes?

23 MS. LUTZ: Commissioner Williamson--

24 CHAIRMAN WILLIAMSON: Sure--

25 MS. LUTZ: I'm sorry, Chairman Williamson--

1 CHAIRMAN WILLIAMSON: Ms. Lutz?

2 MS. LUTZ; I think some of the numbers may have gotten--
3 I'm sorry, Jennifer Lutz of the ECS, Some of the numbers in
4 Mr. Caperton's testimony probably--there were a lot of
5 numbers in there, but he specifically stated that the dumped
6 imports caused employment to drop from 140 to under 100.
7 With the introduction of the new equipment and the improved
8 sales, he's now at 120 workers.

9 So not as high as it was before, but certainly the
10 Order has allowed employment to improve to pretty close to
11 that level.

12 MR. CAPERTON: We had added productivity as well. So
13 with the 120 employees we're producing more furniture today
14 than we did prior to the Order. So we've added both
15 employees and productivity.

16 CHAIRMAN WILLIAMSON: Good. Okay, thank you for those
17 answers.

18 Vice Chairman Johanson?

19 VICE CHAIRMAN JOHANSON: Thank you, Chairman Williamson.
20 And I would like to thank all the witnesses for appearing
21 here today.

22 I have read a lot about this investigation, largely in
23 the media before I got here, and so I'm pleased to be able
24 to work on it today.

25 I am going to continue just for a moment on the issue

1 raised by Chairman Williamson dealing with technology and
2 labor. Looking at Table 1.1 of the staff report which
3 compares the state of the domestic industry over the
4 original investigation, the first review and this review.

5 I'm struck by the figure for production workers and how
6 much it has declined since 2003. And it is by more than 80
7 percent. How much of the decline in the number of workers
8 is due to increasing automation? And how much to import
9 penetration, both subject and nonsubject?

10 I know Mr. Caperton addressed this, and Ms. Lutz also,
11 but could some of the other witnesses also talk on this?

12 MR. WYATT BASSETT: I'll jump in first.

13 VICE CHAIRMAN JOHANSON: Yes, Mr. Bassett.

14 MR. WYATT BASSETT: Excuse me. I'm sorry. You
15 mentioned two factors, technology and imports, when it came
16 to lost jobs. The biggest factor since 2005 has been the
17 state of the economy, the state of the housing market, the
18 state of our industry.

19 Again, if you go back to the year the Order was put in
20 place, I think new housing starts--well, first let me back
21 up for a brief moment. New single-family housing starts are
22 the leading indicator for furniture demand.

23 Very simply, as my brother said, what drives the demand
24 for new bedroom furniture is the creation of new bedrooms.
25 It's a leading indicator. It takes about two years from the

1 time you have a housing start until it's completely built,
2 marketed, sold, and the buyers furnish that house.

3 So it's a leading indicator by about two years. But if
4 you go back to the year the Order was put in place in 2005,
5 the volume of new housing starts at that point I think was
6 over 1.7 million. Within just a few years, it had dropped
7 to only 25 percent of that.

8 Now it has shown some recovery, but when you look at
9 that slide, as well as the one that shows it adjusted for
10 the population of the country, the per capita slide, what
11 you see is the economy, or the market that we're currently
12 trying to sell furniture in is liberally at only 50 percent
13 of a healthy level.

14 If this country had 50 percent unemployment, or if we
15 had full employment but people could only work
16 two-and-a-half days a week, you can imagine the state of the
17 economy. I can't tell you how many people would be put out
18 of work.

19 In terms of quantifying since 2005 where the jobs have
20 been lost, I would tell you overwhelmingly they've been lost
21 to the state of the economy, the state of the housing
22 market, and the state of what our industry faces there.

23 The second, when it comes to dividing what's left where
24 jobs were lost, I don't think technology has cost us a whole
25 lot of jobs. But obviously in making us more productive I

1 guess you could make something of that case.

2 The thing about technology, and again when we talk to
3 the people in our plants when we're acquiring new equipment
4 that makes us more efficient, is this: I guess you can look
5 at it that maybe you need fewer people to do certain jobs,
6 but without that technology we lose all our jobs. Our
7 company would not survive.

8 VICE CHAIRMAN JOHANSON: Thank you for your response,
9 Mr. Bassett.

10 In sticking with the issue of housing, in your brief at
11 pages 5 to 15 you all state that U.S. demand for wooden
12 bedroom furniture has fallen since 10 years ago. And you
13 compare the U.S. housing market now to the U.S. housing
14 market back then.

15 Some economists characterize the U.S. housing market at
16 that time as being in a bubble, having artificially high
17 demand. Can the U.S. wooden bedroom furniture industry
18 thrive without demand returning to the level of 10 years
19 ago? Mr. Bassett?

20 MR. DOUG BASSETT: If you look at page 22 of our
21 presentation, you'll see the housing starts. I couldn't
22 agree with you more that in the years 2002 through 2005 that
23 was the housing bubble when it spiked well above 1.2 million
24 homes per year being started.

25 However, if you look all the way back to 1960 and the

1 years before then, a typical year for over 50 years now in
2 the United States are at least a million new homes being
3 started every year, all the way up to 1.2 million.

4 We do not need the U.S. economy to return to the bubble
5 status we were in in the early 2000s, but at some point I'm
6 very confident that we will return to a normal housing
7 market of a million, 1.2 million homes per year.

8 Unfortunately, if you look in the last two or three or
9 four years, while things are getting better, we are still
10 horribly depressed, 30 to 40 percent under what I'm
11 describing as a normal housing market of 1 million to 1.2
12 million homes. I believe last year was in the neighborhood
13 of 600,000 new homes. This year, just under, or just over
14 700,000 new homes. So we're still looking at 30, 40 percent
15 under a normal housing market.

16 We're not looking to get back to the bubble days. We
17 just look forward to it getting back to normal.

18 MR. WYATT BASSETT: Our companies, if you look, I think
19 it's the last slide from our presentation, after suffering
20 through the worst parts of the housing collapse, have
21 returned to profitability. In our company's case, we're
22 flirting with profitability. But after significant losses,
23 a break-even, or even marginal profitability is a welcome
24 change.

25 And it is good enough for us, first, to survive. We've

1 got 600 employees, and our first job is not to lose those
2 people's jobs. But as we flirt with profitability and as
3 the economy and housing market gets marginally better, yes,
4 we can make more money and we can add more jobs.

5 MR. VAUGHN: Commissioner Johanson, Stephen Vaughn, just
6 a comment to again put those figures in order. Another
7 thing I think for the Commission to keep in mind here is
8 that what the evidence makes clear is that that increase in
9 housing in the early 2000s, that is the time period when
10 these cases were brought, and when a lot of the imports were
11 coming into the country.

12 So the domestic furniture producers really hit in both
13 directions. They were unable to take advantage of that
14 temporary spike in demand, and then they were hurt by this
15 tremendous downturn in demand.

16 So all of these things are factors that the Commission
17 should really take into account when considering the
18 vulnerability of the industry.

19 VICE CHAIRMAN JOHANSON: Yes, Mr. Sandberg, did you want
20 to speak?

21 MR. SANDBERG: Yes, if I might add just two comments
22 with regard to housing. Because we're on the lower end of
23 the market when it comes to furnishings, two factors are
24 involved.

25 Our folks for the most part are consumers and can't

1 necessarily afford new homes, especially in California where
2 the real estate market is very highly priced. Instead, our
3 folks are the ones that are swinging hammers, and hanging
4 drywall, and pouring concrete. They're the ones building
5 the homes.

6 And so as the market returns, as Mr. Bassett said, to a
7 more normal state of 1 million to 1.2 million in terms of
8 overall units, those folks are going to be employed. So we
9 look at housing a little differently than others.

10 Another factor that hasn't been mentioned is
11 demographics. And as the Millennials begin forming houses,
12 they go out on their own and get out from under their
13 parents' wing, they're going to be buying houses, and not
14 necessarily just apartments with one bedroom, but two and
15 three bedrooms at a time. Most houses only need one dining
16 room, but they're going to need more than one bedroom.

17 And so we see a benefit to that, and we as the starting
18 price point for those Millennials making their, starting
19 their first home, and we're very optimistic about that. And
20 we think that our industry can and will strive and not only
21 survive but thrive.

22 VICE CHAIRMAN JOHANSON: And sticking with the issue of
23 housing, I'm struck, looking around Washington, D.C., and
24 other cities I've visited, by the number of apartment
25 buildings being built, or condominiums. I see that even in

1 Texas where I originally am from. In down town Austin, a
2 lot of people now want to live there, whereas 20 years ago
3 nobody did.

4 And what it means is people are buying places that are
5 smaller. Does that restrain your growth?

6 MR. WYATT BASSETT: That's entirely accurate. It not
7 only restrains our growth, it can actually, it can actually
8 in some ways hurt the total demand out there not only in
9 restraining growth but potentially even reducing the total
10 demand.

11 We didn't include the figures, but as you know
12 multi-family housing has done much better than single-family
13 housing. The reason multi-family housing is not as good an
14 indicator of furniture demand, particularly bedroom
15 furniture, is exactly what you've said. It's smaller. It
16 requires less furniture.

17 And what we're seeing a lot since the housing collapse
18 is not only apartments where younger people might move into
19 it, or single people, or smaller families, but you find a
20 lot of people who are moving from desiring home ownership to
21 wanting to be renters.

22 And when that happens, you move out of a four-bedroom
23 house into a two-bedroom apartment, not only do you not need
24 to buy bedroom furniture for those two bedrooms, you have
25 two extra sets of bedrooms which usually end up going to

1 your kids, or given away to someone who needs them, and it
2 deprives the potential for two more purchases of bedroom.

3 So you're absolutely right.

4 VICE CHAIRMAN JOHANSON: Okay. Thank you for your
5 responses. My time has expired.

6 CHAIRMAN WILLIAMSON: Thank you.

7 Commissioner Broadbent?

8 COMMISSIONER BROADBENT: Continuing on that line, the
9 other thing I notice is this--and I don't know if it's had
10 an effect that you've been able to see, but the young people
11 using Craig's List, where they go to a new town and buy
12 inexpensive, maybe Ikea furniture, very, very cheaply, on
13 Craig's List, and then are able to just sell it as they get
14 a job in a different town and go out.

