

# UNITED STATES INTERNATIONAL TRADE COMMISSION

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In the Matter of:  
HARDWOOD PLYWOOD FROM CHINA

) Investigation Nos.:  
) 701-TA-565 AND 731-TA-1341  
) (FINAL)

**REVISED AND CORRECTED**

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Place: Washington, D.C.  
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UNITED STATES OF AMERICA  
BEFORE THE  
INTERNATIONAL TRADE COMMISSION

IN THE MATTER OF: ) Investigation Nos.:  
HARDWOOD PLYWOOD FROM CHINA ) 701-TA-565 AND 731-TA-1341  
) (FINAL)

Main Hearing Room (Room 101)  
U.S. International Trade  
Commission  
500 E Street, SW  
Washington, DC  
Thursday, October 26, 2017

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

1 APPEARANCES:

2 On behalf of the International Trade Commission:

3 Commissioners:

4 Chairman Rhonda K. Schmidtlein

5 Vice Chairman David S. Johanson

6 Commissioner Irving A. Williamson

7 Commissioner Meredith M. Broadbent

8

9

10

11

12 Staff:

13 William R. Bishop, Supervisory Hearings and Information  
14 Officer

15 Sharon Bellamy, Records Management Specialist

16 Tyrell Burch, Legal Document Assistant

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18 Andrew Dushkes, Investigator

19 Sarah Scott, International Trade Analyst

20 Lauren Gamache, Economist

21 Emily Kim, Accountant/Auditor

22 Benjamin Allen, Attorney/Advisor

23 Mary Messer, Supervisory Investigator

24

25

1 Congressional Appearances:

2 The Honorable Ron Wyden, United States Senator, Oregon

3 The Honorable Peter DeFazio, U.S. Representative, 4th  
4 District, Oregon

5 The Honorable Greg Walden, U.S. Representative, 2nd  
6 District, Oregon

7 The Honorable Bruce Poliquin, U.S. Representative, 2nd  
8 District, Maine

9 The Honorable Bruce Westerman, U.S. Representative, 4th  
10 District, Arkansas

11

12 Opening Remarks:

13 Petitioners (Timothy C. Brightbill, Wiley Rein LLP)

14 Respondents (Jeffrey S. Grimson, Mowry & Grimson, PLLC)

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

3 Wiley Rein LLP  
4 Washington, DC

5 on behalf of  
6 Petitioners

7 Brad Thompson, Chief Executive Officer, Columbia Forest  
8 Products

9 Gary Gillespie, Executive Vice President, Columbia  
10 Forest Products

11 Joe Gonyea, III, Partner and Co-Chair, Timber Products  
12 Company

13 Josh Gibeau, International Division Manager, Timber  
14 Products Company

15 Ashlee Cribb, Sales Director for Solid Wood Business,  
16 Roseburg Forest Products Co.

17 Kelly Roberston, Hardwood Plywood Sales Manager,  
18 Roseburg Forest Products Co.

19 Kris York, General Manager, Murphy Plywood

20 Mike Taylor, President, State Industries

21 Bill Caine, President, Commonwealth Plywood, Inc.

22 Clifton Howlett, President, Hardwood Plywood & Veneer  
23 Association

24 Donald Schalk, Director of Business and Corporate  
25 Development for Alvernia University

1 David Mashburn, Consultant, Mashburn Marketing, LLC

2 Dr. Seth Kaplan, Economist, International Economic

3 Research, LLC

4 Timothy C. Brightbill, Tessa V. Capeloto and Stephanie

5 M. Bell - Of Counsel

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7 In Opposition to the Imposition of Antidumping and

8 Countervailing Duty Orders:

9 Mowry & Grimson, PLLC

10 Washington, DC

11 on behalf of

12 American Alliance for Hardwood Plywood

13 Greg Simon, Executive Vice President, Far East American, Inc.

14 and Chairman of the American Alliance for Hardwood Plywood

15 Shawn Dougherty, Director of Asia, Northwest Hardwoods, Inc.

16 David M. Randich, President, MasterBrand Cabinets, Inc.

17 Aaron J. Songer, Director, Strategic Sourcing,

18 MasterBrand Cabinets, Inc.

19 Leigh N. Asec, Division General Counsel, MasterBrand

20 Cabinets, Inc. and Associate General Counsel, Fortune Brands

21 Home & Security, Inc.

22 Kyle Bressler, Vice President, Lanz Cabinets

23 Joe Smucker, Business Unit Director, Parkland Plastics

24 Matt Hazelbaker, Vice President, Genesis Products LLC

25

1 Joe Caldwell, President and Chief Executive Officer,  
2 MJB Wood Group, Inc.

3 Paul Gosnell, Vice President, Patriot Timber Products,  
4 Inc.

5 Jonas Israel, Chief Executive Officer, McCorry & Co.  
6 Ltd.

7 Cindy Squires, Executive Director, International Wood  
8 Products Association

9 Thomas L. Rogers, Principal, Capital Trade Inc.

10 Natalia King, Associate, Capital Trade Inc.

11 Jeffrey S. Grimson and Kristin H. Mowry - Of Counsel

12

13 Husch Blackwell LLP

14 Washington, DC

15 on behalf of

16 Chinese Respondents

17 Wu Shengfu, Vice Chairman, China National Forest  
18 Products Industry Association

19 Ran Xiangliang, Chief Executive Officer, Linyi

20 Sanfortune Wood Co., Ltd.

21 Jeffrey S. Neeley - Of Counsel

22

23 Rebuttal/Closing Remarks:

24 Petitioners (Timothy C. Brightbill, Wiley Rein LLP)

25 Respondents (Jeffrey S. Grimson, Mowry & Grimson, PLLC)

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9:32 a.m.

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

CHAIRMAN SCHMIDTLEIN: Good morning. On behalf of the U.S. International Trade Commission I welcome you to this hearing on the final phase of Investigation Nos. 701-TA-565 and 731-TA-1341 involving hardwood plywood from China.

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

Schedule setting forth the presentation of this hearing, notices of investigation and transcript order forms are available at the public distribution table. All prepared testimony should be given to the Secretary. Please do not place testimony on the public distribution table. All witnesses must be sworn in by the Secretary before presenting testimony.

I understand that the parties are aware of the time allocations. Any questions regarding time allocations should be directed to the Secretary. Speakers are reminded not to refer in their remarks or answers to questions

1 business proprietary information. Please speak clearly into  
2 the microphones and state your name for the record for the  
3 benefit of the court reporter. If you will be submitting  
4 documents that contain information that is classified as  
5 business confidential your request should comply with  
6 commission rule 201.6.

7 Mr. Secretary, are there any preliminary matters?

8 MR. BISHOP: Madam Chairman, I would note that  
9 all witnesses for today's hearing have been sworn in. There  
10 are no other preliminary matters.

11 CHAIRMAN SCHMIDTLEIN: Very well. Will you  
12 please announce our first Congressional Witness?

13 MR. BISHOP: Our first congressional witness is  
14 the Honorable Ron Wyden, United States from Oregon.

15 CHAIRMAN SCHMIDTLEIN: Welcome, Senator Wyden.

16 STATEMENT OF SENATOR RON WYDEN

17 SENATOR WYDEN: Let me thank the Commission again  
18 for their graciousness in having me once more. Having been  
19 here recently on solar, on softwood lumber and steel and  
20 manufacturing, I've been very appreciative of all of you  
21 never once calling me a recidivist.

22 Kidding aside, the reason that I have come  
23 several times is trade is so important to my home state of  
24 Oregon. One in five jobs in Oregon revolves around  
25 international trade and the trade jobs often pay better than

1 the non-trade jobs because it so often involves value-added  
2 and a higher level of productivity so your work is just  
3 exceptionally important and I thank you for the chance to  
4 come today to talk about hardwood. The fact is  
5 China's market distorting policies have plagued the U.S.  
6 hardwood plywood sector for far too long. The fact is,  
7 China just isn't playing by the rules. Our hardwood plywood  
8 producers and their hardwood plywood producers receive a  
9 variety of subsidies from the government, ranging from tax  
10 breaks to discounted land and raw materials.

11 And flush with cash from these advances, the  
12 China producers turn around and sell dumped and subsidized  
13 hardwood plywood throughout our country. These tactics have  
14 taken an enormous toll on our Domestic Industry. Chinese  
15 hardwood imports have increased by more than 20 percent over  
16 the last three years, displacing U.S. hardwood plywood  
17 producers and imperiling thousands of what I call "red,  
18 white and blue" jobs. These job losses are occurring  
19 despite increasing demand for wood products over the course  
20 of the last 4-5 years. I would also like to note that these  
21 job losses are occurring precisely because U.S. and Chinese  
22 produced hardwood plywood are interchangeable and I would  
23 urge all of you to walk into any Home Depot or Lowes and see  
24 if you can tell the difference between the two. I certainly  
25 can't.

1           Over the past several years, I have enjoyed  
2           getting out to visit several hardwood plywood facilities and  
3           I can tell you in my home state we believe deeply that  
4           American hardwood plywood manufacturers are some of the most  
5           efficient and competitive in the world. We believe they can  
6           complete with anybody, anybody as long as they get a fair  
7           shot in the marketplace.

8           The fact is the Chinese in particular aren't  
9           playing by the rules in a competitive global economy for  
10          American businesses and workers have been forced to compete  
11          head-to-head against Chinese products sold well below market  
12          value and with the playing field tilted this dramatically  
13          it's not difficult to understand why relief is needed and  
14          relief is needed fast.           Chinese Imports are at an all  
15          time high and the U.S. Hardwood Plywood industry is in  
16          serious jeopardy. Whether it's steel, solar, aluminum, or  
17          other commodities, this Commission is well-aware of the  
18          manufacturers and workers that have been harmed by China's  
19          unfair market distorting behavior. We even made mention and  
20          we joked about it before, you know, maybe I'm going to need  
21          a mail slot here at some point but this isn't a joking  
22          matter.

23          For those of us who feel strongly about the role  
24          of our companies in a global economy we've got to enforce  
25          the rules. This isn't a debate about the fair trade, free

1 trade and back and forth, it is smart trade to enforce the  
2 rules. Time and time again the evidence demonstrates that  
3 China is implementing a mercantile-less economic model that  
4 bogs with the principles of fair competition on which the  
5 global trading system was founded.

6 U.S. trade remedy laws remain more critical than  
7 ever as a bulwark against harm to our producers facing an  
8 onslaught of fair trade from China. in 2015, the Congress  
9 clarified those laws and important respects to make sure our  
10 companies get the relief they need before it is too late.

11 You all have the challenge of saying look, at  
12 some point you've got to get decisions made and the buck  
13 stops with you. Allowing China's unfair trade practices  
14 with respect to hardwood plywood to continue unfettered will  
15 not only undermine American manufacturing but will also  
16 encourage more countries to play by their own rules and not  
17 with the fair competition and innovation that allowed us to  
18 become the world's biggest and most vibrant economy.

19 So today again I urge the Commission to just look  
20 at the evidence. The evidence produced by producers in my  
21 state and across the country shows the harm that has  
22 resulted from China's unfair trade practices with respect to  
23 hardwood plywood. What we're talking about here is  
24 thousands of American jobs are on the line.

25 In my home state, and you will hear this from

1       Congressman De Fazio and Congressman Walden from my home  
2       state, for us these jobs so often are in rural communities  
3       and we are just not going to say those rural communities  
4       ought to be turned into sacrifice zones and just write them  
5       off. What we're saying is enforce the trade laws, give  
6       those workers and those communities a chance to prosper with  
7       family wage jobs.

8                 Trade enforcement now in the hardwood sector can  
9       make a key difference. That is what we hope the Commission  
10      will deliver to our communities, to our rural workers and I  
11      thank you again for giving me the chance to come once more.  
12      I looked at the calendar and I said I don't think I am  
13      scheduled to come next week. Perhaps it will be a little  
14      bit more of a moratorium, but thank you again for your  
15      thoughtfulness.

16                CHAIRMAN SCHMIDTLEIN: Alright thank you, Senator  
17      Wyden.

18                MR. BISHOP: Our next Congressional witness is  
19      the Honorable Peter DeFazio United States Representative  
20      from the 4th district of Oregon.

21                CHAIRMAN SCHMIDTLEIN: Welcome, Representative De  
22      Fazio.

23                STATEMENT OF REPRESENTATIVE PETER DEFAZIO

24                REPRESENTATIVE DEFAZIO: Thank you. Thanks for  
25      hearing this case today. I'm Peter De Fazio. I represent

1 Oregon's 4th district, 35th largest District land area,  
2 half-owned by the Federal Government from the cascade  
3 mountains down to the California Border, of a lot of  
4 University towns, a very large portion of my district is  
5 rural and timber dependent communities, both for their jobs,  
6 their tax base and actually for shared Federal revenues from  
7 the Federal lands when we sell timber there.

8           We're the largest, I believe my district is the  
9 largest hardwood manufacturing district in the country;  
10 Lane, Douglas, Josephine Counties in particular. For many  
11 of the communities I represent really that's the only viable  
12 private sector job in the area in town or within some very  
13 significant distance. Many of my manufacturers have been  
14 materially and substantially harmed by the Chinese who have  
15 undercut the market selling below costs of production.

16           Some have closed, others have curtailed shifts so  
17 it is causing immediate economic harm and displacement in  
18 areas that are already stressed. You've also heard the  
19 softwood case that's with Canada and that's another issue  
20 that impacts my district dramatically.

21           We have some of the most advanced, cost-effective  
22 mills in the world using state-of-the-art technology but you  
23 can't really compete with someone who is financed by the  
24 bank of China where they don't care about return of  
25 investment, in fact they are happy to lose money. What

1 they're doing, as Senator Wyden said, is practicing  
2 mercantilism.

3 They're attempting to export subsidized goods,  
4 take over markets and maybe someday they will raise the  
5 prices after they have driven their competitors in the  
6 United States and elsewhere out of business. For 15 years  
7 they have subsidized production manufacturing plywood and  
8 dumped them into the American Market.

9 They get tax breaks, they get discounted land.  
10 The raw materials often are sourced illegally at no cost or  
11 very little cost. I think some violate, some of these  
12 products probably violate the Lacey Act in terms of stolen  
13 timber from Southeast Asia and elsewhere.

14 In contrast, my producers have to bid either in  
15 the Federal Market competitively bid for the timber or in  
16 the private market to get into contractual arrangements.  
17 They have to get commercial financing. We're operating in a  
18 free market, competitive society and they are just  
19 attempting to drive yet another U.S. Industry out of  
20 business.

21 Their imports were up 40 percent in January of  
22 2017 from the year before. They've got 55 percent of the  
23 market now since, up substantially. There are some  
24 estimates that they're selling their products for more than  
25 a 50 percent discount for a fair value for that product.

1                   I know that the last time a case was heard a  
2                   number of years ago there was confusion regarding what  
3                   impacts the Recession, the Great Recession had had; what  
4                   impacts were being put upon the industry from China.  
5                   Obviously that was a confusing time for our economy. Right  
6                   now it is very clear that the major factor impacting our  
7                   manufacturers to curtail production and/or go out of  
8                   business is the fact that they are competing with the  
9                   Chinese who have become dominant in the market with these  
10                  products that have been produced in a non-market economy  
11                  with substantial advantages.

12                  There is one other factor and I know it is not of  
13                  particular concern or material perhaps to your case but much  
14                  of the Chinese plywood and veneer is manufactured with  
15                  chemicals that are very detrimental to health, particularly  
16                  formaldehyde gassing and others. There are so many reasons  
17                  why you should take action and perhaps you can't legally  
18                  include that but it just, we're all humans and we have to  
19                  have concerns for our fellow Americans.

20                  You know, my constituents are tough, they're  
21                  fighters. They are really good at managing forests, they  
22                  are really good at milling wood into all sorts of things and  
23                  these craftsmen and women would prevail in a competitive,  
24                  truly competitive contest with another market-based economy  
25                  but in this case they are being asked to compete with

1 someone for whom costs are not really a factor and I hope  
2 that the Commission will find a substantial body of evidence  
3 that will find that we have been materially harmed and we  
4 should impose some penalties upon the Chinese. With that, I  
5 thank you again for your time.

6 CHAIRMAN SCHMIDTLEIN: Thank you very much,  
7 Representative De Fazio.

8 MR. BISHOP: Our next congressional witness is  
9 the Honorable Bruce Poliquin, United States Representative  
10 from the 2nd District of Maine.

11 CHAIRMAN SCHMIDTLEIN: Welcome Representative  
12 Poliquin.

13 STATEMENT OF REPRESENTATIVE BRUCE POLIQUIN

14 REPRESENTATIVE POLIQUIN: Chairman Schmidtlein  
15 and Vice Chairman Johanson and the Commissioners Williamson  
16 and Broadbent, I really appreciate the opportunity that I am  
17 here today with you representing the great woodworkers in  
18 the great State of Maine. Now we have up in Presque Isle,  
19 Maine a terrific manufacturer that deals with hardwood  
20 plywood that we are talking about today. One hundred and  
21 sixty one Mainers, some of the most skilled woodworkers in  
22 the world and let me tell you, they are honest and all they  
23 want is a fair shot.

24 Now right here I have a couple pieces of hardwood  
25 plywood. To me they look the same, they feel the same. One

1 is manufactured with Chinese subsidies and one is  
2 manufactured in the United States of America. This plywood  
3 is used in cabinetry and furniture and other applications  
4 but we have to make sure we do what's right here.

5 When I was a kid growing up in central Maine in  
6 one of these small towns and I should tell you a little bit  
7 about my district to give you a context as to why I'm  
8 testifying today. Maine's 2nd Congressional District is the  
9 largest Congressional Geographic District east of the  
10 Mississippi River.

11 We go from the New Hampshire border, an 8-hour  
12 drive from Freyberg all the way to Madawaska and we have two  
13 population centers. One is Lewiston Arbor, we call LA. One  
14 is Bangor. Each have 35,000 folks in it. Then we have 400  
15 small towns, and I mean really small towns. This is rural  
16 America at its best. Presque Isle is way up in the county.  
17 Aroostock County we just call "the county".

18 When I was a kid growing up in Central Maine, our  
19 landscape was dotted with mills and factories, paper mills,  
20 textile mills, shoe factories, tanneries. My grandmother  
21 was one of the greatest seamstresses in the world. She  
22 worked for Hathaway Shirts. Maybe some of your family  
23 members bought Hathaway Shirts, the best in the world. My  
24 late brother worked for the Cascade woolen mill in Oakland  
25 and spun some of the best yarn that you could possibly get.

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I worked the night shift at the Cascade Woolen Mill, excuse me, at the WyandOtte Spinning Mill in Sydney to get through college. And you know, during those times our neighborhood was filled with kids. If you wanted to have a football game all you needed to do was open the kitchen window, shout a couple of minutes and you could get enough kids to have a football game on both sides.

The schools were full, the churches were full. We could all take care of each other. Very independent, very proud people in the State of Maine. We could take care of our neighbors if we had to also. Now unfortunately, unfortunately most of those mills have now closed today.

Now some of it we have done to ourselves. I'm going to be very direct with you. I'm a very direct person. We have very high taxes in the State of Maine. Our regulatory environment has been very difficult. We are at the end of the line so to speak and our energy costs are high. Now we have been doing a lot of good work to try to change that but that has driven most of our manufacturing out of our state.

However, there is one more thing that has absolutely been devastating and that's illegal trade. Illegal trade, unfair trade. Now, this is America. We are the greatest country on God's green earth and I represent

1 the State of Maine, which is the greatest state in the  
2 Union. Sorry, Mr. De Fazio. We can compete with anybody.  
3 Competition is good. Competition made America great.  
4 Competition gives our kids opportunities but I'll tell you  
5 when the playing field is uneven and we've got to play ball  
6 going uphill, that is unfair and it is illegal and you folks  
7 are the referees. I know you are going to do what's right.

8 I have faith that you're going to do what's  
9 right. The 161 workers at Columbia Forest Products in  
10 Presque Isle, Maine have confidence in you also and I think  
11 the evidence is so clear. Now, we're hear not because  
12 Columbia products and the other five folks who are involved  
13 with this hearing did anything wrong. We're playing by the  
14 rules. We're here because Chinese companies subsidized by  
15 the Chinese government have not been playing by the rules.

16 Manufacturing, making things, in our state much  
17 of our manufacturing jobs, which are good jobs, high-paying  
18 jobs, career jobs with retirement and healthcare benefits.  
19 A lot of them have been replaced by lower-waged service  
20 jobs. We're happy for all jobs in Maine but let me tell  
21 you, in my opinion with all due respect is that we've got to  
22 have manufacturing. We've got to make things in this  
23 country and Columbia Forest Product is a great example of  
24 that.

25 Now, American means something. It means rule of

1 law. It means something, it means playing by the rules, it  
2 means being fair, it means something and that's why I'm here  
3 today. During the past several years more than one half of  
4 the hardwood plywood industry, more than one half as Pete  
5 said, Congressman De Fazio said, is now controlled by the  
6 Chinese.

7           Since 2013 Columbia Products down in Presque  
8 Isle, Maine, they used to produce 8 million 8 x 4 sheets of  
9 hardwood plywood like I just showed you, 8 million sheets a  
10 year. It is now 6 million sheets in 4 years. That's a 25  
11 percent hit and when that happens they have to lay off  
12 workers. Just last week they had to go from two shifts to  
13 one shift.

14           The workers that are still with us, good people,  
15 hardworking people, people that play by the rules, they are  
16 now working 21 hours a week just to make sure everybody has  
17 a job. If you travel in rural America you will find that  
18 often a mill is the anchor employer in that town. When we  
19 have folks that don't play by the rules and cheat they  
20 destroy our communities. That is unfair.

21           During the past 15 years, Chinese Imports to  
22 America of this hardwood plywood product have gone up about  
23 300 percent. During the same period of time, United States  
24 manufacturing of the same product that performs the same,  
25 looks the same, feels the same, have gone down about 30

1 percent. Chinese Imports up about 300 percent. U.S.  
2 Manufacturing same product down about 30 percent.  
3 Something is very wrong.

4 We have been materially injured. Now, this is  
5 just one plant I'm talking about up in Northern Maine. Can  
6 you imagine what this feels like across America? We have  
7 folks that don't play by the rules and cheat. Now, not only  
8 is it about a plant up in Maine but think about the  
9 downstream jobs. You know when you have a sawmill or a  
10 paper mill or you're making shingles, you're making lumber  
11 you have residual biomass. Chips and bark and branches and  
12 sawdust.

13 We've got folks that truck that away and bring it  
14 to power plants. That produces cheap energy that is used to  
15 run manufacturing machinery that makes paper, or pencils or  
16 toothpicks or popsicle sticks or corn dog sticks. So it's  
17 not just the material injury to these hardwood plywood  
18 factories it is also injury to all those jobs and all those  
19 businesses downstream.

20 Now the people at hardwood products are not  
21 asking for anything special. We are just asking for a level  
22 playing field. You have an opportunity today to help a  
23 little guy. America is full of little guys. I represent  
24 these people. I ask you please to look at the evidence. It  
25 is crystal clear. We have been in our plant in Presque

1 Isle, Maine materially injured.

2 There have been other plants across this country  
3 who have been devastated with layoffs, closed mills and hurt  
4 families, neighbors having to leave, schools consolidating  
5 and churches being empty because of unfair and illegal trade  
6 activity by the Chinese and the companies that they  
7 subsidize. I am grateful for your time.

8 I am honored to be in front of you. You have a  
9 tough job but you can send a very strong message, to this  
10 industry, to the players in this industry and to the world  
11 that America will stand up for what is right, we will do  
12 what is right and made sure that we have a fair, level  
13 playing field under which case we can compete and we can win  
14 with anybody. Thank you very much. I appreciate your time.

15 CHAIRMAN SCHMIDTLEIN: Thank you, Representative  
16 Poliquin.

17 MR. BISHOP: Our next Congressional witness is  
18 the Honorable Bruce Westerman, United States Representative  
19 from the 4th District of Arkansas.

20 CHAIRMAN SCHMIDTLEIN: Welcome, Representative  
21 Westerman.

22 STATEMENT OF REPRESENTATIVE BRUCE WESTERMAN

23 MR. WESTERMAN: Good morning, Chairman  
24 Schmidtlein and members of the International Trade  
25 Commission. Thank you for the opportunity to testify before

1 the Commission today on a matter of great importance to my  
2 home state and the rest of the country.

3 I hope you've noticed that you've had a  
4 bipartisan group of members from Congress from both the  
5 Senate and the House. And although at times, it's hard for  
6 us to find common ground on issues here in D.C., this is one  
7 issue that we can all find common ground on.

8 And that's the fact that as good as our  
9 foresters are, as good as our manufacturers are, as great a  
10 labor force as we have, and the technology that we have here  
11 in our country, we can all agree that we don't want our  
12 individual producers competing with the Chinese government.  
13 And I believe that's what this hearing is about.

14 As a professional engineer and a forester and  
15 having spent 23 years of my life in private practice,  
16 engineering and designing plants and mills that convert  
17 timber into a full spectrum of wood products, I believe I'm  
18 able to offer a unique perspective on today's ITC hearings.

19 Let me begin by taking a moment to discuss what  
20 basic inputs determine the overall price of a piece of  
21 plywood. Every wood product starts as a raw log. And 60 to  
22 80 percent of the finished cost of goods can be attributed  
23 to raw materials when the timber is purchased legally in a  
24 competitive market.

25 The raw material costs take into account the

1 cost of the timber, the cost to harvest, and the cost to  
2 transport to the mill. In addition to the raw material cost  
3 is the manufacturing and shipping cost that accounts for the  
4 other 20 to 40 percent of the overall cost of goods sold.  
5 Included in it are labor, mill operations, depreciation on  
6 capital equipment, interest expenses, taxes, environmental  
7 compliance, regulatory cost, and warehousing and shipping.

8           Since timber is by far the largest determining  
9 factor associated with the cost, let's take a minute to  
10 examine how the United States and China procure raw  
11 materials for the products in question.

12           According to the National Alliance of Forest  
13 Owners, approximately 360 million acres or 70 percent of the  
14 working force in the U.S. are on private land. That's owned  
15 by individuals, families, small and large businesses, and an  
16 increasing number off Americans who invest in working force  
17 for retirement.

18           The remaining 30 percent of timberland suitable  
19 for timber management is owned predominantly by the federal  
20 government. Due to complex environmental laws, litigation  
21 restraints, and a myriad of bureaucratic red tape, federal  
22 land is essentially locked away from reasonable timber  
23 management causing federal harvest -- timber harvest to be  
24 minimal.

25           Therefore, the vast percentage of timber in the

1 United States is harvested from private land in a  
2 sustainable environmentally sound responsible manner by  
3 companies that pay competitive fair market value for the  
4 material.

5           Unfortunately, the same cannot be said about  
6 timber procurement in China. According to the Food and  
7 Agricultural Organization in 2016, the Chinese government  
8 owned over 195 million acres of planted forests. These  
9 plantation style forests, which account for 35.2 percent of  
10 the total amount of forested land in China, are planted and  
11 maintained for a specific purpose of helping to supply a  
12 wood hungry economy with a low cost government subsidized  
13 raw material.

14           Additionally, a 2011 article by Australian  
15 Professor William Laurent published at the Yale School of  
16 Forestry and Environmental Studies, stated that in its  
17 relentless pursuit of timber, and I quote, "more than half  
18 of the timber shipped globally is destined for China, but  
19 unscrupulous Chinese companies are importing huge amounts of  
20 illegally harvested wood, prompting conservation groups to  
21 step up boycotts against rapacious timber interest."

22           U.S. working forests are among the best in the  
23 world and our free market economy allows timber to be  
24 purchased at a fair market value with an obvious freight  
25 advantage over Chinese wood products sold in America.

1 American technology, environmental stewardship, and our  
2 workforce in the forestry sector are tops. They're really  
3 second to none.

4 We know what it takes to produce fair market  
5 plywood, as well as many other wood products in the U.S.  
6 What we don't fully understand and would likely never get an  
7 accurate data set to analyze is what are the accurate costs  
8 to produce in China? And how much of that cost is born by  
9 unfair practices by the Chinese government and their  
10 producers?

11 Commissioners, I could certainly go on about how  
12 different aspects of Chinese plywood production indicate  
13 opportunity for heavy government subsidies through raw  
14 material procurement lacks environmental regulation or  
15 negligent labor protections. But what is evident to me is  
16 that Chinese hardwood plywood producers have one immediate  
17 goal. And that is to at all cost capture market share in  
18 economies outside of the control of the Chinese government  
19 and U.S. markets are a prime target of that goal.

20 China's dumping creates an unfair market  
21 advantage, harming not just domestic plywood producers, but  
22 all aspects of the plywood chain, which in turn cripples  
23 rural economies and communities such as the ones I  
24 represent.

25 I am hopeful that the ITC will find in favor of

1 the petitioners, thereby allowing our hardworking men and  
2 women to compete on a level playing field with imported  
3 products. Thank you again for this opportunity to testify  
4 and I wish you Godspeed as you consider this important  
5 issue.

6 CHAIRMAN SCHMIDTLEIN: All right. Thank you,  
7 Representative Westerman.

8 MR. BISHOP: Madam Chairman, that concludes our  
9 Congressional testimony at this time.

10 CHAIRMAN SCHMIDTLEIN: Thank you, Mr. Secretary.  
11 We will now move to opening remarks.

12 MR. BISHOP: Opening remarks on behalf of  
13 petitioners will be given by Timothy C. Brightbill of Wiley  
14 Rein.

15 Mr. Brightbill, you have five minutes.

16 OPENING STATEMENT OF TIMOTHY C. BRIGHTBILL

17 MR. BRIGHTBILL: Good morning, Chairman  
18 Schmidtlein, Commissioners, and staff. Thank you for the  
19 opportunity to explain to you today how U.S. hardwood  
20 plywood producers and workers are materially injured by  
21 dumped and subsidized Chinese imports.

22 The evidence of material injury by reason of  
23 Chinese imports is overwhelming. Chinese imports, already  
24 at elevated levels at the start of the period, grew by more  
25 than 20 percent from 2014 to 2016, well exceeding the 13

1 percent growth in apparent domestic consumption. By 2016,  
2 Chinese imports accounted for more than 40 percent of the  
3 U.S. market.

4           These imports gained U.S. market share at the  
5 direct expense of the domestic industry through  
6 pervasive underselling at margins of up to 57 percent.  
7 Conditions have only worsened during the interim period with  
8 Chinese imports up by more than 25 percent in the first six  
9 months of the year, compared to the same period in 2016.

10           In its advertising materials, one active  
11 importer of Chinese hardwood plywood boasts, and I quote,  
12 "our goal is to gain market share in lieu of profits." This  
13 is precisely what has happened. Chinese producers took  
14 hundreds of millions of dollars of sales and substantial  
15 market share through dumped and subsidized pricing.

16           In fact, of the 38 purchasers that responded to  
17 your questionnaires, 23 reported purchasing Chinese plywood  
18 instead of U.S. produced plywood with nearly all 23  
19 reporting that Chinese imports were priced lower than U.S.  
20 panels. And more than half admitting to switching to  
21 imports, Chinese imports, precisely because of price.

22           Your pre-hearing report data shows multiple  
23 forms of material injury. As dumped and subsidized Chinese  
24 imports surged into the U.S. market, the domestic industry  
25 saw its prices fall, production and capacity utilization all

1 decline, and its financial performance deteriorate.

2 Gross, operating, and net profits fell  
3 continuously. And in 2016, operating profit was a mere 0.7  
4 percent. The industry has been unable to make needed  
5 investments. It's curtailed R & D and other critical  
6 expenditures. U.S. workers have seen their pay reduced,  
7 hours slashed, and in some cases their jobs eliminated  
8 entirely.

9 This afternoon, you will hear that U.S. and  
10 Chinese produced plywood do not compete with each other. In  
11 fact, respondents make the startling claim that subject and  
12 domestic plywood exist in two different markets. We urge  
13 you to judge for yourselves. The Commission doesn't need to  
14 look any farther than the staff report to know that this is  
15 false. U.S. and Chinese producers compete head to head in  
16 almost all segments of the U.S. market, including in higher  
17 value added products.

18 Respondents would like you to believe that U.S.  
19 producers are suffering because they chose the wrong market  
20 segments, while imports only supply growing market segments.  
21 They blame geometry, fashion trends, many other causes for  
22 the harm to the U.S. industry.

23 But as you will hear from our panel this  
24 morning, there is not a single product that U.S. producers  
25 make where they don't face Chinese competition. And as you

1 will see from the numerous product samples all around you  
2 today covering the entire product spectrum, domestically  
3 produced plywood and Chinese product are highly comparable.  
4 And as Chinese producers and importers repeatedly advertise,  
5 their plywood is readily substitutable with U.S. plywood.

6 Respondents' advertising says it all. Their  
7 goal is to provide domestic quality plywood at import  
8 pricing. That's what they've done. What it comes down to  
9 is price with dumped prices capturing the sale.

10 Finally, the Commission should recognize that  
11 this record is markedly different from that of the prior  
12 investigation that ended four years ago. During this  
13 period, the prehearing report shows consistently rising  
14 Chinese import levels, declining domestic shipments, and  
15 increasing Chinese market share at the expense of the  
16 domestic industry, all during a period of very strong demand  
17 for these products.

18 You also have a record confirming that dumped  
19 and subsidized Chinese imports compete throughout the value  
20 chain against U.S. plywood, resulting in sharp reduction in  
21 U.S. production profits and employment.

22 On behalf of the U.S. hardwood plywood industry  
23 and its thousands of workers, we respectfully request relief  
24 from dumped and subsidized Chinese imports and strong  
25 enforcement of our trade laws. Thank you.

1                   MR. BISHOP: Opening remarks on behalf of  
2 respondents will be given by Jeffrey S. Grimson of Mowry &  
3 Grimson.

4                   OPENING STATEMENT OF JEFFREY S. GRIMSON

5                   MR. GRIMSON: Microphone is on. Good morning,  
6 Commissioners. Welcome to the plywood case, Commissioner  
7 Schmidtlein. I'm very excited to be here.  
8 I'm Jeff Grimson from the law firm Mowry & Grimson  
9 here on behalf of the American Alliance for Hardwood  
10 Plywood, which is a coalition of importers and purchasers of  
11 hardwood plywood.

12                   We're joined in our opposition to this petition  
13 by the Kitchen Cabinet Manufacturers Association, the  
14 Recreational Vehicle Industry Association, the National  
15 Association of Homebuilders, and the International Wood  
16 Products Association, who collectively are the voice for  
17 over 100,000 American cabinet makers, 300,000 RV industry  
18 workers, and a million Americans employed in homebuilding.

19                   I realize the statute does not provide a way for  
20 you to count up jobs on each side of the case, but I hope  
21 the Commission recognizes that our explanation of the  
22 conditions of competition in this market is backed up by the  
23 people actually buying and using the product and that when  
24 you evaluate which story is true, you can certainly weigh  
25 the fact that there are exponentially more people backing

1       our explanation than the petitioners.

2                       This brings up the central puzzle facing you.  
3       As was the case in 2012, you're hearing a tale of two  
4       different worlds. In the petitioners' world, Chinese and  
5       domestic plywood are the same. According to our side, there  
6       are important product differences that explain most, if not  
7       all, the data points in this case. How can these stories  
8       both be true?

9                       The answer is that they are not. The  
10       petitioners' claim that Chinese and domestic plywood is  
11       highly substitutable is simply and obviously false. We'll  
12       show it to you today and you can see it with your eyes. You  
13       heard it from purchasers. Of the 38 purchasers, 36 of them  
14       said that the face veneer thickness was important, while  
15       only two said -- agree with petitioners that face veneer is  
16       inconsequential.

17                      You know it from purchasers' lost sales, lost  
18       revenue responses or rather the huge share of the market  
19       that is now confirmed to be unaffected by any shifts due to  
20       pricing. And you know it from one specific purchaser's  
21       response mentioned in the opening of our confidential brief  
22       that the reason behind a large share of the domestic  
23       industry's volume change during the POI definitively had  
24       nothing to do with unfair imports from China.

25                      And you can see the Chinese and domestic plywood

1 have to be different from the pricing data. After five  
2 years and four hearings before this Commission in the first  
3 case, and two and a half more years at the Court with  
4 another hearing with the CIT, the petitioners still cannot  
5 square their story with the pricing data.

6 The pricing data confirm what almost everybody  
7 in this industry knows except our friends across the room  
8 today. Chinese plywood and domestic plywood are very  
9 different. They have to be in order to explain the pricing  
10 graph. You saw many of these pricing graphs in this case  
11 and in Plywood I.

12 You do not see domestic prices changing in  
13 relation to Chinese prices. No volume shifts corresponding  
14 to pricing changes. I hope you keep this graph in your mind  
15 today as you hear petitioners claim that Chinese and  
16 domestic plywood are substitutable.

17 And if that's not enough, you can see the  
18 differences in the petitioners' own words. They market  
19 their plywood as having thick sandable faces. The face  
20 veneer thickness is printed on the point of sale labels at  
21 one of the big boxes for example. To hear them continue to  
22 deny that this is a significant purchase factor in their  
23 briefs and multiple hearings before the Commission goes  
24 beyond the pale.

25 After losing Plywood I, did they go out and make

1 large quantities of thin face veneer plywood to serve the  
2 markets that accepted this product from the Chinese? No.  
3 Far from denying the differences between their plywood and  
4 Chinese plywood, the petitioners' businesses actually depend  
5 on it.

6 And one last note, you may hear stories today of  
7 how the domestic industry has suffered massive job losses  
8 and billions of dollars of lost revenue with some figures  
9 going back 20 years. I would ask you to take these with a  
10 grain of salt. In Plywood I, you heard that without import  
11 relief, the domestic industry would certainly dwindle. But  
12 looking at the data, rather than the petitioners' tweets,  
13 what has actually happened since the negative decision in  
14 Plywood I? Did the petitioners' prediction come true?

15 The data you collected this time around confirm  
16 that domestic shipments are higher than they were in Plywood  
17 I. Average production workers are 30 percent higher than in  
18 Plywood I. Their workers are working more hours and getting  
19 paid more per hour. They speak as though Chinese imports  
20 have flooded the market, but in fact, China's market share  
21 during our POI is lower than it was in Plywood I, but here  
22 we are again today.

23 If you look at the data from an objective and  
24 non-politicized perspective, there's no question that this  
25 case should result in a unanimous negative final

1 determination. Other than perhaps Plywood I, this has to be  
2 one of the weakest cases to come before the Commission in  
3 terms of a causal link.

4 We agree with the politicians that came before  
5 you this morning that we're a country of laws. And the law  
6 requires you to look at the data. And if you base your  
7 decision on something other than the data, then we're not a  
8 country of laws anymore.

9 But we are. This is America and not other  
10 countries where they don't fairly look at the data. Here,  
11 the data require a negative determination. On behalf of our  
12 hundreds of thousands of red, white, and blue jobs on our  
13 side of the case, we ask you to render a negative  
14 determination. And we look forward to presenting a lot of  
15 end users today and explaining to you why you should do  
16 that. Thank you very much.

17 CHAIRMAN SCHMIDTLEIN: Thank you.

18 MR. BISHOP: Would the members of the panel in  
19 support of imposition of anti-dumping and countervailing  
20 duties please come forward and be seated?

