UNITED STATES OF AMERICA

BEFORE THE

INTERNATIONAL TRADE COMMISSION

IN THE MATTER OF: ) Investigation Nos.: QUARTZ SURFACE PRODUCTS ) 701-TA-606 AND 731-TA-1416 FROM CHINA ) (FINAL)

Main Hearing Room (Room 101)
U.S. International Trade Commission
500 E Street, SW
Washington, DC
Thursday, May 9, 2019

The meeting commenced pursuant to notice at 9:30 a.m., before the Commissioners of the United States International Trade Commission, the Honorable David S. Johanson, Chairman, presiding.
APPEARANCES:

On behalf of the International Trade Commission:

Commissioners:

Chairman David S. Johanson (presiding)
Commissioner Irving A. Williamson
Commissioner Meredith M. Broadbent
Commissioner Rhonda K. Schmidtlein
Commissioner Jason E. Kearns

Staff:

William R. Bishop, Supervisory Hearings and Information Officer
Tyrell Burch, Management Analyst
Sharon Bellamy, Records Management Specialist
Lawrence Jones, Investigator
Gregory LaRocca, International Trade Analyst
Aimee Larsen, International Economist
Emily Kim, Accountant/Auditor
Michael Haldenstein, Attorney/Advisor
Elizabeth Haines, Supervisory Investigator
APPEARANCES:
Congressional Appearances
The Honorable Amy Klobuchar, United States Senator, Minnesota
The Honorable Tina Smith, United States Senator, Minnesota
The Honorable Jim Hagedorn, United States Representative, 1st District, Minnesota

Opening Remarks
Petitioner (Luke A. Meisner, Schagrin Associates)
Respondents (Jonathan T. Stoel, Hogan Lovells US LLP)

In Support of the Imposition of Antidumping and Countervailing Duty Orders:
Schagrin Associates
Washington, DC
on behalf of
Cambria Company LLC
Martin Davis, President and Chief Executive Officer,
Cambria Company LLC
Jim Ward, Chief Financial Officer, Cambria Company LLC
Brian Scoggin, Executive Vice President Operations,
Cambria Company LLC
Rebecca Shult, General Counsel, Cambria Company LLC
APPEARANCES (Continued):

Jon Grzeskowiak, Director of R&D and Process Operations, Cambria Company LLC

Sam Marchese, Chief Executive Officer, Consolidated Supply Company

Darlene Brown, Owner, Busch Products Inc.
Bob Brown, Owner, Busch Products Inc.
Chris Stewart, Chief Executive Officer, International Granite and Stone

Kim Clark, President, Palmetto Surfacing Inc.
Roger B. Schagrin, Luke A. Meisner, and Elizabeth J. Drake - Of Counsel
APPEARANCES (Continued):

In Opposition to the Imposition of Antidumping and Countervailing Duty Orders:
Morris, Manning & Martin, LLP
Washington, DC

on behalf of
Fujian Pengxiang Industrial Co., Ltd ("Fujian")
China Stone Material Association ("CSMA")
China Chamber of Commerce of Metals, Minerals & Chemicals Importers & Exporters ("CCCMC")
(collectively, "Chinese Respondents")
Qian Jingfen, Vice Chairman, CCCMC
Fan Feihua, Legal Department Head, CCCMC
Zheng Xu, Senior Partner, Juncheng Tongda & Neal Law Firm
Emma K. Peterson, Trade Analyst, Morris, Manning & Martin, LLP
Julie C. Mendoza and R. Will Planert - Of Counsel
APPEARANCES (Continued):
Harris Bricken McVay, LLP
Seattle, WA
on behalf of
Reliance Granite and Marble Corp., Universal Granite &
Marble Inc.,
Stone Showcase Inc., Cosmos Granite & Marble, Inc.,
Bedrock Quartz, Stone Warehouse, Absolute Stone,
Ameriquartz,
Mont Granite, Quartz Source LLC, OHM International, JR
Granites,
Unique Stone Concepts, Natural Stone Logistics Inc (dba
EasyStones),
Emgee Stone, Pacific Granites, Stone and Cabinet Outlet Inc.
Stone Connection, Stone Channel Inc., Budget Granite and
Countertops LLC and Ankur International Inc.
(collectively, the "Importers")
Alan Jorgensen, Chief Executive Officer, Bedrock Quartz
Surfaces, LLC
Evan Kruger, Managing Member of Quartz Source, LLC and
Solidtops, LLC in Easton, MD
Vineet Malik, President, Stone Showcase
Victor Torres, Director and Co-owner, Absolute Stone
Corporation
Dunesh Bafna, Owner and President, Mont Granite, Inc.
APPEARANCES (Continued):

Larry LaBrier, Chief Executive Officer, Unique Stone Concepts, LLC

Anik Narula, Universal Granite and Marble
Marcos Machado, Director, Ameriquartz LLC
Binod Toshniwal, President, Ankur International
Jugal Ladda, President, Reliance Granite and Marble Corp