15 It's been phenomenal to me to see that. And to some
16 degree it's an efficient way of using the stuff in the sense
17 that we're not building furniture we don't particularly
18 need, and it's not all going into a landfill, but I would
19 imagine it would be having an effect. Do you see an effect
20 of Craig's List on your business?

21 MR. WYATT BASSETT; Absolutely. That's absolutely true.
22 And I think it potentially has a disproportionate effect on
23 bedroom furniture for this reason:

24 In general when it comes to furniture purchases,
25 bedroom is considered the most postponable purchase. Once

1 you have a mattress, which we're not in the business of--

2 COMMISSIONER BROADBENT: Right. A futon, yes.

3 MR. WYATT BASSETT: Exactly. Once you have something to
4 lie down on, your minimum needs are taken care of. And if
5 the rest of your bedroom furniture is old, or out-of-style,
6 or out-of-date, it really is still functioning and you can
7 get away with it.

8 But in a home, the furniture people are most likely to
9 replace first is the furniture that people who come into the
10 home see. And that's usually your living room furniture,
11 your den furniture, maybe even your dining room furniture.

12 I know when my oldest son graduated from school a
13 couple of years ago and moved into his first apartment with
14 a roommate, the only brand-new piece of furniture they
15 bought was a sofa. They bought a nice new sofa, but
16 everything else from there either came from furniture they
17 had taken away to school, or of our basements, or out of my
18 parent's basement. And some smaller items off of Craig's
19 List, as well. I think where they ate, a little table with
20 two stools, came right off Craig's List.

21 So you're absolutely right.

22 COMMISSIONER BROADBENT: And then another questions
23 related to demand. I notice these articles about how the
24 interest in quote/unquote "brown furniture" is falling, and
25 I guess that would be antiques, as well as brand-new kind of

1 wooden looking furniture, and whether the market might be
2 moving a bit more to lighter, where metal is more visible,
3 or a more modern style of furniture, and whether any of your
4 companies make more modern style furniture?

5 MR. CAPERTON: Absolutely. There is a design risk in
6 this business. And we would have had a business fifteen
7 years ago that did antique reproductions exclusively, all
8 brown furniture, light to medium to dark. Today a vast
9 majority of our furniture is gray, or what we like to call
10 the cooler tones.

11 COMMISSIONER BROADBENT: Interesting. Well, doesn't
12 that lead you to think that maybe more growth will be
13 occurring in export markets for this product? Globally, in
14 terms of the middle class and homes being built in the
15 developing world, which we're living, in much more modest
16 circumstances?

17 MR. SANDBERG: I would love for that to be the case.
18 But Mexico used to be 10% of our market, many, many years
19 ago, and with Chinese dumped imports, they weren't just
20 dumping it here. It's going into Canada; it's going into
21 Mexico. So when we try and shop and sell some to the larger
22 chains, they shake their head at us and they say, "Hey, you
23 know, we're buying direct containers of veneer, low-end
24 veneer product out of China, just like everybody else."

25 And the same thing in Canada, with our distributors and

1 retailers up there. They look at it and say, 'Hey, we're
2 buying product from China at really low prices,' and we just
3 can't do it. Unless you can offer us something very, very
4 different, it's all about price, and we have seen our
5 exports evaporate.

6 COMMISSIONER BROADBENT: Mr. Bassett?

7 MR. WYATT BASSETT: Thank you. We don't have the
8 benefit of an anti-dumping order when it comes to the export
9 market, and we're back competing with dumped Chinese wooden
10 bedroom furniture. This slide I think is showing the
11 worldwide exports of Chinese wooden bedroom furniture.

12 The other one I'd look at is the share that China has
13 of worldwide bedroom exports. I think it's over 60% or may
14 be higher than that. Over 60% worldwide. And since we have
15 the benefit of an anti-dumping order here in the U.S., I
16 don't have a slide on it, but if you take the U.S. figures
17 out of the worldwide and look just at the export market,
18 China would be an even greater percentage than that.

19 So they have a much greater advantage over us outside
20 of the U.S. than they have inside the U.S. But we would
21 love for and certainly, as good business, we try to address
22 the export market as best we can. At this point, the
23 significant export market for us, the only one right now, is
24 Canada. And one thing that helps there is proximity, the
25 cost of getting the furniture there.

1 MR. TAYLOR: Commissioner, if I can just tie together
2 -- you had asked a question as well about Craigslist and
3 pricing and then the export markets and pricing. I think it
4 all comes down to pricing, which is part of the issue that
5 the industry is facing that is so critical.

6 Ultimately price is going to drive the decision and if
7 somebody can obtain furniture that is inexpensively priced,
8 they may buy an imported dumped Chinese piece versus
9 Craigslist so they can get it less expensively. If they're
10 looking at overseas, just like the United States, they're
11 looking at price and so where there is a new market, or a
12 new furniture market out there where people are looking for
13 new furniture, ultimately price is what is going to be the
14 tie-breaker in a decision and so people are having to make
15 decisions, and the industry is having to make decisions
16 about where to invest.

17 And the order is critical to investment decisions so
18 they can know that in the future, that their capital return
19 is going to make sense.

20 COMMISSIONER BROADBENT: So there is no other dumping
21 duties in Europe or anything on Chinese exports of bedroom
22 furniture?

23 MR. TAYLOR: Not on bedroom, I don't believe.

24 COMMISSIONER BROADBENT: Are there other dumping duties
25 related to --

1 MR. TAYLOR: In certain categories there are, like for
2 example in the United States, for bedspring mattresses,
3 there have been at time orders, and so -- but in the wooden
4 furniture area there's nothing that --

5 COMMISSIONER BROADBENT: So we're the only country that
6 puts on dumping duties on this product?

7 MR. TAYLOR: And I'll tell you what we'll do in the
8 post conference brief is just make sure we get the accurate
9 numbers to you.

10 MR. VAUGHN: And Commissioner Broadbent, I think the
11 staff has done a very good job -- on Table 4-8 of the staff
12 report, they've done a really good job of collecting data on
13 global exports of wooden bedroom furniture. And you can
14 see, it really backs up a lot of the testimony you've been
15 hearing here. You were right in that global exports
16 generally have grown from 2010 to 2014, which is the period
17 in which they have the data.

18 But as the witnesses here have confirmed, much of that
19 growth is going to China. They were up dramatically over
20 the period. The U.S. is on the list, the U.S. producers are
21 competing in that export market, but it's a very difficult
22 market obviously.

23 COMMISSIONER BROADBENT: And then what about particular
24 designs that are indigenous to the U.S. that are controlled
25 by your -- the intellectual property controlled by your

1 firms. Does that give you any kind of competitive advantage
2 over these imports?

3 MR. WYATT BASSETT: There's almost no intellectual
4 property in wooden bedroom furniture. First of all, because
5 there's such a long history of wooden bedroom furniture
6 being made, obviously in the entire history of this country,
7 but other countries. It's frankly so much of what you see
8 out there, someone has done something somewhat similar to it
9 in the past. So it's very difficult to get any intellectual
10 property protection.

11 It's one of the things that I think probably made the
12 U.S. market so attractive to the Chinese in that they could
13 really be aggressive about coming in on price and a lot of
14 the other factors in competing in the purchasing decision
15 were mitigated. And during the period before the order was
16 put in place in the early 2000s, you really saw a
17 commoditization of furniture in the United States. When
18 those imports were surging.

19 And it really was a race to the bottom, and I think one
20 effect it had on style -- and getting back to intellectual
21 property rights -- is before the order, things were so
22 focused on price, I think you actually saw less innovation
23 in terms of style. It was really who could bring it in
24 cheaper. Who was the cheapest person who could sell the
25 commodity?

1 Since the order's gone into effect, I think you see
2 more innovation. I think you've seen the market, from a
3 style standpoint, fragment a whole lot. And frankly I think
4 it's getting tougher and tougher to use style as something
5 to try to segment the market and look at a common product.
6 It was a lot easier, really frankly, before the order was in
7 place to get that sort of data and look at it.

8 Today, there's a saying the industry: You can either
9 be cheap or you can be different. With the order in place,
10 we have an opportunity to try to be different. And I think
11 you're seeing that in the industry.

12 COMMISSIONER BROADBENT: Okay, and then just one more
13 thing to follow up on this. We had gone through an exercise
14 here of potentially looking at the possibility of moving
15 into a different building, and part of that exercise was
16 really to shrink the space that all of our staff people
17 worked in and go to this kind of modular, more plastic
18 furniture. Do y'all sell into the office furniture market?
19 And are you noticing that offices are going much more
20 smaller and scaled back in size?

21 MR. WYATT BASSETT: We're not in the contract business
22 and I think Reau, who was here, could probably tell us if he
23 sees it. I know selling into -- if you're in the contract
24 bedroom business, you're generally gonna be furnishing
25 hotels.

1 COMMISSIONER BROADBENT: Right. So this is more
2 different --

3 MR. WYATT BASSETT: In terms of office contracts, it's
4 a little bit different. It's something we don't do, so I'd
5 have a hard time speaking to that.

6 COMMISSIONER BROADBENT: Anybody else do the office
7 contract? Nope? Okay. Thank you very much. Mr. Chairman.

8 CHAIRMAN WILLIAMSON: Thank you. Commissioner
9 Schmidtlein?

10 COMMISSIONER SCHMIDTLEIN: All right. Thank you. Good
11 morning. I'd like to thank all of you for being here today.
12 This is a really interesting subject matter in my view.
13 Just to follow up on something Commissioner Broadbent was
14 talking about. I'm just curious.

15 Do you employ designers to come up with different
16 styles? And how do you choose -- you know, this is really
17 just for my own edification -- how do you choose those
18 designs? Are you trying to gauge what the current, or
19 coming tastes are going to be? Or is it what the
20 competition's likely to do? How do you make those choices?
21 I'm just curious. Mr. Bassett in the back.