21 Madam Chairman, this panel has 60 minutes for  
22 their direct testimony.

23 CHAIRMAN SCHMIDTLEIN: Thank you, Mr. Secretary.

24 Good morning, you may begin with you're ready.

25 STATEMENT OF TIMOTHY C. BRIGHTBILL

1                   MR. BRIGHTBILL: Good morning, Chairman  
2                   Schmidtlein, members of the Commission and staff. Tim  
3                   Brightbill, Wiley Rein.

4                   Before you hear from our witnesses, here is a  
5                   brief overview of our case. The record of this  
6                   investigation demonstrates that the statutory injury factors  
7                   are met. Subject imports increased by 22 percent from 2014  
8                   to 2016 and they've increased 40 percent since 2013.

9                   Domestic production shipments and capacity  
10                  utilization have fallen, despite increased demand. Subject  
11                  import market share has grown directly at the expense of the  
12                  domestic industry. Chinese imports universally undersold  
13                  domestic products and our financial performance has declined  
14                  significantly.

15                  You have in this case substantial dumping and  
16                  subsidy rates, 57 percent or higher of anti-dumping rates,  
17                  and subsidy rates ranging from nearly 10 percent to more  
18                  than 100 percent. Additional new subsidies are still being  
19                  investigated.

20                  Subject imports increased substantially during  
21                  the period, whether you rely on the questionnaire data as  
22                  shown on the left or on the official import statistics as  
23                  shown on the right.

24                  Subject imports increased absolutely and  
25                  relatively to domestic production. You see the rising

1 subject imports during the three year period and the interim  
2 and the corresponding decline of domestic production.

3 And -- okay. There we go. This market share  
4 was captured from the domestic industry. Subject imports  
5 market share increased while the domestic market share  
6 decreased and in fact subject imports gained most of their  
7 -- the market share that was lost by the domestic industry.

8 These products compete to -- with each other  
9 directly. Both Chinese and domestic producers make and sell  
10 hardwood plywood across grades, species and dimensions. And  
11 Chinese production is used in the most demanding  
12 applications of ones that you see around the room again  
13 today, including cabinets and drawer fronts. 23 purchasers  
14 reported shifting from U.S. to Chinese hardwood plywood, 13  
15 of which said it was primarily because of price. The total  
16 value of these sales is very substantial and alone  
17 constitutes material injury.

18 The staff report demonstrates and confirms the  
19 similarities between Chinese and domestic hardwood plywood.  
20 We'll come back to this chart throughout the day.  
21 Purchasers ranked the United States product as superior or  
22 comparable to Chinese plywood in all factors, except for  
23 one, price. And purchasers also ranked Chinese prices as  
24 lower -- that is better than all other imports.

25 Here is the head to head competition we're

1 talking about. These photos demonstrate the  
2 interchangeability of domestic and Chinese plywood. You  
3 have prominent U.S. retailers displaying these in the same  
4 areas, similar placards, similar product information.

5 Another slide showing the Chinese made birch  
6 plywood. You know, birch and maple are both lighter woods  
7 and so they compete directly on retail store shelves. The  
8 United States also has plentiful log supplies of both. So  
9 China has no advantage on birch as confirmed by the staff  
10 report.

11 These photos were taken the day after the  
12 Commission and staff visited Murphy Plywood at a tradeshow  
13 in Las Vegas. And you can see the Chinese product and the  
14 domestic product in the same booth, and the Dragon Ply,  
15 competing with four different U.S. producers. Note the  
16 variety of colors, species and styles.

17 Hardwoods advertises domestic high end  
18 applications, including side by side Dragon Ply from China,  
19 Murphy, domestic. Note the wide variety of colors, cores,  
20 and veneers.

21 Do these products compete head to head? You  
22 decide. Read what these companies advertise and said --  
23 including some of the ones Mr. Grimson showed you.  
24 Northwest Hardwoods imported panels to match North American  
25 Hardwoods. Liberty Woods are high quality products are the

1 most competitive prices. Arrow Tooling, these Chinese  
2 fancies substitute for domestic panels. And Northwest  
3 Hardwoods says it -- sums it all up here. "Imported  
4 product, domestic quality." They advertise. They compete  
5 head to head.

6 Chinese plywood is suitable for all high end  
7 uses. Note these references to A grade plywood, B grade  
8 used for upper end cabinetry, millwork, Dragon Ply,  
9 architectural decor panels meeting or exceeding American  
10 specifications.

11 U.S. producers compete on all end uses. The  
12 staff report shows U.S. and Chinese compete on all end uses  
13 of hardwood plywood. Growth in cabinet demand, by the way,  
14 does not automatically favor Chinese product unless it's at  
15 dumped or subsidized prices.

16 U.S. producers cannot survive only on the  
17 exposed portions of a cabinet, which are shown in red here,  
18 which is about 10 percent. This is our bread and butter,  
19 cabinets and other basic commodity applications. We -- this  
20 cannot be taken away by dumped and subsidized pricing.

21 Respondents argue that there have been fashion  
22 shifts, but the fashion shifts are toward birch and maple,  
23 which is our strength. Together that accounted for nearly  
24 two-thirds of our shipments in 2016. Any shift away from  
25 species like oak has been years in the making. The United

1 States is a leader on maple and birch and these lighter  
2 woods. We also have superior or comparable products that  
3 are painted, laminated, and finished.

4 So you have all of the shipment and financial  
5 data and you'll hear about it throughout the day. The  
6 financial performance of the industry has suffered greatly.  
7 Production and shipments down. Profits, capacity  
8 utilization in this industry is below 50 percent and  
9 declining. Extremely low and this harm intensified in  
10 2017.

11 Here, you see as the subject imports gained  
12 market share, U.S. profits dropped. The record demonstrates  
13 injury and causation. Again, rising import volumes, subject  
14 imports increasing market share, underselling in all 84  
15 comparisons for all six products and underselling margins  
16 widening as the period went on and declining financial  
17 performance.

18 The record also shows threat. We're happy to  
19 talk about that later. Did subject imports cause these  
20 various forms of harm, increased market share? Yes. And  
21 did the domestic industry suffer harm in all of these  
22 categories? Yes, it did. With that, I'll stop and turn to  
23 our first industry witness, Brad Thompson from Columbia  
24 Forest Products.

25 STATEMENT OF BRAD THOMPSON

1                   MR. THOMPSON: Good morning. My name is Brad  
2 Thompson. I'm the president and CEO of Columbia Forest  
3 Products. Columbia is the largest producer of hardwood and  
4 decorative plywood in the United States. In 2016, we  
5 produced close to three million square feet of plywood. We  
6 are proud to be an employee-owned company.

7                   Our 2,000 owners work in eight different  
8 states across the United States, and we are in two Canadian  
9 provinces. We operate a total of nine plywood mills and  
10 four veneer mills that supply veneer to our plywood mills.  
11 Our mills are generally located where the wood is, meaning  
12 that they are generally in rural areas. Like others in the  
13 domestic industry, Columbia is an economic pillar in the  
14 communities in which we operate.

15                   Our mills support an entire network of  
16 businesses, from loggers, truck drivers and equipment  
17 suppliers, to store owners who supply us with everything we  
18 need. We're also a major source of local government revenue  
19 for schools, libraries, police stations and other public  
20 uses. Our communities prosper when our industry is doing  
21 well.

22                   Sadly, the opposite is happening right now.  
23 Our industry is on the brink, even though U.S. demand is  
24 healthier than it's been for a very long time. The Great  
25 Recession dealt a heavy blow to our industry, but housing

1 starts have increased every year since 2009, and more than  
2 doubled in 2016 compared to where they had been six years  
3 earlier. Remodeling, which is the other big market for  
4 hardwood plywood, has also been booming.

5           The National Association of Homebuilders  
6 Remodeling Index was more than 150 percent higher in the  
7 first quarter of 2017 than it was at the end of 2008. We  
8 should be benefitting from this growth. Our industry has  
9 the most modern technology available, and we are constantly  
10 looking to upgrade it. Since 2014, Columbia has invested  
11 \$40 million in new equipment to ensure that we remain at  
12 the cutting edge of the industry.

13           We have also invested in lean manufacturing  
14 systems to make us even more competitive, which has saved us  
15 more than \$40 million. Despite this recipe for success, we  
16 are a shell of our former self. Over the past three years,  
17 Columbia's production has fallen and both the quantity and  
18 value of our commercial shipments have declined sharply.

19           Since June of last year, we have suffered more  
20 than 150 days of combined down time in our individual mills  
21 because of lost sales to dumped Chinese imports. We simply  
22 did not have the orders to keep these mills running at full  
23 speed. In 2016, we lost 51 employees between our Old Fort,  
24 North Carolina, and Trumann, Arkansas, plants. This year, we  
25 lost another 30 employees in Trumann after we had to reduce

1 an entire spreader and pressing line team, and we lost 24  
2 employees in our Vermont mill after having to cut a full  
3 shift, all for the same reason, rising dumped and subsidized  
4 Chinese imports.

5 Our average unit values have barely budged,  
6 while our raw material costs, especially our log costs, have  
7 risen. We haven't been able to push through a general price  
8 increase since the last case. Due to lower sales, flat  
9 prices and higher costs, our profitability has all but  
10 disappeared. We're failing to earn adequate returns on our  
11 investments, and we have been forced to postpone or cancel  
12 several new investments and acquisitions, including a new  
13 core veneer manufacturing plant.

14 Why is the U.S. hardwood plywood industry  
15 doing so poorly when these should be boom times for us? The  
16 Commission's data says it all, dumped and subsidized Chinese  
17 imports. Imports of hardwood plywood from China have been  
18 climbing relentlessly since they first entered the U.S.  
19 market in the early part of this century. They dipped  
20 slightly when we bought this last case back in 2012.

21 After the Commission made its final negative  
22 determination, however, imports began to climb again.  
23 Chinese imports have increased by more than 40 percent since  
24 2013. They now account for close to half of all the  
25 hardwood plywood sold in the United States. Chinese imports

1 are being sold and competing unfairly across all segments of  
2 the U.S. market. When I testified before you back in 2013,  
3 I explained how Chinese imports were originally concentrated  
4 in the lower end of the market, but had begun to move up the  
5 value chain to decorative products such as cabinet fronts.  
6 That trends has accelerated ever since. We compete head to  
7 head with the Chinese on the front and exposed parts of the  
8 cabinet as well.

9           Like the Chinese, U.S. producers' shipments  
10 are also concentrated in lighter wood panels. As the  
11 Commission data show, last year roughly two-thirds of the  
12 domestic industry shipments had a maple face or a birch face  
13 veneer. In fact, there are several birch species that are  
14 native to North America, making our industry  
15 well-positioned to supply even more of these lighter wood  
16 panels.

17           So for the Chinese to argue that we are  
18 injured because of the movement away from red oak to lighter  
19 woods is just disingenuous at best. The Chinese do not have  
20 a monopoly over birch and maple. In fact, the opposite is  
21 true. We are very active in this market segment and clearly  
22 would be producing even more if not for dumped and  
23 subsidized Chinese imports.

24           I should also note that it makes no difference  
25 in the market whether a one step or a two step process is

1 used to produce panels. Columbia uses mainly the one-step  
2 process, but can and does use two-step as well. Almost two  
3 decades ago, Columbia built an entire mill in West Virginia  
4 to make two-step panels with the capacity of 4,000 panels  
5 per day. The reason that we don't produce more using this  
6 process is because it costs a bit more to do so, and our  
7 customers generally won't pay for it. Thicker veneers  
8 allow us to accomplish the same thing at a lower cost.

9 We told the Commission back in 2013 that  
10 without relief from dumped and subsidized Chinese imports,  
11 our industry would continue to shrink. This is precisely  
12 what has happened. We are sending people home and reducing  
13 shifts. We have been unable to cover rising costs through  
14 price increases, and we are delaying investments and cutting  
15 production.

16 Our industry will shrink even further and  
17 likely cease to exist in its current form unless trade  
18 relief is granted. Thank you.

19 STATEMENT OF JOE GONYEA III

20 MR. GONYEA: Good morning. My name is Joe  
21 Gonyea III. I am partner and co-chair of Timber Products  
22 Company. I want to begin by providing a brief background on  
23 our company. Timber Products Company was founded almost 100  
24 years ago in Medford, Oregon, where wood products have been  
25 manufactured in the same location ever since.

1                    Timber Products opened its first plywood and  
2 veneer mill in 1949 and has been in our family since 1967,  
3 where we have fourth generation management and fifth  
4 generation ownership. In 1995, we became the first  
5 integrated plywood manufacturer certified by the Sustainable  
6 Forestry Initiative. Timber Products Company is an  
7 integrated low-cost producer. We have eight wood products  
8 manufacturing facilities producing hardwood plywood,  
9 hardwood and softwood veneer, particle board, decorative  
10 overlays and hardwood lumber in the states of Oregon,  
11 California, Michigan and Mississippi.

12                    We are proud of what we do, and especially  
13 proud of our 1,130 team members. It is those team members  
14 and their expertise and commitment that has been a driving  
15 force behind our years of success. In my career, I've  
16 witnessed many fundamental changes over the years, none more  
17 significant than the impact of dumped and subsidized Chinese  
18 hardwood plywood imports.

19                    We first started to see the Chinese imports  
20 nearly 20 years ago. By 2007, these imports had reduced our  
21 business by an estimated 20 percent. Initially, Chinese  
22 imports clustered to the lower end of the value spectrum.  
23 By 2009, they had penetrated all segments of the value  
24 spectrum and commanded an estimated 33 percent market share.

25                    By 2012, the situation had become so grim that

1 our industry and companies sought trade relief under the  
2 anti-dumping and countervailing duties laws. As predicted,  
3 when that case ended, Chinese dumped and subsidized imports  
4 quickly returned to the U.S. market with full force. Since  
5 2013, Chinese plywood imports have increased by more than 40  
6 percent. Chinese market share in the U.S. has grown while  
7 domestic manufacturers' share has fallen, in spite of  
8 improving demand for our products.

9 In fact, domestic industry's market share is  
10 now the lowest it's ever been, while Chinese have captured  
11 more than 50 percent of our domestic market. As conditions  
12 have deteriorated, we have not been sitting idle. To the  
13 contrary, the U.S. industry has invested tens of millions of  
14 dollars in most technologically advanced equipment.

15 For example, over the last two years, our  
16 company has invested \$17 million on new, state of the art,  
17 dryers, stackers and scanning equipment to enhance quality  
18 and lower energy use. We have continued to revise and  
19 refine our resin technologies. We've also developed and our  
20 team members, both union and non-union, through ongoing  
21 training and education.

22 In our company, we encourage innovative  
23 problem-solving, and we are constantly working on ways to  
24 gain efficiencies. As your data shows, U.S. market demand  
25 for plywood continues to grow throughout this period.

1 Chinese imports continue to overwhelm the U.S. market,  
2 sending our production, market share and profit margins  
3 falling further.

4 This has harmed our cash flow and forced us to  
5 scale back on future capital expenditures. Over the past  
6 two years, we were forced to idle our Medford facility for  
7 more than 50 days because we simply did not have enough  
8 orders to run it. We are currently operating at nearly half  
9 of our designed capacity across our three plywood plants.  
10 We have several investment projects that are at risk given  
11 current market conditions.

12 Since 2013, we have reduced employment by 20  
13 percent at our Corinth, Mississippi, mill, and are currently  
14 reviewing options to consolidate our plywood operations in  
15 southern Oregon, which would result in further loss of high  
16 quality family wage jobs and benefits. Given the longevity  
17 of employment with many of our team members, to contemplate  
18 such a development is painful to say the least.

19 Later today, you will hear claims that the  
20 domestic plywood and Chinese plywood do not compete because  
21 of different face thicknesses that result from different  
22 production processes. This is simply false. Timber  
23 Products uses both production processes and can confirm that  
24 there's no difference between these two when it comes to  
25 customer acceptance.

1                   In the end, the consumer chooses cabinets and  
2 furniture based on appearance and price, not manufacturing  
3 processes or face veneer thicknesses. Although in times  
4 past our marketing department tried to promote face veneer  
5 thickness, this has not been a differentiating factor in the  
6 marketplace, especially when Chinese prices are so low.  
7 Unless this body does something about dumped and subsidized  
8 Chinese imports, our industry will continue to contract.  
9 More jobs will be lost, and surrounding rural communities  
10 further devastated.

11                   None of the producers on this trade case  
12 petition are looking for a handout. We all feel we can  
13 compete with anyone, domestic or global manufacturers,  
14 provided the playing field is level. Today, it is not. We  
15 are looking for relief to level the field, and offset the  
16 artificial advantage Chinese producers have enjoyed for too  
17 many years at the expense of U.S. producers and our  
18 employees.

19                   Trade relief is critical now. Please make  
20 free trade fair trade. Thank you.

21                   STATEMENT OF KRIS YORK

22                   MR. YORK: Good morning. My name is Kris  
23 York. I'm the general manager of Murphy Company's Hardwood  
24 Division. Back in July of this year, Murphy had the  
25 pleasure of welcoming Commissioners Williamson and Broadbent

1 and several of the Commission staff to our hardwood plywood  
2 facility in Eugene, Oregon.

3 On the tour, you saw firsthand the wide range  
4 of hardwood plywood products that Murphy produces, as well  
5 as the complex and sophisticated manufacturing processes  
6 involved. You also saw several examples of how U.S. and  
7 Chinese product compete head to head and are used  
8 interchangeably. This is why we are harmed due to China's  
9 dumping and subsidies.

10 I'd like to address a couple of Respondents'  
11 claims head on. On the issue of face veneer thickness,  
12 Murphy has the ability to make plywood using thinner-faced  
13 veneers. However, we do not choose to do so because our  
14 customers simply don't ask for it. Thin-faced veneers are  
15 not necessary for any specific application and don't offer  
16 any special advantage for our customers.

17 The only advantage they offer is for the  
18 producer who can save money on material costs. Nor do  
19 thin-faced veneers offer any performance advantage with  
20 respect to finishing. Staining, painting and specialty  
21 finishes are growth areas for our company, but now we are  
22 seeing finished Chinese plywood gaining ground due to rock  
23 bottom pricing on these value-added products.

24 I would note that any difference in veneer  
25 thickness between U.S. and Chinese panels is largely the

1 product of different production processes. As the  
2 Commission saw on our tour, U.S. producers primarily use  
3 the one-step process. The two step process, which is mostly  
4 used by the Chinese, combines the face and back veneers with  
5 a core that is manufactured separately.

6 Murphy produces its panels using both  
7 techniques, and we know that other domestic producers do so  
8 as well. While the Chinese claim that we do not compete in  
9 underlayment, this is also false. Although not specifically  
10 marketed as such, we know that some of our hardwood plywood  
11 is used for that purpose.

12 In other words, we compete head to head with  
13 Chinese producers across all market segments. We've lost  
14 several large accounts over the past couple of years due to  
15 increasingly lower dumped Chinese pricing. In fact, you saw  
16 one of our idle production lines during your tour. When we  
17 bought that plant, we expected to use that line for long  
18 production line runs, long production runs of high volume  
19 product such as cabinet interiors.

20 We planned to operate this line continuously.  
21 However, we have not had enough sales to make that happen.  
22 We now run the line once a week for inner cores only and  
23 then shut it down. This is tremendously inefficient from a  
24 cost perspective, and has taken a significant toll on our  
25 production, profits and employees.

1                   We are losing sales and revenue left and right  
2                   and desperately need the Commission's help. You also saw on  
3                   the plant tour how Murphy can do production runs as long as  
4                   2,000 sheets and more. But today, our average order is  
5                   comprised of 30 to 60 panel groups of items. Chinese  
6                   imports have taken a larger and larger share of these longer  
7                   production runs, which forces us to focus on specialty  
8                   grades and products, reducing our sales volume, our  
9                   efficiency and our earnings.

10                   However, as you saw, we are also being harmed  
11                   on the high end. On the tour you saw our finishing line,  
12                   and we discussed how Chinese producers are moving into  
13                   finishing operations that compete directly with us on high  
14                   grade and decorative plywood uses. We'd like to make \$4  
15                   million investment in that line, upgrading the line and its  
16                   processes. But we've been unable to do so because we  
17                   cannot justify the expenditure given current prices and  
18                   dumped import competition.

19                   On behalf of Murphy, its 750 workers and  
20                   families, we urge you to find that the domestic industry is  
21                   injured, and that subject imports are responsible for that  
22                   injury. Thank you.

23                   STATEMENT OF ASHLEE CRIBB

24                   MS. CRIBB: Good morning. My name is Ashlee  
25                   Cribb. I'm the business director for the solid wood

1 products at Roseburg Forest Products. My comments will  
2 focus on the impact of Chinese-produced hardwood plywood on  
3 Roseburg and other domestic producers and workers who have  
4 suffered due to unfairly traded Chinese imports.

5 I'm a new face on this panel. I joined  
6 Roseburg Forest Products in January 2017, shortly after the  
7 staff conference in December. However, I've worked in the  
8 hardwood, domestic hardwood plywood industry for almost ten  
9 years. Before joining Roseburg, I worked at Georgia  
10 Pacific, a U.S. manufacturer of forest products, including  
11 plywood and other wood products.

12 Through my experience in the industry, I am  
13 familiar with the range of hardwood plywood products  
14 supplied by both domestic and Chinese producers. I would  
15 like to speak specifically to the impact of the Chinese  
16 imports on Roseburg Forest Products' business. Roseburg is  
17 an Oregon-based privately owned business that employs over  
18 3,000 workers in the United States.

19 Roseburg produces and sells a wide range of  
20 hardwood plywood products in various sizes. Our products  
21 compete head to head against dumped and subsidized Chinese  
22 imports based on price. Over the past several years, rising  
23 volumes of dumped and subsidized Chinese imports in the U.S.  
24 market have significantly impacted Roseburg's hardwood  
25 plywood manufacturing operations and product sales.

1                   We have lost significant sales to these  
2 imports over the past three plus years, despite a robust and  
3 growing U.S. market. In fact, last year we were forced to  
4 adjust our sales and operating plan down ten percent in  
5 worker hours to account for these lost sales. As a result,  
6 our capacity utilization has declined throughout this time  
7 period.

8                   In addition to lost sales, low-priced Chinese  
9 imports have also forced our prices down. The decrease in  
10 volume and price cost significant lost revenue for Roseburg.  
11 In addition to decreased capacity utilization, the surge of  
12 dumped and subsidized Chinese hardwood plywood in our  
13 marketplace has undermined the return on Roseburg's  
14 investment and capital improvements that were designed to  
15 improve efficiencies and product quality.

16                   Unfortunately, our efforts to reach the  
17 targeted returns were compromised by price and margin  
18 erosion resulting from the Chinese imports. Our employees  
19 and their families have shared in these losses. Due to the  
20 decreasing capacity utilization noted above, Roseburg  
21 reduced employee work hours, which has a direct impact on  
22 their income levels.

23                   Roseburg also eliminated a number of worker  
24 positions due to the decrease in capacity utilization.  
25 Currently, Roseburg is considering additional measures to

1 improve its profitability, including potential additional  
2 reductions in hours and/or positions.

3 We should be benefitting from a strong and  
4 growing market. Instead our companies and workers are  
5 struggling to stay afloat due to the dumped and subsidized  
6 Chinese imports. On behalf of Roseburg Forest Products, our  
7 workers and their families, we ask you to prevent further  
8 harm to our industry by making an affirmative determination  
9 in the case. Thank you.

10 STATEMENT OF MIKE TAYLOR

11 MR. TAYLOR: Good morning. My name is Mike  
12 Taylor. I'm the president of States Industries. First, I  
13 want to share with you a little about my company. States  
14 Industries is a privately held hardwood plywood panel  
15 producers located in Eugene, Oregon in the heart of  
16 America's wood products manufacturing region.

17 Included on that site are three multi-opening  
18 presses and the industry's most comprehensive finishing  
19 line. In addition to panel manufacturing equipment, we also  
20 have a panel processing plant for cutting, machining,  
21 applying edge banding and otherwise further manufacturing in  
22 the wood panel components.

23 These combined facilities give States  
24 extensive capability to manufacture, finish and  
25 componentize hardwood plywood products

1 customized for any application or market. Each day  
2 at States, more than 300 hard-working men and women bring  
3 their skill, ingenuity and dedication to creating some of  
4 the highest quality hardwood plywood products that money can  
5 buy.

6 Along with a few others here on this panel, I  
7 was involved with the last trade case with hardwood plywood  
8 imports from China. I thought we were injured back then.  
9 We are injured more now if that's even possible. I have  
10 seen the public staff report in this case and your own data  
11 confirms this to be true. Since the last trade case, all  
12 our industry's trade, financial and employment indicators  
13 have fallen to dangerously low levels due to Chinese  
14 imports. Chinese imports are taking the growth in what is  
15 a strong U.S. market.

16 Between 2014 and '16, Chinese imports  
17 increased by more than 20 percent, capturing a greater share  
18 of U.S. sales at the direct expense of U.S. producers.  
19 Chinese producers did this not by offering any unique or  
20 specialized product in the U.S. market. They did so by  
21 dramatically undercutting our prices. There is no segment  
22 of the U.S. market or product produced by U.S. producers  
23 that is off limits to the Chinese.

24 We compete with them everywhere, including in  
25 the outside and exposed portions of cabinets. As with the

1 Chinese, the domestic industry also sells substantial  
2 volumes of laminated product. Since these petitions were  
3 filed last year, we have had a constant stream of requests  
4 for quotes of our hardwood plywood to replace Chinese  
5 plywood in the event of an affirmative finding. Let there  
6 be no doubt, they are substitutable.

7           These quotes have been for plywood across all  
8 grades, species and other characteristics. This only  
9 further confirms that U.S. and Chinese plywood are  
10 interchangeable. Because of this direct head to head  
11 competition between U.S. and Chinese product, domestic  
12 market share, shipment, production, profits and capacity  
13 utilization all fell during each year of the period, as well  
14 as in the first six months of this year. In fact, the  
15 domestic industry's capacity utilization is now at one of  
16 the lowest levels that I've ever seen in my 20 years in the  
17 industry.

18           States itself is currently operating at only  
19 half of our capacity, has lost sales to dumped and  
20 subsidized Chinese product have become the norm. Not  
21 surprisingly, the number of workers in our industry, hours  
22 worked and wages paid have all fallen dramatically as a  
23 result. So what we are seeing now is different and even  
24 worse than what we saw in 2013.

25           In the prior case, our shipments were rising.

1 Today, they are falling. In the prior case, our market  
2 share was stable. Today, it is falling. In the prior case,  
3 Chinese imports were somewhat concentrated in the lower end  
4 of the market. Today, we are directly competing with these  
5 imports everywhere across all qualities and grades.

6 As I'm sure you have noted, the record  
7 evidence before you is different and warrants a different  
8 result, an affirmative finding. In closing, the evidence  
9 demonstrates material injury -- demonstrating material  
10 injury is even more compelling than it was five years ago.  
11 We warned the Commission back in 2013 that without relief,  
12 our industry's condition would only worsen. That dire  
13 prediction has now come true.

14 On behalf of States and its workers, we ask  
15 that you grant our industry much-needed trade relief, so  
16 that conditions do not deteriorate even further. Frankly  
17 speaking, I don't know how much farther we can fall. Relief  
18 is needed now more than ever. Thank you very much.

19 STATEMENT OF BILL CAINE

20 MR. CAINE: Good morning. My name is Bill Caine.  
21 I'm the President of Commonwealth Plywood, Incorporated.

22 Commonwealth was founded in 1940 to supply Birch  
23 plywood for production of the Royal Air Force's Mosquito  
24 Bomber during World War II. Hence, the name Commonwealth.

25 Commonwealth owns and operates five rotary

1        hardwood thin-veneer mills, four lumber mills, two plywood  
2        operations including the plywood mill located in Whitehall,  
3        New York, nestled in the foothills of the Adirondack  
4        Mountains.

5                Today we employ over 1,000 people. At one time,  
6        we employed over 2,500 people. More jobs will be lost if  
7        dumped and subsidized Chinese imports are permitted to  
8        continue entering the United States market unrestrained.  
9        Commonwealth is proud to offer its customers a wide range of  
10       quality veneer core hardwood plywood products for cabinetry,  
11       furniture, millwork, and other applications.

12               I can tell you from first-hand experience that  
13       the notion that U.S. producers have higher value segments of  
14       the U.S. market cornered is a falsehood. While I wish this  
15       were the case, over the last few years Chinese producers  
16       have moved up the value chain. The presence in the U.S.  
17       market has expanded, while their prices have fallen--a  
18       dangerous combination for U.S. producers and its workers.

19               There are no niche products where U.S. producers  
20       can hide. Producing commodity grades and fair prices of  
21       these grades are key to our survival to achieve critical  
22       mass. We cannot survive without access to the commodity  
23       segment of the plywood market.

24               Chinese hardwood plywood is found in all parts of  
25       residential, commercial, cabinetry, furniture, and fixtures

1 and at all value points. We are seeing Chinese plywood  
2 everywhere, from exposed cabinetry to decorative uses and at  
3 increasingly lower prices.

4 Chinese producers are dumping their panels into  
5 the U.S. market at roughly half our production costs. We  
6 simply cannot compete under these circumstances, nor should  
7 we have to.

8 On numerous occasions I have visited China and  
9 their many plywood factories. Many years ago we purchased  
10 Chinese plywood ourselves. During that period, we could not  
11 understand why Chinese plywood was so cheap. The Chinese  
12 mills have similar, if not higher, log prices. Labor is  
13 only a small part of their cost. The two-step process cost  
14 more than the one-step process. The only explanation for  
15 why Chinese plywood was being sold at half our cost was  
16 Chinese export incentive programs and subsidies, and their  
17 desire for hard currency.

18 They pay top dollar for our logs and send back  
19 cheap plywood. The result has been nothing short of  
20 devastating for our company and its workers. Our production  
21 is a fraction of what it used to be, as we continue to lose  
22 more sales to dumped and subsidized Chinese plywood.

23 Production curtailments have unfortunately become  
24 the norm. In fact, our Whitehall, New York, plywood mill is  
25 now producing on one shift only, and has been unable to

1 produce panels on more than two full shifts at any point in  
2 the past three years since the last ruling.

3 As a result, from 2014 to 2017 our workforce has  
4 fallen by half. We have lost millions of dollars in  
5 Whitehall while waiting for a positive outcome in this trade  
6 case. Our capital investments have taken a severe hit.

7 We have been unable to make necessary upgrades  
8 due to poor market conditions, and our equipment  
9 improvements have been kept to a bare minimum. And it is  
10 important to note that when we do make capital investments,  
11 it's with American-made equipment.

12 In closing, Commonwealth Plywood has been part of  
13 America's leading wood companies for nearly eight decades,  
14 and hopes it stays that way for years to come. We can  
15 produce the additional Birch veneer needed to supply the  
16 market in any thickness. However, one thing is for certain:  
17 Without immediate trade relief, this will not happen. We  
18 ask that you vote affirmative in this critical case. If  
19 not, we will likely close our Whitehall, New York, factory  
20 for good.

21 Thank you, very much.

22 STATEMENT OF CLIFTON HOWLETT

23 MR. HOWLETT: Good morning. My name is Kip  
24 Howlett. I'm President of the Hardwood Plywood and Veneer  
25 Association, HPVA, the trade association of the American

1 hardwood plywood industry. Because we are short on time, I  
2 will make only two points.

3 First, the United States competes with China in  
4 the lower grades. In 2015, over 56 percent of what the U.S.  
5 industry produced was in Grade C and below. These lower  
6 grades actually form the bulk of U.S. hardwood plywood  
7 production.

8 And second, there are two characteristics for  
9 which we do not collect annual data: the thickness of the  
10 face veneer, and species of the core. And we don't collect  
11 this information because hardwood plywood consumers don't  
12 care about it.

13 I'm going to end there and welcome questions  
14 later. Thank you.

15 STATEMENT OF DONALD SCHALK

16 MR. SCHALK: Good morning. My name is Donald  
17 Schalk and I am Director of Business and Corporate  
18 Development at Alvernia University.

19 Prior to this position, from 2007 to 2014 I was  
20 the President and Chief Operating Officer at C.H. Briggs  
21 Company. C.H. Briggs Company is one of the largest  
22 independently owned distributors of specialty building  
23 materials on the East Coast.

24 The company is a leading provider of, among other  
25 things, board and panel products. It serves thousands of

1 customers that include cabinet and furniture makers,  
2 millwork houses, and general contractors serving both  
3 residential and commercial markets.

4 I have also served as the President of the North  
5 American Building Material Distributors Association, which  
6 is made up of many of the top distributors in the United  
7 States and Canada.

8 Through my experience with C.H. Briggs and the  
9 MBMDA, I am very familiar with the competition between  
10 domestic and Chinese hardwood plywood. Put simply, domestic  
11 and Chinese hardwood plywood directly compete for sales, and  
12 this competition is largely based on price.

13 As a distributor, when I sold hardwood plywood I  
14 usually did not know what the merchandise would be used for,  
15 and I did not care. There was no need for our customers to  
16 tell us what the plywood would be used for. This is because  
17 both Chinese and domestic hardwood plywood can be used for  
18 the same end uses.

19 Instead, to win sales and to maintain my  
20 customers, I would have to be able to compete with other  
21 distributors on price. And being able to compete on price  
22 means selling Chinese product.

23 Similarly, the ultimate customer buying the  
24 product would not know the difference between Chinese and  
25 domestic plywood and would not care. For example, a cabinet

1 made entirely from domestic hardwood plywood would look and  
2 function exactly the same as a cabinet made entirely from  
3 Chinese hardwood plywood.

4 The only difference would be noticeable to a  
5 general consumer would be the price. I would also like to  
6 highlight that hardwood plywood is used in a wide variety of  
7 applications and in various industries.

8 While the Commission has heard a lot about  
9 residential uses, particularly cabinets, there's also a  
10 large demand for hardwood plywood in commercial sectors as  
11 well. This includes sectors like hospitality, schools, and  
12 hospitals, but it does not matter what the end use is, and  
13 it does not matter what the sector is. Chinese hardwood  
14 plywood competes with domestic hardwood plywood everywhere.

15 Given the competition between Chinese and  
16 domestic hardwood plywood and the large volume of Chinese  
17 hardwood plywood entering the United States, I am not  
18 surprised to see that U.S. producers have lost sales and  
19 market share even during a time of growing demand. This is  
20 a shame.

21 I know many distributors would love to support  
22 the U.S. industry and source mainly domestically produced  
23 hardwood plywood. However, a distributor simply cannot  
24 compete without selling Chinese product. Because price is  
25 such an important factor in the market, and because Chinese

1 hardwood plywood is priced so low, distributors have to  
2 offer low-priced Chinese goods or else they would not only  
3 lose individual sales but risk losing customers altogether.

4 In short, distributors have no choice. Thank  
5 you.

6 STATEMENT OF DAVID MASHBURN

7 MR. MASHBURN: Good morning. My name is David  
8 Mashburn. I run a consulting firm, Mashburn Marketing,  
9 through which I provide independent consulting services to  
10 companies in the hardwood plywood industry.

11 I've been involved in the hardwood plywood  
12 industry for more than 40 years, when I started as a  
13 wholesale distributor providing products to the cabinet  
14 industry.

15 In 1980 I co-founded Charlotte Hardwood, which is  
16 now part of the Wurth Wood Group. Charlotte Hardwood  
17 originally supplied products to small and medium sized  
18 cabinet and furniture makers. Today it's customer base just  
19 in the Southeast is in the thousands, and hardwood plywood  
20 is the most significant part of its business.

21 Since I left Charlotte Hardwood and Wurth in  
22 2003, I've continued to stay involved in the hardwood  
23 plywood industry. For over 10 years, I have provided  
24 consulting services to companies such as Wurth, and Atlanta  
25 Hardwood, and Cabinotch. Based on this experience, I'm very

1 familiar with the U.S. hardwood plywood industry.

2 Over the past few decades, one of the most  
3 significant changes in the U.S. hardwood plywood industry  
4 has been the enormous growth of Chinese product in the U.S.  
5 market. Today, not only does Chinese plywood account for a  
6 substantial portion of the U.S. market, but Chinese hardwood  
7 plywood is present in all segments of that market.

8 For Wurth or Charlotte Hardwood, low-priced  
9 Chinese hardwood plywood was the number one selling SKU.  
10 And there's a continual push by Chinese producers to grab a  
11 bigger and bigger piece of that pie, especially in the  
12 high-end market.

13 For example, as demand for products such as  
14 cabinets increase, more and more dumped Chinese plywood is  
15 entering the market. Chinese plywood is not only being used  
16 for the backs and sides of cabinets, but it's also  
17 increasingly being used for all parts of the cabinet,  
18 including the front and other exposed panels.

19 China's presence has been further expanded by the  
20 growth in the Chinese-made high-end ready-to-assemble  
21 cabinet. These Chinese hardwood plywood manufacturers can  
22 and do compete in the RTA market and show their willingness  
23 and ability to produce all parts of the cabinet.

24 There's no question in my mind that this  
25 ever-growing volume of Chinese hardwood plywood competes

1 head-on with domestically produced hardwood plywood. This  
2 is because competition among hardwood plywood boils down to  
3 price.

4 The hardwood plywood industry is in a  
5 never-ending search for a cheap product, regardless of the  
6 source. And because Chinese hardwood plywood is  
7 consistently lower priced than domestic hardwood plywood,  
8 purchasers are forced to use Chinese goods in order to  
9 compete.

10 In fact, purchasers are willing to compromise on  
11 other characteristics in order to get a better price. For  
12 example, if the price is right the purchaser may buy B grade  
13 panel in place of an A grade panel. And, similarly, while  
14 the U.S. has a plentiful supply of Birch, it has been  
15 supplanted to a large extent by China Birch.

16 In my experience, most cabinet makers and  
17 distributors would prefer to use American-made hardwood  
18 plywood. And if the playing field were level, domestic  
19 manufacturers would be willing and able to meet such a  
20 demand. However, the playing field is not level. And when  
21 purchasers buy Chinese hardwood plywood it is not because  
22 the Chinese product has any physical characteristics that  
23 purchasers prefer, it's because of price.

24 Thank you.

25 STATEMENT OF GARY GILLESPIE

1           MR. GILLESPIE: Good morning, Commissioner, staff,  
2           and industry colleagues. My name is Gary Gillespie. I am  
3           employed by Columbia Forest Products as executive vice  
4           president, in my 37th years of service to Columbia Forest  
5           Products and the industry.

6           I am responsible for four of our hardwood veneer  
7           manufacturing facilities, and three of our hardwood plywood  
8           manufacturing facilities. My role here for the next few  
9           moments is to introduce you to some outcomes that happen  
10          when hardwood plywood panels from the United States and  
11          Chinese--or from China, I should say, are processed through  
12          the same factory, using the same routers, the same  
13          laminators, the same edge banders.

14          In the case of painted and stained cabinet boxes  
15          and doors, you will see--also note that they were sanded,  
16          finished, painted, in the same finishing work cell. Those  
17          panels over here (indicating) on my right.

18          While I'm touching on the subject of finishing,  
19          you will see that the other units displayed are all made  
20          with a clear UV finish on both sides of the room. Those  
21          pieces were made with U.S. and Chinese factory finish  
22          panels. A significant percent of both the U.S. and Chinese  
23          hardwood plywood panel production is clear UV finished.