22 MR. DOUG BASSETT: Yes, we certainly do employ
23 designers and a lot of furniture design, we have markets
24 twice a year. The major market in High Point, North
25 Carolina, every April and October. And one of the first

1 things you do at the conclusion of the market, for example,
2 that we just had, is to find out what the trends were coming
3 out of that market.

4 What finishes are hot, what styles are hot and were
5 well-received at that market, so that you can come up with
6 something in a similar style or category for the next
7 market. We also spend a lot of our time on the road
8 visiting our major customers, not only trying to sell them
9 furniture, but to study their floors and again to detect
10 trends and react to that.

11 COMMISSIONER SCHMIDTLEIN: These are retailers? Your
12 major customers are retailers?

13 MR. DOUG BASSETT: Retail customers, exactly.
14 Something Commissioner Broadbent mentioned about
15 intellectual property that I think is worth sharing is, the
16 Chinese are particularly brazen in their willingness to make
17 exactly the furniture that an American competitor, for
18 example, is making.

19 When we're doing these design tours that I just
20 described, let's say that my friend, Gat Caperton has a
21 wonderful new suit of furniture that has a particular poster
22 bed or has a particular finish. We may come out six months
23 later with something in that category, but it would not be
24 identical. We would compete within that marketplace with
25 our own design, our own slightly different finish -- the

1 poster bed, ours, maybe the posts will look different -- and
2 it helps us address that hole in our lineup, but it's still
3 friendly competition and I think legal competition.

4 But the difference with the Chinese, and I think we all
5 have stories where they have literally sold product at a
6 market by using our picture of our furniture. And they will
7 distribute that among their sales force and use our actual
8 photography of our group to go and generate sales for their
9 own group, and then they will copy to the best of their
10 ability, identically what we have made. So that's a real
11 problem.

12 And the way they're getting the sale is on price.
13 They're selling that furniture at a lower price than we're
14 selling it for. And it's been a problem for the twenty
15 years I've been in the industry.

16 COMMISSIONER SCHMIDTLEIN: Thank you.

17 Mr. Bassett?

18 MR. JOHN BASSETT: When you talk about design, and I go
19 back -- I've been doing this over fifty years, years ago,
20 long before imports and etcetera. Yes, we did have
21 different designs. They originated with some other design,
22 but the American designers would change it, and it was
23 exciting. You don't see that today. You just don't see it.

24 Let me tell you what you see today. Manufacturers or
25 importers or whoever will license a name. For example,

1 Martha Stewart. The designs are not that different or
2 exciting, but they try to sell it and give the American
3 housewife the feeling, 'if Martha Stewart said this is the
4 right product, then you ought to buy Martha Stewart.'

5 Then you had Paula Deen, the cook. And in dining room
6 furniture, she certainly had her effect, but lately it is
7 Joanna Gaines, her --

8 COMMISSIONER SCHMIDTLEIN: I'm familiar with her.

9 MR. JOHN BASSETT: -- on HGTV, the furniture isn't that
10 different, but it's the excitement, it's young, it's
11 renovating a house, it's doing all this other stuff. So
12 it's moved from what I used to know as design over to some
13 type of star name that you associate yourself with. That's
14 what's happened.

15 COMMISSIONER SCHMIDTLEIN: That's interesting. I
16 thought Joanna Gaines had that guy Cliff building all her
17 dining room tables for her down in Waco. Yeah, I've watched
18 that show. All right. Well, thank you very much. Do you
19 see any of the purchasers directly bringing this in from
20 Chinese producers? What we call direct imports? Rather
21 than going through an importer here?

22 MR. WYATT BASSETT: Absolutely. If you looked at our
23 customer list from the 1990s on who our biggest customers
24 were in our company, I would say all of those, at least the
25 ones that are still in business, not only bring in bedroom

1 furniture and direct imports, they bring a majority or all
2 of their bedroom furniture in direct imports.

3 Those are the first customers we lost because those
4 biggest customers had to scale to bring in, not only a
5 container-load of bedroom, which might be eighteen or twenty
6 bedrooms, you typically don't just buy one. You've set up a
7 system where you float containers every month. And a large
8 customer that might've bought five hundred of a particular
9 bedroom set from us a year, they're the kind of customer
10 that can import those five hundred sets and bring them in in
11 container loads.

12 The smaller customers that might only buy five of a set
13 a year, if they brought in a container, that would be a
14 three or four year supply. So the direct container business
15 took away our biggest customers first.

16 COMMISSIONER SCHMIDTLEIN: And were those the big box
17 retailers, your biggest customers?

18 MR. WYATT BASSETT: They were the big retailers -- it's
19 probably called splitting hairs -- what we'd call big box
20 stores are usually people like Target or Wal-Mart, that
21 frankly don't do a lot of bedroom furniture in their store.
22 They do ready-to-assemble, small bookcases, office
23 furniture, desks, little tables, things like that.

24 A big box retailer for us would be someone like Rooms
25 To Go, American Signature, they're not the everyday names in

1 big box --

2 COMMISSIONER SCHMIDTLEIN: They sell more than just
3 bedroom?

4 MR. WYATT BASSETT: -- marketing, but they -- yes. But
5 they're furniture big box.

6 COMMISSIONER SCHMIDTLEIN: They're furniture big box,
7 yeah.

8 MR. WYATT BASSETT: Absolutely.

9 COMMISSIONER SCHMIDTLEIN: Okay. All right. Thank
10 you. So when I look at the period of review here and look
11 at the market share for the U.S. producers, and considering
12 -- you know, you've talked about effective the order has
13 been and especially after the initial few years there. What
14 is keeping the U.S. producers from gaining more market
15 share?

16 MR. WYATT BASSETT: I guess it's tough -- it's a little
17 tough for us as individual companies to look at it on market
18 share basis. We look at it on our company specific basis,
19 and we think we've done a phenomenal job staying in
20 business.

21 So you go back -- the first meeting our industry ever
22 had talking about trade remedy was fifteen years ago. And
23 not only have we survived tremendous import competition,
24 primarily dumped imports from China, we've survived the
25 housing collapse that's been unprecedented, and an economy

1 that really hasn't recovered in a way that helps the people
2 who purchase our furniture.

3 So I guess there are two ways of looking at it. You
4 can ask, "Why don't we have a bigger market share?" We're
5 awfully proud and think it's amazing that we still have the
6 kind of share we have. There is a little bit of a barrier
7 to new factories being built and new companies getting back
8 into this business.

9 A lot of the environmental laws we have, it's very
10 expensive and time-consuming to permit a new factory. This
11 year alone we're finishing a boiler project. We have
12 wood-burning boilers. We burn our own wood dust, which is
13 highly efficient to create steam to run our finishing ovens
14 in our finishing rooms, and also dries our lumber in our
15 kilns.

16 It's a great -- both from an efficient environmental
17 process, it means we don't have to buy coal or oil to run
18 these boilers. We do it with our wood dust. Dry wood dust
19 is a very clean burning fuel. But nevertheless, with new
20 environmental regulations, we've had to spend two and a half
21 million dollars upgrading these boilers. And we're about an
22 eighty-five-million-dollar company.

23 Two and a half million is a lot of money to spend on
24 equipment that's not gonna make one piece of furniture.
25 It's not gonna employ one person. The benefit to the

1 environment is undeniable. We don't disagree with that at
2 all. And we've done the project. But it not only is a
3 challenge to us to stay in business and be competitive, if
4 someone had to spend the money not to upgrade boilers, but
5 to go buy new ones that complied, you'd spend a multiple of
6 two and a half million dollars.

7 And a company getting into business today, thinking you
8 might end up spending as much as, say, five or ten million
9 dollars on a factory that would produce fifty million
10 dollars, and spend five or ten million dollars before you
11 started buying a building to make furniture in, or hiring
12 people, is a significant barrier to people getting back in
13 the market.

14 So what you're more dependent on is companies like the
15 people who are here today that are still in business being
16 able to expand their business. And we have a lot of room
17 for growth. So we think we can go get a much bigger market
18 share as the market improves.

19 COMMISSIONER SCHMIDTLEIN: Mr. Bassett, go ahead.

20 MR. JOHN BASSETT: To support what he just said, in our
21 little town of Galax, Virginia, there used to be six
22 furniture factories. Today there's one. That's us. But we
23 have purchased two of the closed factories after they closed
24 their factories, we bought the two factory shells.

25 Now we are now putting machinery in, we're equipping

1 them. We are hiring people. So actually, we are growing.
2 But there was already a furniture factory there. It was
3 already built. It was sold at a fire sale price. And we
4 had the ability -- it was right next door to us -- so we had
5 the ability to buy that particular plant. Now we would've
6 never done it if we had to go into a green field and start a
7 factory from scratch. I mean the numbers would never work.

8 COMMISSIONER SCHMIDTLEIN: All right, thank you very
9 much.

10 CHAIRMAN WILLIAMSON: Thank you. I was just gonna ask.
11 What does that look for demand in the next few years? I
12 guess, is it as basically housing starts? And multi-family
13 housing starts? Or is there anything else we should be
14 looking at.

15 MR. WYATT BASSETT: If you look at the, again, at the
16 single family housing start number, you do see an uptick,
17 and again, that's a leading indicator. So the hope would
18 be, as we've seen that improve somewhat, that would turn
19 into better business in 2017 or 2018, let's say. So we do
20 have hope.

21 In terms of looking at other indicators, I think we've
22 seen some encouraging numbers about the overall economy,
23 employment and things like that, but when you get down to
24 the ground level and talk to people in the towns that we're
25 in, these small towns, people will tell you they may not be

1 as afraid as they were five or six years ago, but they're
2 gonna tell you they're not anywhere close to having
3 recovered and come back to where we once were.

4 The good news is, we've got a lot of people who are
5 really happy and willing to work to get there if they've got
6 the opportunity.

7 CHAIRMAN WILLIAMSON: Okay, thank you.

8 MR. VAUGHN: Chairman Williamson. Just to sort of put
9 in some figures from the record to kind of supplement some
10 of these points, the record does show that from 2013 to
11 2015, the domestic production quantity increased, the value
12 of U.S. shipments increased, the value of new sales
13 increased. And that's just consistent with what you've been
14 hearing here. They are very competitive in this market and
15 as the market continues to improve, that should help the
16 performance of the industry.