24          Let me introduce you to the sample display real  
25          quickly (indicating). As you can see, we have a variety of

1 constructed units in combination with flat hinged samples,  
2 and samples are located here against this wall (indicating).  
3 These samples are organized to line up with the Commission's  
4 largest major end-use survey categories.

5 The first major category are kitchen--are  
6 cabinets. We have a combination of kitchen cabinets over  
7 here (indicating), and down the aisle a little further  
8 bathroom vanities (indicating). And you'll see there's an  
9 array of stained, painted, and clear UV finished cabinetry.

10 The second major category is what we would term  
11 miscellaneous. So on this side (indicating), we have  
12 lockers. We have a variety of laminate-grade panels that  
13 cover the major laminate categories manufactured in the U.S.

14 The third category, as you go down the aisle over  
15 here (indicating), we have products, samples from the RV  
16 mobile home industry. Those are hand samples. Those are  
17 predominantly thin-veneer core panels. They're laminated  
18 with a low basis weight decorative veneer, simulated veneer  
19 paper, I should say.

20 And the last sample you'll notice, way down at  
21 the end (indicating), is hand samples for under-layment.  
22 Those are small hand samples that are multi-ply. I think  
23 you'll have an interesting walk around when you look at  
24 those products.

25 You will see that we have duplicate samples in

1 each category. The sample pieces were made with U.S. and  
2 Chinese panels of like grades, like thicknesses, like UV  
3 finishing and, accordingly, they deliver a similar final  
4 appearance or outcome.

5 At the break I trust that you will see that their  
6 appearance is very similar in nature--not necessarily  
7 identical, because no two pieces of wood are identical in  
8 appearance themselves, but you will have a difficult time  
9 telling which samples are made with U.S. panels versus  
10 Chinese panels.

11 Not to be embarrassed if you can't distinguish  
12 one from the other. That same event has occurred literally  
13 millions of times across the U.S. where wood workers,  
14 hobbyists, laminators, and fixture makers had decided that  
15 the products made out of Chinese panels look and perform the  
16 same as products made with U.S. made panels.

17 Other points of interest related to the panels  
18 used to make these samples. U.S. panels used to make  
19 samples were constructed in a one-step manufacturing system.  
20 We have no way to confirm it, but we believe that the  
21 Chinese panels were constructed in a two-step manufacturing  
22 scheme.

23 The U.S. panels used to make the samples you see  
24 here today were constructed with face and back veneers  
25 that are 1/42 of an inch thick prior to sanding. Although

1 we cannot substantiate the thickness of the veneer used on  
2 the Chinese Birch panels because documents on hardwood  
3 plywood, U.S. or Chinese made, seldom if ever note veneer  
4 face thickness as a condition of the sale on any sales  
5 documents.

6 A visual check of the Chinese samples that were  
7 used to make these panels leads us to believe that the  
8 veneer, face and back veneers were in the range of  
9 1/85.

10 The last point I would like to make on the  
11 displays is that there were two different construction  
12 methods employed to make these units. The painted and  
13 stained kitchen cabinet boxes you will see on the screen to  
14 my right here (indicating), or what we call lumber frame  
15 construction. While all of the other pieces you see around  
16 the room were made in what we call frameless, or Eurocell  
17 construction.

18 Despite what you may hear, the U.S. panel makers  
19 supply significant volume of veneer core based panels into  
20 the growing frameless market segment in the United States.  
21 I would offer, though, that dumped and subsidized Chinese  
22 panels are inhibiting our growth in that sector of the  
23 business.

24 I thank the Commission for your attention this  
25 morning. We will be available to answer any questions that

1 might arise as you tour our gallery of samples later on.

2 Thank you very much.

3 STATEMENT OF DR. SETH KAPLAN

4 DR. KAPLAN: Good morning. I am Seth Kaplan of  
5 International Economic Research, on behalf of the domestic  
6 industry.

7 I am going to look at the conditions of  
8 competition, injury, threat, and certain special features of  
9 the labor market. I am going to skip some of the slides. I  
10 have a lengthy presentation and 10 minutes to go through it.  
11 So let me begin with the conditions of competition.

12 You have the slides in front of you. The  
13 conditions of competition include the industry is cyclical  
14 in nature; that hardwood plywood is bought on the basis of  
15 species grade and panel thickness; that domestic and subject  
16 hardwood plywood have the same end uses; that sales are made  
17 on the basis of price; that mills are most efficient when  
18 operating at high levels of capacity; and that imports do  
19 not have a cost advantage over the domestic industry.

20 Let me speak to these briefly, and then I'll  
21 discuss two in some more detail. First I want to talk about  
22 sales being made on the basis of price. And this issue is  
23 joined and we encourage questions from the Commission on  
24 this exact point, and on the exact slide that was shown in  
25 the presentation opening of the Respondents.

1                   Price is the most important factor, and the  
2 domestic industry has been pushed into a corner of the  
3 market which is shrinking and not profitable. It is not  
4 based on any physical characteristics but is based on  
5 certain conditions of competition which are deteriorating  
6 over time and are reflected in the profitability of the  
7 industry. And once again, we encourage questions in this  
8 area.

9                   Now I want to go over some things that were less  
10 clear during the last investigation. The first I want to  
11 look at is that demand is cyclical. As you can see, the  
12 apparent domestic consumption of hardwood plywood follows  
13 housing starts. And as you can see, there have been two  
14 housing booms since 2000. And I'll go over that in more  
15 detail later.

16                   The next thing I want to point to is that there  
17 is an overlap of end uses between the domestic and imported.  
18 The bottom is cabinets. There is not enough of a cabinet to  
19 just use As and Bs. That's the front. It's about 14  
20 percent of the cabinet.

21                   Most of the cabinet is the box. That is the  
22 Birch that is imported for cabinets, and that is the Birch  
23 we produce in the United States, and other products for the  
24 cabinets. The Commission was not aware in the last  
25 investigation that the Birch basket in North America is

1 capable of producing on an annual, renewable basis 1.1  
2 billion square feet of Birch that is sitting there unused  
3 because of domestic imports. That is enough to produce over  
4 600 million square feet of domestic hardwood plywood made of  
5 Birch.

6 That is the current total production of the  
7 industry. It is sitting there in U.S. forests. Birch is  
8 available in the United States.

9 I am now going to switch to the injury portion,  
10 and I'll be happy to answer any of the other questions that  
11 you saw from any of the slides that I'm now skipping over.

12 With respect to injury, it's extremely  
13 straightforward. Imports have increased absolutely, as you  
14 see in the left-hand slide. They've increased as a share of  
15 production, and they've increased as a share of apparent  
16 domestic production.

17 The way the staff has calculated import  
18 penetration is based on shipments of imports, not imports.  
19 If you look at the import data, you would see that over the  
20 interim periods the volume of imports increased. The share  
21 of U.S. production based on imports increased. The share of  
22 domestic production, the share of apparent domestic  
23 consumption, increased.

24 So it's based on shipments of imports, which  
25 means that those imports that have entered at higher levels,

1 while consumption went down, meant that there's an inventory  
2 overhang.

3           The next slide refers to under-selling.  
4 Under-selling is ubiquitous. The margins are increasing  
5 over the POI. There are confirmed lost revenues and lost  
6 profits. And since you see a decline in gross profit  
7 margin, that means there's a cost-price squeeze. And the  
8 Commission, when it finds a cost-price squeeze, concludes  
9 there's price depression or suppression.

10           The next slide shows that domestic production  
11 capacity and capacity utilization all increased. This is  
12 particularly harmful. The industry is growing. Demand is  
13 increasing. It's not that just the domestic industry is  
14 losing share, but it's actually going down in an up market.

15           What the next slide shows is that U.S. shipments  
16 decreased. The next slide shows that operating income and  
17 margins are down. These are the effects of the  
18 under-selling and the effects of the significant increase in  
19 volume. Those were the trade effects you just looked at.  
20 Now you look at the financial effects falling in every  
21 period.

22           The next slide shows net income falling in every  
23 period. The next slide shows return on assets is down. So  
24 all the trade indicia are down. All the financial indicia  
25 are down. And the next slide shows that employment is down.

1           Now I want to return to the cycle, because this  
2           is critical. The Commission was not aware in the last  
3           investigation about the two major cycles in the housing  
4           market, the two upturns in the housing market.

5           The U.S. industry failed to benefit in the last  
6           two housing cycles. Chinese imports captured that growth,  
7           and the end users, the people sitting on the Respondents'  
8           side, also benefitted from the growth in the housing market  
9           during both cycles. Everybody benefitted except the people  
10          on this panel.

11          The next slide goes over that. This is what  
12          happened during the housing cycle between 2000 and 2006.  
13          Notice that subject imports started at less than 100,000--I  
14          mean 100 million square feet. Today, they were well in  
15          excess of a billion.

16          They were under 100 million at the start when  
17          they joined the WTO. Does this sound familiar? They've  
18          increased throughout the whole period. And as you see, the  
19          domestic industry actually fell during the biggest housing  
20          boom that caused the financial crisis, while the subject  
21          imports increased significantly. Between 2003 and 2004,  
22          subject imports increased by over a billion square feet,  
23          almost twice as much as domestic industry production today.

24          This gives you some context of what is happening  
25          today in this cycle. The next slide shows that subject

1 imports are increasing again during this cycle, while  
2 housing starts are rising and the domestic industry is  
3 falling. Two cycles that the imports have taken share away.

4 The next slide shows all the closures. You might  
5 not have been familiar. Most of those happened during the  
6 first surge. This industry has been destroyed. In 2000,  
7 they produced over 1.2 billion square feet. Today, they are  
8 at 600 million square feet. They are half of what they used  
9 to be with closures everywhere in the country because of the  
10 first surge.

11 Should they have brought a case then? You bet.  
12 They didn't know. The next slide shows what's happened with  
13 the users. So what we've done is we've taken the cabinet  
14 segments of the public documents in the 10Ks of the three  
15 largest public cabinet producers in the United States.

16 Some of them are sitting here today. And this is  
17 what their profits have been over the business cycle. In  
18 2013, they were barely profitable. In '14, almost 4  
19 percent. In '15, almost 8 percent. Now in '16, they're  
20 making 10 percent operating profits. God Bless them. This  
21 is the time to make hay. They're making cabinets. Housing  
22 is doing great, and they're reaping the benefits of the  
23 second boom. But take a look at what's happened to the  
24 hardwood plywood industry.

25 They have gone from 4 percent operating profits

1 to barely profitable at the same time the Chinese are  
2 increasing imports. Everybody in the housing industry is  
3 doing well but us. One reason why.

4 The next slide--excuse me for one second--the  
5 next slide goes into threat. And this is information you  
6 were unaware of in the last investigation, and I  
7 particularly asked the staff to consider this.

8 First, all the threat factors show that there is  
9 a reason for threat, but it's the next two slides I really  
10 want you to pay attention to. The next slide shows what the  
11 staff report shows for capacity utilization in China.

12 There is the reporting firms, and then there's  
13 information about unreporting firms that was supplied by the  
14 Respondents. And it comes out to about 3-1/2 billion square  
15 feet of hardwood plywood capacity in China.  
16 Three-and-a-half billion square feet.

17 The next one over is what the Commission staff in  
18 its own report found for hardwood plywood production in  
19 2006, reported in their 2008 report. It is over 20 billion  
20 square feet. This was 10 years ago. The same consultancy  
21 that was cited many times in that report says that there  
22 are 80 billion square feet produced in China today or all  
23 plywood. That includes plywood used in construction that's  
24 different than this. But it would also include plywood that  
25 goes into the world's largest wood furniture industry that

1 you are well aware of from previous cases. Eighty billion  
2 square feet.

3 Another consultancy, over 80 billion square feet.  
4 The Government of China, on their website, shows production  
5 of all plywood in China in 2015 of 160 billion square feet.  
6 Your staff report shows 3.5 billion square feet of capacity  
7 in China.

8 I ask you to investigate this carefully. We  
9 understand that much of this plywood is not hardwood plywood  
10 used in the furniture industry, for construction purposes.  
11 It's for framing purposes. But a lot of that equipment  
12 could be used to make both, and the numbers are staggeringly  
13 different. So please investigate that.

14 The next slide looks at from the Chinese website  
15 of what they say plywood production has been over the years.  
16 Does that graph look familiar? And the answer is, you've  
17 seen it a couple of weeks ago in solar. You've seen it in  
18 steel. You've seen it in aluminum. This is what they do  
19 when they enter a market.

20 Finally, let me turn to a couple issues  
21 regarding--

22 MR. BISHOP: Mr. Kaplan, your time has expired.

23 DR. KAPLAN: Okay, I have some questions, analysis  
24 on labor that has never been presented to the ITC--

25 CHAIRMAN SCHMIDTLEIN: Dr. Kaplan--

1 DR. KAPLAN: --and I will do this later.

2 CHAIRMAN SCHMIDTLEIN: Okay, I appreciate it. We  
3 actually have a Congressman that's here to testify, so, Mr.  
4 Secretary, could you announce our Congressional witness?

5 MR. BISHOP: Madam Chairman, our next  
6 Congressional witness is The Honorable Greg Walden, United  
7 States Representative from the Second District of Oregon.

8 CHAIRMAN SCHMIDTLEIN: Welcome, Representative  
9 Walden.

10 STATEMENT OF REPRESENTATIVE GREG WALDEN

11 REPRESENTATIVE WALDEN: Thank you very much. To  
12 the Commissioner's Chair, thank you for letting me have this  
13 opportunity to come and share some comments with you. It's  
14 a very important issue to my home state of Oregon and across  
15 the United States.

16 For the record, I'm Greg Walden. I represent  
17 the people of Oregon's Second Congressional District and I  
18 chair the Energy and Commerce Committee in the U.S. House.

19 Oregon is blessed with a highly productive  
20 timber resource that's made it the nation's wood basket.  
21 These assets have made Oregon companies a central part of  
22 the U.S. hardwood plywood manufacturing as well and I've  
23 actually toured a number of these mills over time.  
24 Currently, Oregon is the headquarters for four hardwood  
25 plywood manufacturers. We have eight operating mills that

1 provide 2400, 2,400 good, family-wage jobs in America.

2 In August, I visited one of these mills in my  
3 district. As I said, I've visited others in the past. The  
4 story is the same no matter where I go. The Oregonians who  
5 work in these facilities are hardworking Americans who take  
6 pride in the work they do and the products they produce.  
7 Unfortunately, it appears to me their Chinese competition  
8 may well be cheating with its exports and has overtaken some  
9 54 percent of the valuable U.S. market. I don't think  
10 that's right. I don't think that's fair.

11 In fact, the Department of Commerce's  
12 investigation into this matter found that Chinese exporters  
13 sold products for as much as 114 percent below fair market  
14 value. These tactics are threatening American jobs, as  
15 Chinese imports in January of 2017 were up 40 percent over  
16 the year before -- 40 percent.

17 Now this isn't about standing in the way of  
18 trade. I actually support trade and trade agreements that  
19 are fair or trying to block Chinese products from Oregon  
20 markets. In fact, I supported China's assession to the WTO.

21 In Oregon, where we've worked to develop  
22 extensive export markets for a wide variety of products, we  
23 understand the importance of good, international trade;  
24 however, it must be fair. American manufacturers play by  
25 the rules and our foreign competitors should play by the

1 rules as well. These hardwood plywood companies and the  
2 people who work there are always innovating to stay  
3 competitive, efficiently making a high quality product.  
4 I've seen some of the technology they've implemented  
5 first-hand. It is impressive.

6 Efficiency and innovation will not help them  
7 compete without a level playing field. It doesn't appear  
8 they have that today with regards to imports of hardwood  
9 plywood from China. That's why today I stand before you  
10 representing my district, my state, and I dare say my  
11 country, and on behalf of the 2,400 Oregonians employed in  
12 hardwood plywood manufacturing today.

13 Please take a very close look at the data on the  
14 impacts we've seen in Oregon and across the country from  
15 these unfair practices by the Chinese manufacturers. I  
16 encourage you to take steps to bring some parity to the  
17 situation by reaffirming the preliminary investigation and  
18 by recommending duties on Chinese hardwood plywood imports.

19 I thank you for your time and your attention to  
20 this matter and I yield back.

21 CHAIRMAN SCHMIDTLEIN: Thank you very much,  
22 Representative Walden.

23 MR. BISHOP: Madam Chairman, that concludes the  
24 congressional testimony at this time.

25 CHAIRMAN SCHMIDTLEIN: Alright, I believe that

1 also concludes the Petitioners' direct presentation.

2 MR. BISHOP: Yes, it does.

3 CHAIRMAN SCHMIDTLEIN: Okay, so we will begin  
4 with the Commissioner questions. I am going to go first  
5 here and then, unfortunately, I have to leave for the rest  
6 of the day, so I may ask some questions to be answered in  
7 the post-hearing as well. I will review the transcript of  
8 the entire hearing, of course, when that becomes available.

9 So let me begin. I want to understand what's  
10 going on with the pricing products. We'll get right to it.  
11 And Mr. Brightbill or Dr. Kaplan, you may be the best ones  
12 to answer these questions since this is proprietary.

13 So the first question is can you explain why the  
14 margins are so large of underselling and does this indicate  
15 that there is a difference in the products?

16 MR. BRIGHTBILL: The margins of underselling are  
17 so large because that is the difference between the  
18 identical products used for identical purposes in this  
19 market, so there are not different products. It's just  
20 China is using the one advantage that it has. You have your  
21 table in the staff report from purchasers expressing whether  
22 or not the products from the United States and China --  
23 whether the U.S. products are superior or comparable or are  
24 inferior and on every category the U.S. product was found to  
25 be superior or comparable, whether it's overall product

1 thickness. Whether it's delivery time, availability, all  
2 the other factors that you see and the only advantage that  
3 China has is price, so that is the underselling that is  
4 existing.

5 I'll also point out that the underselling  
6 margins expanded during the period, so the underselling  
7 margins are greater at the end of the period than they are  
8 at the start of the period and maybe I'll pass it to Dr.  
9 Kaplan.

10 CHAIRMAN SCHMIDTLEIN: Okay, well, let me follow  
11 up. When I look at the staff report and the particular  
12 pricing products, you know along those lines, I don't see  
13 the U.S. price moving in the same way as the Chinese price.  
14 I mean I understand this is all confidential, but when you  
15 look at the lines the U.S. price doesn't seem to move in the  
16 same direction. You know whenever you see a dip or a rise  
17 in Chinese it doesn't seem to affect the U.S. price. I mean  
18 you know I'm looking at it right now, so -- you know there's  
19 a couple of instances where you can see, okay, blind dips and  
20 there'll be a slight dip.

21 MS. CRIBB: I think looking at the average  
22 pricing can be very deceptive and it's not the full set of  
23 information when you look at pricing averages. So for  
24 example, shifts in product mix that also impacts average  
25 pricings.

1                   CHAIRMAN SCHMIDTLEIN: But these are the pricing  
2 products and so it is a particular product.

3                   MS. CRIBB: Okay.

4                   CHAIRMAN SCHMIDTLEIN: Dr. Kaplan, do you want  
5 to -- I'm sorry, but I want to get my questions in before I  
6 have to leave.

7                   DR. KAPLAN: Sure. The prices that are  
8 available now reflect also an increase in costs that have  
9 moved the profitability of the industry about to zero. They  
10 can't lower more without going bankrupt. They've already  
11 lost more share and the products are the same. The reason  
12 you see some sales, but decreasing sales in the United  
13 States is that they have been pushed into a corner where  
14 certain features of the U.S. market allow them to sell  
15 anything. Those features show up at the slide about what  
16 the comparisons are -- the slide that is up in front of you  
17 on the screen.

18                   You could see that the U.S. industry is better  
19 at delivery time. It is better at technical support at the  
20 bottom. It is better in minimum quantity requirements. So  
21 there is part of the market which is shrinking because of  
22 that will pay a premium for these market features for  
23 identical product because if someone needs something in six  
24 days these guys could do a special order, but the Chinese  
25 take 89 days to do that.

1                   CHAIRMAN SCHMIDTLEIN: Okay, so part of the  
2 margin, though -- so you're saying part of that is  
3 attributable to the superiority of the U.S. product, whether  
4 it's in terms of availability or something else. There's  
5 part of that margin is attributable to that.

6                   DR. KAPLAN: Yes.

7                   CHAIRMAN SCHMIDTLEIN: Okay.

8                   DR. KAPLAN: And that is shrinking  
9 significantly. The corner that they've been pushed in is  
10 narrowing and narrowing, given the amount of inventories and  
11 the supply chain development coming in. It is not a product  
12 difference. We make as good or better plywood, but at that  
13 price, unless you need it just on time, unless you need  
14 technical support, unless you need another characteristic  
15 like this, you buy the cheaper one and that's what the  
16 market share shows it from 2000 till today. They have 50  
17 million feet and they have 1.2.

18                  CHAIRMAN SCHMIDTLEIN: Okay, so just so I  
19 understand, though, in terms of the answer to the question  
20 of why these don't seem to move together, so for example, if  
21 you look at Product 2, you see the United States does a  
22 little bit of this, right? The Chinese line is pretty flat.  
23 So for something like that, am I understanding you to say  
24 that they don't move together because the U.S. can't lower  
25 prices any more because of their costs or is there no price

1 affect? I'm not quite sure what exactly --

2 DR. KAPLAN: -- I mean they have a choice of  
3 lowering their price and going bankrupt or holding on to  
4 what little quantity they have and trying to hold onto the  
5 .07 operating profits they currently have.

6 MR. BRIGHTBILL: It's a little hard to see in  
7 the graphs, but if you look at the data that goes with the  
8 graphs, you do see for a number of these products, publicly  
9 and confidentially, Chinese prices moving down in terms of  
10 price by two or three cents and U.S. prices also moving down  
11 over the POI. I see that for Table 5-3 for Product 1 where  
12 the two move together and the underselling margins expand.

13 I see it, to some degree, on Product 2,  
14 definitely, for Product 3 where U.S. prices declined from  
15 2014 to 2016 and even into 2017.

16 CHAIRMAN SCHMIDTLEIN: Did you say Product 1?

17 MR. BRIGHTBILL: For Product 1, yes.

18 CHAIRMAN SCHMIDTLEIN: Okay, so for Product 1,  
19 it looks like overall the U.S. price declined, but Chinese  
20 price actually ended up higher over the period.

21 MR. BRIGHTBILL: Well, in 2017, of course, after  
22 the petitions are filed in the fourth quarter, but if you  
23 look from 2014 to the fourth quarter of 2016 you see a  
24 decline in price of seven cents for the Chinese product and  
25 a decline, starting in late 2014, of three or four or five

1 cents.

2 CHAIRMAN SCHMIDTLEIN: So why wasn't the U.S.  
3 able to raise prices then when Chinese prices were going up,  
4 given that demand was going up?

5 MR. BRIGHTBILL: The prices it looked like they  
6 stayed stable in 2017. Again, there was a lot of product  
7 that came in, went into inventory, but the U.S. producers,  
8 and they will testify to this, did have very limited ability  
9 to raise prices in any market, despite the very strong  
10 demand here occurring throughout this period. Maybe some of  
11 them could address the inability to raise prices.

12 CHAIRMAN SCHMIDTLEIN: Sure.

13 MR. YORK: In 2017, the difference that we have  
14 seen is we have not experienced the dip in order input and  
15 volume shipped that is typical for the late summer and early  
16 fall. The business has been steady and that, we believe, is  
17 the result of the filing of the petition.

18 Pricing, we can't go any lower. My owner will  
19 tell us no business is worse than bad business. We just  
20 can't take prices lower, so that's why we will not; we do  
21 not chase pricing against the imported product. And you  
22 asked about the effect of the increase in Chinese pricing.  
23 That has brought a little bit of volume stability throughout  
24 a typically slow period for this time of year for our  
25 company.

1           MR. CAINE: The gap in pricing between domestic  
2 plywood and Chinese plywood is so huge at 50 percent even if  
3 the Chinese plywood increases a small amount it doesn't help  
4 us in our demand scenario. Our costs are what they are with  
5 very low margins and log costs are on the rise, glue prices  
6 are on the rise, wages are on the rise. Our employees  
7 expect to have an increase annually and we can't support a  
8 decrease in price.

9           CHAIRMAN SCHMIDTLEIN: Okay.

10          MR. THOMPSON: I think the dilemma we face in  
11 many of the product lines and customers we have we're at  
12 contribution margin limits, meaning if we go any lower in  
13 price the more we make the more we lose. So what you see  
14 the market or our industry doing is sacrificing volume --  
15 and I think you see that in the statistics. We just walk  
16 away from business because it's in that category.

17          CHAIRMAN SCHMIDTLEIN: Okay. Let me shift gears  
18 real quick. I'm about out of time here, but I want to  
19 understand as well the role of non-subject imports. Do you  
20 all compete with non-subject imports?

21          MR. BRIGHTBILL: I'll turn it over to the group,  
22 but there is competition with non-subject imports as well.  
23 There's one odd factor in the data relating to some specific  
24 non-subject imports from one country where we pointed that  
25 potential data out to the staff, but, by and large, there is

1 competition there. It's just the competition is fair and  
2 we're not seeing the same harmful effects as with the dumped  
3 and subsidized Chinese product.

4 CHAIRMAN SCHMIDTLEIN: Let me just jump to the  
5 chase. So if you are competing and sales are based on price  
6 with the AUVs being lower than the Chinese even, why don't  
7 we see non-subject gaining more market share?

8 MR. BRIGHTBILL: Again, I think the AUVs for  
9 non-subject vary quite a bit. There is in the staff report  
10 it's quite clear that there are some sources for one  
11 application that are tropical face, very low-end material.  
12 The bread and butter of what we make we do compete with the  
13 imports for all other countries and they have just not been  
14 damaging or harmful to the same extent.

15 MR. CAINE: Commissioner, the non-subject  
16 imports are generally -- I believe they're never a birch,  
17 maple, or domestic decorative species, so those non-subject  
18 imports, for the most part, would be used for a structural  
19 use and not a decorative use. So you can't take a tropical  
20 wood and make a birch cabinet out of it.

21 CHAIRMAN SCHMIDTLEIN: Okay, so when I look at,  
22 for instance, Figure 4.4-9 in the staff report, which is at  
23 page IV-30, it shows the grades that's coming in from  
24 subject, non-subject, and the U.S. and it's divided it out  
25 at AA and A, B and C and then D and E. And you see for

1 non-subject -- I mean they're bringing in a lot of B and C,  
2 you know more than the Chinese. I'm on page IV-30. This is  
3 not PBI, but do you see the -- you're competing in that B  
4 and C category; is that the bread and butter.

5 MR. BRIGHTBILL: Yes, it is.

6 CHAIRMAN SCHMIDTLEIN: Right. That's a large  
7 portion of what they're bringing in, so again, are the  
8 prices not lower than the Chinese in that category? I mean  
9 I understand like there's something about the tropical woods  
10 that lowering the overall AUV, but are you saying prices are  
11 not lower for non-subject than Chinese?

12 MR. BRIGHTBILL: That's correct. And I think  
13 you see that in this comparison table -- well, it's obscured  
14 by the giant blue box, but if you compare China to other  
15 sources, China is shown as favorable, i.e., lower priced  
16 than non-subject imports. So you might see some distortion  
17 in the AUVs based on particular products or tropical wood,  
18 but, by and large, for the B and C for the bulk of these uses  
19 the U.S. does compete with non-subject and it's not harmful  
20 to the same extent as the Chinese product.

21 CHAIRMAN SCHMIDTLEIN: Okay.

22 DR. KAPLAN: I'd call your attention to page  
23 IV-34 and there is chart on top, IV-10, and I would take a  
24 look at the end use sector and where the competition is more  
25 head-to-head and that might give you an indication. Also,

1 we have been in touch with the staff about data  
2 discrepancies regarding the volume of non-subject imports,  
3 of the reported volume on the questionnaires versus the  
4 volume in the official trade statistics and there are an  
5 enormous discrepancy there that the staff is working on that  
6 reflects onto the non-subject import issue.

7 CHAIRMAN SCHMIDTLEIN: Okay. Alright, I  
8 appreciate it and I'd also like to take a moment to thank  
9 all the witnesses for being here today. We do very much  
10 appreciate your time in helping us understand this case.  
11 And I will now turn it over to Commissioner Broadbent and  
12 Vice-Chairman Johanson will take the gavel.

13 COMMISSIONER BROADBENT: Mr. Kaplan, could you  
14 just elaborate again on the discrepancies you were talking  
15 about in our staff report?

16 DR. KAPLAN: I will point you to two tables.  
17 One is the table of imports by country and this is the  
18 inconsistent record. I guess it's public. So there's  
19 questionnaire data regarding what imports were from  
20 Indonesia and it shows 975,000 square feet and there's the  
21 official import statistics, using the cubic meters and  
22 converted into square feet and it show 318 million square  
23 feet from Indonesia, so that's a pretty big difference right  
24 there. And the staff is working on that. We've been in  
25 touch with them, but given that discrepancy and the end use

1 and the statements by the industry that they are keeping a  
2 close eye on non-subject imports and any effects they have.  
3 Right now they look at China as the problem.

4 COMMISSIONER BROADBENT: Okay, but the  
5 non-subjects are considerably lower priced than both.

6 DR. KAPLAN: Well, it depends. You have the  
7 AUVs of the non-subjects. So if you take Indonesia, for  
8 example, and you have a revenue number and you divide it by  
9 975,000 or 975 million square feet, you get one price. If  
10 you divide it by 318 million square feet, you get another  
11 price. And given it's about three times larger the price  
12 goes up by about three times. And given the end use and the  
13 description of the product -- you know this is something for  
14 the staff to work out, but in the marketplace the companies  
15 do not see non-subject imports having the effects that  
16 Chinese imports do and we have discussed this extensively.

17 MR. GILLESPIE: If I may add to that, I think if  
18 you look closer to the thickness mix of the product coming  
19 in from Indonesia, the non-subject, it's going to be very  
20 thin and the thinner you go with hardwood plywood the less  
21 expensive it is on a per thousand square foot basis and  
22 that's a specialty of the Indonesians.

23 MR. BRIGHTBILL: Just to sum up, the non-subject  
24 imports don't explain what happened during the three years  
25 of the POI here and I think that's demonstrated by the

1 market share shifts where subject imports market share  
2 increase was far greater, so you have a much different  
3 situation from the prior investigation record.

4 MR. CAINE: The non-subject imports in the  
5 plywood business could very well be what might be described  
6 as junk and does not reflect what a hardwood panel looks,  
7 taste, smells, and feels like. They're not the same product  
8 at all, so that would explain this significantly. If there  
9 is, in fact, a lower price situation, we're not competing in  
10 that marketplace against that product. We're competing  
11 against a hardwood plywood to which the Chinese are making  
12 and duplicating.

13 MR. GONYEA: I'd just add to that, I've recently  
14 been both on the East Coast and West Coast markets. We  
15 don't hear about non-subject imports. The fact of the  
16 matter is we've always had global imports in our wood  
17 product sector to compete with, nothing like Chinese.  
18 Chinese is the story. It's unprecedented and their 54  
19 percent market share based on their dumped and subsidized  
20 wood is what we hear about day in and day out from our  
21 customers.

22 COMMISSIONER BROADBENT: Okay, but you are  
23 facing steady growths from the non-subjects in terms of the  
24 market.

25 MR. GONYEA: I think that, again, is a bit of a

1 scope and usage issue as well -- and thickness.

2 MR. YORK: Commissioner Broadbent, the simple  
3 explanation is they really are different products.  
4 Malaysian, Indonesian, and Philippine imported plywood is  
5 not birch face, maple face, cherry face. It's tropical  
6 hardwood face plywood and we really don't compete in that  
7 arena. They really are different products.

8 MR. TAYLOR: When I go into any of my  
9 distributors what I see is more and more Chinese hardwood  
10 plywood. I don't see Indonesian or other non-subjects. I  
11 mean there are some, but the real issue is Chinese. They're  
12 taking greater and greater share of the warehouse. And to  
13 me, that distributor's warehouse is the antidote that  
14 describes the situation. And across the country you see us  
15 losing warehouse share to the Chinese, not other non-subject  
16 imports and so you know I look forward to our professionals  
17 figuring out why the data is misleading, but if you go to  
18 any warehouse and look at the giant pile of Chinese  
19 pre-finished and unfinished birch and that's the entire  
20 store.

21 COMMISSIONER BROADBENT: Okay. Are there any  
22 major differences between production processes of U.S.  
23 producers compared to producers in China?

24 MR. THOMPSON: I've been to many Chinese plants  
25 and today they have equal technology. There are no

1 technological secrets in our wood industry. We have the  
2 same lathes the same saws, the same presses, the same  
3 finishing equipment, everything. There are no technological  
4 differences between the processes, other than the way it  
5 might be assembled.

6 COMMISSIONER BROADBENT: Okay.

7 MR. BRIGHTBILL: You know some of the witnesses  
8 in their testimony touched on the one step versus two-step  
9 manufacturing process and I think they can elaborate on this  
10 just a little bit. It's an outgrowth of the manufacturing  
11 process. It's a choice based on what's more efficient. The  
12 one-step process is more efficient for most of these  
13 producers. The two-step process is more efficient for most  
14 of the Chinese producers, but those efficiencies are merging  
15 together. There are producers here that use two-step and  
16 Chinese producers who use one-step. And regardless, what  
17 comes out is not a better quality product by the Chinese and  
18 it's a product that fully competes for the same customers,  
19 same grades, same end users.

20 MR. CAINE: The two-step process is a more  
21 costly process. What it means is they handle the panel a  
22 second time, which means they press it, they sand it, and  
23 then they laminate it a second time. The one-step  
24 process is a one-step process of laminating everything  
25 together. So in China, the majority of their production is

1 a two-step process. It's more costly than a one-step  
2 process; yet, they sell the plywood more cheaply.

3 Domestically, we can do a two-step process, but  
4 it's more costly for us to do it that way. If we produced  
5 in the exact same way, our costs would be even higher than  
6 they are today.

7 COMMISSIONER BROADBENT: Mr. Kaplan?

8 DR. KAPLAN: I want to dispel an impression that  
9 I don't think was purposely given, but of the two-step  
10 process being this low-tech process and this being a  
11 backward industry in China. Maybe in 2000, but when you  
12 grow from 10 billion square feet to 180 billion square feet  
13 it means like their steel industry or their other  
14 industries, they are buying all new German equipment. So to  
15 grow that large, they have very modern equipment, as was  
16 testified to, and sometimes they're moving to the one-step  
17 process as well; but it's not as if this is a different  
18 technology using old equipment with really cheap labor.  
19 Their labor costs have gone up ten times since 2000 and  
20 their equipment is the most modern equipment in the world  
21 supplied by Germany, so this is not a case of a backward  
22 industry fighting a high-tech industry in the United  
23 States. This is two industries with equal equipment making  
24 choices about what the production process should be,  
25 producing a product with the same end uses and the identical

1 characteristics.

2 COMMISSIONER BROADBENT: Okay, Mr. Brightbill, I  
3 guess my time's running out, but can you just summarize  
4 what's changed in the conditions of competition since the  
5 Commission's 2013 determination?

6 MR. BRIGHTBILL: I think we have a slide, too,  
7 in Dr. Kaplan's presentation of what's changed since 2013.  
8 So I think what you see is, with the conditions of  
9 competition, the demand is still strong, and yet we're not  
10 gaining any benefit of that, so that's the primary demand  
11 condition in the U.S. market.

12 You see, in terms of supply conditions, you see  
13 China continuing to move up the value chain, continuing  
14 -- there's substantial overlap of competition as shown by  
15 the Gray data that you did not have in the 2013  
16 investigation, that shows the overlap of Bs and Cs and Ds.  
17 So that's a different supply condition.

18 You've got the overcapacity which has continued  
19 to develop, and then you've got, again, going back to the  
20 other slide, you see the results of that, where the trends  
21 were not as clear in the previous period of investigation,  
22 but here the effects of those conditions of competition are  
23 borne out in all of the shipment data and all of the  
24 financial data.

25 COMMISSIONER BROADBENT: Okay.

1                   VICE CHAIRMAN JOHANSON: I'd like to begin by  
2                   thanking all of you for appearing here today. And here's my  
3                   first question. On Pages 31 to 32 of your brief, you state  
4                   that some outlets market U.S. and Chinese products  
5                   side-by-side without any suggestion that they could have  
6                   different properties or end uses, the implication being that  
7                   the price is all that matters.

8                   Yet respondents provide photos on Pages 45 to 46  
9                   of their brief of a store supply at a Menard's with two  
10                  plywood products that appear to be side-by-side. While  
11                  there's no suggested end use, there is some information  
12                  about product characteristics, and there's a five-dollar  
13                  difference in price.

14                  Do you think that Menard's would stock a  
15                  product, the more expensive U.S. product, that would not  
16                  sell? Or is the information they provided enough, such that  
17                  an educated consumer might still choose the more expensive  
18                  U.S. product?

19                  MR. GONYEA: I believe the reference is tied to  
20                  our product. Our marketing team tried to differentiate and  
21                  had a marketing campaign, I believe, in 2007, and in later  
22                  years, unbeknownst to us, a few customers continued to try  
23                  to sell thick face as an attribute.

24                  The reality is, it didn't move the dial for us.  
25                  Our market share has continued to erode and again, we sell

1 products on face appearance and we were unsuccessful in  
2 moving the dial. It's been all about price. Chinese price  
3 that is dumped and subsidized has won the day.

4 MR. BRIGHTBILL: Commissioner, Tim Brightbill,  
5 Wiley Rein. The label that you were discussing, I believe,  
6 makes a reference to sanding as something that can be done  
7 to the product. And we do think that the U.S. product is --  
8 you know, we try to sell whatever benefits we have, given  
9 the price competition.

10 The challenge is that the market doesn't  
11 recognize it, and you see the price gap on the slide the  
12 respondents showed. You see it in the price gap that we  
13 showed on our store labels, and you see it in your  
14 head-to-head price comparisons. And so any small benefits  
15 that our product might have are not recognized, given the  
16 overwhelming price difference between the two.

17 VICE CHAIRMAN JOHANSON: Then again, it looks  
18 like, at least in that one example, that the U.S. product is  
19 being marketed as being superior because of the thickness.

20 DR. KAPLAN: They did find the one example of  
21 one program, which was unsuccessful. I think Mr. Brightbill  
22 showed the standard labeling in a Lowe's or a Home Depot,  
23 which doesn't have that one program that was done by one  
24 producer. And basically, what people are paying a premium  
25 for is that it's made in the USA, and that some people do

1 have a Made in the USA preference.

2 But the labeling of the products are then very  
3 similar. They label the grades, they show the panel, they  
4 show what the face veneer is, they show what the back veneer  
5 is, and since the pricing--and you see in the pricing  
6 products are so different--the store typically doesn't sell  
7 them for the same price.

8 But the one example you pointed to was there,  
9 but that is atypical. It was one program by one company  
10 that no longer exists. What you usually see is, you go into  
11 a store, they're side-by-side. The U.S. stuff is expensive,  
12 and they hope there's a bunch of people that want to buy it  
13 if it's made in the United States. And that's true in other  
14 products you've seen before here as well.