17 CHAIRMAN WILLIAMSON: Okay, thank you. There was some
18 discussion in the last review about settlements regarding
19 administrative reviews between the domestic industry and
20 some subject Chinese producers and exporters. Are such
21 settlements still occurring?

22 MR. TAYLOR: Commissioner, it may be easier to provide
23 information in a proprietary submission, but it is as
24 before, the committee never -- has not been asking and
25 doesn't initiate any settlement discussion to the extent

1 there are any settlements. Anything is initiated by another
2 party coming to the committee.

3 CHAIRMAN WILLIAMSON: Okay. Appreciate that. Is there
4 anything we should make of it?

5 MR. TAYLOR: Actually, and that's maybe, perhaps the
6 most important point there is. I do not think there's
7 anything that should be made of it at all. It's really
8 not -- looking at the industry and the injury that would be
9 out there to the extent that there is any desire for
10 companies to still have access to the market, maybe that's
11 the point that should be there, but it doesn't touch on
12 where we see any of the injury factors that the Commission
13 is evaluating.

14 CHAIRMAN WILLIAMSON: Thank you. What has led to the
15 decrease in nonsubject imports from China over the period of
16 review?

17 MR. TAYLOR: What's led to the decrease?

18 CHAIRMAN WILLIAMSON: Yes, in the nonsubject imports.
19 Is there any explanation or --

20 MR. TAYLOR: The decrease of nonsubject imports. I
21 think if -- just speaking in general -- the industry in the
22 United States, the demand is a whole -- because of housing
23 stats -- has dropped.

24 I'd be interested to hear what others are saying, but
25 you know, to the extent that there has been an overall

1 decrease in Chinese imports, which would include some
2 subject and some nonsubject, the order itself has been
3 effective, but there's also been, you know, looking at the
4 United States industries and all.

5 But there, we have the benefit of seeing some of the
6 proprietary data that the members of the committee have not,
7 and maybe that's an area where we could provide some
8 comments as well, too.

9 MR. VAUGHN: Commissioner, that's what I was gonna -- I
10 think that because the breakout between the subject and
11 nonsubject is confidential, I think it would be helpful for
12 us to address that in the post-hearing.

13 CHAIRMAN WILLIAMSON: That's fine. Thank you. What
14 has been the pricing behavior of imports from countries
15 other than China, particularly those in Asia, and how are
16 these prices likely affect the orders? Like, they be
17 affected if the orders are revoked?

18 MR. WYATT BASSETT: The question was the prices of
19 product from countries other than China? If the order were
20 to be revoked?

21 CHAIRMAN WILLIAMSON: Right. Yeah, some other Asian
22 countries.

23 MR. WYATT BASSETT: I think you'd see the prices
24 plummet, because those countries are gonna have to compete
25 again with dumped imports from China. We saw, during the

1 first part of the decade, beginning in 2000, unbelievable
2 price deflation in the prices of furniture out there when
3 dumped imports were coming in unchecked. Since the order
4 has gone into effect, we've seen considerable stabilization,
5 at least when I look at our competitors and who we compete
6 with.

7 I don't think there's any doubt, if the order went out
8 of effect again, and had unfettered return dumped imports
9 from China, we're obviously gonna have to try to compete
10 with those prices which I think absolutely risks our
11 survival. But so will everyone else.

12 CHAIRMAN WILLIAMSON: Okay. Mr. Vaughn?

13 MR. VAUGHN: Chairman Williamson, again, you know, and
14 the record shows exactly what Mr. Bassett just said, which
15 is, is that if you look at sort of global export markets,
16 you can see that China is by far the biggest producer which
17 strongly indicates that the other producers in Asia are
18 having a very, very difficult time competing with them
19 around the world.

20 CHAIRMAN WILLIAMSON: You're telling me that if the
21 respondents had been here, they wouldn't have been making an
22 argument about the strong growth in Asia and that demand
23 would consume all the product?

24 MR. TAYLOR: I would say this, Mr. Chairman. It's
25 notable that even with the order in place, and as set for in

1 the brief, even with some decrease in domestic sales in
2 China, Chinese exports are continuing to expand and Chinese
3 producers are continuing to add capacity. So they're very
4 export focused, they're the largest exporter of wooden
5 bedroom furniture throughout the world. And where there is
6 no order in place, they are dominating the markets.

7 MR. VAUGHN: Chairman Williamson, I want you to know
8 that we prepared for the respondents, even when they're not
9 here. And so if you look at 4-12 of your staff report, as
10 we pointed out, we did get limited responses from the
11 Chinese producers, but those limited responses indicate that
12 last year, they were only using 75.7% of their capacity.

13 So there's a lot of unused capacity and we've talked
14 about that in our brief at some length. So if the
15 respondents had shown up and had made that argument, the
16 Commission should reject it.

17 CHAIRMAN WILLIAMSON: Okay. I'm tempted to say, since
18 you've done that, why should we take any adverse inferences
19 to answer the questions? Next question. What do other
20 developed countries -- where are other developed countries
21 importing their wooden bedroom furniture? Is it their own
22 production? Is it Chinese imports? Or what? How is Europe
23 supplying its need for bedroom furniture? And other major
24 developed areas?

25 MR. TAYLOR: So obviously we don't know for sure, but

1 if you do look at the export data, China -- and you can see
2 that the world exports, China is just so large of an
3 exporter -- and it's not all coming to the United States.
4 It's going to other places in the world.

5 There are some size differences in different markets,
6 and so there is an effort somewhat as we understand it, to
7 tailor to different markets, but to build a smaller chest
8 versus a larger chest, is the matter of you have the same
9 equipment, you can do that, and to the extent you have the
10 ability to manufacture for one market, you're just meeting
11 different styles.

12 And there also may be, as well, some focus regionally
13 from time to time, just because of, instead of, you know,
14 freight rates are low right now, but it would potentially a
15 little bit of geographic focus, just like in the United
16 States or in Canada or in other places, you're going to have
17 the ability to -- when you -- if you've got somebody next
18 door, but with freight rates being so low and with pricing
19 taking freight off the table and the Chinese do dump, that
20 becomes a nonissue in many cases.

21 CHAIRMAN WILLIAMSON: Would that be true sort of in hot
22 markets like the Gulf States there, too?

23 MR. WYATT BASSETT: There is one issue that you brought
24 up that makes, I think, the U.S. market even more attractive
25 to China than other markets, when he brought up freight

1 rates. The cost of freight right now is the lowest it's
2 ever been per container coming from China to the U.S.

3 Historically, that freight cost had to cover the cost
4 of not only getting the container full of furniture here,
5 but had to really cover the cost of getting the empty
6 container back to China because China wasn't bringing much
7 back on those boats. So you really had to pay for the
8 roundtrip with the freight coming here, and that's the same
9 situation with other countries.

10 China though now buys massive volumes of U.S. timber,
11 which they then -- our lumber is cut here in the United
12 States, it's put on containers and shipped to China. They
13 process it into furniture and other things and ship it out
14 to the rest of the world, but since the freight companies
15 can put something on those containers going back to China --
16 which you don't find them doing coming back from other
17 countries -- it lowers the cost of the outgoing freight from
18 China to the U.S.

19 Years ago my father was on an MPR interview
20 with--I think it was the head of the Port of Norfolk--and he
21 noted sort of the state of globalization. The number one
22 export by container volume out of Norfolk was lumber, or
23 timber. The number one import into Norfolk was wooden
24 bedroom furniture.

25 CHAIRMAN WILLIAMSON: Yeah, I used to work for the Port

1 Authority in New Jersey, and the number one export to Asian
2 then was the boxes that the VCRs and all that come in. So I
3 understand what you're talking about. Thank you.

4 Vice-Chairman Johanson?

5 VICE CHAIRMAN JOHANSON: Thank you, Chairman
6 Williamson. And one of the witnesses -- I believe it was
7 Mr. Wyatt Bassett? Perhaps I'm incorrect.

8 MR. WYATT BASSETT: That's right.

9 VICE CHAIRMAN JOHANSON: One of the witnesses talked
10 about environmental issues. And on Pages 38 and following
11 in your brief, you all discuss environmental restrictions on
12 Chinese exports to Europe, Korea and Japan. If these
13 countries have environmental concerns about Chinese wooden
14 bedroom furniture containing illegal timber, would there be
15 such concerns in the United States under our laws as well?
16 And I'm thinking in particular of the Lacey Act?

17 MR. WYATT BASSETT: Well, you're right on the money.
18 That is the law that's in effect to deal with illegal
19 timber. And it's not only on imports. It's supposed to
20 cover all illegal timber. The law is in place --
21 anecdotally we will occasionally read in our trade
22 publications where someone is investigated or charged, but
23 anecdotally those cases are pretty few and far between.

24 I know when we were in Dalian, China, investing Dalian
25 Wai Fong and visiting that factory back in the early 2000s,

1 they had what I would guess as more than a hundred acres of
2 logs on their lumber yard, and what they told us when we
3 were there then, is that a lot of those logs, if not most of
4 them, came out of Russia. And I think there was a
5 significant amount written, confirming that a lot of those
6 logs are illegally logged out of Russia.

7 I think out of Siberia particularly.

8 VICE CHAIRMAN JOHANSON: Okay, thank you. Yeah, I know
9 there are a lot of trees in Siberia. I've flown over and
10 it's amazing, so and I'm going to get to a different issue
11 now, and that is looking at the product itself.

12 To qualify as domestic production, do all the
13 components of the furniture need to be produced in the
14 United States? I believe that headboards for beds are
15 included within this scope, but what about other parts of
16 the furniture?

17 MR. WYATT BASSETT: These guys can certainly quote the
18 scope better than I can. But I think the scope includes
19 fully finished bedroom furniture, which would include case
20 pieces, beds, headboards. It would include wood rails if
21 they were part of the head, foot and rail set. I think it
22 also includes pieces of furniture that are disassembled, but
23 it's pieces that basically you have enough to build the
24 furniture with the pieces that come in.