15 The problem is, is that doesn't do enough, and  
16 it doesn't matter that much anymore. It matters to some,  
17 but you've seen what's happened to the shipment data over  
18 the last twenty years and over the last three. It's gone  
19 down. You've seen what happens to the profitability. It's  
20 gone down. Without some people doing this non-price factor  
21 and doing it, they would be even worse off.

22 So yes, there's a difference in price and yes,  
23 we believe it's due to Buy American. It's not through the  
24 advertising, except in that one instance. And yes, we do  
25 believe we have a better product or an equal product, but

1 the market doesn't seem to offer a premium in time as our  
2 share in profits fall.

3 MR. TAYLOR: I, and like certain of my  
4 colleagues here, we're not vertically integrated back  
5 towards the forest, and so we don't peel our own veneer and,  
6 in fact, in a lot of cases, we buy from -- there are veneer  
7 divisions and to Mr. Gonyea's point, seven to ten years ago,  
8 there was this, I would say, attempt by the veneer industry  
9 to try to differentiate by selling and peeling a thicker  
10 veneer and frankly, as somebody who cares less about the  
11 supply chain and more about what customers want, there's  
12 absolutely no desire, differentiation in the market.  
13 There's no customer asking for a certain face thickness, and  
14 there never was.

15 And that was our response to that whole part of  
16 the industry is, why am I gonna pay you more for a thicker  
17 face when I'm already very uncompetitive against what I'm  
18 trying to compete with and I have a customer base that could  
19 care less about face thickness. It just doesn't matter.  
20 They don't ask for it, and the fact that Menard's continues  
21 to merchandise it that way is, I think, quite frankly -- I  
22 don't sell Menard's, but none of my customers that I'm aware  
23 of, advertise or tout quality difference based on face  
24 thickness. It's all about appearance.

25 MR. THOMPSON: I think the idea of the question

1 is the substitutability of the products. And I think this  
2 story will hopefully bring it to light. In 2005, we had a  
3 very large customer in the United States, one of the top  
4 three that Mr. Kaplan spoke of. A cabinet maker that makes  
5 thousands of cabinets a day. They were in our top five  
6 customer list, meaning a significant amount of volume.

7 By 2011, they went out of our order file. We  
8 sold them nothing. Top five to nothing. Now fast forward  
9 to this year. Within the last four months, in preparation  
10 for their anticipation of an ITC ruling, they've come back  
11 to us with 31 million feet of hardwood plywood. They've  
12 qualified all of our hardwood plywood, and they began giving  
13 us orders for the products we've made back, prior to 2005.  
14 The reason is price.

15 MR. BRIGHTBILL: I would just ask Mr. Thompson  
16 or the other witnesses for anyone who's getting an  
17 opportunity to bid, is anyone asking about face veneer  
18 thickness?

19 MR. THOMPSON: No. It doesn't even come up in  
20 the specification. And I might add, about the use of this  
21 31 million feet, it's across the board. 74% of it is box  
22 material, and have we got the business? Yes. Over the last  
23 six weeks, we're getting 6,000 panels a day, which at this  
24 point equates to over 10 million feet, which will bring this  
25 customer back into the top ten, and we anticipate it growing

1 even further.

2 One other thing I'd like to add. Face thickness  
3 never comes up in our conversation at the sales desk. We  
4 don't advertise it. It's immaterial to what the product  
5 looks like, and as my colleague, Gary Gillespie, spoke a few  
6 minutes ago, I'd ask you to go look at the end products.  
7 One made from China plywood, one made from U.S. plywood, and  
8 nowhere can you tell me what the thickness of the veneer  
9 was.

10 One of my colleagues explained that, to make  
11 it--it's not as if the Chinese invented the two-step  
12 process. The two-step process was developed by this  
13 country. As I mentioned in my testimony, we built a plant  
14 in the 90s to do so. We use it for special circumstances.

15 And it's not necessary in the marketplace today,  
16 but we have the capacity to do it. The savings from a thin  
17 piece of veneer is \$20 versus a price differential of, in  
18 some cases, \$500 and \$600. Thank you.

19 MR. CAINE: The face thickness argument by the  
20 opponent is a red herring. The fact of the matter is, they  
21 use a thinner veneer to slightly reduce their cost of a  
22 panel. What that means to their cost of the panel is in the  
23 pennies per panel. It's almost insignificant to the cost.  
24 It gives them a similar product and you can see that it's  
25 substitutable with our own product.

1           In the previous case, the substitution argument  
2           wasn't maybe clear. I believe it's very clear now, and this  
3           thin-face, people requesting thin-face argument is false and  
4           a red herring and a distraction to the reality.

5           VICE CHAIRMAN JOHANSON: I have a real basic  
6           question on the whole thin-face issue. Could it be less  
7           expensive to use thin-face simply because there's less wood  
8           involved?

9           MR. CAINE: It is, in fact, less costly to use a  
10          thinner face than a thicker face, but it does not explain  
11          the Chinese plywood being imported at half our cost. It  
12          might explain 2%.

13          MR. THOMPSON: I'd like to respond to that. In  
14          Columbia's case, in fact, this business I told you about  
15          that came back to us, a good portion of that was the  
16          two-step process, mainly for thickness tolerance, making a  
17          thickness that was different than standard. Actually, the  
18          cost to make a two-step panel in the United States is  
19          significantly more expensive.

20          I mentioned that the wood difference going from  
21          a thin-face to what we produce is \$20 per 1,000 square feet.  
22          In order to make a two-step blank, we have to invest \$100 to  
23          build that blank, to press that blank a second time, so the  
24          cost equation doesn't work. So we choose only to use it  
25          when the customer specifies very precise thickness

1 tolerances.

2 MR. CAINE: May I just clarify one thing? That  
3 \$20 per 1,000 that Mr. Thompson mentioned is pennies per  
4 sheet.

5 VICE CHAIRMAN JOHANSON: All right. Thank you  
6 for your responses. My time is expired.

7 COMMISSIONER WILLIAMSON: I want to thank all  
8 the witnesses for your testimony and being here today.  
9 Staying on this question of the thickness of the panel, and  
10 having recently tried to repair a cabinet, is it true that  
11 usually you get a scratch in a cabinet, it's going to be so  
12 deep it doesn't matter what the thickness is? 'Cuz I'm  
13 trying to figure out why if one is thinner than the other,  
14 it's not a marketing event?

15 MR. THOMPSON: It's imperceptible. People use  
16 it interchangeably all the time. The way finishing is done  
17 in the plants that we have today, we finish panels every  
18 day. So do the Chinese. And it's immaterial in the final  
19 use end product that you see along these walls. There's not  
20 enough thickness there to make the kind of difference you  
21 would be looking for with a thicker veneer.

22 COMMISSIONER WILLIAMSON: So if you scratch it,  
23 you're gonna scratch it?

24 MR. THOMPSON: That's right.

25 COMMISSIONER WILLIAMSON: To either one? Okay.

1 And there's not going to be an easier repair, one than the  
2 other?

3 MR. THOMPSON: No.

4 MR. HOWLETT: A little bit depends on the  
5 species of the wood. They're different hardnesses. And the  
6 critical thing is gonna be the finish that's on it. Because  
7 that is really protecting the surface from scratching.

8 COMMISSIONER WILLIAMSON: Okay. So if you're  
9 buying a new set of kitchen cabinets, first off, don't  
10 scratch it. But I guess, if you're concerned about quality,  
11 it's gonna be the finish, you're saying?

12 MR. CAINE: To redo the urethane finish and  
13 those types of things becomes complex if the scratch is deep  
14 and big enough.

15 COMMISSIONER WILLIAMSON: Okay. And I'm just  
16 trying to understand why it doesn't matter.

17 MR. BRIGHTBILL: I did want to return to the  
18 question I asked of the panel for the opportunities that  
19 each company is getting to sell because of the pending trade  
20 cases. Is anyone testifying face veneer thickness or asking  
21 about it when they're asking for your quotes? If ever what  
22 company could answer that?

23 MR. GONYEA: The answer is no. Again, we sell  
24 our product on face-grade appearance. Like the story that  
25 Mr. Thompson shared about a customer returning to Columbia,

1 we've been working with a large cabinet manufacturer that  
2 was buying exclusively a Chinese product. We have been  
3 sampling product into this customer now for several months.  
4 We have sold them truckloads, quantities of domestic  
5 product.

6 They were asked by the opposition to come and  
7 testify against our coalition here today and they declined.  
8 We'll be happy to share some additional information in the  
9 follow-up testimony. But the fact of the matter is, they  
10 want to continue to work with us. They believe that our  
11 product meets all of their specifications and they're  
12 waiting for the outcome of our case, but they hope to be  
13 working with us in shifting their production to domestic.

14 COMMISSIONER WILLIAMSON: Okay.

15 MR. ROBERTSON: I've been selling hardwood  
16 plywood for a long time, sir, and in thirty years, the  
17 topics are: What's the species? What's the overall panel  
18 thickness? And how soon can I get it? That's what they ask  
19 us. They don't ask us for the veneer thickness. It's the  
20 panel itself.

21 COMMISSIONER WILLIAMSON: And species matters  
22 because the look is the --

23 MR. ROBERTSON: That achieves the look, the  
24 aesthetics part that they are looking for, yes.

25 COMMISSIONER WILLIAMSON: And how long are the

1 cabinets gonna stay on the wall? It depends on, I guess,  
2 the back frame and how strong that is.

3 MR. ROBERTSON: How many kids do you have? How  
4 much stuff is spilled on 'em. You know?

5 COMMISSIONER WILLIAMSON: Yes. And how much  
6 money you have when you first do the renovation? Okay.

7 MR. YORK: I would just add that we have not  
8 been ever asked to produce hardwood plywood with thinner  
9 face veneers than we typically use. We did ask one of our  
10 veneer suppliers to manufacture some thinner veneer for us,  
11 so that we could lay it out and test it and try it and yes,  
12 we can use it, but nobody ever asks for it.

13 MR. SCHALK: From a distribution channel, I've  
14 never had anyone ask that question.

15 COMMISSIONER WILLIAMSON: Okay, thanks. Thank  
16 you.

17 MR. BRIGHTBILL: The staff report is consistent,  
18 Page I-15 says how hardwood plywood products are  
19 differentiated, and of course, face veneer thickness is not  
20 listed.

21 COMMISSIONER WILLIAMSON: Thank you. I think  
22 we've covered that.

23 MR. CAINE: Commissioner, can I make one more  
24 comment?

25 COMMISSIONER WILLIAMSON: Go ahead.

1                   MR. CAINE: If anyone sits here and says, "I  
2 prefer having a thin-faced veneer," they're lying.

3                   COMMISSIONER WILLIAMSON: Okay, thank you.  
4 Good. Oh, before I forget, I want to thank you all for  
5 everybody having their statements written. It really does  
6 help when listening to you, we can mark-up things. So thank  
7 you very much. So I know it is some time and effort to do  
8 that.

9                   Let me change on different topic. You said our  
10 investigation suppressed subject import volume in the first  
11 half of 2017. Yet, even with lower subject imports, our  
12 data showed that in the first half of 2017, the domestic  
13 industry's market share was at the lowest level of the  
14 period of investigation. And its level of operating profit  
15 was close to its lowest level. Did the domestic industry  
16 benefit from the decline in subject imports? And why not?

17                   MR. BRIGHTBILL: I think what you've heard from  
18 the last couple of industry witnesses is the domestic  
19 industry is poised to benefit from the reduction, but we  
20 also heard that subject imports increased and there was a  
21 large amount in inventory, as there was in the prior trade  
22 case. That takes time to work through, so this industry  
23 will recover with trade relief and with a reduction in the  
24 dumped and subsidized imports.

25                   COMMISSIONER WILLIAMSON: Go ahead.

1                   MR. TAYLOR: We confirm that, in the last case,  
2 we saw, as the preliminary tariffs went into place, people  
3 stopped importing and then we saw a benefit. And this time  
4 around, there was so much inventory brought in, between the  
5 filing and the preliminary, that the industry is still  
6 working its way through the inventory, and so I think we've  
7 been quoting stuff for many months now in anticipation of it  
8 running out, and we're finally seeing that benefit. And to  
9 Mr. Thompson's and Mr. Gonyea's point, that's finally  
10 happening.

11                   COMMISSIONER WILLIAMSON: Is there a normal lag  
12 in supply and demand? I know how long it takes you to get a  
13 set of custom cabinets, and it seems like forever.

14                   MR. TAYLOR: For hardwood plywood, the question  
15 asked, "Why do you sell anything with such a big price  
16 differential," and certainly lead time is one of the real  
17 competitive levers that we still have, because we can  
18 provide really quick lead times. We can customize.

19                   We can provide small lot sizes, versus the  
20 Chinese, which, you know, obviously the several weeks on the  
21 ocean, and the more commodity-like it is, the more of it  
22 they're gonna produce. And so, yeah, lead time's really  
23 important. And it's like one of the only things left for us  
24 to actually compete with, as their quality and the product  
25 itself has become completely ubiquitous with ours.

1 COMMISSIONER WILLIAMSON: Okay. Mr. Kaplan?

2 DR. KAPLAN: Yes, I want to turn your attention  
3 to Table D-3 of the staff report. As I'd mentioned in my  
4 testimony --

5 COMMISSIONER WILLIAMSON: Which table?

6 DR. KAPLAN: Oh, I'm sorry. Page D-3, Table  
7 D-1.

8 COMMISSIONER WILLIAMSON: Sure. In the  
9 Appendix.

10 DR. KAPLAN: And that's the official import  
11 statistics. And it is consistent with the importer import  
12 statistics as well. And my point is this. The market share  
13 numbers have been determined using importers' shipments, not  
14 imports. So importer shipments fell from first half of 2016  
15 to the first half of 2017, but imports increased by both  
16 sources from the first half of 2016 to the first half of  
17 2017.

18 So one of the reasons that there hasn't been the  
19 ability to raise prices is the inventory overhang created by  
20 the difference between what was imported shown on both the  
21 official statistics and the questionnaires and what was  
22 shipped, shown also in Chapter 4.

23 So there's an inventory overhang and you and the  
24 Commission are well aware that when the inventory overhang  
25 increases, it does two things: It depresses prices in the

1 current period, and it creates a threat for the future  
2 period. So the Commission's often used to looking at market  
3 share based on imports. In this case, it's on import  
4 shipments.

5 COMMISSIONER WILLIAMSON: Okay.

6 DR. KAPLAN: And look at that distinction --

7 COMMISSIONER WILLIAMSON: And import shipments  
8 are when it leaves the factory?

9 DR. KAPLAN: Import shipments are when the  
10 distributor sells it in the United States. Imports are when  
11 the distributor receives it from China.

12 COMMISSIONER WILLIAMSON: Okay. Thank you.

13 DR. KAPLAN: So they're receiving more from  
14 China. They're shipping less. And that's creating an  
15 inventory overhang that's depressing prices, so we don't see  
16 the effects yet. And creating a threat for the future as  
17 it's one of the threat factors.

18 But once that's gone through, we expect that the  
19 order would benefit us, as testified by all the witnesses  
20 that are seeing all their old customers come back.

21 COMMISSIONER WILLIAMSON: Okay.

22 DR. KAPLAN: Thank you.

23 COMMISSIONER WILLIAMSON: Thank you. Good. My  
24 time has expired. Mr. Brightbill, did you want to put  
25 something in, or we get it later?

1 MR. BRIGHTBILL: No, I'm all right. Thanks.

2 COMMISSIONER WILLIAMSON: Okay. Thank you.

3 VICE CHAIRMAN JOHANSON: Commissioner Broadbent?

4 COMMISSIONER BROADBENT: So is there  
5 disagreement on the market share numbers in our staff  
6 report?

7 MR. BRIGHTBILL: I think, depending on the --  
8 there's the slide that we showed you, which is at the end of  
9 our presentation -- depending on the nonsubject import  
10 issue, if it turns out nonsubject imports aren't quite as  
11 high, by using the HTS data rather than your questionnaire  
12 data, then it would increase subject import market share  
13 significantly.

14 So that's the only issue. Either way, it's  
15 clear that subject import market share gained during the  
16 period, and that it gained at the expense of the U.S.  
17 industry which it did not have three years ago. So the  
18 trend is that same either way, but the actual size of  
19 Chinese market share might be even greater than what's in  
20 the staff report right now.

21 COMMISSIONER BROADBENT: And then, Mr. Kaplan,  
22 I'm still not getting you on the price effects. We had no  
23 adverse price effects in 2013 and I don't see any in this  
24 record either. Is there some difference?

25 DR. KAPLAN: Yes, there is. There's two

1 differences. First, if you look at most of the pricing  
2 products, there is a decline from the prices in the first  
3 year to the prices in the third year. But more importantly,  
4 and within the tradition of the ITC, you're seeing a  
5 decrease in gross profits, meaning that you're seeing the  
6 same prices, but costs are rising. And so the companies  
7 are unable to raise their prices to recover costs, which is  
8 a price effect.

9           It's what the Commission's recognized, that when  
10 you can't raise your prices to cover increased costs,  
11 there's a cost-price squeeze and that's price suppression.  
12 So in this investigation, based on the decline in gross  
13 margins, there is a cost-price squeeze and the Commission  
14 has used that in repeated determinations to conclude that  
15 there is price depression or suppression in this market.  
16 And that is the conclusion I think the Commission should  
17 find based on the facts in this investigation.

18           MR. GONYEA: We're predominantly -- the majority  
19 of our product is produced in the West, and I think my  
20 colleagues could testify to the price squeeze. We have been  
21 unable to move the dial on finished prices, while we've been  
22 living an increase of roughly 16% to 20% increase on raw  
23 material costs tied to, back to the log, which has been  
24 ongoing throughout this year.

25           So for certain there's a price squeeze for all

1 of us domestic manufacturers, and competing at the same time  
2 with the flood of dumped and subsidized Chinese product.

3 COMMISSIONER BROADBENT: Mr. Gonyea, what are  
4 the differences in raw material costs between domestically  
5 produced hardwood plywood and hardwood plywood from China?  
6 Explain differences in price.

7 MR. GONYEA: That's a -- I can't speak to their  
8 input costs. I would refer to our economist on that. What  
9 I can testify is what we're living here in the domestic  
10 market, which we've seen, again, roughly 15% to 20%  
11 increase, in particular, over this past year.

12 MS. CRIBB: One of the things that, due to these  
13 increased raw material pricing, we had to do earlier this  
14 year, was just say, "We can't do anything else on the  
15 price," and we turned away orders because we could not  
16 operate on the margins that were being forced on us by the  
17 low pricing that we were seeing.

18 MR. THOMPSON: Was the question regarding raw  
19 material costs? Explaining the price of Chinese prices?

20 COMMISSIONER BROADBENT: Right.

21 MR. THOMPSON: Well, I've been to China a number  
22 of times. And there's a couple of things that I think  
23 should be understood. In most cases, we have been unable to  
24 determine how the Chinese, with the material costs that they  
25 have, because they're importers of wood.

1                   They import from the same markets and they  
2 import from North America, a significant amount of hardwood  
3 lumber, and they bid up log prices in the United States,  
4 bring those logs to China, and then ship the finished  
5 product back to the United States cheaper than our raw  
6 material costs.

7                   And so to answer your question, it can't explain  
8 the difference in price. And the world wood market has a  
9 great equalizer and it's called freight. And the Chinese  
10 are net importers, it doesn't add up.

11                   COMMISSIONER BROADBENT: Okay.

12                   MR. HOWLETT: Kip Howlett, HPVA. If you look at  
13 the U.S. log -- hardwood log exports at peak years 2006,  
14 2010, 2014, and '16, U.S. hardwood log exports are about  
15 \$700 million a year. The Chinese have gone in 2006 from  
16 about 150 to in 2016, 400. Their share of U.S. logs has  
17 gone from 25 percent to 57 percent of what we ship. So all  
18 this maple and cherry and walnut and that comes back from  
19 China has largely been processed with an American log over  
20 there, not here.

21                   COMMISSIONER BROADBENT: Okay. Respondents make  
22 a point of addressing increasing labor costs in China. In  
23 what ways would this affect Chinese hardwood plywood  
24 pricing?

25                   MR. KAPLAN: Seth Kaplan, IER. The prices have

1 gone up dramatically since 2000. The index for Chinese  
2 labor has increased by a magnitude since then. And it has  
3 not had a discernible effect on pricing. And it's unclear  
4 if it would have a discernible effect in the future.

5 So what I think in three areas here, we've  
6 talked about the veneer, the capital costs, and the labor,  
7 there's just a disconnect between what we know a German  
8 machine costs to buy and what we know the sales price of an  
9 American log that's exported over there, and what we see  
10 from official data on labor, there's a disconnect between  
11 those increases and what's been happening to the prices of  
12 this from China. And we think that is due to the  
13 subsidization and dumping, because we are confident of these  
14 other costs increasing over time.

15 MR. BRIGHTBILL: Tim Brightbill, Wiley Rein.  
16 Just to summarize, China doesn't have a comparative  
17 advantage in the raw materials, either the cores of the  
18 veneers, or any of the other raw materials to the extent it  
19 may have had a labor advantage some time ago, that advantage  
20 is going away as well. So nothing explains -- nothing on  
21 the materials or input side explains the pricing.

22 COMMISSIONER BROADBENT: Okay. Just a side  
23 legal issue. Please comment on the potential effects of the  
24 EPA's Title VI addition to the Toxic Substance Act that  
25 becomes effective on October 25th, 2017? I guess this

1 became effective to reduce exposure to formaldehyde  
2 emissions for certain wood products?

3 MR. HOWLETT: Yes, Kip Howlett from HPVA. HPVA  
4 Labs is a third party certification agency for formaldehyde  
5 regulations. We're TPC-8 under the California rules and the  
6 California emissions standards were basically adopted in the  
7 federal law, which EPA is now in the process of  
8 implementing.

9 For the period of the last six years, most of  
10 the hardwood plywood sold in the United States was carb  
11 certified. If you're making product, you had no assurance  
12 that it would only be sold in California, if it was sold in  
13 the other 49 states.

14 So in effect, the California standard became a  
15 national standard. And all that EPA has done is legally  
16 codify that now for all 50 states.

17 They just published in fact day before  
18 yesterday, so the final clarifications for certification.  
19 And so, basically, you have 500 and some odd mills that are  
20 carb certified in China for export into the U.S. If they're  
21 carb certified, there will be some additional -- they're  
22 nuance changes with regard to the certification, but  
23 basically, they're meeting the emissions standard or they're  
24 claiming they're making the emissions standard, as have all  
25 U.S. producers. So it's basically a non-effect in my

1 opinion.

2 MR. KAPLAN: Commissioner, I think this calls a  
3 good question. The carb database of certified hardwood  
4 plywood producers is available publicly from the state of  
5 California. We will submit the link or submit the Excel  
6 database in the post-hearing brief.

7 But there are currently over 500 carb certified  
8 hardwood plywood producers in China today that have paid  
9 themselves for a third party to certify them. If you take a  
10 look at the importer questionnaires, there are 90 some odd  
11 companies.

12 Now some might have multiple facilities, but  
13 there's 500 of these that are paid to certify themselves.  
14 So for certainly with respect to injury and with respect to  
15 future threat, that evidence should be considered. This  
16 evidence was not available in the former investigation.  
17 There is a current map of the locations of identified carb  
18 mills. It's hard to see it's kind of 3-D, but when you see  
19 a spike, that means there are many, many mills at that  
20 individual location.

21 So you should be aware of this as new  
22 information. The Chinese are not blocked from entering due  
23 to carb issues. And they are certifying in a faster and  
24 faster rate. Thank you.

25 COMMISSIONER BROADBENT: Okay, thank you very

1 much. My time's expired.

2 VICE CHAIRMAN JOHANSON: Respondents argue that  
3 subject imports are used in the interior portions of kitchen  
4 cabinets, while petitioners' product is better suited for  
5 use on the exposed portions. I realize that this issue was  
6 discussed briefly earlier, but I would appreciate if you all  
7 will delve further into this issue and respond to this  
8 contention of the respondents?

9 MR. THOMPSON: Brad Thompson, Columbia Forest  
10 Products. I think that if you look at this graph, and you  
11 look at the shipments of birch, for example, as a  
12 predominant species used for boxes, you can see that in the  
13 green is what we're talking about when we talk about the  
14 guts of the material.

15 Our business has been centered around providing  
16 the box --

17 VICE CHAIRMAN JOHANSON: I'm sorry, the green  
18 versus the yellow?

19 MR. THOMPSON: The green and the light green and  
20 the yellow.

21 VICE CHAIRMAN JOHANSON: Okay.

22 MR. THOMPSON: Yeah. And so --

23 VICE CHAIRMAN JOHANSON: Explain those  
24 difference? I'm sorry. I just couldn't understand it.

25 MR. THOMPSON: Okay, yeah.

1                   MR. GILLESPIE: Yeah, Gary Gillespie, Columbia  
2 Forest Products. What you see here is, again, a small set  
3 of kitchen cabinets, but it shows all the cabinets there,  
4 that are boxes, basically put together, to make the  
5 cabinets.

6                   So that the schedule here shows the light green,  
7 which is the backs. That's the interior obviously. The  
8 dark green is the sides, tops, and bottoms. That's interior  
9 obviously. And the blue, that goes horizontal, those are  
10 the shelves that are inside of the cabinet box.

11                   So if you look at this one set of kitchen  
12 cabinets. If you look at the interior panels, interior  
13 construction, you end up with 293 square feet of hardwood  
14 plywood that's built to make that set of cabinets.

15                   Now if you slide to the right side of the  
16 schedule, you see the entry where it's exterior construction  
17 and the red where it says exposed ends. If you go back up  
18 to the cabinets themselves on the far right ends, those are  
19 finished ends that are exposed that you see when you walk by  
20 your cabinets.

21                   If you go to the sink area, right above that,  
22 that's exposed that you see as well, because you're sitting  
23 there. Now you can have a finished end so to speak. And  
24 the refrigerator to the far end, top left, that's exposed  
25 when you walk by it. So that's exposed.

1                   So if you take all those exposed ends that are  
2                   in red, the square footage on this set of kitchen cabinets  
3                   of hardwood plywood is only 14 square feet, okay? Now what  
4                   we don't show here is the exposed door faces. If you had  
5                   door faces on there that were using plywood from China or  
6                   the United States, that would represent approximately 22  
7                   square feet of plywood.

8                   So if you add up all the exposed plywood using  
9                   that set of kitchen cabinets, you come up with 14 feet for  
10                  the exposed ends and about 22 square feet for doors, if it  
11                  had a plywood door on it. So that comes up to 36 square  
12                  feet, which is a total of the exposed panels of only 11  
13                  percent of that total cabinet is exposed. The rest of the  
14                  guts, the interiors, the only time you see is when you open  
15                  the door.

16                  So which brings up a good point. Could you have  
17                  the next slide here just for a second? This is the actual  
18                  square footage. This is our battlefield, those -- that  
19                  interior of those cabinets. This is the actual numbers that  
20                  came from the survey that shows the U.S. square footage sold  
21                  to the kitchen cabinet industry of 316 million feet and the  
22                  Chinese that goes into that is 301 million feet.

23                  So this slide with the next -- the one prior,  
24                  begs the question, if we just play on the outside of the  
25                  box, that we just do the exposed material, and the Chinese

1 have the -- that's their business, the inside, where in the  
2 world is our 316 million feet going? It's got to be in  
3 the inside of the box. It's got to be in the inside of the  
4 box.

5 MR. CAINE: Commissioner, Bill Caine. The  
6 statement that Chinese plywood is better suited to the  
7 interior of a cabinet is false and it's a lie. North  
8 American made plywood has always been used inside a cabinet  
9 prior to the year 2000 and continues to be used today. The  
10 issue is Chinese plywood is at half the price. That's the  
11 simple difference.

12 MR. GONYEA: Joe Gonyea, Timber Products. I'd  
13 add to that of what my colleagues have already said. And  
14 one, I would encourage you as time permits to do a walk  
15 about and see first-hand some of the samples provided here  
16 today. One word, they're interchangeable. And I think  
17 we'll leave it at that.

18 MR. THOMPSON: Brad Thompson, Columbia Forest  
19 Products. I think I would cite the statistics. I mentioned  
20 with the business we lost in 2005, the business we're  
21 beginning to regain. It's 74 percent box material.

22 VICE CHAIRMAN JOHANSON: When you're stating  
23 you're gaining business, is that due to the post-petition  
24 effects?

25 MR. THOMPSON: Yes.

1                   VICE CHAIRMAN JOHANSON: Okay.

2                   MR. YORK: Kris York, Murphy Plywood. We -- the  
3 hardwood plywood we produce and sell is for the entire  
4 kitchen cabinet, all of it. We have to have all of that  
5 volume, because, you know, the hardwood log produces a  
6 spectrum of grades of veneer. We have to sell the whole  
7 log. We have to buy the whole peel. We have to sell the  
8 whole log. And yes, the higher grades go into the visible  
9 exteriors and the mid grades and lower grades go in the  
10 interiors. We need it all and we do -- and the numbers show  
11 that that's what we sell into. We do not -- we could not  
12 survive only on that very small percentage of the highest  
13 grade.

14                  VICE CHAIRMAN JOHANSON: How about the homeowner  
15 who wants to remodel his or her kitchen? Is there a higher  
16 grade depending upon how much that person wants to spend?  
17 For example, if you want to spend more, would you be willing  
18 to buy shelving with a better looking interior as opposed to  
19 someone who's willing to spend less, who doesn't really care  
20 what the inside of the cabinets look like?

21                  MR. THOMPSON: Brad Thompson, Columbia Forest  
22 Products. I think that there are some nuances. For  
23 example, paper lamination. They may get a paper, which is a  
24 little cheaper. They may ask for a UV finish.

25                  But in general, that's pretty much it. And so,

1 we call the paper a lam grade, which we make every day, as  
2 do the Chinese. We make a UV coated material, as do the  
3 Chinese and use both of those, depending upon the price  
4 point in which the consumer wants to pay.

5 MR. GONYEA: Joe Gonyea, Timber Products again.  
6 And not to restate what I said earlier, but the word is  
7 interchangeable for uses in various applications.

8 MR. YORK: Kris York, Murphy. To answer to your  
9 question about how much the consumer pays, it very much is  
10 the species specified, the finish specified, whether or not  
11 there's veneer or paper on the interior. So but the Chinese  
12 and the American plywood are all interchangeable and all --  
13 and do all of those things.

14 MR. TAYLOR: And Mike Taylor, States Industries.  
15 The higher end would be considered real wood, maple or  
16 birch, UV finished box. And that can be supplied by either  
17 the Chinese or the domestic product. So it's not a price  
18 difference based on which country the wood comes from. It's  
19 that product feature that determines the price of the box.

20 MR. THOMPSON: Brad Thompson, Columbia Forest  
21 Products. The exception to what I spoke to also is at  
22 times, kitchen cabinets may have a glass front. In that  
23 case, with both the Chinese and the U.S. producers might put  
24 a matching species inside, so when they look through the  
25 glass, if the outside of the cabinet is cherry, they might

1 want to see cherry through that glass.

2 VICE CHAIRMAN JOHANSON: Yes, Mr. Brightbill,  
3 then I'm going to move on to something else.

4 MR. BRIGHTBILL: Just going back to the staff  
5 report, the grade -- you have information throughout it that  
6 shows the interchangeability in this cabinet issue. You  
7 have the grade information, which shows the overlap. You  
8 didn't have that three years ago. You have the information  
9 on the cabinet use, the pie chart that you saw. That was  
10 data from the staff report, showing that the domestic and  
11 the imported both make great number -- almost equal numbers  
12 of hardwood plywood for cabinet use. It's our bread and  
13 butter.

14 And then lamination as well, both the U.S. and  
15 China laminate and the staff report shows very similar  
16 percentages for that. So there's head to head competition  
17 in all of these parts of kitchen cabinets.

18 VICE CHAIRMAN JOHANSON: All right, my time's  
19 about to expire, but I'm going to fit in one more question,  
20 because it is something that was raised by Mr. York and Mr.  
21 Thompson just a moment ago. And that's the issue of species  
22 being used in the products. Respondents cite a shift in  
23 consumer preferences towards lighter woods, especially maple  
24 and birch. And this can be seen at pages 21 to 24 of their  
25 brief. What are the current design trends -- trends in the

1 cabinet market and to what extent do design trends impact  
2 sales of domestically produced hardwood plywood?

3 MR. THOMPSON: Brad Thompson, Columbia Forest  
4 Products. The design trend in cabinetry is painted, painted  
5 material. And Columbia paints significant amount of panels  
6 every day for the large kitchen cabinet manufacturers. But  
7 the trend is towards lighter woods, paintable woods like  
8 maple and birch. The other side would maintain they have a  
9 corner on birch, but in actuality, we've known this trend  
10 for many years and would point out that we used to have a  
11 lot of red oak. We began to lose red oak back in the '90s.  
12 And we've helped participate in this change with the cabinet  
13 product development teams.

14 So indeed there is a movement towards lighter  
15 woods and paint. We have the species to accommodate it.  
16 Mr. Kaplan spoke of 1.2 billion square feet of sustainable  
17 birch that we can harvest now to move into those markets  
18 except for the problem we have dumped and subsidized pricing  
19 from China.

20 MR. GILLESPIE: If I may elaborate on the light  
21 species woods. This is a schedule that we put together with  
22 data coming from government agencies in Canada and  
23 government agencies in the United States. And to be -- make  
24 it clear, United States manufacturers of hardwood plywood  
25 have always relied on a combination of U.S. veneer

1 manufacturers and Canadian manufacturers.

2 So what we put together here is a schedule of  
3 hardwood, high grade hardwood, birch logs and are available  
4 on an annual basis that's not being used today, that's  
5 sitting in the woods, that's growing unused.

6 So just to make it simple, if you got the far --  
7 well, I should take that back. If you look at the -- we've  
8 looked at the volumes available and Quebec on white birch,  
9 Quebec in yellow birch, Ontario white birch, United States  
10 yellow birch. You can the 55.6 million feet that estimated  
11 that's not available for hardwood veneer production to  
12 support the U.S. plywood manufacturers. And if you do to  
13 the far right, that translates into 1.1 billion square feet  
14 of excess birch veneer availability.

15 If the trends go lighter, we've got the wood,  
16 but if you can't, you know, if you're twice as the price of  
17 Chinese, you're got going to get -- cut those logs.

18 VICE CHAIRMAN JOHANSON: All right, Mr. Gonyea,  
19 and then my time's expired. So this will be the last  
20 response, please.

21 MR. GONYEA: As far as that trend goes, sadly,  
22 I'm living it in my own home as my wife has chosen to  
23 remodel our kitchen using paint grade. And thank goodness,  
24 maple material produced from our mill in Michigan.

25 But our colleagues at Columbia specialize in

1 birch. We'd also say that maple availability is also  
2 readily available in our country. We purchased a mill in  
3 1988 in the UP at Michigan that specializes in hard maple,  
4 soft maple, and birch. During the heydays of our industry,  
5 we used to run that mill three shifts. Currently, it's on  
6 one shift basis. And hopefully with a positive affirmative  
7 action on your part, we'll look to add production at that  
8 facility and produce more hard maple and/or birch product.

9 VICE CHAIRMAN JOHANSON: Thank you all for your  
10 responses. I need to end here, so Mr. Williamson is next  
11 up. Thanks.

12 COMMISSIONER WILLIAMSON: Thank you for turning  
13 you off. Thank you. Okay. Continuing on that line, what is  
14 -- does the trend towards painting affect the demand for  
15 your product at versus the Chinese product at all? Because  
16 you know, it's like you paint, you cover up stuff.

17 MR. YORK: Kris York, Murphy. It has not  
18 affected demand for the product. We just go with the trend.  
19 Kitchen cabinetry, bathroom cabinetry are very much like  
20 fashion. And you go from like here in the hearing room,  
21 naturally stained wood veneers to now the trend is towards  
22 painted. It will come back. I've seen it go both ways over  
23 the years that I've been in the business.

24 MR. BRIGHTBILL: Tim Brightbill.

25 COMMISSIONER WILLIAMSON: Yeah.

1                   MR. BRIGHTBILL: Wiley Rein. Overall, point is  
2 demand is strong. Kitchen cabinet demand and other segments  
3 of demand is strong. So this change in trends is not  
4 affecting overall demand. What's affecting these companies  
5 before you today is the pricing of the Chinese product.  
6 Again, where they don't have a comparative advantage, where  
7 we have the birch and the maple and yet cannot compete with  
8 the price.

9                   MR. GILLESPIE: Gary Gillespie, Columbia Forest  
10 Products. As it relates to the fashion, again, we're  
11 talking the fashion on the exposed parts of the cabinet. So  
12 if you again go back to the square footage, if the fashion  
13 does go towards lighter species woods, we got the veneer. If  
14 it goes to paints, we can paint products.

15                   But keep in mind, that if the fashion train --  
16 trends changes, it only changes for 10 or 11 percent of the  
17 plywood use in that set of cabinets. The guts or the  
18 interiors, which is where the volume is, is stained. They  
19 don't paint the interiors generally speaking. It's usually  
20 that UV birch that we compete with China on a regular basis.

21                   COMMISSIONER WILLIAMSON: Okay, and so, but you  
22 do have the capacity to paint. It's not that they're  
23 going --

24                   MR. GILLESPIE: Absolutely. As a matter of  
25 fact, when you walk around the room here hopefully later,

1 you'll see cabinets that are Chinese made with Chinese  
2 plywood and U.S. plywood that are stained, that are painted,  
3 and they also have the clear UV that you'll see.

4 COMMISSIONER WILLIAMSON: Okay. What about the  
5 question of frameless. You sort said basically you all can  
6 do the frameless the same way they can. Is anything more  
7 you want to add on that since they did make a point of it?

8 MR. THOMPSON: Yeah, Brad Thompson, Columbia  
9 forest products. I mentioned that all of the products that  
10 you see here are frameless except for the two cabinets on  
11 the top over there. We sell the -- that's disingenuous. We  
12 sell to frameless cabinet builders every day and I think  
13 it's just a red herring being thrown up. It wasn't thrown  
14 up last time and it's, I think, grasping because we satisfy  
15 that need every day with our hardwood plywood.

16 COMMISSIONER WILLIAMSON: Okay.

17 MR. ROBERTSON: Kelly Robertson, Roseburg Forest  
18 Products. You know, the physical properties of our hardwood  
19 plywood versus Chinese is insignificant. They are both  
20 capable of providing frameless cabinets.

21 MR. GONYEA: Joe Gonyea, Timber Products. We  
22 echo that and have -- and one of our top five customers, one  
23 of the largest cabinet manufacturers in North America, we  
24 sell week in and week out domestic product. They've chosen  
25 to buy domestic product exclusively and continue to have a

1 viable business doing so. But we sell product that goes  
2 into that type of cabinet every single week.

3 COMMISSIONER WILLIAMSON: Okay.

4 MR. CAINE: Bill Caine of Commonwealth Plywood.  
5 That frameless argument is referenced more to hardware and  
6 is a -- pardon me? Okay, it's a reference more to the  
7 construction of the cabinet and the plywood we supply for  
8 that use all the time.