25 In other words, a single component part would not be

1 enough to be considered an imported part. For instance, if
2 we built a bed and at the very top of the floor post it had
3 a small finial on it, if we produced the entire bed here but
4 brought the finials in, that would still be considered
5 domestic production, and I don't think the import of the
6 finials would be considered wooden bedroom furniture. It
7 would be classified as some sort of component part.

8 So for the import to be considered wooden bedroom
9 furniture, I think what comes in even if disassembled has to
10 constitute basically the full piece of furniture.

11 For us domestically, there are going to be some parts
12 we source and maybe something as small as a screw or a
13 staple. But I know in our case the vast majority of the
14 imports are domestic. We buy all our lumber domestically.
15 We get all of our wood veneers domestically, all of our
16 finishing material, our cartons, things like that are
17 domestic.

18 You may have a decorative knob on something that might
19 be imported. But the vast majority of it is domestic, and
20 what I've looked at before and I can't quote it off the top
21 of my head, but I know the FTC, I believe it's the FTC,
22 talks about what constitutes a product you can say is made
23 in America, and I think they kind of -- I think they use the
24 example of a grill, that if you --

25 If the main shell of the grill and the tubes and the

1 components, the grates are made in the U.S. but you get the
2 knobs imported, you can still turn it on and off and adjust
3 the temperature, it's still considered an American-made
4 product.

5 VICE CHAIRMAN JOHANSON: Yes, go ahead Mr. Taylor.

6 MR. TAYLOR: Commissioner Johanson, as Mr. Bassett
7 said, the scope is complicated and it lays out what is and
8 is not covered. Headboards would be covered, for example.
9 Footnote 34 has an example, some parts that are excluded.
10 So oftentimes and sometimes it does take looking at the
11 specific intent and the product itself that's coming in to
12 see what it is.

13 So it can be complicated, but in general, it is
14 ^^^ the product coming in, rails would be covered and
15 headboards, things are defined or the suit itself. I mean
16 the suit, a piece or certain defined parts that are covered.

17 MR. WYATT BASSETT: I'd also mention about the scope,
18 including the amendments. We've made a great effort to
19 tailor the scope specifically to what we do and what our
20 employees' jobs depend on. If there is furniture that we
21 don't make, don't intend to make, we don't try to just cast
22 a wide net out there. There are exclusions if it's --

23 Our attitude is this isn't here to hurt other people.
24 It's here to help our employees, so we try to tailor it that
25 way.

1 VICE CHAIRMAN JOHANSON: And yes, Mr. John Bassett.

2 MR. JOHN BASSETT: When I was a young man and working
3 at Bassett, we bought, for example, all of our hardware from
4 Keeler Brass Company. It was in Grand Rapids, Michigan. We
5 were the largest furniture customer. It was in Grand
6 Rapids, because that's where they made all the handles and
7 for the automobile industry, and they made it for General
8 Motors, Chrysler back in those days, ornaments that went on
9 the hoods and all that.

10 There is no Keeler Brass Company today. When we buy
11 hardware, for example, for the dressers and the chests,
12 etcetera, you cannot buy, unless you have solid brass at
13 extremely high price, you can no longer buy a piece of
14 furniture hardware in this country. Nobody makes it
15 anymore, nobody.

16 So we buy it from a supplier here in the United States,
17 and they have a small sample shop. If we want a new piece
18 of hardware that's different and we design it, they will
19 make the samples for our market. But once we start ordering
20 for production, it's all made overseas. In fact, it is made
21 in China.

22 VICE CHAIRMAN JOHANSON: One reason I was --

23 MR. TAYLOR: Oh, I just wanted to -- excuse me.

24 VICE CHAIRMAN JOHANSON: Go ahead.

25 MR. TAYLOR: Footnote 34 I referred to was actually in

1 the staff conference report. The head notes and the
2 footnotes in the scope changed on how it is, but it defines
3 what's in and out of scope by part, defining it there.

4 VICE CHAIRMAN JOHANSON: Okay. Thank you, Mr. Taylor,
5 and Mr. Bassett, one reason I was asking is that in other
6 cases involving manufactured products, there are at times
7 attempts to evade the order by bringing in the parts and
8 then assembling them here in the United States. This case
9 is quite different than probably most of the cases we work
10 on. You're not a commodity product. So it is possible to
11 take apart and assemble the product someplace else. Can you
12 all -- do you all know of any potential evasion going on in
13 that manner?

14 MR. WYATT BASSETT: I don't think we see the evasion so
15 much in disassembled product being assembled somewhere else,
16 and it's just frankly misidentifying the country of origin.
17 I think there is a possibility that some go into Canada and
18 maybe they can come across the border that way, and it's
19 again misidentified where its origin really is.

20 Anecdotally, we hear a lot of this. I'm not sure what
21 other public information we can provide. But in terms of
22 assembly and furniture, there is a defined RTA market out
23 there which is ready to assemble. If you go to Ikea, for
24 instance, you might end up putting your own furniture
25 together.

1 But we haven't found a lot of wholesale evasion that
2 we've been able to discover from assembling it somewhere
3 else. Is it entirely possible it's happening? Sure. But I
4 can't tell you anything specific on it.

5 COMMISSIONER BROADBENT: And evasion is a -- this is
6 Mike Taylor for the record. Evasion is a very significant
7 issue. At the Commerce Department, there's a lot of time
8 and effort spent on evasion and looking in the
9 administrative reviews and the scope proceedings, and time
10 spent with U.S. Customs. As Mr. Bassett said, there is a
11 knockdown furniture, a ready to assemble furniture. That is
12 clearly in scope, and you may see in the administrative
13 reviews, when we're looking at data, you may see ten parts
14 coming in and then ten parts in the subsequent shipment.

15 Most importers I think recognize that intent is
16 important, and so if you were to have, you know, to break up
17 what would be a suit or would break up something that's
18 clearly knockdown furniture that otherwise is covered would
19 be ^^^^ would be something that Customs is watching out for.
20 So they're looking for those things and the Commerce
21 Department is as well.

22 It doesn't happen as often as somebody misidentifying a
23 product or misidentifying a country of origin. But it's
24 something that has happened in the past and people are
25 watching out for, more of trying to be cute and how they're

1 identifying their invoices and bringing it in.

2 VICE CHAIRMAN JOHANSON: Yes, Mr. Wyatt. Mr. Bassett.

3 MR. WYATT BASSETT: Since you brought up evasion, the
4 most common form of evasion and at times I think it's run
5 rampant is not misidentifying the country of origin, but
6 misidentifying the factory of origin in China. There are a
7 number of factories, I think 30-some that have rates of 6.65
8 percent. There are probably over 170 that have rates north
9 of 40 percent. Most of those are rates of over 200 percent.

10 The most common evasion scheme is to build the product
11 in a factory that has a high rate, let's say 216 percent,
12 but the invoice when it's shipped to the U.S. will say it
13 came out of a factory with 6.65 percent. We've worked very
14 hard with Commerce the last several years trying to catch
15 people doing this. Since they will only individually review
16 one or two mandatory respondents in each administrative
17 review, it was going to take a long time to catch everybody.

18 Plus, there are enough 6.65 factories out there. It
19 was kind of a shell game. The people who wanted to evade,
20 they'd work through one factory one year and another factory
21 the next year. We worked with Commerce to have them add a
22 couple of questions to their quantity and value
23 questionnaires, asking the people who responded do you ship
24 anyone else's product to the U.S. under your invoices, or is
25 your product shipped to the U.S. under anyone else's

1 invoices.

2 Commerce was hesitant to do it because they thought it
3 might create a whole lot more paper work and whole lot more
4 work for them, that 50 or 60 or 70 companies would send back
5 a lot of responses to them. We told them the reverse would
6 happen. Guys, these companies who are cheating are going to
7 self-select. They're never going to respond to you, because
8 if they do, they're going to tell everyone they've been
9 evading the order.

10 What happened in the first few years that they added
11 those questions, I think there have been dozens and dozens
12 of companies who simply never responded to the quantity and
13 value questionnaire again. Of course, by the end of that
14 review, which would probably be 18 months later, they got a
15 216 rate for not cooperating. But again, it took 18 months
16 to get it in, and if they were willing to evade anyway, you
17 know again, they might try to find another 6.65 percent
18 factory to ship through.

19 So that's something we have to be vigilant. We spend a
20 lot of resources and time, and we fight that today just as
21 hard as we do finding the egregious dumpers.

22 VICE CHAIRMAN JOHANSON: Okay. Thank you Mr. Bassett.
23 My time has expired.

24 CHAIRMAN WILLIAMSON: Commissioner Broadbent, okay.

25 COMMISSIONER BROADBENT: Sorry. Mr. Vaughn,

1 non-subject imports from Vietnam represent the single
2 largest source of wooden bedroom furniture in the United
3 States. The discussion on page 216 of the staff report
4 indicates that imports from Vietnam have gained market share
5 significantly, primarily in the lowest tier, most
6 price-sensitive segments of the market.

7 To what extent would subject imports from China compete
8 primarily with non-subject imports from Vietnam if the
9 orders were revoked?

10 MR. VAUGHN: Well, I'll start, although I know all
11 these guys have -- Stephen Vaughn. I'll start. I know
12 these guys have strong opinions on that. The record shows
13 that in other markets, China and Vietnam, where China and
14 Vietnam are both competitive, China tends to take a much
15 larger share of the market. So you see that if you look at
16 the global export markets for wooden bedroom furniture. You
17 see that if you look at the pie chart slide we had up here
18 earlier showing what does it look like if you take the U.S.
19 market.

20 Here, this is the first -- for example, right here.
21 This is the first six months of 2016, and what we did here
22 was the figures, they had total U.S. household furniture
23 imports in Furniture Today a couple of weeks ago. So what
24 we did was we took those figures and then we backed out the
25 figures for wooden bedroom furniture.

1 And what you get is this. China is six times as
2 aggressive as -- has six times the market share of Vietnam.
3 And so the evidence just suggests every time that they
4 compete with each other, Vietnam has some market share but
5 China has a much bigger market share. Based off of that, we
6 think that the Commission can be very comfortable making the
7 finding that if this order were to be revoked, this same
8 pattern would be repeated in wooden bedroom furniture.