9 COMMISSIONER WILLIAMSON: Okay, thank you for  
10 those answers. I want to go back to the question  
11 Commissioner Schmidtlein had started off with about looking  
12 at underselling margins and their consistency. And I think  
13 -- I don't think she quite asked this question. It seems  
14 like looking at that data, the Chinese share of the market  
15 share of the particular pricing products and the margin of  
16 underselling, there doesn't seem to be a real relationship  
17 there. And so, I was wondering if you could maybe explain  
18 that?

19 If -- you would expect to see where there was  
20 probably bigger amount of underselling, they might have a  
21 larger market share or something. And there might be a  
22 relationship?

23 MR. BRIGHTBILL: Tim Brightbill, Wiley Rein. In  
24 all six pricing products, underselling margins expanded  
25 during the period. So they go bigger from 2014 to '15 to

1 '16. And of course, subject market share or subject imports  
2 and market share also increased during that time at the  
3 expense of the domestic industry.

4 So I think the underselling data does reflect a  
5 relationship between Chinese underselling and taking market  
6 share away from the domestic industry.

7 COMMISSIONER WILLIAMSON: Okay. Thank you. Can  
8 you describe demand trend by specific end use applications?  
9 Does an increase in demand for new homes and remodeling  
10 positively impact all end use applications?

11 MR. BRIGHBILL: Commissioner, could you repeat  
12 that? Were you asking if we're in all end use applications?

13 COMMISSIONER WILLIAMSON: Well, I think you've  
14 already said that you are. What I was really asking is with  
15 the increase in new home construction and remodeling, does  
16 that impact the demand for all of the different end use  
17 applications sort of in the same way.

18 MR. TAYLOR: Mike Taylor, States Industries.  
19 Certainly, new homes impacts the kitchen and bath segment --

20 COMMISSIONER WILLIAMSON: Yeah.

21 MR. TAYLOR: -- which is our biggest, most  
22 important segment. There's a lot of other segments that we  
23 sell into. Architectural millwork, store fixtures,  
24 different types of furniture that are still manufactured  
25 domestically. And so, those are going to be less affected

1 by new homes sales.

2 MR. THOMPSON: Brad Thompson Columbia Forest  
3 Products.

4 COMMISSIONER WILLIAMSON: Yes.

5 MR. THOMPSON: Our business is directly impacted  
6 by the growth in housing and the remodeling index that I  
7 already spoke of. In fact, the correlation is quite high.  
8 For -- as they rise, our demand rises also -- should rise.

9 COMMISSIONER WILLIAMSON: Okay.

10 MR. THOMPSON: Industries should rise, yeah.

11 COMMISSIONER WILLIAMSON: What about in store --  
12 demand for I guess products they use in stores, given that  
13 retailing is facing some challenges. Mr. Kaplan, you --

14 MR. KAPLAN: Historically, what you've seen is  
15 the apparent domestic consumption since 2000 when we looked  
16 at it has followed closely and independently. Home starts,  
17 home remodeling index, and RVs. We did not look at an index  
18 with architectural and retail. The trends you're talking  
19 about is somewhat more recent. But typically, in area -- in  
20 eras when a lot of home building or big renovations occur,  
21 if it's in new locations, then you're building new stores.  
22 You're building new office buildings for architectural work.

23 And even in neighborhoods, you would think of  
24 Washington itself, right, and think of the housing boom and  
25 how it's affected neighborhoods in Washington. And the

1 retail, including restaurants in all those neighborhoods.  
2 And so, they were using more hardwood plywood as well. So  
3 while they're smaller segments, the trends fit housing,  
4 renovations, RVs, and I would suspect they would also reach  
5 architectural and fixture at least until the recent times  
6 with retail.

7 COMMISSIONER WILLIAMSON: Okay.

8 MR. THOMPSON: Brad Thompson --

9 COMMISSIONER WILLIAMSON: Yes.

10 MR. THOMPSON: -- Columbia Forest Products. I  
11 think it's important to note that at this point in time, in  
12 our industry, the use of hardwood plywood is peaking. We're  
13 in a time when we should be growing. And you look at our  
14 operating profits, and they're near zero.

15 Our concern is is we're expecting a general  
16 recession in 2019. And it's going to be a blood bath for  
17 our industry. We should be at the top of operating earnings  
18 right now. And we're not. And when we go into the next  
19 down cycle, general business cycle, our business is going to  
20 be -- it's going to be catastrophic for its survival.

21 COMMISSIONER WILLIAMSON: Thank you. Mr.  
22 Kaplan?

23 MR. KAPLAN: And I think you could see the  
24 pattern. If you look at the big three cabinet producers  
25 from 2013 to 2016, their profitability has increased and

1 they've worked really hard to do that. You know, these are  
2 great companies, but part of it is their cost structure and  
3 their supply chain, which are all out of the plywood  
4 that originates in China.

5 What also this means though is that the  
6 operating profits and margins are actually worse in the  
7 context of the business cycle. This is the period where you  
8 should be making above average returns or your return on  
9 assets should be extraordinarily high to offset the periods  
10 like the great recession or any recession where housing  
11 starts and remodeling declines.

12 So the very low margins you see operating  
13 margins of .7 percent are actually worse in the context of  
14 this business cycle. And the fear of this industry, which  
15 the Commission wasn't aware of in the last investigation, is  
16 when things start turning down, all those closures you saw  
17 in the map are going to follow. Firms have now testified  
18 that they're deciding whether or not to close mills.  
19 People have reduced shifts. And the fate of those  
20 particular mills given past history and the closures, are  
21 really depend upon the relief that the industry is seeking  
22 now in the current upturn.

23 COMMISSIONER WILLIAMSON: Thank you. Thank you  
24 for the -- thank you for those answers.

25 VICE CHAIRMAN JOHANSON: Commissioner

1 Broadbent.

2 COMMISSIONER BROADBENT: Mr. Kaplan, if the  
3 market competes only on the basis of price, what accounts  
4 for the domestic industry's ability to retain its market  
5 share? Why hasn't there been a stronger shift in share?

6 DR. KAPLAN: I think that's a great question,  
7 and if you take a look at the -- that comparison table that  
8 Mr. Brightbill had up and we had up earlier, there are  
9 certain advantages that the domestic industry has that are  
10 shrinking and have shrunk over time. So first, the  
11 domestic industry has lost market share and it's taken, you  
12 could see over the POI.

13 But an extraordinary amount since the entry of  
14 the Chinese in 2000, when they were essentially not in the  
15 market. The U.S. industry has gone from over a billion  
16 square feet to their -- you know, then 1.2, to their current  
17 number of square feet, which is more like 600 million, and  
18 that share has been lost to the Chinese. So the question,  
19 which is a great one, who's left and why are they selling,  
20 and the answer is there are some and they're shrinking, and  
21 they're selling at a barely profitable level.

22 They have short delivery times for -- and this  
23 is in the staff report -- for custom orders. So everything  
24 is made to order in the United States, and it takes six  
25 days. To get a delivery from a warehouse of imports, the

1 staff report says it takes nine days. To get a special  
2 order from China, it takes 89 days. So if you have a  
3 product that's not in inventory and you want it, then the  
4 U.S. industry could get it to you quickly. But what's  
5 happening is the inventories are going out, and more and  
6 more SKUs are being carried, which means that segment is  
7 shrinking.

8                   If you need technical support, that would  
9 benefit the domestic industry. But that segment is  
10 shrinking. If you need a minimum order size, that segment  
11 is shrinking. The U.S. industry is capable of producing  
12 what someone said, you know, thousands of panels of the same  
13 flavor of plywood, the same SKU. Instead now they're  
14 producing 60 or 70 panels of different flavors, because  
15 people need small shipments at short orders.

16                   They've turned from a production shop of  
17 making long runs of generic product into a job shop, where  
18 they start and stop and start and stop to make small orders.  
19 What this does is it decreases capacity utilization, which  
20 hurts them, but it also raises their cost via set up times.  
21 You saw this in the mill at Murphy, a mill set up to just  
22 (sound) generate certain types of products in high volumes,  
23 and instead those parts of the mill aren't operating and the  
24 mills that make small volumes, parts of the mills, are  
25 operating.

1                   I think all the -- every producer here should  
2 talk to that and explain, explain that it's not the  
3 differences in the products, but there is a small and  
4 contracting portion of the market that they benefit from due  
5 to their ability to turn things around.

6                   MR. THOMPSON: Brad Thompson, Columbia Forest  
7 Products. I think that I need to relay a great example to  
8 this point. Many of our OEMs that have transferred their  
9 supply chain to China, in times when they have not ordered  
10 enough or they've hit a business cycle or an upturn in  
11 business or they ordered wrong, they'll come to us to fill  
12 in the gap in their supply chain.

13                   We're happy to do it, because we need the  
14 business. So it's one of the areas in which I think  
15 demonstrates both the substitutability of the products and  
16 the way we go to market and are able to obtain and retain  
17 some of the business that we do have.

18                   MR. YORK: Kris York, Murphy. Price is a very  
19 important consideration, but it's not the only  
20 consideration. I'll give you an example. We have a large  
21 distribution customer in the Midwest that typically will buy  
22 a carload, by hardwood plywood by the boxcar load and order  
23 a carload order from that distributor may contain up to 70  
24 different items in it.

25                   So and he can order that today and I can ship

1       it in ten days, six to ten days and that complexity of the  
2       order mix is what gets me the order, even though the pricing  
3       is not competitive with the Chinese plywood.

4                   MR. BRIGHTBILL:   Tim Brightbill, Wiley Rein.  
5       Commissioner, you saw this on the plant tour, where we were  
6       walking around with Kris and we saw the orders stacked up  
7       with the different colored cards, for how many sheets were  
8       going to be made.  30 here, 45 there, 60.  Whereas Mr. York  
9       testified, what they really would want to do is a long  
10      production run of 2,000.  So I think that shows how they're  
11      able to do some things, but even that is being taken away.

12                   Also to underscore, we are losing market share  
13      to the Chinese in this investigation.  We were not in the  
14      prior investigation.  China was taking market share from  
15      non-subject imports four years ago.  This year, we are  
16      losing market share and China is taking it away from us.

17                   COMMISSIONER BROADBENT:  But you're  
18      disagreeing about how much, right?  We don't know the  
19      numbers yet in your view?

20                   MR. BRIGHTBILL:  It could be even more than is  
21      in the staff report.  But there is documented that China is  
22      taking domestic market share in this Period of  
23      Investigation.

24                   COMMISSIONER BROADBENT:  Okay.  I want to --  
25      that was my last question.  I just want to thank the folks

1 for Murphy for hosting us out in Eugene. We enjoyed the  
2 trip and learned an awful lot, and thank you for coming out  
3 here to speak with us today.

4 VICE CHAIRMAN JOHANSON: On pages 13 and 21 of  
5 the Respondents' brief, they argue that fashion trends have  
6 changed over the Period of Investigation, and that lighter  
7 woods as well as painted surfaces have become more popular  
8 with consumers. My question is whether we can be sure that  
9 these trends are not at the root traceable back to lower  
10 prices for subject imports. In other words, is the fashion  
11 trend being driven by consumers' enthusiasm for low prices  
12 and not necessarily by the look of the product?

13 MR. BRIGHTBILL: Tim Brightbill, Wiley Rein.  
14 The fashion trend, I mean I think the fashion trend towards  
15 lighter wood and towards painting is an area that should be  
16 our strength. It's an area that all of these domestic  
17 producers make regularly.

18 But what we're seeing is although it should be  
19 an advantage for them based on the inputted material and the  
20 investments that they're making, they're not able to cover  
21 those investments because China is taking that business,  
22 moving up the value chain from non-painted product to more  
23 -- to fancier painted UV-finished higher value products.

24 So I'll leave it to that and let the industry  
25 witnesses talk as well.

1                   MR. THOMPSON: Yeah. Brad Thompson, Columbia  
2 Forest Products. You know, I think the cabinet builders  
3 would say that it's a design trend, it's what people are  
4 focusing towards, not a relation to how expensive the  
5 plywood is. I'll use the evidence we've already given.  
6 Even through these design trend changes from wood finish to  
7 painted finish, the box, the birch and maple that was used  
8 inside the box, whether it's papered or UV'd, remained the  
9 same.

10                   And so the cost savings or the change in cost  
11 with what we'll call the show wood here, the exposed faces,  
12 that difference in cost would be relatively minor. And so I  
13 think the -- our brethren in the cabinet industry would tell  
14 you it's driven by style and consumer preference.

15                   As we went through -- if you remember back in  
16 the early 90's, we went through a painted time, then moved  
17 back into natural woods, and now we're going back into a  
18 painted time again.

19                   VICE CHAIRMAN JOHANSON: Okay, Mr. Kaplan.  
20 Then I'm going to move on to another question.

21                   DR. KAPLAN: Commissioner, one of the industry  
22 representatives just handed me a note, and he wanted me to  
23 tell you that it's more expensive to paint than it is to  
24 stain. So I thought your question and I'm immediately going  
25 in what the direction of causation is as an economist. I

1 thought it was a really interesting question, but now I just  
2 find out that actually the cost rises with painting.

3 We do have painting lines and we do do that.  
4 So I'm going to have to think about your question a little  
5 more. But I just wanted you to be aware of that. If the  
6 switch was to cost, it would be to stain. Paint is more.

7 VICE CHAIRMAN JOHANSON: Okay. Just to  
8 clarify, and then I'm going to move on to something else.  
9 So it costs more to paint than to stain? Do you all agree  
10 with that? Okay. Okay, well thank you for that  
11 clarification. Now Im' going to move on to something else,  
12 which kind of -- which struck me as I read through the  
13 materials this week. Could you all please respond to the  
14 arguments of the Respondents at pages 32 to 33 of their  
15 brief about the lack of a presence by the domestic industry  
16 in the recreational vehicle segment?

17 I'm kind of interested in this. I once toured  
18 the Winnebago factory, so I know a little bit about this.  
19 Not much but a little bit.

20 MR. GONYEA: Joe Gonyea, Timber Products, a  
21 company and I have a colleague here that maybe could speak  
22 even more directly. But our company has provided domestic  
23 product to the RV industry and was substituted by Chinese.  
24 So the fact of the matter is yes, we have supplied this  
25 segment in times past, but haven't done so of late because

1 of Chinese priced product.

2 MR. TAYLOR: Mike Taylor, States Industries.  
3 We've historically been known for thin panels that we make,  
4 and we've historically had a great relationship with the RV  
5 manufacturers. That industry, we've seen sales erode over  
6 the last several years, as there's been more and more  
7 Chinese substitutes. But we still enjoy a relationship,  
8 although it's shrinking or more. But we're part of the  
9 industry.

10 VICE CHAIRMAN JOHANSON: I assume that for a  
11 recreational vehicle, the grade used is going to be a lower  
12 quality anyway, is that right? And that might, I assume  
13 that's an argument that would be made by the Respondents.

14 MR. YORK: Kris York, Murphy. You will find  
15 it depends on the RV. There are RVs that are low cost, low  
16 value and there are very high end RVs. So it's the full  
17 spectrum, and Murphy Company has lost share into the RV  
18 business. We -- typically we have always made plywood for  
19 the RV industry. We've lost some share to Chinese imports.

20 VICE CHAIRMAN JOHANSON: Mr. Kaplan?

21 DR. KAPLAN: Once again I'll refer you to the  
22 staff report at page Roman IV-34, and Figure 4-10, which  
23 shows that based on share, the non-subject imports are  
24 there. It was discussed previously that that is likely a  
25 thinner and lower quality product, that high end RVs, maybe

1 the Chinese and us are a supply there.

2 But it fits with the explanation that we just  
3 don't see these folks in the marketplace as much, and it  
4 fits with the --

5 VICE CHAIRMAN JOHANSON: These folks being the  
6 non-subjects?

7 DR. KAPLAN: That's correct, and that the real  
8 head to head competition, as we showed in the end use slide  
9 earlier, is in the cabinet areas and that the Chinese share  
10 of the -- of these end use segments and the U.S. uses are  
11 not that dissimilar. We did not include, there's a footnote  
12 that we did not include the furniture and underlayment  
13 numbers because they were confidential.

14 But with respect to cabinets, with respect to  
15 retail floor fixtures, with respect to architectural work,  
16 with respect to mobile homes, these volume numbers are not  
17 incredibly dissimilar, where if you put up the ones with the  
18 non-subject imports, it would be very, very different. So  
19 this fits with our head to head competition. This fits with  
20 our overlap in the same end markets.

21 The grades fit with our -- that we're  
22 supplying these same components in these same end use  
23 markets, the fronts and the boxes, and that it matches up  
24 pretty closely. So I hope that helps.

25 VICE CHAIRMAN JOHANSON: It does. Thanks for

1 providing that information.

2 MR. GILLESPIE: Commissioner Johanson, could I  
3 add something please?

4 VICE CHAIRMAN JOHANSON: Yes.

5 MR. GILLESPIE: Gary Gillespie, Columbia  
6 Forest Products. I believe this is a distraction from the  
7 battlefield, the cabinets that Dr. Kaplan just mentioned.  
8 If you look at our sales, Chinese sales and U.S. sales in  
9 the RV industry, first of all they're both -- they're a very  
10 small percentage of that industry, number one, and two, '14,  
11 '15, '16, the numbers that we both sell are almost identical  
12 year over year over year.

13 That's not our fight. The fight is in the  
14 cabinets and miscellaneous areas so to speak.

15 VICE CHAIRMAN JOHANSON: All right. Thank you  
16 for that clarification, Mr. Gillespie. Now you just talked  
17 about the miscellaneous category. I'm going to actually  
18 touch upon that right now. When we look at tables that  
19 break down the U.S. market by end use and by grade, and you  
20 can see examples at pages 7, 15 and 28 of the Petitioners'  
21 brief, there are significant volumes that fall under  
22 miscellaneous and other categories. "Other" is in quotes.

23 How reliable should we view these breakdowns  
24 to be when such significant volumes have yet to be  
25 classified? Can we assume that because the unknown end uses

1 and grades were not captured because they were of lower  
2 quality products? Once again, I'm referring to this large  
3 number, Miscellaneous and Other categories.

4 MS. CRIBB: Ashlee Cribb from Roseburg Forest  
5 Products. For us, the miscellaneous category was  
6 significantly made up by the big box retailers, and when we  
7 sell to the big box retailers, we don't know the end use.

8 VICE CHAIRMAN JOHANSON: Okay. Would others  
9 -- does anybody else want to respond?

10 MR. YORK: Kris York, Murphy, and yes, I would  
11 agree with that.

12 MR. TAYLOR: Mike Taylor, States Industries.  
13 Same issue with us in our categories.

14 DR. KAPLAN: There is a slide on distribution,  
15 and that's consistent with the statements made by the  
16 representatives of the industry here taken from the staff  
17 report. The footnote's in the corner. But that's how you  
18 see the market with the big boxes in blue.

19 MR. BRIGHTBILL: Tim Brightbill, Wiley Rein.  
20 Again, this just goes to interchangeability of the product.  
21 If it's miscellaneous or other, not necessarily knowing  
22 where it's going to or for what end use, but clearly the  
23 Chinese and U.S. product are highly substitutable in that  
24 environment.

25 MR. GILLESPIE: Gary Gillespie, Columbia. I

1 would add to that that you know, some of the miscellaneous  
2 is a lot of this laminate-grade panel that you folks will  
3 see over here in the corner, the hand samples. They could  
4 be putting high pressure laminate on it, they could be  
5 putting low basis weight papers on it. I think there's a  
6 lot of that miscellaneous in those type of buckets.

7 And again, you'll see panels over here that  
8 are made with Chinese and U.S. panels based with those  
9 different laminates on the surfaces.

10 VICE CHAIRMAN JOHANSON: Okay, thanks for your  
11 responses. My time has expired. Commissioner Williamson.

12 COMMISSIONER WILLIAMSON: Okay, thank you.  
13 How much -- how much of the difference between the average  
14 unit values for shipments of domestic and subject hardwood  
15 plywood is explained by domestic producers primarily  
16 shipping higher grades?

17 MR. BRIGHTBILL: Tim Brightbill, Wiley Rein.  
18 There is, as you saw in the grade information, there's  
19 actually a significant overlap of grades. So there is --  
20 there is a particular overlap in the B's and C's and D grade  
21 between U.S. product and subject imports. So there are AUV  
22 differences, but there's also overlap, and the average unit  
23 values also reflect, of course, the impact of the dumping  
24 and the subsidies of the imports.

25 COMMISSIONER WILLIAMSON: Okay. For the --

1                   MR. GILLESPIE: Gary Gillespie -- I'm sorry,  
2                   sir.

3                   COMMISSIONER WILLIAMSON: Sure, go ahead.

4                   MR. GILLESPIE: Gary Gillespie, Columbia  
5                   Forest Products. I can't speak to the mix of products for  
6                   the A's versus B's percentages, how that impacts that. But  
7                   we do know that on the bread and butter items that we  
8                   compete with China against day-in, day-out, it's  
9                   predominantly half inch and three quarter inch. The vast  
10                  majority were consistently 18 to 20 dollars a sheet more  
11                  than -- they're 18 to 20 dollars a sheet less than we are.

12                  COMMISSIONER WILLIAMSON: Okay, no matter what  
13                  the grade?

14                  MR. GILLESPIE: That's for the materials that  
15                  you see that's used on the inside of the box. That's C, D,  
16                  E.

17                  COMMISSIONER WILLIAMSON: Okay, okay. What  
18                  about the substitutability in grades for an exterior-facing  
19                  hardwood panel. Is there a hard line below which the visual  
20                  appearance would be unacceptable? I'm specifically  
21                  interested in the substitutability of B and C grade panels.

22                  MR. CAINE: Commissioner, this is Bill Caine  
23                  at Commonwealth Plywood. The grades typically identify what  
24                  would be the realizable yield of a panel in a way. So for  
25                  instance, you might pay more money for an A grade panel

1 because you might realize a much higher yield when you cut  
2 it up. Most plywood does not remain in a 4 by 8 form, as  
3 you see form all these samples.

4                   They all get cut down into smaller pieces. So  
5 a B grade you might pay a higher price than a C grade  
6 because you'll get a higher yield again, and a C grade you  
7 might pay a slightly lower price because you'll get a lower  
8 recovery again. It's kind of how the grades work. So the  
9 direct relationship between the grade and the recovery for  
10 the cabinet maker, and they make a decision based on past  
11 practices, tradition, which grade they want and there's no  
12 grading police.

13                   Also, we don't have an authority on your --  
14 what it is we do sell as a grade. I think it varies  
15 slightly, as each piece of wood is slightly different.

16                   COMMISSIONER WILLIAMSON: Okay, thank you.  
17 Mr. Gillespie.

18                   MR. GILLESPIE: Just a little comment. This  
19 is Gary Gillespie, Columbia Forest Products. The comment  
20 about the high grades, the A's and the B's. In front of you  
21 you have samples. I'll give you a sneak preview. In front  
22 of you you should have samples of doors that were made with  
23 Chinese panels on the interiors and U.S. panels on the  
24 interiors. This happens to be a maple door. You can see  
25 they're both painted when it's raw also.

1                   The point here is that there's -- there's a  
2 market for the high grade Chinese high grade. As a matter  
3 of fact, there is container after container of panels that  
4 go into that RV market we talked about earlier, of high  
5 grade maple and from A's and B's sap, and here's examples of  
6 that right here.

7                   COMMISSIONER WILLIAMSON: Okay, thank you.

8                   MR. THOMPSON: Brad Thompson, Columbia Forest  
9 Products. I think it's important to know that both China  
10 and the United States are using trees, and trees produce  
11 those rates, and we have to merchandise them and market  
12 them. We can't not move the mix as we call it. So there's  
13 no secret in terms of some log that only produces A grade  
14 and some log that only produces a D grade. We all makes the  
15 same grades. We put them in bins and they vary and they  
16 overlap.

17                  COMMISSIONER WILLIAMSON: Because nature's  
18 going to give you different grades.

19                  MR. THOMPSON: You said it, that's right.

20                  MR. BRIGHTBILL: Tim Brightbill, Wiley Rein.  
21 If we could go to my Slide 16, it just underscores that the  
22 Chinese are moving up the value spectrum and are showing or  
23 advertising A grade plywood for furniture, fancy  
24 construction, B grade for upper end cabinetry,  
25 architectural. Again, highest quality, highest grades.

1 There's a great deal of substitutability there as well.

2 COMMISSIONER WILLIAMSON: Okay, thank you.

3 What is your response to the Respondents' argument that the  
4 HPVA standards are designed specifically to highlight  
5 differences between domestic and imported hardwood plywood?  
6 I think they're trying to say the standards give you all an  
7 advantage.

8 MR. BRIGHTBILL: I'll let Kip Howlett comment.  
9 Tim Brightbill. But I will note that the Chinese are  
10 advertising that they're meeting or exceeding HPVA  
11 specifications. It's pretty clear that the specification  
12 works to equate products that are similar, and in many cases  
13 we have U.S. and Chinese products that are similar and  
14 substitutable.

15 MR. HOWLETT: Kip Howlett, HPVA. I think  
16 we've submitted for the record business confidential the  
17 ANSI HPVA HP-1 standard, and I would point out that this is  
18 the IWPA, International Wood Products Association standard  
19 for Southeast Asian producers making hardwood plywood to  
20 sell into the U.S. market.

21 That's the stated scope of the standard, and  
22 in the standard, there are numerous references in  
23 incorporation of ANSI HPVA HP-1. In addition, for those  
24 species that are identified in here, use those in the IWPA  
25 standard for grading. There's a lot of overlap and a lot of

1 use of the ANSI HPVA HP-1 standard and this standard.

2 COMMISSIONER WILLIAMSON: Okay, good. Thank  
3 you. Let's see. I just had one other quick question. Mr.  
4 Thompson, you made a reference to invested in lean  
5 manufacturing systems to try to make yourself even more  
6 competitive. I was wondering if you just could clarify what  
7 that means.

8 MR. THOMPSON: Sorry, Brad Thompson, Columbia  
9 Forest Products. Well, lean manufacturing is a means in  
10 which we use techniques employed with our employees. We're  
11 an employee-owned companies, and we work in teams to figure  
12 out how to do it better. So that's the culmination of  
13 savings with our employees, figuring out ways to make  
14 hardwood plywood more efficient and with higher quality.

15 COMMISSIONER WILLIAMSON: Good, okay. Thank  
16 you. I think that takes care of all my questions. So I  
17 want to thank the witnesses for their testimony.

18 VICE CHAIRMAN JOHANSON: I have no further  
19 questions. Commissioner Broadbent? Okay. Does staff have  
20 any questions?

21 MS. MESSER: Thank you Vice Chairman. This is  
22 Mary Messer, Office of Investigations. Staff has no  
23 questions.

24 VICE CHAIRMAN JOHANSON: Do Respondents have  
25 any questions?

1 MR. GRIMSON: No, Commissioner Johanson.

2 VICE CHAIRMAN JOHANSON: Okay. With that, we  
3 will take a break for lunch. We will return at two o'clock  
4 please, and I would appreciate it if you all would make sure  
5 that you do not leave any confidential business information  
6 in the hearing room, as the hearing room's not secure.  
7 Thank you again for the panel for being here this morning.

8 (Whereupon, a luncheon recess was taken.)

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

2                   MR. BISHOP: Will the room come to order.

3                   VICE CHAIRMAN JOHANSON: Mr. Secretary, are  
4 there any preliminary matters?

5                   MR. BISHOP: Mr. Chairman, I would note that the  
6 panel in opposition to the imposition of the anti-dumping  
7 and countervailing duty orders have been seated. This panel  
8 has 60 minutes for their direct testimony.

9                   VICE CHAIRMAN JOHANSON: You may proceed.

10                  MR. GRIMSON: Thank you very much. Good  
11 afternoon, Commissioners. This afternoon you will hear from  
12 the AAHP, the Chinese industry, and as well as people who are  
13 actually buying and using the plywood from both the U.S. and  
14 China. So let's get right into it with our first witness,  
15 Shawn Dougherty.

16                  STATEMENT OF MR. SHAWN DOUGHERTY

17                  MR. DOUGHERTY: Thank you for the opportunity to  
18 speak here again at the Commission. My name is Shawn  
19 Dougherty. I'm a board member of the AAHP, IWPA, AHEC and  
20 I'm the Director of Asia for Northwest Hardwoods.

21                  Northwest Hardwoods is one of the largest  
22 producers of hardwood lumber in the United States with 30  
23 manufacturing facilities and annual production of  
24 approximately 525 million board feet. We employ 1,741  
25 Americans in our saw mills, remanufacturing related sales,

1 and support facilities. Our industry produces about seven  
2 billion board feet annually. We are one of the largest  
3 hardwood lumber exporters in the U.S. and China is our largest  
4 of nearly 40 overseas markets. We also import hardwood  
5 plywood from China and other countries to provide a diverse  
6 product offering of panels to meet our customers changing  
7 needs in the U.S.

8 Just like the Petitioners, our customers include  
9 manufacturers of cabinets, furniture, flooring, RV, mill  
10 work, which we often refer to as the industrial segment.  
11 With a perspective of a lumber producer selling to both U.S.  
12 and Chinese customers, I want to focus this morning on the  
13 raw materials and products that are available in both  
14 markets. In our business, we call this the wood basket.

15 The species of trees selected, grade of logs  
16 utilized, manufacturing capabilities, and the mill's  
17 proximity to the resource all have significant impact on  
18 both the products that can be manufactured and the mill's  
19 capacity to produce. In the Western U.S., the predominate  
20 species used by the domestic hardwood plywood producers for  
21 their core stocks are soft woods, such as Douglas fir,  
22 which has a 40 to 60 year growth cycle and the average  
23 diameter is 50 centimeters. This species selection limits  
24 the types of industrial applications, as you will hear later  
25 today.

1           By contrast, the primary species used in China  
2     for plywood cores are unique species of fast-growth poplar  
3     and eucalyptus. Both are harvested from plantations and  
4     farms. In the case of poplar, from seedling to harvest, the  
5     cycle is only seven to ten years and as short as five years  
6     for eucalyptus. The logs are relatively small. For  
7     example, Chinese poplar is typically 20 to 25 centimeters in  
8     diameter and eucalyptus is around 15 centimeters.

9           As you can see from the pictures here, some of  
10    the red oak logs on the upper left are nearly as large as  
11    the crane operators. Turning from the core to the face  
12    veneer, we begin to see that the wood basket plays a crucial  
13    role. It is the quality and thickness of the face veneer  
14    that determines the panel's application for the end  
15    consumer.

16           You see in front of you on the exhibit table  
17    samples of typical Chinese birch and poplar logs and U.S.  
18    domestic red oak log that was cut at one of our mills here  
19    on the East Coast five years ago for the Plywood 1 hearing.  
20    The diameter of Chinese birch is 25 centimeters, on average.  
21    The diameter of red oak can be 90 centimeters and above.  
22    This one here is only 53 centimeters, so even the dramatic  
23    difference you see here is understated.

24           The Petitioners are in a unique position as they  
25    start with a beautiful and carefully selected hardwood log

1 that has taken a half century to grow and is large in  
2 diameter. They want to maximize the output of the higher  
3 grade veneer that shows off the natural beauty of the  
4 resource, which adds value to their decorative panels.  
5 Before they even see the log, the logs are sorted and only  
6 the best are designated as veneer logs. So right from the  
7 beginning a selection process occurs that increases the  
8 chances of higher grade recovery when the logs are peeled  
9 and sliced.

10 For their face veneers, the domestic  
11 manufacturers slice or peel red oak, white oak, cherry,  
12 walnut, birch, hard maple. These are very large diameter  
13 veneer quality logs that will yield a higher percentage of  
14 upper grade veneers and are ideally suited to serve the  
15 architectural and decorative applications. It is  
16 unfortunate that only 1 percent of the U.S. temperate  
17 hardwood specie mix is birch, a unique, closed grained light  
18 colored wood. That birch, by the way, is mostly located on  
19 the eastern part of the United States while many of the U.S.  
20 producers are on the West Coast.

21 In China, by contrast, the log predominately  
22 used by the Chinese plywood producers for face veneer is a  
23 birch, which is a much smaller diameter log that naturally  
24 generates much lower grades. Because the logs themselves  
25 are small, it is only logical for the Chinese to peel very

1 thin veneers; otherwise, if the logs were peeled as thickly  
2 as the U.S. industry, which peels down to only about 0.6  
3 millimeters, the Chinese would get only a few rotations  
4 before the log would be gone. In China, the average veneer  
5 face for birch, for example, is 0.22 millimeters to 0.28  
6 millimeters.

7 I have here some samples of domestic and Chinese  
8 face veneers. There are two sets, red oak and birch. And  
9 you can clearly see for yourself the difference in  
10 thickness. It's tangible and even transparent. If you lay  
11 the thin peeled birch over the card attached to it, you will  
12 see you can read right through it, not so with the thick  
13 face. The difference is real and it has an impact on how  
14 the panel is produced and the ultimate end use of this  
15 product.

16 Because they're peeling so thin from small  
17 diameter logs, the Chinese do not produce very much  
18 high-grade product. The resource does not lend itself to  
19 this; therefore, this dictates the kinds of customer  
20 segments and end use applications the Chinese product can  
21 sell into. Their output of face grade veneer is much more  
22 concentrated on D, E, and other proprietary grades.  
23 Domestic producers maximize their yield of higher-grade face  
24 veneer by clipping and splicing veneers to remove  
25 imperfection using a Cooper splicer, which is like a large

1 sewing machine. This cannot be done with the wet layout  
2 process that the Chinese use that you will hear about later.  
3 It would be rare in China, on the other hand, to get an A grade  
4 veneer, given local resources.

5           Why don't the Petitioners just peel their large  
6 diameter logs very thin? They peel thicker to emphasize the  
7 beauty of the wood, which is their natural niche. This  
8 means a thick-faced veneer that can be sanded and finished  
9 to show off the wood's natural characteristics. I've spoken  
10 a lot about the beauty of the wood and how that favors  
11 domestic thick-faced veneer, but that assumes the consumers  
12 wants to see the beauty of the wood grain.

13           A recent trend in cabinetry is that buyers are  
14 increasingly interested in painted cabinet look. This trend  
15 has significant impact on our hardwood lumber sales into the  
16 U.S. We are selling less hardwood lumber because it is  
17 being replaced by other materials, such as MDF. My fellow  
18 panelists from the cabinet industry can speak more about  
19 this trend later in our presentation. Thank you very much.

20           STATEMENT OF MR. GREG SIMON

21           MR. SIMON: My name is Greg Simon. I'm the  
22 Chairman of the American Alliance for Hardwood Plywood and  
23 Executive Vice President of Far East American, Inc.

24           Far East American is a leading importer of the  
25 subject merchandise from China and other non-subject

1 countries. We also have a joint venture ownership interest  
2 in a Chinese factory producing hardwood plywood. I've  
3 worked at Far East American for over 25 years and have  
4 experience with all aspects of the import plywood business.  
5 This is my fourth appearance before your agency.

6 Our company specializes in the distribution of  
7 imported plywood and wood products from China as well as  
8 Russia, Indonesia, Malaysia, and South America. We supply  
9 industrial manufacturers and distributors. My testimony  
10 today will focus on differences in the production process  
11 and how those profound differences affect the end product  
12 and its uses.

13 You heard in the last case, in depth, about the  
14 differences in production between the U.S. and the Chinese.  
15 In general, the Chinese use a two-step process to produce  
16 plywood while the domestic producers typically use a  
17 one-step layup process. Core veneers in China are air  
18 dried, as you can see here on the left side of the screen  
19 and further dried using a hot press. Core veneers in the  
20 U.S. are dried using an expensive jet dryer to computer  
21 control moisture content.

22 The dried core components in China are typically  
23 glued together manually. In the U.S., core components are  
24 assembled using an automated core composer. The Chinese  
25 then apply glue and do the first of two presses. Chinese

1 cores are typically calibrated sanded, which mean the  
2 thickness is very precisely controlled. U.S. cores are not  
3 typically calibrated sanded.

4           Finally, the Chinese apply a base coat to the  
5 core to reduce core transfer before applying super thin face  
6 and back veneers to the calibrated platform, using the wet  
7 layup process. In the U.S., the dried core veneers and  
8 face and back veneers are typically assembled and pressed in  
9 a one-step dry process. The differences in production  
10 processes flow directly to differences in product,  
11 specifically, the face veneer thickness.

12           Typically, U.S. face veneers run 0.5  
13 millimeters at the low end to 0.8 millimeters, which is  
14 three to four times thicker than Chinese face veneers.  
15 These thick faces are needed to mask core defects and  
16 prevent core transfer. Domestic hardwood plywood  
17 manufacturers cannot peel face veneer thinner than 0.4  
18 millimeters and apply them in a dry, one-step layout  
19 process. Their machines would damage the veneers. Nor  
20 would they want to because it would deprive them of their  
21 main value added product attribute, the ability for end  
22 users to properly sand and stain the product for decorative  
23 applications.

24           There's a hard line below 0.4 millimeters where  
25 you cannot use the U.S. industry's advanced machinery to

1 produce plywood in a dry, one-step layup. We have here a  
2 sample of domestic three-quarter inch and Chinese 18  
3 millimeter plywood so you can do a side-by-side comparison  
4 yourself.

5 First, if you look at the edges of the panel,  
6 you will see differences in the core between the U.S. and  
7 Chinese. Most domestic product has a softwood core or  
8 softwood combined with MDF while the Chinese is hardwood.  
9 You can see that the Chinese product uses a larger number of  
10 thinner layers of veneer. The domestic core veneer layers  
11 are much thicker and there are fewer of them.

12 The type of core makes a tremendous difference.  
13 For applications such as paper overlay laminating the  
14 Chinese product is superior to the domestic product because  
15 of the multilayered hardwood core construction and a very  
16 tightly calibrated thickness. The Chinese product has a  
17 super smooth, knot-free surface ideal for paper overlay  
18 processing, free of telegraphing. The domestic product  
19 simply does not function in this way.

20 Second, there's also a dramatic visible  
21 difference in the face veneer itself. If you hold the  
22 samples side-by-side, you can barely even see the face  
23 veneer of the Chinese panel while the face veneer layer is  
24 clearly visible on the domestic panel. Chinese face veneer  
25 is typically so paper thin that it does not perform well

1 when machine sanded, which makes it unsuitable for most  
2 decorative or stained applications. These extreme  
3 differences in face veneer thickness are critical to  
4 understanding the domestically produced plywood and Chinese  
5 imported plywood are two fundamentally different,  
6 non-competing products.

7 Third, the domestics dominate the market of  
8 higher end veneers and the Chinese are focused more on the  
9 lower end veneers. The fact is the domestic industry makes  
10 visually beautiful, thick-faced product that can be sanded  
11 and finished for use in decorative applications. There is  
12 very limited head-to-head competition between Chinese and  
13 domestic in the lower grade products. Please consider that  
14 any manufacturer worldwide peeling or slicing veneer logs  
15 are doing so to a set thickness; thus, lower grade domestic  
16 veneers developed with the exact same thickness as those  
17 developing in the higher-end decorative grades.