9 We also think that the history of the order and the
10 history of the wooden bedroom furniture industry, and what
11 you found in both the original investigations and the first
12 five year reviews is the Chinese imports would not merely
13 compete with other imports; they would compete directly with
14 the domestic like product. The purchasers here
15 overwhelmingly said that the product was either always or
16 frequently interchangeable with the domestic like product,
17 and that they would compete on the basis of price.

18 So Vietnam is here. Vietnam is in the market. Other
19 people are in the market. But when you look at the practice
20 in other markets, you look at the practice in this market on
21 other products, you look at the size of the Chinese industry
22 and you look at the history of the Chinese industry, it is
23 enormous threat over and above what's being experienced from
24 Vietnam. I don't know if anyone else wanted to comment on
25 that.

1 MR. WYATT BASSETT: Well, I think you hit the first
2 nail on the head, which is just the scale is radically
3 different. China's total wooden bedroom exports worldwide
4 are four times what Vietnam's are. As Stephen just said,
5 imports of household furniture to the U.S., excepting
6 furniture covered by this order, China is six times what
7 Vietnam is.

8 When we filed our original petition for the original
9 order, we didn't even consider Vietnam, because they didn't
10 even meet the minimum three percent threshold of imports of
11 the product into the United States. Back before an
12 anti-dumping order went into effect, nobody could
13 effectively compete with China.

14 The other thing about the Chinese industry is there are
15 a couple of other things. One is their focus on exports in
16 the U.S. market and they do a great job of combining things
17 that the government can be involved in and help in from
18 subsidies to infrastructure to breaks or not having to pay
19 taxes.

20 The government in China has a lot of things when they
21 identify a market, and a market category in a specific
22 country they can do to help those factories and those
23 companies. It's much more coordinated than it is in any
24 other country, certainly in Vietnam.

25 The other thing is when China attacked the U.S. market,

1 they really did it in every segment. It was eventually in
2 every price point of wooden residential bedroom. It was in
3 contract bedroom. It was in solid wood bedroom. Vietnam,
4 while they're competitive in a number of areas, they don't
5 cover the entire map of the wooden bedroom market the way
6 China has.

7 COMMISSIONER BROADBENT: Okay. Let's see --

8 MR. TAYLOR: Commissioner Broadbent.

9 COMMISSIONER BROADBENT: Oh yeah.

10 MR. TAYLOR: This is Mike Taylor, and also if I can
11 point out. In the prehearing report as well on 225, it
12 recognizes that purchasers reported that neither they nor
13 their customers are likely to make purchasing decisions
14 based on country of origin. And then two pages later on
15 227, the report summarizes in Table 2-5 the importance of
16 price, and how that was a primary factor that people are
17 looking at.

18 COMMISSIONER BROADBENT: Right. But are we looking at
19 the comparison between Vietnam and China.

20 MR. TAYLOR: Well, the point there I think is that
21 ultimately, between China and the United States, the people
22 are looking at -- if they're not looking at country of
23 origin in making the decisions and they are looking at
24 price, if China were to come back into the United States and
25 compete, you know, what Mr. Bassett has shown and talked

1 about is sure, there has been an increase in Vietnamese
2 imports, but China would, everybody expects, would be
3 flooding the market as well.

4 So if customers are having to choose between China and
5 Vietnam, and from a pricing standpoint, you know, for sure
6 there is a Vietnamese product here. But China would -- it's
7 not as if China is in a situation where Vietnam has
8 displaced them and they couldn't come back in if they wanted
9 to.

10 COMMISSIONER BROADBENT: According to the staff report,
11 industry publications report to Vietnamese production
12 increased as a result of the anti-dumping duty order on
13 China, and it states that Taiwanese companies reinvested in
14 Vietnam.

15 Can you add a bit of context to these relationships?
16 Were the Taiwanese companies with operations in China
17 primarily responsible for the increase in subject imports
18 from China during the original investigations, and are these
19 companies primarily responsible for the increase from
20 Vietnam in recent years?

21 COMMISSIONER BROADBENT: You know, some of the
22 information I think is going to be based on proprietary
23 information that we don't have obviously, because the
24 Chinese didn't report their ownerships in foreign
25 operations. But you know, to be sure, I mean there has been

1 a growth in the Vietnamese furniture industry.

2 But one of the points that we think is again so key is
3 that the Chinese industry hasn't gone away. It's still
4 there as well, and to the extent that the -- that there is
5 Vietnamese imports in the United States, we're watching
6 those. The industry continues to watch those. But it's not
7 in a vacuum, you know.

8 The Vietnamese sellers in the -- that sell to the
9 United States are very aware of the fact that there is an
10 order on China, and that there could be other anti-dumping
11 duty orders. There have been recent reports in Furniture
12 Today, for example, I believe we've cited a couple, where
13 there's a recognition among Vietnamese sellers that price is
14 something they have to keep an eye on, because there is an
15 order out there. You know, so the order in China also has
16 an impact on the marketplace.

17 MR. WYATT BASSETT: I'll add on other thing there.
18 You're right to the effect that a number of Taiwanese
19 producers went into China and were involved in factories
20 that shipped wooden bedroom furniture to the United States
21 in the late 90's and early 2000's, and you're also right
22 that some of those people when the order went into effect
23 left China. Some went to Vietnam.

24 One advantage they had early on is a lot of these
25 Taiwanese companies already knew the U.S. market, and had

1 infrastructure set in place to sell into the U.S. market.
2 So early on, I think they had something of a jump when it
3 came to factories inside of China. The Taiwanese, factories
4 where Taiwanese were involved had a jump in getting into the
5 U.S. market.

6 It took very little time though for the indigenous
7 Chinese factories and the Chinese-owned factories and the
8 Chinese-run factories to acquire that same knowledge, hire
9 some of those people and learn how to get into the U.S.
10 market. By the time the order went into effect, I think you
11 not only saw the China-based factories catching up with the
12 Taiwanese-based factories, but overtaking them.

13 Today, you have fully sophisticated, fully integrated
14 Chinese companies with not only sales offices in the U.S.,
15 they'll have warehousing here. They'll have entire U.S.
16 import arms here that have nothing to with any Taiwanese
17 entities at all. It has to do with mainland China entities.

18 But the Chinese production industry was there before
19 they started exporting to the U.S. What they learned from
20 the Taiwanese to a large extent and have learned a lot in
21 the last 15 years, is how to reach into the U.S. market by
22 themselves, and the infrastructure is there, the people are
23 there. They are doing it with the order in place on a
24 certain level now. If the order went out of place guys,
25 they're already set up to increase the volume dramatically.

1 COMMISSIONER BROADBENT: Okay. Mr. Vaughn, I wanted to
2 get one other issue here. In terms of the relatively low
3 level of industry support for continuation of the order, I
4 know a lot of that is BPI and which domestic companies
5 participate and so forth, but do you want to say anything
6 about that?

7 MR. VAUGHN: I think, as you correctly note, a lot of
8 that is BPI. I think we'd like to just address that in the
9 post-hearing.

10 COMMISSIONER BROADBENT: Okay, all right. Thank you
11 Mr. Chairman.

12 CHAIRMAN WILLIAMSON: Thank you. Commissioner
13 Schmidtlein.

14 COMMISSIONER SCHMIDTLEIN: All right, thank you. Just
15 to follow up on the questions about Vietnam, and I know you
16 answered this I think either early on in Commissioner
17 Broadbent's questioning, or maybe it was Commissioner
18 Johanson.

19 So the Vietnamese, if the order were revoked, and I
20 know Mr. Vaughn you talked about how aggressive China is in
21 terms of their market share in other markets, do you think
22 the Chinese product that would be lower priced, priced lower
23 than the Vietnamese product if it came back into the market.

24 I say this having read in the staff report about the
25 information that labor costs have gone up in China and

1 apparently they're less in Vietnam. Do you think that also
2 ^^^^ I guess the second part of the question is do you think
3 that's a reason that we've seen an increase in product
4 coming from Vietnam, the shift to Vietnam in addition to the
5 order going into place?

6 MR. VAUGHN: Yeah. This is Stephen Vaughn, and I'll
7 just make a few -- I'll make a few comments for the record,
8 and then the people who are in the industry can tell more
9 about their experiences. The staff did a good job here, I
10 think, in terms of getting information on this, and the --
11 if you look at 2-33 of the staff report, in general the
12 importers and the purchasers tend to regard the product from
13 China and Vietnam as comparable and interchangeable.

14 If you look at the -- I believe they asked purchasers
15 about price. They found that the price was pretty
16 comparable between Chinese and Vietnamese imports. So I
17 think the evidence in the record is that basically you would
18 have this Vietnamese industry, which is doing what it's
19 doing.

20 But then you would have this much larger Chinese
21 industry, which you know, dominates the Vietnamese industry
22 in every other market we've been able to find, where they
23 sort of compete head to head. So then the domestic industry
24 is going to face all of this.

25 And so you would have a situation in which they would

1 be facing not only any competition that they're facing right
2 now, but on top of that an industry that's already proven
3 itself to be much larger and more aggressive in the other
4 markets.

5 So we spend, if you sort of take that and then you put
6 it into your factors, that shows that the likely volume of
7 imports is going to be very significant, and then that's
8 going to have, you know, harmful price effects and a harmful
9 impact. So I think putting all that together, there just
10 isn't evidence that because of the labor rates in China that
11 they can't be very, very, very competitive.

12 They are in other markets, and they are in this market
13 and other products. Again, that's all from what's in the
14 staff report and these guys see it every day so --

15 MS. LUTZ: If I could just add, Jennifer Lutz from ECS.
16 To the extent that Vietnam has some perceived advantage due
17 to lower wage rates, it seems very odd that it would be
18 restricted just to wooden bedroom furniture. You see
19 industries from China here a lot, and I don't think many of
20 them have said oh, we're not a threat because Vietnam is
21 going to take over.

22 And just looking at other types of wooden furniture, if
23 you look at the import statistics for wooden bedroom
24 furniture in 2015, China accounted for ten percent of the
25 total, Vietnam 48 percent. But if you look at wooden office

1 furniture, China accounts for 28 percent, Vietnam accounts
2 for four percent. Wooden kitchen furniture, China 61
3 percent and Vietnam is four percent.

4 If there were some structural advantage for Vietnam,
5 you would think that that would show up in other categories
6 as well, and it doesn't.

7 COMMISSIONER SCHMIDTLEIN: Uh-huh. Mr. Wyatt.

8 MR. WYATT BASSETT: One other issue the -- for us,
9 labor is --

10 COMMISSIONER SCHMIDTLEIN: Mr. Bassett, I'm sorry.

11 MR. WYATT BASSETT: That's okay. Is a very significant
12 --

13 COMMISSIONER SCHMIDTLEIN: There are three of you here
14 so --

15 MR. WYATT BASSETT: I get it all the time. Labor is a
16 very significant cost of our product. It's up in the
17 20-some percent. When you look at product out of China and
18 out of Vietnam, it's a much smaller, excuse me, labor is a
19 much smaller component of the cost.

20 As we told you before, there were instances where
21 product coming out of China was selling for below the cost
22 of the materials to make the product, forget any labor or
23 overhead or selling costs.

24 For us, material will run about 45 percent of our total
25 cost up to even 50 percent of our cost. Labor might be 25

1 percent of that cost. Product out of Asia, I think you're
2 going to find material is a much higher percentage, and
3 labor is a much lower percentage. I've heard numbers down
4 around five percent. So even if China is paying marginally
5 more in labor than it is in Vietnam, it's on a very small
6 component of the cost of the product anyway.

7 COMMISSIONER SCHMIDTLEIN: Are there any American
8 producers that have invested in Vietnam?

9 MR. WYATT BASSETT: I think there are a few.

10 COMMISSIONER SCHMIDTLEIN: Of wooden bedroom furniture.

11 MR. WYATT BASSETT: Y'all might be able to tell some.
12 In terms of bedroom, I'm not sure. We'd have to -- we could
13 find out for you and let you know. I don't know of any off
14 the top of my head but it's --

15 COMMISSIONER SCHMIDTLEIN: Maybe you could follow up in
16 the post-hearing. That would be awesome, okay. Do U.S.
17 producers have the capacity to meet demand here in the U.S.?

18 MR. WYATT BASSETT: We have the capacity to meet a
19 whole lot more demand than we're getting right this minute.
20 I think at this point, we simply with the factories we have
21 in Galax, with only marginal more equipment but with a
22 significant number of more employees, which we can go get
23 more employees. There is that supply out there, people who
24 need the jobs, we could increase our production I think at
25 least 50 percent out of that facility, or pair of facilities

1 we have in Galax.

2 We have a mothballed facility in Elkin, North Carolina
3 that's almost as big as our main facility in Virginia. That
4 facility we mothballed in early 2009 when the housing
5 collapse was going on. But we've maintained the building.
6 We still have permits on all the boilers and the finishing
7 rooms. This is a facility capable of increasing our
8 production by another 50 or 60 percent.

9 But what stops us from doing it is the lack of demand.
10 So could we fill that demand? Yeah, we've got a ton of room
11 to run and grow. What we don't have really, with the
12 economy we've got today, is a really healthy increase in
13 that demand.

14 MR. SANDBERG: And I'm sure about --

15 COMMISSIONER SCHMIDTLEIN: Mr. Sandberg.

16 MR. SANDBERG: Absolutely. We would love to. We're
17 currently only running one shift. At our peak we were
18 running two assembly shifts and three mill shifts. Right
19 now, we're running one assembly shift and a skeleton crew at
20 night to keep up with that. So we could easily double our
21 overall output in just a matter of six-eight months.

22 COMMISSIONER SCHMIDTLEIN: Okay. Anybody else, Mister
23 -- I forget your name. Would you like to comment --

24 MR. WYATT BASSETT: And I'd add on -- excuse me. On
25 top of that, if we could utilize more of these facilities,

1 we would be so much more productive, so much more efficient,
2 so much more competitive with product regardless where it's
3 made, and we'd be a whole lot more profitable, which is not
4 only good news for our shareholders.

5 It's good news for our employees. We'd pay better
6 wages and give better benefits. That would make a greater
7 -- the biggest impact we could, on our business in virtually
8 every way would be considerably greater demand.

9 COMMISSIONER SCHMIDTLEIN: So what is it that's keeping
10 -- since, you know, you obviously have this, you have this
11 capacity. We've got the order in place right now. So what
12 is it that is keeping you from increasing that right now?

13 MR. WYATT BASSETT: Right this minute?

14 COMMISSIONER SCHMIDTLEIN: Yeah.

15 MR. WYATT BASSETT: It's the market and demand for
16 wooden bedroom furniture is poor. It's at -- liberally,
17 it's at half of a healthy level. So again you think --

18 COMMISSIONER SCHMIDTLEIN: But there's still a big
19 chunk of the market out there that you're not winning those
20 sales, right. So what is it that -- is it hard to compete
21 on price from Vietnam?

22 MR. WYATT BASSETT: I think most -- I think what you're
23 going to find is most people are suffering.

24 COMMISSIONER SCHMIDTLEIN: Is it the Vietnamese product
25 that is --

1 MR. WYATT BASSETT: At this point, I'd say it's --
2 again, it's not any one competitor. I mean we compete with
3 the people in this room that are here with us. We compete
4 with the Vietnamese, we compete with the Chinese, Malaysian,
5 Indonesian, Eastern Europe, Canadian, Mexican. We compete
6 with all of them.

7 But I know it sounds like a broken record, but when
8 your demand gets cut in half, it's it's -- you know, again I
9 come back. I think it's pretty incredible we're still here
10 competing and doing what we're doing, versus asking why
11 we're not getting a whole lot more business.

12 COMMISSIONER SCHMIDTLEIN: Okay, thank you. So I just
13 have a couple more questions that I think really are for
14 you, Mr. Vaughn, or Mr. Jones. One is are there any related
15 parties that you would argue should be excluded in this
16 review?

17 MR. VAUGHN: Commissioner Schmidtlein, we will address
18 in some more. I'd like to think about that a little bit
19 more and give you some more on the post-hearing. Up to this
20 point, we have not made any arguments to exclude related
21 parties.

22 COMMISSIONER SCHMIDTLEIN: Okay, and then the second
23 question has to go to the argument -- goes to the argument
24 with regard to adverse inferences, and you know, we've seen
25 this argument now come up because -- in several cases

1 because in several cases we have either no participation or
2 very low participation from the respondents.

3 And I'm just curious. I mean here while we've got a
4 few seconds. In the brief, you talk about that the
5 Commission should not allow foreign producers to benefit
6 from this type of gamesmanship. Obviously they're
7 participating at the Commerce Department and it looks like
8 they've made a deliberate decision not to come here.

9 So my question is if you can, how do you think they
10 benefit from it? Are there any -- is there any case that
11 you have seen where a foreign respondent has benefitted from
12 the fact that they have not participated?

13 MR. VAUGHN: This is Stephen Vaughn.

14 COMMISSIONER SCHMIDTLEIN: Just as a practical matter.

15 MR. VAUGHN: We think they benefit every time, and the
16 reason we think they benefit, I mean now when you say --
17 when you say -- let's break down benefit. I don't think
18 that necessarily they're winning cases. That's not what I'm
19 referring to.

20 But we believe that if they don't respond, it's because
21 the information that they have would not be helpful, and
22 that they are better off leaving the record blank and
23 putting the pressure on us to look for evidence of new
24 capacity, look for evidence regarding unused capacity, look
25 for evidence about their export orientation, that they're

1 better off with that record than they are if they would be
2 if they came and put in complete questionnaire responses. I
3 do think that's the case.

4 COMMISSIONER SCHMIDTLEIN: But I guess that's my
5 question. Are they really better off? I mean we've looked.
6 What case have they been better off in pursuing this
7 strategy?

8 MR. VAUGHN: Well, I think -- I will say this. I think
9 the Commission has done a good job in terms of seeing
10 through this in a lot of cases. I know the Commission has
11 not always drawn adverse inferences formally. But I think
12 the Commission has been -- done a good job of recognizing
13 that if the other side does not come in, and you're getting
14 useful factual information from the Petitioner, that that's
15 information that the Commission can rely on.

16 I think that's -- I think it's very, very important
17 that the Commission do that. But I have to tell you. I
18 mean if I was a member of the respondents' bar and I had the
19 clients who said, you know, here's our figures. We are 65
20 percent capacity utilization and we're, you know, we're
21 planning to add new capacity and here's evidence of the
22 subsidies that we're getting from the Chinese government,
23 and here's evidence of the customer list and things that we
24 have lined up to go into the U.S. market if the orders are
25 revoked.

1 It would be difficult for me to counsel them to go
2 ahead and participate. But we believe that evidence is out
3 there. I mean we think that, you know, that they do have
4 unused capacity. We think they do have plans to expand
5 capacity. We think they have contacts and customers in this
6 market, and we think if we could get a complete record, that
7 the case would be even stronger than it is.

8 And that's why we keep, you know, raising this issue
9 and why we think it's an important issue for the Commission
10 to really keep an eye on, because -- and I will say one
11 other thing. This does put, you know, resources and burdens
12 on the Petitioners. I mean obviously if I'm writing a
13 brief, the easiest thing to do is say this is in the staff
14 report, you know.

15 If your staff report shows that there's, you know, an
16 enormous amount of excess capacity, then that makes my brief
17 writing a lot simpler. So I think there is gamesmanship
18 that goes on here. I think it's very obvious when you see
19 what they do at Commerce versus what they do here, and the
20 response to the notice, what they did in response to the
21 Notice of Institution versus what we're seeing here.

22 I think there is a lot of that that's going on, and I
23 think it is important that the Commission, you know, patrol
24 that line.

25 COMMISSIONER SCHMIDTLEIN: Okay, and just so -- since

1 we're finishing the second round here. In the post-hearing,
2 could you address more specifically the statutory language
3 and what exactly this means, that it says "The Commission
4 may use an inference that is adverse to the interest of that
5 party in selecting from among the facts that otherwise
6 available."