18 This is a significant point to carefully  
19 consider as the Chinese are peeling or slicing nearly  
20 everything thin. The few higher grade veneers they may be  
21 lucky enough to get from the small diameter logs are peeled  
22 too thin to be sanded for decorative applications. While  
23 the lower grades developing are also thin veneers, but  
24 ideally suited for non-decorative applications. This  
25 greatly contributes to one's production and the way they

1 would use those products. They would be used differently.

2 To sum up the differences between the end use of  
3 the Chinese and the domestic product it comes down to the  
4 fact that fitness of use dictates product selection. If an  
5 end user does not require a decorative or high-end panel,  
6 they look for alternative sources. Based on my quarter  
7 century in the industry, I can tell you that the domestic  
8 industry is not going to increase its sales if the Chinese  
9 product is barred from the market. The products are too  
10 different. Rather end users will be forced to replace the  
11 Chinese plywood with other non-subject, third country  
12 imports.

13 We have emphasized that the thick-face veneer is  
14 an important characteristic. The Petitioners deny this;  
15 however, you don't have to take my word for it. As we sit  
16 today Timber Products has on its website a video explaining  
17 the qualities of its plywood. I would like you to hear it  
18 from the Petitioners' mouth.

19 (VIDEO PLAYING)

20 "Every hardwood panel has a face and a back with  
21 the face being the better side. The labeling on the edge  
22 shows you which is the face, the side you'll want to finish.  
23 Panels from Timber Products Company feature a thicker  
24 hardwood veneer for greater texture and a beautiful finish."

25 MR. SIMON: The gentleman shows you the face of

1 the panel, which I recognize has having an SKU from Menard's,  
2 which is on sale today and labeled in their stores and  
3 online has having a thick-face veneer. He shows you the  
4 face. He emphasizes the thickness of the veneer. The  
5 domestic plywood producers compete with each other. Chinese  
6 plywood is in another world.

7 STATEMENT OF MR. DAVID RANDICH

8 MR. RANDICH: Good afternoon. My name is Dave  
9 Randich and I'm the President of MasterBrand Cabinets, the  
10 largest cabinet company in the United States. The history  
11 of our company can be traced all the way back to 1954, when  
12 our original brand, Aristokraft, got its start in Indiana,  
13 very near our current main office building.

14 MBCI manufactures custom, semi-custom in-stock  
15 cabinetry for the kitchen, bath, and other parts of the home  
16 with over a dozen core brands. In 2016, our cabinet sales  
17 totaled over \$2.4 billion. We're very proud of our 20  
18 manufacturing facilities in the United States and the 11,000  
19 people we employ in the United States.

20 Today I'm here to discuss two main points.  
21 First, as the largest cabinet producer in North America, we  
22 are a large purchaser of both domestic and Chinese plywood.  
23 I have unique insight into how plywood is used. I'd like to  
24 tell you about the important differences between domestic  
25 and Chinese plywood and why we choose to use one versus the

1 other, depending on the specific application.

2           Secondly, I'd like to explain how consumer  
3 trends are affecting the usage of plywood in our company.  
4 We purchase a large volume of plywood from all over the  
5 world. We buy from domestic producers, some of whom are  
6 sitting in this room, as well as Chinese producers. Plywood  
7 products do not all have the same characteristics.  
8 Generally speaking, domestic and Chinese suppliers provide  
9 different products with different attributes.

10           We use the plywood that is best suited for the  
11 job at hand. Generally speaking, domestic plywood competes  
12 with other domestic plywood, not with Chinese plywood. In  
13 general, we use domestic plywood for decorative applications  
14 on the outside of the cabinet where the most important  
15 attribute is the look of the wood grain. We generally use  
16 Chinese plywood in structural and interior applications  
17 where the most important attribute is the ability to apply  
18 laminated film to the plywood.

19           Domestic plywood typically has a thicker face  
20 veneer making it better suited to sand and stain. We  
21 typically use this type of plywood where the decorative  
22 appearance of the wood grain matters, the parts of the  
23 cabinet that the consumer sees. While the physical  
24 characteristics of domestic plywood make it ideal for  
25 sanding and staining, domestic plywood is usually not as

1 effective as Chinese plywood that we specify for our  
2 structural applications requiring laminated plywood.

3           The Chinese plywood we purchase typically has a  
4 thin face, which makes it less suitable for decorative  
5 applications, requiring sanding and staining in the  
6 manufacturing process; however, it is typically smoother and  
7 has more layers which make it better suited for laminating  
8 and use in most robust structural applications. We use the  
9 type of plywood that is best for the application. Because  
10 of the differences in the product characteristics, we need  
11 to purchase from the domestic producers, Chinese producers,  
12 and from other import producers.

13           I'd also like to explain how changing consumer  
14 tastes are impacting use of plywood. Demand for kitchen and  
15 bath cabinets is closely linked to new homebuilding and  
16 remodeling. We've seen significant growth in the past few  
17 years as homebuilding and remodeling activities increased.  
18 We expect that general demand trend to continue into the  
19 future.

20           That's the story of general demand. Within the  
21 increasing general demand, some cabinet styles are growing  
22 faster than others. Painted cabinets are very popular right  
23 now, and growing accordingly, while we've seen a decline in  
24 the popularity of the more traditionally stained wood  
25 cabinets. This matters because the styles that are growing

1 more quickly tend to favor applications that require the use  
2 of Chinese plywood or don't necessarily need to use plywood  
3 at all. The most popular painted cabinets are painted in a  
4 way that completely disguises the wood grain. For painted  
5 applications, we've been moving away from using plywood  
6 altogether and we're beginning to substitute MDF.  
7 Incidentally, we primarily source MDF from domestic  
8 suppliers. For the backs, bottoms, and shelves of painted  
9 cabinets, we either use laminated Chinese hardwood plywood  
10 or we don't use hardwood plywood at all.

11           While our purchases of plywood have increased --  
12 did increase overall cabinet demand, Chinese plywood has  
13 increased at a higher relative rate than domestic plywood.  
14 This is due to the differences between the two types of  
15 plywood and the growing popularity of painted cabinets.

16           I came here today because my company depends on  
17 a strong global supply chain in order to keep our 20 U.S.  
18 factories running and 11,000 employees working in the United  
19 States. We cannot risk the unnecessary disruptions to our  
20 supply chain which could result from this case. We have  
21 robust supplier compliance program, so finding and  
22 qualifying acceptable new suppliers is a complex and  
23 time-consuming task. And as I mentioned earlier, different  
24 types of plywood are best suited for different types of  
25 jobs. Using plywood that is not best suited for the job can

1 cause production inefficiencies and disruptions.

2 This concludes my prepared remarks. I thank you  
3 for hearing how plywood is used in the cabinet industry.  
4 Because domestic and Chinese plywood are different, my  
5 company needs the freedom to source the best commodity  
6 suited for our cabinet applications so that we can continue  
7 to run efficiently in our factories and keep our 11,000 U.S.  
8 workers employed. Thank you.

9 STATEMENT OF MR. KYLE BRESSLER

10 MR. BRESSLER: My name is Kyle Bressler. I'm  
11 the Vice President of Lanz Cabinets. Our factory is located  
12 about 10 minutes from both Murphy Plywood and States  
13 Industries. We employ 450 Americans in our cabinet  
14 manufacturing facility, which is more than both Murphy and  
15 States combined in their hardwood plywood divisions. We  
16 are a medium to large sized cabinet maker. There are many  
17 companies just like us that together employ tens of  
18 thousands more American than the Petitioners.

19 It is astonishing for me to hear the Petitioners  
20 say that purchasers do not distinguish between domestic and  
21 Chinese plywood or that the plywood from the two sources is  
22 identical. I'm a purchaser of both products and that is  
23 definitely not the case. They would lose their competitive  
24 advantage, which is producing a high quality, thick-faced  
25 plywood that can be sanded and stained to a beautiful

1 finish. The folks from Murphy, Columbia, Timber Products,  
2 and Roseburg have visited our factory and have seen exactly  
3 how we use their plywood together with Chinese plywood to  
4 produce a beautiful cabinet with exposed wood cabinetry.

5 For the cabinets we produce that have a hardwood  
6 plywood exterior, 100 percent of those exteriors are sourced  
7 from domestic producers and almost all of it comes from  
8 right down the road. A hundred percent of our cabinet  
9 interiors are from China or other imported sources. The  
10 reason for the difference? Domestic thick-faced plywood  
11 allows us to sand it and finish it to reveal the beauty of  
12 the wood grain. We cannot do that with Chinese plywood.  
13 Our finishing lines would sand right through the thin-faced  
14 veneer.

15 Even if we could sand and stain it, the  
16 resulting quality of the finish would not be up to our  
17 clients' quality standards. There is just not enough raw  
18 materials on the plywood face of Chinese panels to work  
19 within a high volume production setting.

20 Just like five years ago, Petitioners say that  
21 nobody cares about the face veneer thickness. The cabinet  
22 makers then told you otherwise and the data agreed. It was  
23 an important factor in your decision to throw the case out.  
24 So my question back to the Petitioners is if there is no  
25 difference between the face veneer thickness and you say you

1 are losing sales to Chinese plywood, which everybody agrees  
2 is thin-faced, why haven't you switched to making that  
3 product?

4                   The reason is obvious. In fact, there are  
5 significant differences in raw material and the Petitioners'  
6 business actually depends on those differences. To hear  
7 them deny those obvious differences is a shock to me. The  
8 investments that they make continue to be in the one-step  
9 production process for a type of product that they make  
10 today and have made for decades.

11                   I have here today a typical cabinet from our  
12 facility to show you how we use plywood. Please take a look  
13 at the lighter wood cabinet on the exhibit table. We  
14 produce what we like to think of as a Cadillac of wood grain  
15 cabinets. We use 100 percent domestic plywood on the  
16 exteriors. On the interior, we cover Chinese plywood with a  
17 white paper laminate. We use Chinese plywood because of the  
18 nine-ply calibrated hardwood core that the domestic mills  
19 would be hard pressed to duplicate.

20                   We use it because of the smooth, thin veneer  
21 face that provides a near perfect laminating surface for our  
22 white paper. And lastly, we use it for the flatness and  
23 calibrated thickness that make it ideal for cutting and  
24 machining. Where we are forced to take a laminated domestic  
25 panel in order to get the face we want on the exterior, the

1 lamination is far inferior to the Chinese panel.

2 Another point I would like to make is that  
3 because of how we use domestic plywood for the sanded and  
4 stained exposed exterior and Chinese plywood elsewhere, there  
5 are more surfaces on the cabinet box that use Chinese  
6 plywood. This means that as our cabinet sales grow we  
7 purchase more Chinese plywood than domestic just because of  
8 the specific end use. If this grows the market share of  
9 Chinese plywood, it is because of geometry, not unfair  
10 trade.

11 The Petitioners have said that they can make  
12 panel that is fine for laminating. Lanz Cabinets'  
13 experience with trying domestic product for paper laminate  
14 was a disaster. It is entirely due to the physical  
15 characteristics of the core. We tried different faces from  
16 different mills in an effort to get a laminated domestic  
17 product up to our clients' quality standards. This  
18 experiment was a complete failure as we were unable to yield  
19 the same results as our imported product.

20 I would also like to point out the  
21 fashion-driven trend in my industry. Lanz Cabinets produces  
22 two types of cabinets. The first one being a traditional  
23 face frame cabinet I referred to earlier and the second  
24 being a European cabinet like the grey one you see on the  
25 exhibit table. The European frameless cabinets use

1 thermally-fused melamine fronts and in this case Chinese  
2 hardwood plywood on the sides and back.

3           Ten years ago, Lanz Cabinets only produced face  
4 frame cabinets, five years ago, our backlog was 75 percent  
5 face-framed cabinetry to 25 percent European frameless  
6 cabinetry. Today our backlog is 65 percent European  
7 frameless cabinetry and 35 percent face-framed cabinetry.  
8 That is a drastic swing in the demand over a very short  
9 period of time and I fully anticipate the trend continuing  
10 in favor of European construction. The reason for the  
11 growth is due to the introduction of new, modern  
12 thermally-fused laminate and rigid thermal foil or TFL and  
13 RTF, which are textured and non-textured products that have  
14 hit the market.

15           These creative offerings, combined with a sleek,  
16 modern design of the European cabinet, gives developers and  
17 architects a fresh new look that a stained hardwood cannot  
18 give them. I have had multiple conversations with several  
19 of the Petitioners regarding the trend in the industry that  
20 we were seeing and that trend has nothing to do with where  
21 hardwood plywood is being sourced from. Whether we like it  
22 or not, trends happen and successful companies have to adapt  
23 to change in order to stay alive and remain competitive.

24           The Petitioners have stated that imported  
25 Chinese plywood is directly impacting their revenue, their

1 profits, and their jobs. I believe the main culprit for  
2 whatever impact they are potentially feeling is due to the  
3 natural swing and the market demand in this fashion  
4 industry. The proof is in the numbers. We don't have the  
5 luxury of using materials that are not right for the job.  
6 We're trying to compete with cabinets from China, Canada,  
7 and elsewhere. If the Petitioners win this case, it will be  
8 extremely harmful for our jobs and will make us less  
9 competitive against these foreign cabinets.

10           Lanz Cabinets has great, long-standing  
11 relationships with several of the Petitioners and looks to  
12 continue that relationship after the ruling; however, we  
13 don't understand how the Petitioners can hurt their main  
14 customers this way. If this case goes through and I lose my  
15 clients to imported cabinets, who's going to be left to buy  
16 the Petitioners' plywood? Thank you.

17           STATEMENT OF PAUL GOSNELL

18           MR. GOSNELL: Good Afternoon. My name is Paul  
19 Gosnell, I'm Vice President of Patriot Timber Products,  
20 Greensboro, North Carolina. Patriot Timber has been in the  
21 wood business since 1945. We are a privately held U.S.-based  
22 company who prides ourselves on developing innovative  
23 panel products from sustainable wood sources. In the past  
24 35 years I've witnessed a consistent difference between the  
25 plywood panels made by domestic manufacturers and those

1 coming in from other countries.

2 Although the imported plywood market has migrated  
3 over the years from Taiwan to Korea to the Philippines to  
4 Indonesia, Malaysia, Brazil and now China, one thing that  
5 hasn't changed is that regardless of where the imported  
6 plywood panels were produced we have always seen the  
7 domestic producers making thick panels with a nominal  
8 thickness of more than 5.2mm whereas imports are focused on  
9 thinner plywood panels of 5.2mm and thinner.

10 The domestic manufacturers traditionally have  
11 focused on panels under a quarter inch, which is 6.35mm, more  
12 than 20 percent thicker. Of these panels, especially those  
13 5.2mm of nominal thickness or less, the largest application  
14 by far is flooring underlayment. Some of the Petitioners  
15 regularly sell into the subfloor market for softwood  
16 structural products, but they have never produced  
17 underlayment.

18 Given my significant experience in the industry,  
19 I estimate approximately 20 to 30 percent of imported  
20 Chinese panels go to the underlayment market. This is  
21 higher than the Commission found last time. We believe this  
22 is because of the dramatic increase in the use of luxury  
23 vinyl tiles which use underlayment as well as the growth in  
24 the multifamily units which tend to use vinyl flooring.

25 Underlayment is a plywood applied directly

1        underneath the vinyl, hardwood or tile flooring fastened on  
2        top of the structural subfloor. It is used anywhere in the  
3        house where there is a floor covering such as a hardwood,  
4        vinyl, laminate or even tile. It is not typically used over  
5        a concrete slab however. Underlayment creates a uniform,  
6        smooth surface for resilient flooring.

7                    In appearance, underlayment has a very thin,  
8        non-decorative face veneers, often with a fastener pattern  
9        on the face making them unusable for applications other than  
10       underlayment. I'd like to show you some of the examples of  
11       the underlayment that they're passing around now. As you  
12       can see, the underlayment is a non-decorative face with  
13       large x's to make it easy to install with the correct side  
14       facing up.

15                   We print this pattern on our branded proprietary  
16       underlayment panels as have some of our competitors in this room  
17       today. We have our underlayment panels approved by the  
18       major vinyl flooring manufacturers as well as certified by  
19       the Tile Council of North America for use under ceramic  
20       tile. The majority of our branded proprietary products are  
21       also covered by two U.S. patents for product and method.

22                   The domestic producers do not have their plywood  
23       approved or certified by any of these organizations. They  
24       are simply not in this market. Overall demand in the  
25       underlayment market is increasing in response to changes in

1 new home construction and remodeling. When a homeowner  
2 wants a new floor, they typically rip up the underlayment  
3 and install a new one over the subfloor.

4 We have seen a direct increase in our  
5 underlayment as housing starts and remodeling continue to  
6 grow. Because they have not produced underlayment, the  
7 domestic manufacturers get no benefit from the increase in  
8 demand for underlayment due to growth in home building and  
9 remodeling. As you can see on the slide, there are many  
10 square feet in a home that use underlayment. The domestics  
11 do not get into this market at all.

12 The closest the domestic producers come to  
13 underlayment is a 0.25 inch. As I mentioned earlier, this  
14 is 20 percent thicker than our 5.2mm panels; 0.25-inch  
15 panels cannot be installed in the same way as 5.2mm. The  
16 thinner panel can be scored with a knife and snapped apart  
17 to fit whereas the thicker panels must be sawed apart. To a  
18 floor installer this is a major consideration.

19 We want to be sure that the Commission considers  
20 this significant market segment in their final  
21 determination. Chinese and domestic plywood are different  
22 products. In the underlayment segment plywood from the two  
23 countries do not compete at all. The domestics did not  
24 supply this market for decades and their exit had nothing to  
25 do with the Chinese.



1           These laminated plywood panels are for use by the  
2 recreational vehicles, kitchen cabinet, cargo, furniture and  
3 store fixture industries among others. I have been inside  
4 hundreds of RVs and recreational vehicle manufacturing  
5 plants and have seen firsthand how and where different  
6 materials are used in these industries.

7           I'm here today to discuss how and why we choose  
8 the hardwood plywood we use for lamination applications.  
9 Simply put, the hardwood core of the Chinese two-step core  
10 plywood is superior for our laminating purposes compared to  
11 the one-step cores of the domestic producers. Genesis  
12 engages in two general operations. We either supply our  
13 customer with the laminated panels or we could supply them  
14 with the various pre-assembled parts utilizing these panels  
15 or panel strips.

16           Depending on the application, we may apply a  
17 paper laminate over an MDF panel or a lightweight Chinese  
18 hardwood plywood panel. The Chinese panels perform very  
19 well for laminating because the hardwood cores are tighter  
20 with fewer knots compared to the softwood cores typical in  
21 domestic plywood.

22           Knots can cause major production and quality  
23 issues as they can fall out during the machining process  
24 leaving large voids that cannot be laminated. Our laminated  
25 Chinese hardwood plywood panels are also widely used in

1 cabinet construction in RVs. We can use these Chinese  
2 panels in visible surfaces because we apply a paper  
3 laminate over the thin veneer face in combination with a  
4 multi-ply, tightly calibrated hardwood core that is designed  
5 specifically for this application.

6 Chinese hardwood plywood is also used in many  
7 other visible aesthetic trim applications within the RV.  
8 Note that I have not mentioned using the domestic hardwood  
9 plywood of the 200,000 plus plywood panels we laminate each  
10 week, we do not laminate any domestic hardwood plywood.

11 The domestic core is typically softwood which is  
12 not suitable for lamination. It tends to have core voids and  
13 can even have core overlapping as well as other  
14 imperfections that can telegraph or be forced through the  
15 surface when laminated with our heavy lamination rollers.  
16 The domestic producers fight this tendency of their core  
17 material by using the thick-face veneers.

18 Under the extreme pressures of our roll  
19 lamination machines, even the smallest core imperfections  
20 can show through on the finished laminated panel. For this  
21 reason we simply do not use domestic hardwood plywood for  
22 laminating. The Petitioners may think that their product is  
23 good enough for laminating applications but that is not the  
24 case.

25 For the preliminary phase of this case we tested

1 a sample of domestic plywood to see how it would perform in  
2 our lamination operations. The results confirmed what we as  
3 industry experts in our field already know, the softwood  
4 core cannot meet our performance requirements.

5           Conversely, the Chinese Product has a tightly  
6 calibrated hardwood core. It works so well for lamination  
7 and has been widely accepted by our customers for many  
8 years. My company's decision to buy Chinese hardwood  
9 plywood over domestic is based on the performance of the  
10 material for our use. Thank you for your time.

11                           STATEMENT OF JOE SMUCKER

12           MR. SMUCKER: Good afternoon, my name is Joe  
13 Smucker. I am the business unit director of Parkland  
14 Plastics. We employ 75 Americans in our Middlebury, Indiana  
15 factory where we produce components for the RV industry. we  
16 are a subsidiary of Patrick Industries which is one of the  
17 largest RV and manufactured housing component manufacturers  
18 in the United States.

19           Patrick operates more than 80 manufacturing and  
20 distribution facilities located nationwide in 19 states and  
21 employs about 6,000 Americans. Patrick consumes a lot of  
22 hardwood plywood from global sources. At Parkland, we use  
23 plywood from many sources to make RV parts.

24           Like all manufacturers, we prefer to have  
25 multiple sources for each raw material. The RV market is

1 growing rapidly. If we run out of raw materials due to a  
2 supply disruption that means lost opportunities. We as a  
3 supplier run the risk of idling OEM manufacturing  
4 capabilities causing plant shutdowns and subsequent  
5 layoffs.

6           A supply interruption of the components  
7 Parkland supplies will completely stop the assembly process.  
8 We source plywood from domestic producers, Chinese producers  
9 and other import sources depending on the application. We  
10 prefer, as mentioned before, to have multiple sources for  
11 each raw material but for some applications the supply that  
12 we need is only from one source.

13           This is the case with the plywood we use on the  
14 underside of RV slide-outs. You may have seen some RVs that  
15 have sides that expand when stationary, expanding the  
16 interior space. Those are called slide-outs as you can see  
17 on the screen. About 80 percent of RVs have slide-outs. At  
18 Parkland 100 percent of the slide-outs we produce use  
19 Chinese product because there is no similar hardwood  
20 product available from the United States.

21           There are two reasons the slide-out panels are  
22 not available in the U.S. First, we require lengths greater  
23 than plywood from the United States. Some of our slide-out  
24 floors are 24-foot panels. The U.S. Producers have offered  
25 these panels but it is really just 8 and 10 foot sheets that

1 are jointed together. The dimensional stability in jointed  
2 plywood is inferior to a single continuous length. The  
3 Chinese make proprietary plywood of any length in a  
4 continuous sheet for Parkland.

5 Second, the Chinese Product performs well in an  
6 automated polyurethane resin coating system. Our attempts  
7 to coat domestic plywood has resulted in voids, making the  
8 panel vulnerable to rot. This is not a risk we are willing  
9 to take. Placing duties on imported Chinese plywood will  
10 not cause us to buy domestic hardwood plywood. It does not  
11 perform the way we need it.

12 If we cannot source Chinese product we will look  
13 to sources in other countries. On behalf of all our  
14 employees in the rapidly growing RV industrial complexes of  
15 northern Indiana we ask that this case be terminated. Thank  
16 you.

17 STATEMENT OF JOE CALDWELL

18 MR. CALDWELL: Good afternoon, my name is Joe  
19 Caldwell. I'm the CEO of MJB Wood Group based in Erving,  
20 Texas. We are an international wood products manufacturer  
21 and distribution company who focuses on sourcing for and  
22 managing our customer's supply chain. We operate five  
23 manufacturing operations located in Texas, Arkansas,  
24 Louisiana and South Carolina.

25 We employ 300 hardworking Americans in our

1 factories. We also have operations in Mexico, China, Canada  
2 and the Dominican Republic. I'm here today to speak about a  
3 raw material we source from China for the three largest U.S.  
4 door manufacturers in the assembly of their product.

5 Most windows and doors are constructed in a way  
6 that requires a structural element in the frame. It's  
7 covered by some other exposed raw material. Historically,  
8 pine lumbar rails from South America were used for this  
9 purpose and are still today. We are replacing this with an  
10 engineered laminated poplar product, an LVL which today is  
11 coming from China and Europe.

12 This product is very strong and straight due to  
13 many thin layers of poplar that is glued together to make a  
14 better product than the solid wood it replaced. The modulus  
15 of elasticity or the bending strength allows LVL to be a  
16 more desirable product for door manufacturers than the pine  
17 lumbar since it reduces the rejects due to bowing and crook  
18 in the longer pieces.

19 I brought a sample today to show you a cutout of  
20 a door with an LVL component in place. We tried to source  
21 this product from domestic suppliers but found that due to  
22 the industrial grade of the veneers and the size  
23 requirements it was not a product they make. Our first  
24 choice would be to use the domestic supply because it would  
25 shorten the supply chains and make our jobs easier.



1 sustainably managed forests.

2 IWPA members include importers, consuming  
3 industries, and service providers. Many of our members  
4 import hardwood plywood from China and from other countries,  
5 which is why I'm here today.

6 The IWPA is opposed to this case, as you saw from  
7 the letter we filed last week together with the RVIA and  
8 NAHB. I want to briefly address two issues that have come  
9 up in this case.

10 The first is plywood grading systems. The HPVA  
11 maintains its ANSI standard. The standard is for sale on  
12 HPVA's website. It includes an Appendix C which codifies  
13 excerpts from Industry Standard DFW-1 (1995), Voluntary  
14 Standards for Sliced Decorative Wood-Faced Veneer.

15 The Standard states that consideration should be  
16 given to processing of very thin veneers in the manufacture  
17 of decorative panels and in sanding panels employing  
18 thin-faced veneer, and provides the standard minimum veneer  
19 thickness by species.

20 The thicknesses in that standard are much higher  
21 than the typical Chinese plywood panel. The minimum  
22 thickness for Birch is .55 millimeters. I understand this  
23 is one of the reasons why the typical Chinese hardwood  
24 plywood panel cannot meet HPVA standards.

25 The HPVA grading standards are voluntary, just

1 like the standard for face veneer. As you have heard,  
2 Chinese plywood is sold according to specifications  
3 negotiated between the buyer and the seller.

4 This means that a Chinese panel identified as a  
5 Grade C by one mill may be very different from the so-called  
6 Grade C panel of another mill. And there is no  
7 comparability between the Chinese Grade C panel to a  
8 domestic panel meeting the HPVA Grade C.

9 While they may look the same in the terms of the  
10 number of defects in the panel, the construction of the  
11 panels is totally different. The notion that U.S. and  
12 Chinese plywood is the same because it's sold with similar  
13 sounding grades is wrong.

14 One last thing. There was some discussion  
15 earlier about the Lacey Act this morning. I don't have time  
16 to discuss it, but I hope to be able to answer questions on  
17 that topic during the question and answer period.

18 STATEMENT OF THOMAS L. ROGERS

19 MR. ROGERS: This is Tom Rogers with Capital  
20 Trade. The witnesses you've just heard expertly describe  
21 market conditions, what they buy, and why. Due to time  
22 constraints, I am simply going to touch on the issues of  
23 competition and causation, and then compare them to what you  
24 found in Plywood I.

25 First, due largely to the differences in physical

1 characteristics, competition between domestic and subject  
2 plywood is attenuated. In Plywood I, the Commission  
3 determined that substitutability between domestic and  
4 Chinese hardwood plywood is limited by numerous physical  
5 differences.

6           The same description, exact same description,  
7 applies to the current case. The purchasers are not buying  
8 Chinese plywood instead of domestic product, they're buying  
9 domestic, Chinese, and non-subject plywood based on the  
10 specific end-use applications.

11           Petitioners don't seem to believe this, however,  
12 and they focus on a simplistic analysis, alleging that if  
13 both the U.S. and China sell to cabinet makers, for example,  
14 then those products must compete. We think that the  
15 Commission can see right through this argument.

16           Petitioners also focus on comparisons of  
17 individual characteristics. If the comparison is patently  
18 unfavorable, such as with face veneer thickness, they argue  
19 that it's unimportant and that purchasers do not care about  
20 it.

21           Using face veneer thickness as an example, the  
22 first confidential slide shows that physically U.S. and  
23 subject imports differ significantly. You can see on the  
24 chart we've bracketed the public data--the BPI data. You  
25 can see the sharp divergence in the dimensions.

1           That physical difference translates directly to  
2 demand for the product. Contrary to Petitioner's view, you  
3 heard several purchasers emphatically state that face veneer  
4 thickness matters.

5           In sum, Petitioners' claim that the domestic and  
6 subject plywood must compete because there's some overlap in  
7 terms of grade, species, or panel thickness, is frankly  
8 illogical. It is not a binary purchase decision.  
9 Purchasers source plywood based on all of the physical  
10 characteristics of the product. Measuring overlap based on  
11 a single characteristic is meaningless.

12           Now the second main point I'll address is that  
13 this is a case about causation, or more properly I should  
14 say the lack thereof. In Plywood I, despite increasing  
15 subject import volumes, increasing market share, and  
16 significant under-selling, the Commission unanimously voted  
17 that subject imports did not have a significant impact on  
18 the domestic industry.

19           The conclusion in this case should be the same.  
20 Any injury alleged by the domestic industry should not be  
21 attributed to subject imports.

22           I am going to simply summarize a few highlights  
23 from our brief.

24           First, the U.S. market share declined due to  
25 strong demand and key end uses and applications that are

1 served by imports such as underlayment. Purchasers reported  
2 increasing demand for products unavailable from domestic  
3 mills. Also we heard this morning the Petitioners confirm  
4 that they don't even compete in such applications.

5 Second, current subject market shares are lower  
6 and increased less than in Plywood I. Nonsubject imports  
7 were larger and as described in purchaser questionnaires  
8 directly replaced domestic sales. I can't go into the  
9 details, but you have the information in the report.

10 The volume trend for key nonsubject sources is  
11 shown in confidential slide 32. Now even in the public  
12 version here, you can see the very large volume that's  
13 coming in from Russia. And this product, as we've heard, is  
14 directly comparable to the high-end U.S. product.

15 Third, end-users increased their purchases of  
16 nonsubject products. Slide 33, which contains all public  
17 data, shows the market share trends. And the green is the  
18 nonsubject imports. Notably the nonsubject share increased  
19 throughout the period, and when subject imports had their  
20 lowest share in interim 2017 as was noted in some of the  
21 questions this morning, these were nonsubject imports that  
22 gains not U.S. producers.

23 As for prices, the average AUVs for U.S. and  
24 Chinese plywood were essentially flat throughout the period.  
25 Further, just like in Plywood I which looked at the exact

1 same six pricing products, there were no dramatic shifts in  
2 underselling margins. And, contrary to Petitioners  
3 assertion this morning, only 7 of 38 purchasers ranked price  
4 as the most important factor in purchasing decisions. This  
5 is just like Plywood I.

6 Now significantly, the Commission has  
7 consistently found no adverse price effects in this market.  
8 In Plywood I, and again in the preliminary determination in  
9 this very investigation, the Commission found that subject  
10 imports did not cause price depression nor price  
11 suppression.

12 These factors all point to no causal link. And  
13 this conclusion is emphasized by what happened during the  
14 interim period. Interestingly, Petitioners barely addressed  
15 the interim periods, perhaps because it undermines the  
16 theory of their case. But if we look at the data, overall  
17 demand increased by 0.7 percent in the first half of 2017.  
18 But at that same time, subject shipments and market share  
19 declined, and Chinese prices rose by an average of 8.1  
20 percent.

21 So what happened to the domestic industry in the  
22 same period? Looking at the slide, we see that U.S.  
23 shipments declined. Prices were flat to down.  
24 Profitability declined. And the COGs to Net sales ratio  
25 deteriorated. So this is all in the first half of 2017.

1           In other words, even though Chinese volumes and  
2 prices trended during that time exactly as Petitioners would  
3 like, the condition of the domestic industry worsened.

4           So what also happened? It makes you want to  
5 know, huh? What happened in 2017 is that nonsubject  
6 shipments increased by 4.4 percent. Their prices fell, and  
7 nonsubject market shares increased to 46.7 percent. This is  
8 10 points greater than the Chinese share, and nearly 3 times  
9 the domestic producers' share.

10           The following slide series shows why Petitioners  
11 may not want to focus on the interim period. The first  
12 slide is the figure provided at page 50 of Petitioners  
13 brief. Leading aside the question of causation, it looks  
14 like U.S. profitability declined as subject import share  
15 increased.

16           The next slide simply adds the interim period.  
17 Now the picture looks very different. In fact, U.S.  
18 profitability declined in 2017 while subject's share trended  
19 sharply downward. So again, what else was going on in the  
20 market?

21           The next slide adds a green line for nonsubject  
22 import market share. As you can see, not only did  
23 nonsubject share increase over the period, it increased  
24 significantly in the interim period. Note that we had to  
25 expand the share--the compressed scale used by Petitioners

1 on this chart so that the large nonsubject share would fit  
2 on the graph.

3 In conclusion, when you put all these pieces  
4 together, it is clear that there's no causation and  
5 nonsubject imports, not Chinese plywood, certainly tell a  
6 compelling story. Thank you.

7 MR. NEELEY: I'm Jeff Neeley from Husch Blackwell.  
8 We're here on behalf of the China National Forest Products  
9 Industry Association and its members.

10 Mr. Wu?

11 STATEMENT OF WU SHENGFU

12 MR. WU SHENGFU: Good afternoon. My name is--  
13 Members of the Commission, my name is Wu Shengfu. I am the  
14 Vice Chairman for the China National Forest Products  
15 Industry Association. I also testified in the 2013 plywood  
16 hearing. The importers already have addressed the issue of  
17 present injury and we agree with their conclusions. We also  
18 have provided detailed information on the threat issue in  
19 our prehearing brief.

20 Our Association has been working hard to make  
21 sure that the Commission has a complete record on the  
22 industry of China just as we have done before. Members of  
23 our Association provided questionnaire responses from almost  
24 all the companies that have produced and exported their  
25 products to the U.S. The ITC staff has confirmed this.

1           Petitioner has not been accurate about the number  
2 of Chinese companies that can export to the U.S. The  
3 situation today is about the same as in 2013. Nothing much  
4 has changed.

5           A good example of the inaccuracy of the  
6 Petitioner regarding the Chinese industry is the list 942  
7 companies that they claimed were a threat to the U.S.  
8 industry. We analyzed those companies one by one in our  
9 December brief, and found that many were duplicates, did not  
10 exist, or were producers of other products. After this  
11 analysis, we see fewer companies.

12           Then we identified the companies who actually are  
13 producers of plywood and which are also CARB/EPA certified,  
14 and the figure dropped even more. When we take into account  
15 the companies that actually sell to the U.S., there are  
16 about 125 companies.

17           The data show that almost all of Chinese exports  
18 to the U.S. are for thin-gauge face veneer product, and  
19 almost all U.S. products are thicker gauge. By thin gauge,  
20 I mean veneers less than 0.4 millimeters. This is the same  
21 situation as the Commission found in the previous  
22 investigation.

23           Chinese producers have no need to focus on the  
24 market in the United States for their future. Plywood  
25 demand is driven mainly by the many end uses inside China

1 and around the world for the products, including uses in  
2 kitchen cabinets, engineered flooring, underlayment,  
3 container floors, furniture, packaging, and other newly  
4 designed products.

5 Housing construction and the economy remain  
6 strong in China and leads to an increased demand for  
7 products using plywood. Petitioners always claim that the  
8 Chinese housing markets is about to collapse and they have  
9 been wrong again and again.

10 Thank you.

11 MR. NEELEY: Mr. Ran?

12 STATEMENT OF RAN XIANGLIANG

13 MR. RAN XIANGLIANG: Good afternoon, Members of  
14 the Commission. My name is Ran Xiangliang and I am the  
15 Chairman of Linyi Sanfortune Wood Company, Limited. Our  
16 company is one of the largest producers and exporters of  
17 hardwood plywood in China. Since 2003 I have been the owner  
18 of my own company.

19 I want to focus my testimony today on important  
20 differences between the Chinese and the U.S. plywood  
21 process. I discussed this in the preliminary case. I agree  
22 with the importers and the prehearing report about the  
23 production differences.

24 A main difference in the industries is that the  
25 U.S. companies use much more automated machinery but in

1 China industry uses much more manual labor. Of course one  
2 difference is the result of the very different labor costs  
3 in the two countries. Another difference is the use of  
4 plantation poplar and eucalyptus trees that are grown in  
5 China and which are well suited for making plywood for the  
6 inside of cabinets and for underlayment.

7 The physical difference in the products is an  
8 important competitive advantage for the Chinese plywood  
9 industry because we can make a product that cannot be made  
10 in the U.S. The Commission knows about this face veneer  
11 difference from the last case. The thickness of the face  
12 veneer of plywood made in the U.S. is almost always thicker  
13 than 0.6 millimeters. And the thickness of face veneer of  
14 plywood made in China is almost always less than 0.3  
15 millimeters.

16 In my company and in other companies in China,  
17 the face veneer handling and the layup is all done manually.  
18 Manual labor is necessary because otherwise the think  
19 veneers will be broken by machines.

20 One recent development in the U.S. market is the  
21 increase in demand for an MDF face over a plywood core.  
22 Chinese producers, using a manual layup process and  
23 secondary process can make this product efficiently and it  
24 has grown in value because it is good for painting surfaces,  
25 which are becoming much more popular. The U.S. industry

1 would have to add a further manual layup and pressing step  
2 to make the product and that is not practical if an industry  
3 has high labor costs.

4 Thank you for the chance to speak today. I am  
5 glad to answer any questions that you may have.

6 MR. NEELEY: That concludes our testimony and  
7 we'll be glad to answer any questions later.

8 MR. GRIMSON: Mr. Vice Chairman, I think that's it  
9 for our panel. We came in a couple minutes under budget.

10 VICE CHAIRMAN JOHANSON: Alright. Well thank you.  
11 I appreciate all of you appearing here today, and I will  
12 begin the questions this afternoon.

13 As a threshold question for you all, the  
14 Respondents, if there is truly attenuated competition as you  
15 argue in your briefs and here today in the hearing, why do  
16 you think that Petitioners have gone through what must be  
17 great expenses to return here to again seek relief?

18 MR. GRIMSON: Mr. Vice Chairman, I'm so glad you  
19 asked that question because I remember you asking it five  
20 years ago, I think, or four years ago. Our answer--

21 VICE CHAIRMAN JOHANSON: I might add, I don't  
22 remember that, but--

23 MR. GRIMSON: You don't remember that?

24 VICE CHAIRMAN JOHANSON: No.

25 (Laughter.)

1 MR. GRIMSON: Okay, well--

2 VICE CHAIRMAN JOHANSON: I guess it's probably on  
3 the record if I did.

4 MR. GRIMSON: Our response, reluctantly, suggested  
5 that this filing of a case gives them a tool to disrupt the  
6 market. And I'll just say that we hinted that it allows a  
7 group, a small group of competitors to come together under  
8 the cloak of protection of the Noerr-Pennington Doctrine,  
9 which is the antitrust protection for filing a case like  
10 this. And, that prices seemed to go up when they filed that  
11 case.

12 In fact, I heard it this morning when Mr.  
13 Thompson said "we haven't been able to push through a price  
14 increase since the last case." But here's the interesting  
15 point.

16 During the last case, they said "we raised prices  
17 because of the duties." The Commission disagreed on matters  
18 relating to timing, but that was their story. "We raised  
19 prices because of the duties."

20 Then they lost the case. And look at the AUVs in  
21 2012, 2013, 2014. They never lowered the prices back down  
22 when they should have in their theory, resumed competition  
23 with Chinese plywood without the duties.

24 So it actually is a perfect example of how  
25 there's no correlation between the pricing between the

1 Chinese imports and the domestic. They filed the case to  
2 raise prices, and they didn't lower afterwards when they  
3 lost. And they blamed it on the duties, the raising of the  
4 price. So I think that there's a lot of people here--and I  
5 don't know if anybody wants to say it; they probably don't--  
6 but just filing one of these cases gains them a lot of  
7 disruption. And we heard hints of it this morning, that  
8 people are returning to them because apparently they're  
9 worried about supply.

10 We can repeat our answer from last time, too, in  
11 our posthearing brief, and supplement it with what I just  
12 said.

13 VICE CHAIRMAN JOHANSON: Yes, I would appreciate  
14 that, Mr. Grimson. I'm a little--this is a little confusing  
15 for me. So if you could maybe put that down on paper, I  
16 would appreciate it.

17 MR. GRIMSON: Will do.

18 VICE CHAIRMAN JOHANSON: I would appreciate it. I  
19 would probably be able to better get my arms around it that  
20 way. Thanks.

21 On pages 15 to 16 of Petitioner's brief, they  
22 discuss the availability of Grade A quality plywood from  
23 China. And they quote Patriot Timber Products' website as  
24 saying that, quote, "every panel" unquote, of their  
25 trademark brand is A Grade Veneer.

1                   What does this tell us about the degree of  
2                   substitutability between subject imports and domestic  
3                   products?

4                   MR. GOSNELL: Paul Gosnell, Patriot Timber  
5                   Products. If you look at the website, the A Grade, our  
6                   faces are engineered veneer. They're made veneer out of  
7                   many different sheets of veneer turned sideways and sliced.  
8                   It's a manufactured product. It is not a rotary veneer.

9                   The A means there are no defects in the face,  
10                  because every piece looks the same. We can make--since it's  
11                  an engineered veneer, we can make every piece look the same.  
12                  There is an asterisk that says "Call Patriot Timber Products  
13                  for more details." It does not specify anywhere that that  
14                  is an HPVA grade, and we don't go by HPVA grades.

15                  We call it an A Grade because it's defect free.

16                  VICE CHAIRMAN JOHANSON: Would that in effect be a  
17                  lower quality grade, then?

18                  MR. GOSNELL: It's our Revolution Ply Panel, which  
19                  I mentioned competes with the Tropical Hardwood Lauan  
20                  Panels. It does not compete with domestic panels.

21                  VICE CHAIRMAN JOHANSON: So you're saying it's not  
22                  even in the ballpark?

23                  MR. GOSNELL: Right.

24                  VICE CHAIRMAN JOHANSON: It's not to be considered  
25                  side by side.

1 MR. GOSNELL: That's correct.

2 VICE CHAIRMAN JOHANSON: Okay. Thanks, Mr.  
3 Gosnell.

4 On pages 26 to 27 of the Petitioner's brief,  
5 there is a discussion about the flatness of imports from  
6 China, and the asserted benefit that this has for  
7 lamination. Petitioners, however, claim that the domestic  
8 industry is also capable of using the two-step process to  
9 achieve equal levels of flatness, and that the Chinese  
10 import's only advantage is price.

11 If such subject imports from China are indeed  
12 superior in their flatness, shouldn't this translate into  
13 higher prices for that product?

14 MR. GRIMSON: The panel has many characteristics,  
15 okay? You've got to think of it has a sandwich, basically,  
16 right? And the core is one of the characteristics that's  
17 very important. And for a laminator, it's pretty much the  
18 most important characteristic.

19 I think what you heard from Matt Hazelbaker today  
20 is that they simply can't use the domestic panels for  
21 laminating because of the core material. So it's almost not  
22 a matter of a higher or lower price, it's that the domestic  
23 panels are off the table for them simply for nonprice  
24 reasons. The product is different.

25 VICE CHAIRMAN JOHANSON: Okay.

1                   MR. SIMON: This is Greg Simon. I'd like to add  
2                   to that, if I can. The quality of the lamination grade  
3                   material that's sold specifically for that application is  
4                   done so to a really fine calibration. So the panels are  
5                   extremely tightly calibrated, very minimal thickness  
6                   variation in that panel, and a super-smooth finishing  
7                   surface which makes it ideal for lamination. So to our  
8                   customers, we sell them a specific lamination-grade product  
9                   that they are asking for by name specifically for that end  
10                  use because it performs so well as compared to any other  
11                  alternative product on the market.

12                 VICE CHAIRMAN JOHANSON: Okay, thanks, Mr. Simon  
13                 and Mr. Grimson.

14                 And getting back to the issue of cores,  
15                 Respondents--that is, you all--assert on pages 27 to 28 of  
16                 your brief that hardwood cores are stronger than softwood  
17                 cores.

18                 Could you all please elaborate? Are there  
19                 objective studies that support this observation, such as  
20                 engineering reports or something along those lines?

21                 (Pause.)

22                 In essence, why would this matter? I mean, if  
23                 you could explain it in layman's terms to me?

24                 MR. ISRAEL: Jonas Israel, McCorry. It does  
25                 matter in terms when you're talking about screw-holding

1 strengths where hardwood core will be performing better  
2 usually than a softwood, but I don't know offhand what the  
3 strength differences are between the softwood and a hardwood  
4 core.

5 MR. GRIMSON: I think, Commissioner Johanson, we  
6 have submitted on the record either in this case, and I'm  
7 starting to get the cases mixed up with each other, at least  
8 it's not lumber, a screw-holding study.

9 VICE CHAIRMAN JOHANSON: I vaguely remember  
10 something like that.

11 MR. GRIMSON: We'll dig that up and give you some  
12 meat to put on this question, but the folks that are doing  
13 the cabinet box construction have spoken about the superior  
14 strength qualities for fastening purposes of the hardwood  
15 core.

16 VICE CHAIRMAN JOHANSON: Okay. And I'm going to  
17 follow up just with one more question along these lines.  
18 It's a little repetitive but not completely, so bear with  
19 me, please.

20 Could you all respond to Petitioner's claim in  
21 their prehearing brief at page 20 that there's no functional  
22 difference between a hardwood or a softwood core, and that,  
23 quote, "whether a veneer core is hardwood or softwood has no  
24 effect either on the physical characteristics of the  
25 finished product or on its price."

1                   We just talked about the physical  
2 characteristics, but how about price? Or how about both?

3                   MR. DOUGHERTY: This is Shawn Dougherty, Northwest  
4 Hardwoods. I think--in answering the question, I think  
5 there is fundamental differences on where the resources are  
6 coming from. I think it was Senator Westerman, or  
7 Representative Westerman who was in here earlier today,  
8 where he was talking about 60 to 80 percent of a panel cost  
9 comes from the raw material, transportation, and proximity  
10 to resource.

11                   A lot of the product that you're talking about  
12 for cores here are from plantations in China. Poplar  
13 plantations, Eucalyptus plantations. So I think that would  
14 address the question around the pricing difference.

15                   VICE CHAIRMAN JOHANSON: In what way?

16                   MR. DOUGHERTY: Um--

17                   MR. GRIMSON: I think during Shawn's introduction  
18 about the species of the tree, he talked about the time from  
19 seed to harvest.

20                   VICE CHAIRMAN JOHANSON: So it's simply they cost  
21 less?

22                   MR. GRIMSON: They can get five more crops out of  
23 a Chinese plantation poplar stand than you can out of a 50,  
24 60, 70 year old old-growth domestic poplar.

25                   VICE CHAIRMAN JOHANSON: And how about a

1 functional difference?

2 MR. GRIMSON: Tremendous functional difference  
3 between hardwood and softwood core.

4 VICE CHAIRMAN JOHANSON: Is that getting back to  
5 the screw-holding ability?

6 MR. GRIMSON: It's not just the screw-holding;  
7 it's the way that softwood has to be sliced, the thickness  
8 it has to be sliced. It moves around more, and they need to  
9 slice it thicker. And you put it in the sandwich and parts  
10 of the sandwich start to move and poke up through the top.  
11 They talk about telegraphing here.

12 The domestics try to put a band-aid on that, I'll  
13 say, which is one of the many reasons why they put a  
14 thick-face veneer on the top. They're trying to cover up  
15 the softwood core that is still moving around in a way that  
16 the hardwood core doesn't when you have more and more layers  
17 of it.

18 MR. BRESSLER: Kyle Bressler, Lanz Cabinets. I'm  
19 one of the few end-users of the products so I can speak on  
20 the quality of the board. We only use import board for  
21 lamination purposes, like I talked about. And we had  
22 attempted to try a domestic board and it failed. It failed  
23 for strength, for flatness. The lamination had grain  
24 transfer throughout, so it actually on the surface you saw  
25 the grain through. And it wasn't as easy of a board to

1 machine and process.

2 So for us it's all about the quality of the board  
3 that we receive and our process. And the imported board was  
4 a far superior board.

5 MR. SIMON: I believe that Kyle's referring to a  
6 softwood core that they use in those applications.

7 VICE CHAIRMAN JOHANSON: Okay. Thank you. I  
8 appreciate it. My time has expired. Commissioner  
9 Williamson.

10 COMMISSIONER WILLIAMSON: Thank you. I want to  
11 express my appreciation to all the witnesses for their  
12 testimony. Just following up on that -- what do you mean by  
13 lamination when you're doing -- so you're taking the  
14 hardwood plywood with the thin veneer and then you're  
15 putting another layer?

16 MR. BRESSLER: Correct.

17 COMMISSIONER WILLIAMSON: What is that and why?

18 MR. BRESSLER: Because all of our cabinets for  
19 our multi-family industry receive a white interior. We  
20 don't do finished interiors. It's all white lamination.  
21 And you can see on both cabinet samples -- actually, if you  
22 open the door, it's all white inside. So that's what we  
23 offer. That's what we supply to our end users and our  
24 clients. So we take a perfectly flat, very durable board  
25 and put a white lamination over that for all interiors.

1                   COMMISSIONER WILLIAMSON: Is that paper or what  
2                   is it?

3                   MR. BRESSLER: It's a vinyl.

4                   COMMISSIONER WILLIAMSON: It's vinyl? Okay.

5                   MR. BRESSLER: Correct.

6                   COMMISSIONER WILLIAMSON: Oh, and that adheres  
7                   to that? OK.

8                   MR. BRESSLER: Correct.

9                   COMMISSIONER WILLIAMSON: Okay.

10                  MR. HAZELBAKER: Just to spin a little bit on  
11                  what Kyle had mentioned. So we will run the plywood through  
12                  our lamination machine and apply either paper or vinyl on  
13                  one side and paper or vinyl on the other side, again, to be  
14                  cut up and then made for cabinets and then RV or kitchen  
15                  cabinets.

16                  COMMISSIONER WILLIAMSON: Is that as durable as  
17                  like having just a hardwood veneer on the outside?

18                  MR. HAZELBAKER: Yes. In the end-user opinion  
19                  on the RV side, at least, they enjoy the fidelity of the  
20                  different options of paper and options in durability of the  
21                  different overlays beyond paper.

22                  COMMISSIONER WILLIAMSON: Okay, thanks. I was  
23                  just having trouble getting the hands around it. Thank you.

24                  The respondents argue -- you argue that the  
25                  current investigation's majority a replay of the negative

1 decision we did in 2013. Yet there's some industries here  
2 that are more favorable here than in 2013, most notably, the  
3 domestic industry lost market share and experienced declines  
4 in production, shipment and price. So you want to comment  
5 on these points?

6 MR. ROGERS: I think the first thing to look at  
7 is the question, as I addressed in my testimony is this  
8 notion of attenuated competition. And I think we see that  
9 the products are very different.

10 So regardless of what's going on in the market,  
11 it's our position and the cabinet makers and other end users  
12 have confirmed this, there really isn't -- you know, they're  
13 buying a domestic product for one use, and they're buying an  
14 import, whether it's subject or nonsubject, for another use.  
15 So it's not -- it then turns into a causation question.

16 And can you say that the subject imports are  
17 indeed causing the injury to the domestic injury, and I  
18 think our position, quite clearly, is no. And you can see  
19 that in the interim period when you look at the results of  
20 the domestic industry in that period, and you see the  
21 Chinese shipments went down and Chinese prices went up, but  
22 the U.S. industries --

23 COMMISSIONER WILLIAMSON: But they argued this  
24 morning -- you heard them say that it was the fact that it  
25 was the inventories and then it was taking time, and that

1       there was a turnaround. And I don't think you addressed  
2       that when you made that point earlier.

3               MR. ROGERS: No. Okay. So the -- and first of  
4       all, when we look at market share, the Commission  
5       traditionally looks at market share based on shipments. So  
6       that's what's actually competing in the market when you're  
7       doing your comparisons, whether it's pricing or shares.

8               And the inventory, when we look at that quantity  
9       coming in, that product, it's a snapshot in time, and also  
10      when you look at it, if you compare 2017, for example, to  
11      2015, you see that the volume of the quantity of inventory  
12      as a percentage of the Chinese shipment, is constant.

13              So there really hasn't been that surge that  
14      they're talking about when you're talking about what's going  
15      on in the market and the impact in the market.

16              COMMISSIONER WILLIAMSON: But if there is  
17      inventory, I assume --

18              MR. ROGERS: At some point --

19              COMMISSIONER WILLIAMSON: -- that's gonna --

20              MR. ROGERS: Right. But that --

21              COMMISSIONER WILLIAMSON: And aren't they, what  
22      they're saying is that the --

23              MR. ROGERS: We don't have --

24              COMMISSIONER WILLIAMSON: -- petitioner in fact  
25      is basically kind of lagged in this case?

1                   MR. ROGERS: But we don't have imports during  
2 this lag period, so we really don't know if the market share  
3 would, in fact, be greater during this period, which was  
4 post-POI. So it's speculation at that point, whether the  
5 actual market share would, in fact, be greater. You don't  
6 know that.

7                   COMMISSIONER WILLIAMSON: What about their claim  
8 that some customers are coming back?

9                   MR. ROGERS: Well, I think we heard from some of  
10 the customers this afternoon that the fact of filing a case  
11 is very disruptive to their business. And any prudent  
12 businessman is gonna start investigating, exploring options  
13 to maintaining his activity as best he can. So he's gonna  
14 put out inquiries and try to secure a supply to keep his  
15 factories going and to keep his workers employed.

16                   COMMISSIONER WILLIAMSON: Wouldn't that imply  
17 then that the domestic product is substitutable? At least  
18 for some end-users?

19                   MR. ROGERS: I think they're making those  
20 inquiries, and I'm not sure that you can say that  
21 categorically, because there's also nonsubject product that  
22 they're buying. And we saw that that volume went up in  
23 2017.

24                   COMMISSIONER WILLIAMSON: Okay.

25                   MR. GRIMSON: I think, Commissioner Williamson,

1 also, it's becoming a bit of a stretch to strain to find  
2 hints of causation. And this is a great example of one,  
3 where you can look for a three-and-a-half-year period this  
4 time, just like you did in Plywood 1.

5           The fundamental point of the whole case is that  
6 the products were different then and they still are  
7 different today. They're just as different. The domestic  
8 industry, despite what they told you at the final hearing in  
9 2013, haven't gotten into the thin-face veneer plywood  
10 business. I remember at the final hearing, they said, "We  
11 can peel down to .25." So where is it? So I think at some  
12 point, you have to say how far does the statute require you  
13 to go searching for hints of a causal link that just isn't  
14 there on the present record?

15           COMMISSIONER WILLIAMSON: Maybe this should be  
16 post-hearing. I was trying to look through our data in  
17 Chapter 2 of the staff report, where we talk about purchaser  
18 preferences and things like that. And I see that, you know,  
19 thickness does seem to be important, but the evidence is  
20 mixed there and sort of both sides to address that  
21 post-hearing. From looking at the data in the staff report,  
22 what is there that substantiates what you're saying?  
23 Because it's not clear to me.

24           MR. BRESSLER: Again, being one of the end-users  
25 of this product, everything we buy is thick-faced from the

1 petitioners. And we will not use a thin-faced imported  
2 product. We can't use it on the exterior. On the interior,  
3 again, it's all white.

4 But for the exterior, we use 100% domestic  
5 thick-faced from right down the road, and we're a  
6 high-production cabinet setting, and it's all automatic  
7 machinery, automatic sanding, staining, finishing. And  
8 we're unable to get that same quality, and the correct  
9 quality, for our clients by using a thinner product. We  
10 have to use the product that they offer.

11 COMMISSIONER WILLIAMSON: And that's because  
12 you're using primarily the lamination on the outside, right?

13 MR. BRESSLER: The veneer for the outside. When  
14 the project calls for veneer similar to that sample cabinet,  
15 we have to use their products -- we choose to use their  
16 product because of the quality.

17 COMMISSIONER WILLIAMSON: Okay. Probably  
18 post-hearing, you can still give an indication. How large  
19 is that market of folks -- you say you can't substitute?  
20 But I guess some of the customers can and I'm trying to get  
21 an idea --

22 MR. GRIMSON: I mentioned it in my opening  
23 remarks that our count was that of the 38 purchasers, 36 of  
24 them said it was an important factor, the thickness of the  
25 face veneer.

1                   COMMISSIONER WILLIAMSON: Yeah, I think I saw  
2 that, but I was trying to sort out -- that was a factor, but  
3 it wasn't clear that the Chinese was superior. From the  
4 other things I saw in that Chapter 2.

5                   MR. GRIMSON: Well, even on the petitioners'  
6 table today, the domestic face veneer thickness was ranked  
7 overwhelmingly as superior, so all right. Take the flip  
8 side of that and it's a recognition that the face veneer is  
9 a major factor. And overwhelmingly. And on the other hand,  
10 you're hearing a story that "it means nothing."

11                   If it means nothing, why does Menard's carry two  
12 kinds of plywood? One on top of the other? And why does  
13 Menard's say to their buyers, and I guess, if the  
14 petitioners' idea is that people are too dumb to know the  
15 difference between face veneer, look around the room, these  
16 all look the same to me. It's not that simple. Menard's is  
17 a professional buyer. They wouldn't carry both kinds of  
18 plywood if they were the same. And they market one as  
19 having a thick-face veneer.

20                   COMMISSIONER WILLIAMSON: I guess, and some of  
21 the others were saying, "We tried that and it didn't work  
22 for us."

23                   MR. GRIMSON: Well, the other two big boxes only  
24 carry domestic for the decorative panels. And import for  
25 underlayment. So they've made a decision, not even to

1       bother to carry these two products. They're carrying the  
2       one that's best for that application, and carry import or  
3       domestic. So it's really not that difficult of a concept.  
4       What's difficult is the resistance that we hear from the  
5       other side, frankly.

6                   COMMISSIONER WILLIAMSON: Okay. On the  
7       underlayment -- and I was looking for -- and I think it's  
8       Table 2-33, it looks to me like it's the underlayment is  
9       primarily a nonsubject. If you look at the percentage of  
10      the underlayment -- of the Chinese imports that are  
11      underlayment, it's pretty tiny. And the volume. So I'm  
12      almost wondering, if this is an underlayment area, it looks  
13      like the attenuated competition is between the nonsubject  
14      and the domestic and not really Chinese imports.

15                  MR. GRIMSON: I don't have that exact table  
16      you're looking at, but --

17                  COMMISSIONER WILLIAMSON: Okay, well, it's Table  
18      4-13, maybe post-hearing, you could take a look at that, and  
19      address that question, how valid is this argument when it  
20      comes to particularly the underlayment?

21                  MR. GRIMSON: Underlayment is the number one  
22      sector for square footage coming for Chinese plywood. The  
23      Chinese plywood's coming in and going to the underlayment  
24      sector. You heard Mr. Gosnell say that he estimated 20% to  
25      30% of all Chinese product is going to underlayment and --

1                   COMMISSIONER WILLIAMSON: If this table's  
2 correct, anywhere near correct, it doesn't follow -- so  
3 maybe it might be something to sort out post-hearing.

4                   MR. GRIMSON: Are you looking at a table that  
5 has to do with lamination?

6                   COMMISSIONER WILLIAMSON: Oh, okay, you're  
7 right.

8                   MR. GRIMSON: So, underlayment is really all  
9 import and always has been for thirty or forty years. And  
10 the Chinese just bumped out some other source that was  
11 providing -- and none of the big boxes carry underlayment  
12 from the domestics because they just simply don't make it.  
13 They don't make under a quarter inch.

14                   COMMISSIONER WILLIAMSON: Okay, fine. Let me  
15 take a look at this post-hearing.

16                   MR. ROGERS: Just one more point. When you  
17 consider there's no competition in the underlayment sector,  
18 and then you realize the scope of that quantity of Chinese  
19 product that's coming in there, if you take that quantity of  
20 imports out, then you really have a very different market  
21 share picture as well. And there really isn't any  
22 competition in that segment.

23                   COMMISSIONER WILLIAMSON: Okay, fine. And I'm  
24 way over time, too, so thank you.

25                   VICE CHAIRMAN JOHANSON: Commissioner Broadbent.

1                   COMMISSIONER BROADBENT: Mr. Grimson, from 2014  
2                   to 2016, the industry lost market share to both subject and  
3                   nonsubject imports. However, nonsubject imports show very  
4                   different unit values species and end uses. To what degree  
5                   do nonsubject imports compete with subject imports? And to  
6                   what degree do nonsubject imports compete with domestically  
7                   produced hardwood plywood?

8                   MR. SIMON: I believe the question is, what is  
9                   the overlap between Chinese imports and nonsubject imports?  
10                  Is that correct?

11                  COMMISSIONER BROADBENT: Yeah, to what degree  
12                  does the domestics compete with the nonsubject, as opposed  
13                  to Chinese imports?

14                  MR. SIMON: Yeah, so we import materials from  
15                  around the world, whether that be Russia, Indonesia,  
16                  Malaysia, China, South America. Predominantly, those  
17                  products compete with one another for the various niche  
18                  applications that they serve.

19                  To the extent that there's overlap with domestic  
20                  hardwood plywood, I would say that for lamination  
21                  applications, if someone wants to use nonsubject imports  
22                  such as Indonesian Maranti to laminate, they will go ahead  
23                  and do that, and I would say that is a distinct factor for  
24                  the domestic plywood manufacturers.

25                  Additionally, I have here a sample of another

1 product that is from Spain. This product is produced with  
2 Italian Poplar cores that are produced in Spain using face  
3 veneers sourced from one of the petitioners peeled or sliced  
4 thick. This product, as a nonsubject imports, competes  
5 directly with the petitioners' product.

6 If you look at this sample, as compared to the  
7 other samples that we brought to you, you'll clearly see the  
8 similarities between this product and the petitioners'  
9 product. There's direct competition with this product to  
10 the domestic manufacturers.

11 MR. ROGERS: Commissioner Broadbent. There's  
12 also, as we indicated in our brief, and the information is  
13 proprietary, but I think if you look at the purchaser  
14 questionnaires, you look at one of the largest purchasers.  
15 You'll see that they switched or they shifted a huge chunk  
16 of their purchases to nonsubject product. It's just a new  
17 product for them. And that accounted for a big increase.

18 COMMISSIONER BROADBENT: Okay. Mr. Simon or Mr.  
19 Dougherty, either one of you, if U.S. market is shifting  
20 towards certain preferences that subject imports seem to be  
21 able to supply, why aren't prices increasing with the  
22 increase in demand?

23 MR. SIMON: The imports of Chinese plywood,  
24 again, compete with other importers of Chinese product. We  
25 compete head-to-head, day-to-day. Costs have gone up, as we

1 heard about earlier in China, a little bit. And to the  
2 extent of that, there may be some indications, but the  
3 competition is directly with each other.

4 You know, collectively, there's probably twenty  
5 or thirty importers of subject material that service the  
6 market and day-to-day, we're competing with each other for  
7 those customers. So I would answer the question that they  
8 are in two different worlds, even though demand has  
9 increased, we still have a lot of competition amongst each  
10 other.

11 MR. BRESSLER: In regards to the increased  
12 demand, like I mentioned earlier, fashion and trend also  
13 plays a role. Increased offerings of MDF core with a TFL or  
14 RTF finished product is also being introduced on the market,  
15 and I think that's what we're all seeing come out because of  
16 the industry trend.

17 COMMISSIONER BROADBENT: Okay. Let's see. Mr.  
18 Randich from Masterbrand. If orders were imposed, how much  
19 would Masterbrand sourcing change? Would you continue to  
20 rely on Chinese hardwood?

21 MR. RANDICH: At the present time, our sourcing  
22 team is scouring the rest of the world for other alternative  
23 sources to Chinese imports. And I would expect we'd see a  
24 large increase in products coming from other parts of the  
25 world.

1                   COMMISSIONER BROADBENT: Okay. This has to do  
2 with the grading. On Table 4-11, the staff report, shows no  
3 reported imports of AA grade hardwood plywood from China.  
4 Is there any limitation on Chinese producers' ability to  
5 produce this grade or a similar grade such as A? What are  
6 the limitations?

7                   MR. DOUGHERTY: I think, given the local  
8 resources in the area, and the smaller diameter logs, you're  
9 gonna see a lot of the defect structure in the centers of  
10 the logs. With a smaller diameter log, you're gonna hit  
11 those defects quickly, unlike what you see with that red  
12 oak, you have a large sap content, where you're gonna peel  
13 for quite a while before you start to approach the center of  
14 the log and defect.

15                   So kind of a natural characteristic of some of  
16 these resources and those local geographies, it becomes  
17 problematic to get those higher grades that you're referring  
18 to.

19                   MR. GRIMSON: Also, Commissioner Broadbent, one  
20 thing that we've tried to emphasize is that whatever grade  
21 comes off that Chinese log, or out of the Chinese facility,  
22 it's still going to result in a panel from China that's very  
23 different from a domestic panel. And then you get to the  
24 second level, which is, "What does a B grade really mean?"

25                   Because there's voluntary standards that you can

1 or don't have to follow. You have what's called extensive  
2 use of proprietary standards in China, which are basically  
3 the buyer and the seller agreeing to how they want that  
4 panel produced. And they might call it a C-2, which is  
5 basically a C--, or something like that. So it gets hard to  
6 talk about grade as a way to really see that products are  
7 the same.

8 COMMISSIONER BROADBENT: Yeah, I mean I think  
9 that petitioners are arguing that the Chinese producers may  
10 assign a grade B to their product, but tell the buyer that  
11 it's equivalent to an A grade under the HP-1 standard.

12 MR. GRIMSON: I think that the sellers and the  
13 buyers are assigning a lot of proprietary grades to the  
14 panel, but you still got to the same question, "Is that B  
15 grade?" Let's say it's a perfect B grade panel where Mr.  
16 Howlett went over there to grade that panel in China. And  
17 so "I'm looking at that, and it's a B grade panel."

18 I'll overlook the fact that it can't be a B  
19 grade panel because the veneer's too thin, but it's a B  
20 grade panel, and it's coming in and I'm gonna go and put  
21 that with a B grade panel from Columbia Forest Products.  
22 Those two pieces of plywood are still gonna be different in  
23 a way that would affect the buyer's decisions behind me  
24 about which one to buy. Depending on the end use. The  
25 look of the panel, the number of defects per panel is what

1 gives it its numerical grade. But you still have all the  
2 limitations on how it can be used.

3 MR. SIMON: To add to that, we have a joint  
4 venture operation with the Chinese plywood producer and I  
5 can assure you that there are no A grade veneers coming out  
6 of their facility. The log resources don't yield themselves  
7 to that. Contrary, the vast majority of the veneers that  
8 are peeled in China are coming out in the D, E and F grades,  
9 which are going to be used to be covered up primarily.

10 And the core itself lends itself to those  
11 properties because of the tightness of the calibration,  
12 combined with the thin face, is really what our customers  
13 are looking for. So to the extent that we're one of the  
14 largest importers of plywood from China in the country, we  
15 imports almost nothing in any grade above a C.

16 MR. DOUGHERTY: Just a few weeks ago, there was  
17 a small group of us that went over to China. As Kip Howlett  
18 mentioned, there was increase of log exports off the East  
19 Coast of the United States going to China, as being one of  
20 the largest hardwood lumber manufacturers in North America,  
21 that's obviously a concern to us.

22 So we have seen log prices increase--that's  
23 real--for our own operations. But what we discovered was,  
24 and what we had assumed for quite some time was these logs  
25 are not -- there's two things. If you talk to Michael Snow,

1 who heads up AHEC, the American Hardwood Expert Council, he  
2 is saying if you look over the last five, eight, ten years,  
3 there hasn't been a significant spike in the volume of log  
4 exports.

5           It's a shift of who's buying those logs. And  
6 China has stepped up its purchasing of North American logs.  
7 We think it's a moment in time, and it's something that will  
8 pass, but where we see those logs going into China or into  
9 flooring, being made for flooring, or it's being made for  
10 parts and components or panels, for other things that are  
11 oftentimes consumed within China, and some of that is being  
12 exported.

13           So it's really kind of -- we're seeing a  
14 substitution shift of product that might've been coming from  
15 certain geographies around the world, and Southeast Asia  
16 logs are no longer moving as freely as they are to China.  
17 Same as other European locations.

18           So the readily availability of our natural  
19 resource, the Chinese have taken some interest into that.  
20 But we don't see a large swelling or increased demand of  
21 high-grade veneer logs going that way. They're more or less  
22 of a saw log, mid- to low-grade log.

23           COMMISSIONER BROADBENT: Okay. Thank you.

24           VICE CHAIRMAN JOHANSON: On Page 20 of your  
25 brief, you argue that cabinet makers have concluded that

1 thin-face veneer Chinese plywood is not suitable for the  
2 exteriors of their cabinets. Does this also apply in the  
3 case of painted cabinets? Or are those an exception to the  
4 rule?

5 MR. GRIMSON: Well, I'd love for the cabinet  
6 folks to jump in, but as kind of a threshold observation, if  
7 you don't care what the wood looks like, because you're  
8 gonna paint over it, why would you want to buy the panel  
9 that has the thick-faced veneer? That's good for sanding  
10 and staining. That is --

11 VICE CHAIRMAN JOHANSON: Would you buy the MFB  
12 then or --

13 MR. GRIMSON: Well, you might mean MDF.

14 VICE CHAIRMAN JOHANSON: MDF, I'm sorry.

15 MR. GRIMSON: Right. So, initially, I'd say if  
16 you're going to paint it, then you would not necessarily  
17 want to have more face veneer on that panel. It is  
18 unnecessary. But then when you get to the performance of  
19 the Chinese wood for painting, maybe some of the folks can  
20 talk about it. You guys want to talk about anything of the  
21 --

22 MR. BRESSLER: We actually don't offer a painted  
23 product, so I can't really speak on the matter.

24 MR. RANDICH: I mentioned the shift from plywood  
25 to MDF, medium density fiberboard, for painted cabinets.

1 And the reason we do that is, as Mr. Grimson mentioned,  
2 you're not as concerned about the exposure, because you're  
3 completely covering up the surface of the board.

4 But also the MDF is more dimensionally stable.  
5 It doesn't expand and contract the way plywood does, and so  
6 it provides a better-quality product for our customers when  
7 they don't need to see any wood grains. So that's why we  
8 use that MDF in a painted application.

9 VICE CHAIRMAN JOHANSON: Do you have any idea as  
10 to how often you use MDF as opposed to plywood for painting?

11 MR. RANDICH: The rate is increasing, but I'm  
12 sorry, I'm gonna have to ask to do this in the post-hearing  
13 --

14 VICE CHAIRMAN JOHANSON: Okay.

15 MR. RANDICH: -- and give you the exact details,  
16 okay?

17 VICE CHAIRMAN JOHANSON: That'd be helpful.  
18 Thanks. And also, do you all agree with the petitioners  
19 that it costs less to stain than to paint panel? That was  
20 mentioned during this morning's session.

21 MR. RANDICH: Yes, it costs more to paint a  
22 cabinet than to stain it. And consumers typically see a  
23 painted cabinet as a value-add in the marketplace. It's  
24 more of a premium look.

25 VICE CHAIRMAN JOHANSON: Okay, but then again,

1       it would cost less to produce if you're not using panel,  
2       right?

3                   MR. RANDICH: Well, the painting process is more  
4       expensive than the staining process.

5                   VICE CHAIRMAN JOHANSON: Okay. And I'd now like  
6       to get back to the post-petition effect. That has come up a  
7       little bit this afternoon. Your brief points to the decline  
8       in subject import volume and market share between the  
9       interim periods as evidence that the domestic like product  
10      competes primarily with nonsubject imports. And this can be  
11      seen in your brief at Pages 5 to 6.

12                   Given the domestic industry appears to have lost  
13      market share to both subject and nonsubject imports during  
14      the full period, why should the Commission not view the  
15      decline of subject imports in interim 2017 as attributable  
16      to the initiation of these investigations and the imposition  
17      of preliminary duties by the Department of Commerce?

18                   MR. GRIMSON: Okay, Commissioner Johanson. I do  
19      want to take this one for the post-hearing because I want to  
20      think carefully about the timing of when the duties kicked  
21      in, and because this was an important factor for you in  
22      Plywood 1 as well, when looking at the post-petition  
23      effect. So if it's OK, unless you have something to say,  
24      Tom, we'll give you a more fulsome analysis of that in the  
25      post-hearing.

1                   VICE CHAIRMAN JOHANSON: Yeah, that'd be  
2 helpful, because the whole issue of post-petition effect  
3 also came up this morning with the petitioners. So I'd like  
4 to see a bit more as to what you think of its impact in this  
5 investigation.

6                   And also, one of the witnesses this afternoon  
7 stated that she would be willing to talk more on the Lacey  
8 Act. And I was wondering if that witness or if others could  
9 comment on the current effects of the Lacey Act on this  
10 product?

11                   MS. SQUIRES: We've spent a significant amount  
12 of time working very closely with the World Resources  
13 Institute under US AID funding to actually do an extensive  
14 Lacey Act training program. And we've been traveling around  
15 the country conducting that training program. We trained  
16 268 individuals from 122 companies so far. And we've also  
17 done some of that training abroad, some of which has been in  
18 China to the actual suppliers in partnership with other  
19 manufacturers in the United States.

20                   So the Lacey Act has had a tremendous impact in  
21 that everyone has to make sure they fully understand it,  
22 particularly since we've had two recent Lacey Act  
23 settlements that are important and have imposed quite a  
24 number of conditions and has sort of expanded what the Lacey  
25 Act means to the industry. And we've been pleased to be

1       able to get out there and teach people how to do it and just  
2       work very hard on making sure that their product line  
3       actually meets all of the mandates of the law.

4                   VICE CHAIRMAN JOHANSON: Ms. Squires, you  
5       mentioned that there have been two investigations under the  
6       Lacey Act. Was that for hardwood plywood or another  
7       product?

8                   MS. SQUIRES: No, it's just the Lacey Act  
9       itself. There was one particular case that got a lot of  
10      news. Lumber Liquidators.

11                  VICE CHAIRMAN JOHANSON: Yeah, we heard about  
12      that in a different investigation.

13                  MR. SQUIRES: Absolutely.

14                  VICE CHAIRMAN JOHANSON: Okay.

15                  MR. GRIMSON: Commissioner Johanson. Big  
16      picture. The Lacey Act presents a barrier to entry to a  
17      foreign factory trying to get a U.S. buyer to buy from them,  
18      because as Ms. Squires mentioned, compliance with the Lacey  
19      Act is difficult and complicated and the buyers want to make  
20      sure that the factories they deal with have everything at  
21      full compliance.

22                  So I think it acts to weed out kind of the cats  
23      and dogs of the industry, and what you're left with are the  
24      exporters who have programs in place and who have earned the  
25      trust of their buyers. The Lacey Act was intended to have a

1 demand-side effect on the legality issue. It was supposed  
2 to be pushing legality and compliance out from the buyers to  
3 the foreign suppliers in China and everywhere else in the  
4 world, and it actually has had that effect.

5 VICE CHAIRMAN JOHANSON: Can I assume this added  
6 cost to the product?

7 MS. SQUIRES: This is Cindy Squires again. You  
8 know I think everyone has had to put a lot of time and  
9 energy into making sure they had proper compliance  
10 procedures. And part of those procedures are really a  
11 risk-based approach of looking at where are -- not just  
12 looking at it from a country specific basis but rather  
13 looking at that particular supplier situation.

14 So there would be obviously, a different risk if  
15 you're resourcing perhaps from plantation woods versus  
16 something that might be, you know, a tropical hardwood and  
17 depending on species -- if they're protected species or not  
18 protected species.

19 And so, depending on your sourcing pattern, we  
20 really depend on the kind of due diligence you need to do  
21 and mitigation measures and then that would have an impact  
22 on your cost.

23 VICE CHAIRMAN JOHANSON: Okay, Mr. Dougherty?

24 MR. DOUGHERTY: Yes, it's Shawn Dougherty with  
25 Northwest Hardwoods. So we have third party auditors that

1 we take around the world to do our in country audits. And  
2 one of the big ones that we discussed is China -- Poplar  
3 growth is under ten years right?

4 So is it a crop or is it a tree, right? So as we  
5 try to dissect what the Lacey Act means by this, the reality  
6 is we're dealing with plantation wood -- that is the  
7 majority of the product that comes in when you look at the  
8 wood content of the panels.

9 And so we're talking crop -- we're talking  
10 agriculture, or we're talking a tree. So that's kind of to  
11 the nuance of where we're at with our Lacey Act and the  
12 controls and the disciplines that go behind that.

13 VICE CHAIRMAN JOHANSON: Okay, thanks for your  
14 responses. And have you all sold panels with a face veneer  
15 thickness of less than .4 millimeters that were subsequently  
16 sanded or stained?

17 And to give you a little reference you might want  
18 to look back at pages 24 to 25 of the Petitioner's Brief.

19 MR. GRIMSON: I want to study this and answer  
20 post-hearing but I think that one thing that we are hesitant  
21 to do is to say that things never can happen, okay?

22 So could somebody in a small finishing shop make  
23 these cabinets around the room that look okay doing it by  
24 hand? Yes they probably can. We might not be seeing the  
25 ten other ones that got sanded through or the finish didn't

1 look good but that's another story.

2 People who are making 10,000 cabinets a day  
3 choose not to do that. They choose their raw materials that  
4 perform the best for that application so I haven't looked at  
5 the pages you're talking about, I will address it in the  
6 post-hearing but I just want to be clear that we are not  
7 saying that things are never happening around the fringes or  
8 that somebody could go to Lowe's and buy a piece of  
9 underlayment and make a cabinet out of it.

10 I mean that would be crazy and it might even have  
11 "x's" all over it but, you know -- we don't speak in terms  
12 of never and always because the real world doesn't operate  
13 that way. You've heard from a lot of purchasers  
14 representing the people who actually use the product on our  
15 side of the panel today.

16 I think you're hearing a consistent story that  
17 they use their best materials for the job.

18 VICE CHAIRMAN JOHANSON: Thanks Mr. Grimson and  
19 my time has expired. Commissioner Williamson?

20 COMMISSIONER WILLIAMSON: Thank you, thank you.  
21 This is for post-hearing. You assert that the market has  
22 moved to favor product types produced by Chinese suppliers  
23 and away from body types supplied by the domestic industry.