7 MR. VAUGHN: We will address that.

8 COMMISSIONER SCHMIDTLEIN: If you could address that,
9 that would be helpful.

10 MR. VAUGHN: We will do so.

11 COMMISSIONER SCHMIDTLEIN: Thank you.

12 CHAIRMAN WILLIAMSON: Thank you. Commissioner
13 Schmidtlein was too polite to say that lawyers are a cost of
14 doing business for respondents. But I will -- just to
15 finish up on her earlier question, when she had asked you
16 about American investment in Vietnam, post-hearing you might
17 address American investment in wooden bedroom furniture in
18 China and other countries as well as Vietnam, and how those
19 investments might be affected by revocation of the order.
20 So it's something that you can do post-hearing.

21 MR. TAYLOR: We'd be pleased to do so.

22 CHAIRMAN WILLIAMSON: Okay. I take it from what you
23 said, I was going to ask you a question about increased
24 labor cost in China. But I take it from what you said is
25 basically that given when you look at what's happening with

1 other non-bedroom furniture, that the increased labor cost
2 in China is not really a big factor here, in terms of where,
3 you know, production going to Vietnam or elsewhere.

4 MR. TAYLOR: We think that's correct.

5 CHAIRMAN WILLIAMSON: Okay. Well, that's all the
6 questions I have. Thank you. Vice Chairman Johanson.

7 VICE CHAIRMAN JOHANSON: Thank you Chairman Williamson.
8 On pages 68 and 69 of your prehearing brief, you all state
9 that the order has been beneficial for the domestic
10 industry. However, looking at a couple of measures of
11 benefit, the domestic industry's market share and its
12 operating margins are -- by looking at those, it is not
13 readily apparent that the domestic industry has indeed
14 benefitted from the order.

15 It appears that your response would be that without the
16 order, there would be no domestic industry. Is that what
17 you all are contending?

18 MR. TAYLOR: So without the order, I am -- well after I
19 speak as a lawyer, we'll see if others would want to chime
20 in. But you heard testimony today from Mr. Berry and others
21 that, you know, without the order, I think Mr. Berry said
22 that the U.S. domestic would be evaporated, in his words.
23 This is a vulnerable industry, and we are facing imports
24 from Vietnam, Indonesia, Malaysia currently.

25 The housing market is at a low point. It's coming out,

1 but it's still at a low point and they really have been
2 struggling to survive. Without the order and without the
3 pricing discipline that is brought to the United States, and
4 with some imports coming in, then there really would be --
5 because price drives the decision-making that retailers have
6 and also purchasers ultimately have, there would be
7 significantly fewer people here sitting today we believe.

8 And it's a struggle. We talk to these clients, you
9 know, weekly if not daily in some instances and they are
10 doing their job and they're doing everything they can to
11 support their workers. The order has been important to
12 that, because there's a huge excess capacity in China, and
13 there is a significant production capability in China that's
14 already exporting and is focusing on exports and wants to
15 have access back to the U.S. market. John Bassett.

16 MR. JOHN BASSETT: I've been doing this longer than
17 anybody here at this table, and I started working the
18 furniture industry at Bassett Industries in 1959. There's
19 no doubt that if it was not for this order, I'll tell you
20 who you're going to be -- would be talking to in the wood
21 furniture industry in the United States. You would be
22 talking to cabinet shop. It would be a cabinet shop
23 industry. There would be no manufacturing facilities that
24 you see here today. It's just that simple. They'd be gone.
25 It would be over.

1 When I helped start this whole movement, people laughed
2 and said, you know, you're fighting a losing battle. That's
3 before we filed for the anti-dumping, and back in those days
4 they said I was Don Quixote. There he goes fighting
5 windmills again. You cannot do this in this country.
6 Ladies and gentlemen, we did it. That's the fact, and the
7 other fact is we want to continue doing it. It's just that
8 simple.

9 MR. WYATT BASSETT: In the last few years before the
10 order was in place, I think we talked the fact there was a
11 housing bubble. I mean it was an overheated housing market
12 like none of us have ever seen in our lifetimes. But
13 without an order in place, our industry was on the verge of
14 being driven out of existence then.

15 Today, the housing market is a fraction, less than 50
16 percent of what it was in the years leading up to the order.
17 If you take the order back off, we don't even have the
18 benefit of a nice, healthy housing market out there to keep
19 us alive. Literally, the conditions are about 50 percent
20 worse.

21 MR. VAUGHN: Commissioner Johanson, this is Stephen
22 Vaughn. I'd just like to add a few facts from the record.
23 Going to what Mr. Wyatt Bassett just said, in the original
24 investigation 2003, at the time of a housing boom, the
25 industry's operating income was only 2-1/2 percent. The

1 first half of this year, in a time of much weaker demand,
2 the industry's operating income was positive at 1.4 percent.

3 That's obviously vulnerable, but it shows that the
4 industry, you know, the order is making a difference. The
5 record shows that from '13 to '15, these are relatively weak
6 periods in terms of demand and yet we see the industry's
7 sales going up, we see the industry's shipments going up, we
8 see the industry continuing to be competitive in terms of
9 preserving itself.

10 And so we do believe very strongly that the record
11 shows that without the order, you're talking about an
12 industry here that had, you know, \$648 million worth of
13 sales last year and employs almost 5,000 people. I mean
14 it's still a very, very significant industry. But without
15 the order, it would be at grave risk.

16 VICE CHAIRMAN JOHANSON: Thank you. Ms. Silvers, do
17 the workers that you communicate with, do they attribute the
18 health of the industry to the orders?

19 MS. SILVERS: Yes.

20 VICE CHAIRMAN JOHANSON: Okay, thank you. That
21 concludes my questions. I appreciate you all being here
22 today.

23 CHAIRMAN WILLIAMSON: Commissioner Broadbent.

24 COMMISSIONER BROADBENT: No more questions right now,
25 thank you.

1 CHAIRMAN WILLIAMSON: Commissioner Schmidtlein.

2 COMMISSIONER SCHMIDTLEIN: No more questions.

3 CHAIRMAN WILLIAMSON: So if there are no further
4 questions from Commissioners, does staff have any questions
5 for this panel?

6 MS. SHERMAN: Amy Sherman. Staff has no questions.

7 CHAIRMAN WILLIAMSON: Okay. Since there are no
8 respondents, I guess I want to thank this panel for their
9 testimony. I appreciate very much your being here, and we
10 now have a closing statement, and since there are no
11 respondents, you have five minutes for a closing statement.

12 MR. TAYLOR: Thank you very much, and Mr. Chairman, if
13 it's okay, Mr. Vaughn will start and then we'll have Mr.
14 Bassett, John Bassett close out as well.

15 CHAIRMAN WILLIAMSON: Okay fine, and I guess we might
16 as well -- if you're ready and we can go on and start.
17 Okay, good. Go ahead, thank you.

18 CLOSING STATEMENT OF STEVEN VAUGHN

19 MR. VAUGHN: Chairman Williamson, I will be very
20 Stephen Vaughn. I will be very brief. A few points to
21 remember. The Chinese industry has significant excess
22 capacity and is adding even more capacity. The Chinese
23 industry has established a willingness to engage in both
24 dumping and duty evasion to capture the U.S. market. The
25 Chinese industry dominates worldwide wooden bedroom exports.

1 The Chinese industry dominates U.S. imports of household
2 furnishings not covered by the order.

3 If the order were to disappear, the Chinese industry
4 would once again gravely threaten the survival of all U.S.
5 producers.

6 CLOSING STATEMENT OF JOHN BASSETT

7 MR. JOHN BASSETT: Ladies and gentleman, when I started
8 this morning, I told you you would hear our story. You've
9 just heard our story. Let's face it. China has the largest
10 wooden bedroom industry in the world, and it's focused on
11 exports. They have continually shown their willingness to
12 dump and avoid the order, including refusing to provide even
13 a minimum level of cooperation with the Commerce Department
14 and you, the International Trade Commission.

15 Without the anti-dumping order in place to combat
16 illegal priced imports, the United States industry and all
17 our hard-working employees face the very real risk of losing
18 our companies, and more importantly the ability to provide
19 for their families. Remember, we're not asking for a
20 handout. We're not asking for a bailout. We're only asking
21 to continue -- to get the continued opportunity to do our
22 jobs and to compete.

23 Finally, what you're looking at today sitting at this
24 table are American bedroom manufacturers that survived. We
25 survived. We made it. You helped, but we lived through

1 globalization, we lived through the financial crisis, we
2 invested in this country, we employed our people, we gave
3 them benefits, health insurance and retirements and
4 everything else. Guys, we did it, and finally we want to
5 continue doing it. Thank you.

6 CHAIRMAN WILLIAMSON: Okay. Thank you very much for
7 that closing statement. Post-hearing briefs, statements
8 responsive to questions and requests of the Commission and
9 corrections to the transcript must be filed by November
10 22nd, 2016. Closing of the record and final release of data
11 to parties is December 21st, 2016. Final comments are due
12 by December 23rd, 2016.

13 Again, I want to thank all the witnesses who came to
14 participate in the hearing today, and the hearing is
15 adjourned.

16 (Whereupon, the hearing was adjourned at 12:09 p.m.)
17
18
19
20
21
22
23
24
25

CERTIFICATE OF REPORTER

TITLE: In The Matter Of: Wooden Bedroom Furniture from China

INVESTIGATION NO.: 731-TA-1058

HEARING DATE: 11-10-16

LOCATION: Washington, D.C.

NATURE OF HEARING: Second Review

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: 11-10-16

SIGNED: Mark A. Jagan

Signature of the Contractor or the
Authorized Contractor's Representative

I hereby certify that I am not the Court Reporter and that I have proofread the above-referenced transcript of the proceedings of the U.S. International Trade Commission, against the aforementioned Court Reporter's notes and recordings, for accuracy in transcription in the spelling, hyphenation, punctuation and speaker identification and did not make any changes of a substantive nature. The foregoing/attached transcript is a true, correct and complete transcription of the proceedings.

SIGNED Gregory Johnson

I hereby certify that I reported the above-referenced proceedings of the U.S. International Trade Commission and caused to be prepared from my tapes and notes of the proceedings a true, correct and complete verbatim recording of the proceedings.

SIGNED: Gaynell Catherine