24 So I was wondering post-hearing if you could  
25 attempt to quantify the changes and how they account for the

1 trends in our data. I've already asked Mr. Bressler about  
2 the house and I think it was the lamination that they do,  
3 but I think it seems to be across the board.

4 MR. GRIMSON: We can do that. I'm thinking of a  
5 few questionnaire responses that way we'll be able to talk  
6 to you about in the confidential version of our brief where  
7 people did exactly that and gave you percentages of ups and  
8 downs and how that impacted their purchasing decisions.

9 COMMISSIONER WILLIAMSON: Okay and I'm  
10 particularly interested in how significant is the portion of  
11 the imports of the domestic consumption do these products  
12 account for.

13 MR. GRIMSON: Yeah and I mean let's take housing  
14 demand increase which we all agree is happening, it's great.  
15 That's going to benefit underlayment. So that's a mark on  
16 the side of the Chinese because the domestics are not in  
17 that. I think we looked up the average square feet in a  
18 house is 2,661 square feet and you saw a diagram of the  
19 home.

20 Those blue surfaces -- the floors, the domestics  
21 aren't going to get that share so the demand increase is not  
22 benefiting them. That's going to have a market share  
23 impact. Then when you get into the fashion changes of  
24 exposed wood grain to painted, that's going to hit the  
25 domestics in a way that it doesn't as much as the Chinese,

1 so we'll try to --

2 COMMISSIONER WILLIAMSON: Are you saying the  
3 domestics can't paint their product?

4 MR. GRIMSON: No, no I'm not saying they can't  
5 paint it, but if you're choosing between two products to  
6 paint and one of them has a thick face veneer that you're  
7 about to paint over versus another one that is perfectly  
8 good for painting, it doesn't have a thick face veneer -- I  
9 mean you start to get into those lines, right?

10 And the Petitioners are depending on irrational  
11 behavior -- irrational choices. Are you going to continue  
12 to buy the same product if it is the same product, how can  
13 it continue to be down here and up here over time?

14 Are people constantly deciding I'm going to keep  
15 buying the more expensive product even though it's exactly  
16 the same? So when the products are different and you're  
17 choosing what you're going to paint over, why would you  
18 choose a thick face veneer decorative panel that is built  
19 and peeled and constructed to make the exposed grain value  
20 out of it when you are going to cover it up?

21 So a rational buyer would be smart to not bother  
22 getting that thick face veneer if they are going to paint  
23 over it if you are going to put flooring over underlayment  
24 -- if you're going to move to -- even another raw material  
25 all together.

1                   COMMISSIONER WILLIAMSON: I understand the  
2 underlayment but that also I guess gets to what's the  
3 difference in cost between the thin versus the thicker and  
4 these are pretty small differences I understand. And is  
5 that so great?

6                   Their argument is that I think your pricing is  
7 much greater -- the difference is much greater than that so  
8 you might have to address that too.

9                   MR. GRIMSON: We have already addressed it and we  
10 address it in Plywood 1.

11                   COMMISSIONER WILLIAMSON: Okay.

12                   MR. GRIMSON: And it is in a footnote in our  
13 Brief where we quoted somebody's questionnaire where they  
14 did a study to replicate a U.S. panel in China and it  
15 resulted -- and the number is confidential so I'm not going  
16 to say it, but it was a much different number than what you  
17 heard today from the Petitioners.

18                   COMMISSIONER WILLIAMSON: Okay, well post-hearing  
19 if you could address that it might be helpful.

20                   MR. GRIMSON: We will do it. It's a  
21 significantly different number.

22                   COMMISSIONER WILLIAMSON: Okay, okay thank you  
23 and I'm sure they will have some comments to that too  
24 post-hearing.

25                   Okay from 2014 to 2016 the U.S. industry lost

1 market share to both subject and non-subject imports.  
2 However, non-subject imports show very different unit  
3 values, species and end uses from both domestic and subject  
4 product.

5 So to what degree do non-subject imports compete  
6 with subject imports and to what degree do non-subject  
7 imports compete with domestically produced hardwood plywood?  
8 And you can either do it now or post-hearing.

9 MR. GRIMSON: We can just quickly review some of  
10 the things that have been said about non-subject versus  
11 domestic. You've got the plywood from Spain that's a direct  
12 competitor. You've got plywood from Russia -- direct  
13 competitor. You've got hardwood from Ecuador --

14 COMMISSIONER WILLIAMSON: Direct competitor to  
15 what?

16 MR. GRIMSON: Domestic.

17 COMMISSIONER WILLIAMSON: Okay.

18 MR. GRIMSON: Then when you get to non-subject  
19 you heard that for example an underlayment -- the Chinese  
20 product replaced other non-subject sources that were serving  
21 that market that in the backs and the sides of the cabinets  
22 that also used to be Maranti or Lauan -- other south Asian  
23 sources.

24 So we think there is overlap between subject and  
25 non-subject. We think that there are elements of the

1 non-subject market that definitely are in competition with  
2 the Petitioner's domestic.

3 COMMISSIONER WILLIAMSON: Okay, thank you and  
4 then you could sort of wrap it up with some numbers  
5 post-hearing would be good. Has the Chinese manufacturing  
6 processes changed in the last three to four years and if so  
7 can you explain how?

8 MR. SIMON: This is Greg Simon from Far East  
9 American. I heard earlier today from the Petitioners that  
10 the equipment is exactly the same in China as it is in the  
11 U.S. and as a partial owner of a factory in China, I can  
12 tell you that that is not factually correct.

13 We're still using the same equipment that we used  
14 in Plywood 1 and before to produce our panels as are most of  
15 the other factories that we source from. So I would say  
16 that there are two fundamentally different processes and the  
17 equipment is fundamentally different.

18 We're talking about for the vast majority of the  
19 plywood panels that are exporting -- for example Birch  
20 plywood produced with Poplar core to the U.S.

21 MR. GRIMSON: Commissioner Williamson, in the  
22 U.S. market one article that we put in our Brief was from a  
23 September, 2017 wood magazine where Columbia Forest has  
24 talked about installing what's called a Meinan Lathe -- I do  
25 not know all the technical aspects of it except that

1       apparently it comes in 30 shipping containers from Japan I  
2       think.

3               The impact of this Meinan Lathe was to eliminate  
4       42 jobs and that was back in 2011 when they installed the  
5       first one and then I think our Brief mentions they've  
6       installed several more since then so I think that there may  
7       be machinery changes that are happening in the U.S. industry  
8       that they haven't stood still.

9               I think that there might be some secondary  
10       effects of that that we pointed out in our brief on the  
11       employment numbers that of course have nothing to do with  
12       subject imports.

13              COMMISSIONER WILLIAMSON: I guess the question is  
14       this -- does that make them more competitive and have there  
15       been things in the manufacturing process in China that's  
16       made them more competitive too?

17              MR. SIMON: I can answer a slightly different  
18       way. Greg Simon again -- I think the Chinese have learned  
19       to work with the resources that they have over time. I'm  
20       particularly referring to the core quality. Some of these  
21       factories are producing an exceptionally good core which is  
22       specifically designed for applications where the tolerance  
23       as to be precise, the face has to be smooth, there's no  
24       telegraphing in applications where they are putting a very  
25       thin paper on it that's going into a very big end use

1 market.

2           And from that standpoint, you know, we're  
3 separating the two things. A lot of times these things are  
4 being referred to as better or worse. What I would say in  
5 terms of fitness of use -- the core that the Chinese are  
6 putting out is an exceptionally good core.

7           So they've learned to work with the resources to  
8 make a product that the customers here are accepting at a  
9 higher rate.

10           COMMISSIONER WILLIAMSON: Okay, thank you. When  
11 customers request specifically graded product, do they  
12 communicate that the request in terms of the HP-1 grading  
13 standards and do they ever say internationally equivalency  
14 standards are explicitly requested proprietary grade from a  
15 specific manufacturer?

16           MR. GRIMSON: Commissioner Williamson, I wanted  
17 to make one point if you are throwing it open here. It is  
18 that Mr. Howlett was holding up the grade standards this  
19 morning he did mention the IWPA grading system. That  
20 applies to tropical face panels, okay.

21           So again that was developed 20 years ago or  
22 something for Lauan and Maranti panels and it really doesn't  
23 cover Birch which is one of the most popular panels. In  
24 terms of how grades and specs are negotiated between the  
25 buyer and seller -- do you guys have anything to add about

1 that?

2 MR. SIMON: This is Greg Simon of Far East  
3 American. We sell a proprietary grade which our customers  
4 understand what they're receiving. They're asking for  
5 example a Chinese panel they're asking for a Russian Birch  
6 panel or something else and they're asking us, you know, for  
7 a panel that when they look at the core, the face and the  
8 back combined together is going to meet their needs, is what  
9 they're asking for.

10 So, in terms of the specifications it's really  
11 proprietary between buyer and seller and I believe that our  
12 customers are intimately aware of what they're going to  
13 receive when they buy our products.

14 COMMISSIONER WILLIAMSON: So what is included in  
15 proprietary grades? Are the proprietary grades mostly  
16 constituted in the higher end of the market like Grade A and  
17 B? In other words, what do you mean by proprietary grades  
18 is how I should put it.

19 MR. DOUGHERTY: This is Shawn with Northwest  
20 Hardwoods. Going back to our hardwood roots, hardwood  
21 lumber this is. We started off creating proprietary grades  
22 in the North American hardwood lumber industry. Unheard of  
23 but it lent the resources that we were dealing with in the  
24 Pacific Northwest alter lend itself to that.

25 So with that consultative sales approach we're

1 developing grades that might be ideal for laminators right  
2 -- a lam grade, or people that are just putting together  
3 boxes and frames -- box grade.

4 So it's not -- we're not looking for products  
5 that are trying to compete or overlap with what you would  
6 say HPVA. It's just as Mr. Simon was saying the resources  
7 in China have naturally identified the segments into the  
8 U.S. market which they have a fit.

9 COMMISSIONER WILLIAMSON: But when you say a  
10 proprietary grade you mean you go to the customer and you  
11 and the customer agree that these are the specs that --

12 MR. DOUGHERTY: I'll say hey Matt, you're doing  
13 200,000 sheets of lamination -- what do you think about our  
14 laminate grade or lam grade?

15 COMMISSIONER WILLIAMSON: And so if they say we  
16 want a little bit more of this or change it this way then  
17 you have a proprietary grade?

18 MR. DOUGHERTY: If it's within scope of being  
19 able to do it in a broader capacity we would entertain that  
20 but generally, you know, if you do too many tweaks and  
21 niches the sum of the whole kind of no longer adds up.

22 COMMISSIONER WILLIAMSON: Okay. Again I guess  
23 how significant is this in terms of the total market?

24 MR. SIMON: This is Greg Simon, I can answer  
25 that. We sell nothing according to the HPVA grading rules

1 for anything that we bring into this country from any  
2 country -- China or otherwise.

3 So I think you were looking for a little bit more  
4 with definition. What I would call a D grade may be very  
5 different than what Mr. Dougherty's firm would call a D  
6 grade as well as the rest of the importers in the room and  
7 so on and so forth. So its proprietary based on what we are  
8 agreeing upon with our mill base and in turn what our  
9 customers are saying is acceptable to them.

10 So it really -- what we're bringing in, when we  
11 say proprietary its proprietary to our company specifically  
12 what we're doing. I doesn't mean it's at the higher end of  
13 the spectrum or the lower it just means simply that it's the  
14 way we're going to market with it and saying that here's a  
15 product that will fit the use for your application and we  
16 would describe it, you know, between buyer and seller.

17 COMMISSIONER WILLIAMSON: Stu Lernard's is in New  
18 York and if you go in the store there's a sign there, you  
19 know, the customers are always right. Re-read it -- it  
20 sounds as if you agree with the customer that this is what  
21 they want then --

22 MR. SIMON: Well according to my customers  
23 they're always right.

24 COMMISSIONER WILLIAMSON: Okay, thank you.

25 MR. HAZELBAKER: Matt --

1                   COMMISSIONER WILLIAMSON: Okay, yes because my  
2 time is expired.

3                   MR. HAZELBAKER: Matt Hazelbaker, Genesis  
4 Products. So we're one of many laminators let's say in  
5 Chicago-land and Indiana area for lamination. Our customers  
6 albeit RV, kitchen cabinet furniture, manufactured housing,  
7 marine -- they all have for lamination they choose their  
8 substrate either by them having internal testing and say,  
9 "Hey, we would like this panel laminated on plywood or MBF."

10                   Or they could say, "Hey, Matt, what would you  
11 suggest for our purposes that we used to have the best  
12 laminate product?" So for us, let's say from Far East or  
13 from any other importers it's a lamination grade, Chinese  
14 hardwood plywood that we utilize.

15                   COMMISSIONER WILLIAMSON: Okay, okay thank you  
16 for all of the answers, I'm sorry for going so far over the  
17 time.

18                   VICE CHAIRMAN JOHANSON: Commissioner Broadbent?

19                   COMMISSIONER BROADBENT: Yeah I just had a couple  
20 of more questions. Mr. Bressler, excuse me, how much of the  
21 different in price between domestic and Chinese product is  
22 due to a price premium for domestic product?

23                   MR. BRESSLER: Honestly, for Lanz Cabinets I  
24 don't pay attention too much on price and I can't really  
25 speak. We can maybe look at it post-hearing Brief but all

1 of our decisions are based on core and quality and it has  
2 been forever.

3 We've been using practically the same product  
4 forever so all of our decisions are based on the quality and  
5 product that we're putting through our factory.

6 COMMISSIONER BROADBENT: Okay, Mr. Grimson, do  
7 you share Petitioner's concern regarding the accuracy of the  
8 Commission's data on non-subject import volumes?

9 MR. GRIMSON: We do want to address that as well  
10 in the post-hearing Brief.

11 COMMISSIONER BROADBENT: Do you have concerns?

12 MR. GRIMSON: Not really. We don't have  
13 concerns. We think that they may have a misunderstanding  
14 but we want to fully flush that out.

15 COMMISSIONER BROADBENT: Okay, thank you. I'll  
16 look forward to reading that then. I want to thank the  
17 panel. I really learned a lot today and I appreciate your  
18 coming.

19 I have no further questions.

20 VICE CHAIRMAN JOHANSON: Besides price, what are  
21 the reasons that a cabinet maker would use Chinese hardwood  
22 plywood for non-exposed surfaces rather than low-grade  
23 domestic hardwood plywood?

24 MR. BRESSLER: Kyle Bressler, Lanz Cabinets.  
25 Again, it's all based on quality that we've seen. I'd like

1 to reiterate that we have a very good relationship with  
2 these Petitioners and we've had a long upstanding  
3 relationship with them and Lanz Cabinets wouldn't be who we  
4 are today without most of them.

5 And I would prefer to buy everything from them if  
6 they were able to make me and produce me a panel that had  
7 the same quality that I'm bringing in -- that I'm importing  
8 for my interior of my cabinet.

9 They've tried and they cannot so I continue and  
10 will continue to use and source and import a product for my  
11 interiors.

12 VICE CHAIRMAN JOHANSON: But what are reasons  
13 that a cabinet maker would prefer to use yours other than  
14 price?

15 MR. BRESSLER: It's the core so it first starts  
16 with the core. The core, it's nine-ply versus the domestic  
17 five-ply. It gives me a stronger, flatter surface to  
18 laminate too, it gives me a better screw hold for  
19 installation all the way through the process.

20 It gives me -- for my process, for cutting,  
21 machining, assembling, the flatter, smoother, stronger  
22 surface, makes for a stronger box and yields better product  
23 in the field, less return calls, less warranty issues so on  
24 and so forth.

25 VICE CHAIRMAN JOHANSON: All right thanks for

1 your response. Did you all respond to the Petitioner's  
2 claim that a substantial portion of Grade A subject imports  
3 were identified as other in the Commission's questionnaire  
4 responses because of the use of a proprietary grading  
5 system?

6 MR. GRIMSON: Grade A identified as other because  
7 of proprietary.

8 VICE CHAIRMAN JOHANSON: Right.

9 MR. GRIMSON: Our response is that that is  
10 completely bogus. I think you heard here today from the  
11 front row that there is really isn't Grade A coming out of  
12 China. They're speaking specifically about the Patriot  
13 product. I think that they just don't understand that  
14 product and that really doesn't have a face the same way  
15 that it did before it was processed in the way that Mr.  
16 Gosnell described.

17 It's a whole bunch of sheets of face veneer  
18 squeezed together and flipped on their side and sliced that  
19 way so they have perfect lines all the way through it. It's  
20 identical product. It's not even really a natural grain  
21 wood and what do you call that?

22 On the website Patriot said that's A but they  
23 indicate that it's, you know, call us to discuss because  
24 it's really not that same kind of grade.

25 VICE CHAIRMAN JOHANSON: Okay, thanks.

1           MR. GRIMSON: No, we do not agree that there's  
2 high grade product that's being lumped into the other  
3 category, no.

4           VICE CHAIRMAN JOHANSON: Thank you Mr. Grimson.  
5 Why has increased home market demand in China not resulted  
6 in an increasing share of home market sales across the  
7 period as can be seen in Table 7-4 of the pre-hearing  
8 report?

9           MR. NEELEY: Let me grab the -- 7-4 you said?

10          VICE CHAIRMAN JOHANSON: Yes, that's correct.

11          MR. NEELEY: I'm sorry I guess I'm just not  
12 seeing it on that page. So we'll answer in the  
13 post-hearing. You're saying why is the Chinese -- you're  
14 questioning whether the Chinese with the increase in the  
15 Chinese housing market you're not seeing a comparable  
16 increase in the use of hardwood plywood, is that --

17          VICE CHAIRMAN JOHANSON: Yes, that's the question  
18 because as we all know the Chinese market is growing.

19          MR. NEELEY: Right. Do you have any thoughts on  
20 it?

21          MR. SHENGFU: Yes, my name is Wu Shengfu, CNFPPIA.  
22 As everybody knows the China economy and the China market is  
23 growing steadily not only for plywood we are using in the  
24 kitchen cabinet but those we are using quite a lot for the  
25 construction site and we also use a lot for -- we call it at

1 highways, for concrete forms, actually for the concrete  
2 forms for construction -- it requires a big amount of  
3 plywood domestically especially for Poplar and for  
4 Eucalyptus plywood.

5 MR. GRIMSON: Commissioner Johanson, I would just  
6 add I'm looking for this table and I will take a second  
7 crack in the post-hearing Brief but I see whole market  
8 shipments as a percentage of total shipments going from 54%  
9 up to 57 during -- that's to the end of the interim period  
10 and U.S. exports as a percentage of total shipments, you  
11 know, going up and then also dropping during the interim  
12 period.

13 But it looks to me like the whole market  
14 shipments percentage is still quite significant.

15 VICE CHAIRMAN JOHANSON: It falls though compared  
16 to the U.S. shipments?

17 MR. GRIMSON: It looks like it's close to double.

18 MR. NEELEY: Yes, it's pretty significant, Jeff  
19 Neeley from Husch Blackwell. I think it continues to be  
20 very significant. How it exactly relates to housing I'd  
21 have to think about it some more.

22 VICE CHAIRMAN JOHANSON: That's okay.

23 MR. NEELEY: I think that's a somewhat different  
24 question but as Mr. Wu said he demand in the whole market  
25 has to do with more than housing. Housing is certainly one

1 factor, but it's not the only factor.

2 VICE CHAIRMAN JOHANSON: Okay let me look at that  
3 chart again as well.

4 MR. NEELEY: Yeah.

5 VICE CHAIRMAN JOHANSON: Okay this is a question  
6 that I asked of the Petitioners this morning. I'm going to  
7 ask you all as well -- at pages 13 and 21 of Respondent's  
8 Brief you argue the fashion trends have changed over the  
9 period of investigation and that lighter woods as well as  
10 painted surfaces have become more popular with consumers.

11 My question is whether we can be sure that these  
12 trends are not at their root traceable back to lower prices  
13 for subject imports. In other words is the fashion trend  
14 being driven by consumer's enthusiasm for lower prices and  
15 not necessarily by the appearance of the product?

16 MR. GRIMSON: I'll take the first crack at that  
17 Commissioner Johanson. In our Brief we attached a study by  
18 the National Kitchen and Bath Association and it involved a  
19 survey of designers, of kitchen designers and they all  
20 really uniformly refer to the visual appeal of the painted  
21 look -- white especially and now a little bit more grey.

22 Nowhere in that study did I see them referring to  
23 painted as a lower cost alternative to real wood. I just  
24 don't recall it so I think that what is being shown at these  
25 kitchen trade shows are the designers pushing out their

1 exciting ideas until they change them next year and the year  
2 after until Red Oak comes back in five years.

3 We already heard that. We've been through one  
4 painted cycle and then come out of it from the Petitioners'  
5 panel so I really think it's pushed by the designers not by  
6 a raw material cost difference based on the study that we  
7 submitted.

8 MR. BRESSLER: Kyle Bressler, Lanz Cabinets. The  
9 trend -- design trend that we are seeing is primarily in our  
10 frameless division. And as I spoke earlier, the drastic  
11 swing in our frameless backlog -- it's practically doubled.  
12 It's gone from 10 years ago from building no frameless  
13 cabinets to now over 65% of our backlog is frameless.

14 And the design that we see follows that trend, so  
15 follows frameless. You can see from this sample on the  
16 right -- on your right, the frameless cabinet is very  
17 simple. You can put any decorative type of front on it and  
18 you do not have to stain a solid lumbar to match to it.

19 With that designers are introducing new thermal  
20 foil -- next textured thermal foils, new thermally fused  
21 laminates that a company that does cabinets. So the design  
22 trend for us, at least, is following the frameless design.

23 MR. GRIMSON: Kyle, can I ask you -- because I  
24 found this really interesting when we talked about it  
25 yesterday. Can you explain again why the frameless cabinet

1 tends to dictate your choice of raw material? I believe you  
2 were talking about it having to line up perfectly and if you  
3 have any variation by the panels not being perfectly the  
4 same thickness, by the end of the panel run you're going to  
5 have gaps and things.

6 MR. BRESSLER: Correct, so he's speaking on the  
7 core that we use and in a plywood frameless job we still  
8 obviously continue to use our imported, tightly calibrated  
9 core. With frameless, because you don't have a frame that  
10 joins one another and with a frame you can sand it down, you  
11 can cut it down, you have some variance.

12 In frameless you have no tolerance. A cabinet  
13 butts one another and if you have 1/16th difference in a  
14 panel from one to the next as you gain 10 cabinets together  
15 you could be up to a half inch off of the end of your run  
16 and in this day and age with frameless construction you have  
17 to be perfectly tight.

18 MR. RANDICH: This is Dave Randich with  
19 MasterBrand Cabinets. Commissioner I'd like to just answer  
20 your question directly about the price to the consumer for a  
21 painted versus a non-painted cabinet.

22 And so the primary trend we've seen in cabinets  
23 in the past several years has been a shift from a stained  
24 woodgrain view to what we call a painted or opaque view  
25 which is often like a white or a grey kitchen.

1                   In our largest factory in Indiana we've in the  
2                   last four year -- four to five years, we've tripled the  
3                   amount of painted cabinets we've produced in that period of  
4                   time. We, along with the market and all other cabinet  
5                   manufacturers, typically charge more for that painted  
6                   cabinet because it's more expensive to make and the  
7                   additional cost comes in three areas.

8                   First is the formulation of the paint. There's  
9                   more pigments -- expensive pigments that go into these  
10                  formulations, specifically titanium dioxide TIO2 is a white  
11                  pigment -- it's very expensive that we have to add.

12                  The second cost is the breadth of colors that we  
13                  have to provide -- the training we have to provide to our  
14                  associates to do that and the capital investment we have to  
15                  make in pumps and in storage rooms and so forth.

16                  The third added cost is the painted cabinets are  
17                  more delicate in terms of getting dings and scratches as  
18                  they go through the process so we have to be much more  
19                  careful in our yield drops through that.

20                  So, it is more expensive for a consumer to buy a  
21                  painted cabinet, but even so the demand has been taken off  
22                  dramatically because that's the style. I would expect --  
23                  you know trends in this way change fairly slowly and I would  
24                  expect we're planning for painted cabinets to be popular for  
25                  a long time and our capital investment strategy is following

1       that.

2                   VICE CHAIRMAN JOHANSON: Thank you for your  
3 responses, my time has expired. Commissioner Williamson,  
4 Commissioner Broadbent?

5                   Okay, you know I think I have just one more  
6 question and this is purely a legal one and so if you want  
7 to respond to it in your post-hearing Brief feel free to do  
8 so although you can also answer it now if you would like.

9                   One legal requirement that the Commission has to  
10 worry about when we weigh arguments about attenuated  
11 competition in the court's instruction in the Diamond  
12 Sawblades case. I observed that here there are many product  
13 definitions where there does appear to be little competition  
14 but your briefs have addressed many dimensions on which  
15 these products vary -- such as grades, species, thickness,  
16 finish and intended end uses.

17                   To help us, could you please address the question  
18 of whether despite a lack of competition on the edges, there  
19 is significant competition in the middle of all of these  
20 characteristics and are these attenuation arguments  
21 distracting us from a plain vanilla product segment in which  
22 significant shares of both domestic and Chinese products  
23 clash in the U.S. market?

24                   MR. GRIMSON: Commissioner Johanson I will read  
25 the transcript to get that whole question.

1 VICE CHAIRMAN JOHANSON: Okay.

2 MR. GRIMSON: And we will answer it in our  
3 post-hearing.

4 VICE CHAIRMAN JOHANSON: All right I look  
5 forward. Just basically addressing Diamond Sawblades  
6 situation as it pertains to here. That's kind of the four  
7 word gist, thanks a lot. Okay, that concludes my questions.  
8 I guess all of the Commissioners are done.

9 Does the staff have any questions for this panel?

10 MS. MESSER: Mary Messer, Office of  
11 Investigations, no, we have no questions.

12 VICE CHAIRMAN JOHANSON: And with regard to  
13 Petitioner's questioning, Petitioner's do not have time to  
14 ask any additional questions of this panel as they've used  
15 all of their direct time this morning. And with that I give  
16 the closing statement, is that correct? I apologize I'm not  
17 usually Chairman, I'm just it for the day so I'm a little  
18 rusty -- actually I don't really know what exactly I'm  
19 supposed to do but here I am.

20 Here is the closing statement.

21 MR. BISHOP: Mr. Chairman?

22 VICE CHAIRMAN JOHANSON: Yes?

23 MR. BISHOP: You should now move to rebuttal and  
24 closing remarks.

25 VICE CHAIRMAN JOHANSON: Oh, boy I forgot

1 something big. It's not written down, oh yes it is  
2 actually. It is now time for Petitioners' rebuttal and  
3 closing remarks.

4 MR. BISHOP: Then we will dismiss the second  
5 panel. They're asking for a five minute break so they can  
6 regroup.

7 VICE CHAIRMAN JOHANSON: That's fine, yes.

8 MR. BISHOP: Thank you. We dismiss this panel  
9 with our thanks. We'll take a five minute break.

10 (Recess.)

11 MR. BISHOP: Will the room please come to order  
12 and everybody find a seat?

13 Mr. Chairman, I would note that for closing  
14 remarks, petitioners have a total of five minutes. I would  
15 note the respondents have two minutes remaining from their  
16 direct presentation for a total of seven minutes. Closing  
17 and rebuttal remarks on behalf of petitioners will be given  
18 by Timothy C. Brightbill of Wiley Rein and Dr. Seth Kaplan  
19 of IER.

20 Gentlemen, you have five minutes.

21 CLOSING STATEMENT OF SETH KAPLAN

22 DR. KAPLAN: Thank you. There are several  
23 un rebutted facts after hearing the presentation. First, the  
24 industry is cyclical; second, there's an overlap of end uses  
25 and the box in the cabinet is the center of that. We've

1       been pushed into a corner. We've been pushed out of these,  
2       the boxes where the action is, as well as other places.

3               We saw in the last -- first part of the period  
4       of investigation that Chinese imports grew dramatically and  
5       killed the industry during the first housing boom, putting  
6       out many, many companies out of business.

7               We see in the second one that the same thing is  
8       happening, that U.S. imports -- Chinese imports are rising  
9       and U.S. shares falling, that the U.S. industry is losing  
10      profitability while the cabinet industry is gaining  
11      profitability as housing starts rise. This is the second  
12      cycle. We've been deprived of this based on Chinese imports.

13              Finally, we could see the mill closures and we  
14      could see that the capacity has not been explained from the  
15      five sources we talked about during the afternoon. I would  
16      ask the Commission who did not ask questions now to ask them  
17      later to explain why they say there's 180 billion tons of  
18      production when the staff report says 3 million. Thank you.

19

20                           CLOSING STATEMENT OF TIMOTHY C. BRIGHTBILL

21              MR. Brightbill: Just a couple of points of  
22      rebuttal before we wrap up. First, you heard about the  
23      ageing Chinese facilities. This is a photograph of a brand  
24      new facility rolled by SPI, including extremely modern  
25      equipment and drying equipment. We'll submit that.

1           Commissioner Broadbent asked why aren't Chinese  
2           prices increasing with increased demand. And the allegation  
3           was made about intra-Chinese competition. Their advertising  
4           does not say imported quality, imported price. It shows  
5           imported quality, imported pricing, and domestic quality.  
6           So that's where the competition is.

7           In terms of proprietary grades, by the way,  
8           these are slight variations so the Commission and staff  
9           should consider proprietary grades to be substitutable.

10           On the thin and thick issue, petitioners have  
11           moved closer to thinner faced veneers. We can make it if  
12           demand were there. We don't -- we would make it, but  
13           customers don't ask.

14           As far as thick face veneers here, you see from  
15           Dragon Ply, and from SFI specific descriptions of the  
16           ability to make thick faced veneers in a variety of grades.  
17           And we'll submit those for the post hearing as well.

18           Respondent's counsel claimed we're losing jobs  
19           due to new equipment. That's wrong. We're losing jobs due  
20           to Chinese respondents, who by the way, did not say very  
21           much this afternoon. You did not hear a whole lot of  
22           rebutting those -- the fundamental facts from the staff  
23           report.

24           Vice Chairman Johanson asked why a cabinet maker  
25           would prefer to use Chinese product. I didn't hear a

1 convincing answer to that. I heard some things about  
2 quality, lamination, screw holding. See the staff report.  
3 See what purchasers said. It fundamentally contradicts the  
4 claims you heard this afternoon.

5 With regard to painting, I heard respondent's  
6 counsel Mr. Grimson confirm that painting makes Chinese  
7 plywood more substitutable with U.S. product. That --  
8 that's encourages the head to head competition that we've  
9 been arguing exists all along.

10 And as Vice Chair Johanson pointed out, yes, it  
11 does cost more to paint than to stain. So Chinese are  
12 moving into these higher value added products.

13 And no one said, by the way this afternoon, that  
14 domestic hardwood plywood cannot be used for the inside of  
15 the cabinets. It can be. It's our bread and butter. We  
16 need that in order to survive.

17 Just to focus, there were a lot of factors  
18 mentioned other than price, just to remind you again in the  
19 staff report, price was the most frequently reported second  
20 most and third most important factor to purchasers. And  
21 price was most frequently listed as the top three factor.  
22 That is what's driving much of this case.

23 Far East advertises A grades and B grades on  
24 their website. They claim that they only have C, D, and E  
25 grades, that the log doesn't yield A or B. They list

1 proprietary grades on their website, including A-2, B-2,  
2 C-2. And we have it in our brief.

3 I could go on, but instead, I'll just say thank  
4 you to the Commission and the staff for your hard work on  
5 this case and for your careful review of the record  
6 evidence. We really appreciate it. Thank you also for your  
7 trip to Eugene, Oregon and the staff trip to the veneer  
8 mills. There's nothing like seeing one of these facilities  
9 in action, even one that's operating well below capacity and  
10 one that's been injured for years by dumped and subsidized  
11 imports.

12 The record evidence supports our case and our  
13 claims. If you focus on the staff report, you have all the  
14 evidence you need. Head to head competition shown in the  
15 staff report, volume, price, and impact. The evidence is  
16 markedly different from the record you had four years ago  
17 and it compels an affirmative determination. Thank you.

18 MR. BISHOP: Rebuttal and closing remarks on  
19 behalf of respondents will be given by Jeffrey S. Grimson of  
20 Mowry Grimson.

21 Mr. Grimson, you have seven minutes.

22 CLOSING STATEMENT OF JEFFREY S. GRIMSON

23 MR. GRIMSON: Good afternoon, Commissioners and  
24 I'd also like to thank you for your attentiveness today and  
25 to the staff for their diligence in helping develop a very

1 complete record for this final phase.

2           You have now spent more resources and time on  
3 this one product than probably any other except lumber.  
4 Today, we heard the same tired story that Chinese and  
5 domestic plywood are the same and compete head to head. But  
6 the data just do not support it.

7           The petitioners, I guess I'll call it their  
8 propaganda machine, has been going to full tilt lately on  
9 Twitter. Last week, they accused China, the Chinese  
10 industry of "decimating a historic American industry." You  
11 heard some of that today as well.

12           And we may be in a post-factual world in other  
13 parts of town here, but not in this building, I hope, and  
14 not with you. So the question is what does your data show,  
15 the data that has to be the basis of your decision?

16           So your data shows that domestic -- the domestic  
17 plywood industry today is larger. And on average, employs  
18 more people than it did in Plywood I when you threw the case  
19 out.

20           Total hours worked are up markedly from Plywood  
21 I. Hourly wages increased both from Plywood I and during  
22 this POI. We are not the ones going back to the year 2000  
23 to find things to show you on our charts. We're talking  
24 about this POI and what's compared to the last one, which  
25 we're lucky to have.

1                   But what had not changed is the petitioners'  
2 plywood. Remember when they told at the final hearing and I  
3 mentioned already today, that they can and do make thin face  
4 veneers. Well, did they? Of course not. They don't want  
5 to make Chinese style plywood. Their companies depend on  
6 their plywood being different. And I want to say that  
7 again. They depend on their plywood being different.

8                   You know there are differences when you see the  
9 pricing series. And I want to show one of them on the  
10 screen again. By the way, this is one of the five products  
11 that the petitioners hand-picked to show you price  
12 competition. And the four don't look very much different.

13                   And after five years, you would think the  
14 petitioners would have a plausible answer for this chart,  
15 but they really do not. I was expecting to hear some theory  
16 today, but it was painfully clear that as to this chart and  
17 the issue of price effects, that they've got nothing.

18                   So there -- but there's two explanations for  
19 this graph. One is that the entire U.S. market of  
20 purchasers is acting irrationally and continuing to buy the  
21 identical product at consistently higher prices for what is  
22 now approaching a decade if you tack on Plywood I.

23                   The second is that prices -- that products are  
24 actually different. So petitioners are banking on you going  
25 with the irrational actor theory and closing your eyes to

1 the facts and economic reason. And obviously, you can't do  
2 that.

3 As in Plywood I, the performance of the domestic  
4 industry does not appear to have any connection with price  
5 and market share changes by the Chinese. Our witnesses  
6 today discussed how Chinese and domestic plywood are  
7 different in ways that go back to the raw materials that are  
8 plentiful in each country. You heard about the hard line at  
9 .4 millimeter veneer thickness that separates these  
10 industries.

11 The purchasers and end users here today  
12 testified about how Chinese and domestic plywood is  
13 different. Did you have any representatives -- did you hear  
14 any representatives this morning from any end user, anybody?  
15 They had a guy at the prelim, but this time around, there is  
16 nobody backing their claim that this plywood is exactly the  
17 same.

18 The parlor trick of showing cabinets around the  
19 room and saying, hey, can you see which one's the Chinese  
20 and which one's domestic? You can't tell the difference  
21 with the naked eye. That really doesn't establish much of  
22 anything other than none of us are experts in plywood.  
23 Okay, the people that buy 10,000 cabinets -- that make  
24 10,000 cabinets a day who testified today for us are  
25 telling you that there is a dramatic difference.

1                   We continue to argue with the petitioners about  
2                   their marketing of the thicker face veneers and marketing  
3                   factor. Today, they also tried to kind of blame it off on  
4                   some old ad that keeps popping up like whack-a-mole and they can't  
5                   rid of it, but you know, that ad is alive and well on Blue  
6                   Link's website today. Menards, if you walk into Menards  
7                   today, you'll see that same blue hand tag that's in our  
8                   brief and the petitioners showed there was a little out of  
9                   focus so you couldn't read the 132nd face veneer, but it's  
10                  on there. That's .8 millimeters by the way. I took that  
11                  picture at a Menards north of Chicago on October 2nd.

12                  It's astonishing that the petitioners had  
13                  represented to the Commission that the face veneer thickness  
14                  is inconsequential, but why does it matter that they're  
15                  telling you a story that it doesn't match with the data or  
16                  the reality? Well, it's because they're asking you to not  
17                  look at the record and just to believe them.

18                  They want you to see price effects that you  
19                  can't see, that might be coming. They're hidden, they're  
20                  masked, but actually they're just not there. You should not  
21                  believe them. The tone of their news releases is that it's  
22                  the American thing to do to vote for them. And I guess I'll  
23                  just take the flipside of that. In other words, it's the  
24                  un-American thing to do to vote against them?

25                  Well, that's ridiculous. The witnesses on our

1 panel alone employ tens of thousands of Americans. So  
2 saying that a vote against this case is un-American is  
3 really pretty insulting to them and add on to them hundreds  
4 of thousands of other cabinet makers and RV industry  
5 employers and homebuilders who are all opposed to this case.  
6 And you can see how absurd and desperate that is. It's not  
7 un-American to look at the data and make a fair decision  
8 based on the facts and according to the legal standard,  
9 because this is not a public relations battle. They win the  
10 politician count, okay. But the data actually supports our  
11 case.

12 The lack of a causal link in this case is at  
13 clear as any the Commission has seen with the exception of  
14 maybe Plywood I. We have a legal standard and a process  
15 that provides for both affirmative and negative  
16 determinations. And I'd say the system loses its meaning  
17 some if a weak and meritless case like this one's  
18 allowed to go through. So regardless of what they say, we  
19 ask you to focus on the data. And here, there's no question  
20 that the data demand a unanimous negative vote. And we  
21 thank you very much for your time today.

22 VICE CHAIRMAN JOHANSON: Thank you, Mr. Grimson  
23 and to others who appeared here today. It is now time for  
24 the closing statement. Post-hearing briefs, statements  
25 responsive to questions and requests of the Commission and

1 corrections to the transcripts must be filed by November  
2 2nd, 2017. Closing of the record and final release of data  
3 to parties occurs on November 22nd of 2017. And final  
4 comments are due on November 27th, 2017. With that, this  
5 hearing is adjourned.

6 (Whereupon the meeting was adjourned at 4:40  
7 p.m.)

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## CERTIFICATE OF REPORTER

TITLE: In The Matter Of: Hardwood Plywood from China

INVESTIGATION NOS.: 701-TA-565 and 731-TA-1341

HEARING DATE: 10-26-17

LOCATION: Washington, D.C.

NATURE OF HEARING: Final

I hereby certify that the foregoing/attached transcript is a true, correct and complete record of the above-referenced proceeding(s) of the U.S. International Trade Commission.

DATE: 10-26-17

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: Duane Rice  
Proofreader

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

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