Jtendra Gupta, President, JR Granites
Saket Hans, Chief Operating Officer, OHM International
William E. Perry - Of Counsel

Hogan Lovells US LLP
Washington, DC
on behalf of
M S International, Inc ("MSI")
Arizona Title LLC ("Arizona Tile")
Bedrosians Tile & Stone
Rupesh Shah, President, MSI
Matthew Huarte, Owner and Vice President for Business Development, Arizona Tile
Marisa Bedrosians Kosters, Owner and Legal Counsel,
Bedrosians Tile & Stone
Josh Yoltay, Founder and Chief Executive Officer,
Artelye Marble & Granite
APPEARANCES (Continued):

Jeffrey Keck, President and Owner, Marble Uniques
Tim Butler, Vice President - Purchasing & Inventory,
Wisenbacker Building Services
James Dougan, Vice President, Economic Consulting Services, LLC
Susannah Perkins, Staff Economist, Economic Consulting Services, LLC
Jonathan T. Stoel, Jared R. Wessel, Michael G. Jacobson - Of Counsel

Alston & Bird LLP
Washington, DC
on behalf of
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Jason Brown, Director of Product Management, ASG
Scott Jarvis, Associate General Counsel, Select Interior Concepts (parent company of ASG)
Jason M. Waite - Of Counsel
APPEARANCES (Continued):

Curtis, Mallet-Prevost, Colt & Mosle LLP
Washington, DC
on behalf of
LG Hausys America, Inc.

Michael Morici, Director of Surface Products, LG Hausys
America, Inc.

Dan Prokop, Production Director, LG Hausys America,
Inc.

Daniel L. Porter and Gina M. Colarusso - Of Counsel

Sandler, Travis & Rosenberg, P.A.
Washington, DC
on behalf of
MStone LLC
Construction Resources USA and
National Stoneworks LLC

Mitch Hires, Chief Executive Officer, National
Stoneworks LLC and Construction Resources USA

Drew Murray, Vice President of Business Development,
MStone LLC

Kristen Smith, David Craven and Sarah Yuskaitis - Of
Counsel
Rebuttal/Closing Remarks:

Petitioner (Roger B. Schagrin, Schagrin Associates)

Respondents (Julie C. Mendoza, Morris, Manning & Martin, LLP, and Jonathan T. Stoel, Hogan Lovells US LLP)
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CHAIRMAN JOHANSON: 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-606 and 731-TA-1416 involving Quartz Surface Products 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 quartz surface products 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 parties are aware of the time allocations. Any questions regarding the time allocations should be given directly to the Secretary. Speakers are reminded not to refer in their remarks or answers to questions to business proprietary information.

Please speak clearly into the microphones and state your
name for the record to the benefit of the court reporter.

If you will be submitting documents that contain information you wish classified as business confidential your request should comply with Commission Rule 201.6. Mr. Secretary, are there any preliminary matters?

MR. BISHOP: No, Mr. Chairman.

CHAIRMAN JOHANSON: Very well. Will you please announce our first Congressional Witness.

MR. BISHOP: The Honorable Amy Klobuchar, United States Senator from Minnesota.

STATEMENT OF SENATOR AMY KLOBUCHAR

SENATOR KLOBUCHAR: Thank you Chairman Johanson, Chairman Williamson and Distinguished Commissioners, I'm grateful for the opportunity to appear before you again and to speak about something different this time and a very focused topic which is the economic impact of subsidized imports of quartz service products from China are having on my state and our country and the importance of supporting the Commerce Department's antidumping determination against Foreign Producers.

Dumping of steel products has significant economic implications for the state of Minnesota and this quartz issue is something that has a specific impact. Cambria, which is a great company in our state, opened a facility in Le Sueur, Minnesota in 2001 and is now the
nation's leading producer of quartz service products.

Cambria has invested over 400 million into building its business and now employs over 2000 workers throughout North America including over 1000 Minnesotans. I understand that some people were able to go from the Commission and the Commerce Department to see the facility there. I understand it was a very glamorous trip in the winter when it was 0 degrees.

I thank you for visiting at that time and I also want to tell you that it is a very important employer in a rural part of our state. Sometimes people don't realize what that means for a small town, if they have a big employer like this and it creates jobs for everyone in the area which is why Senator Smith and Congressman Hegadorn from our delegation are also here as well.

The engineered quartz industry has always been international in scope. The quartz engineering process originated in Italy in the 1960's and Spanish and Israeli companies also produced significant quantities of engineered quartz.

As with many industries, the explosive growth in Chinese Production, underwritten by the Chinese government's industrial policies has drastically reshaped the market for engineered quartz. As the Commission knows, Chinese quartz producers' capacity exploded from 2015 to 2017. Chinese
quartz production nearly doubled increasing 92 percent
during that time.

This led almost immediately to a flood of imports
into the U.S. and U.S. Imports of quartz products from China
nearly tripled from 2015 to 2017. As a result Chinese
Imports went from roughly one-third of all quartz imports
into the U.S. to one half.

If this explosive growth was the result of simple
market-based expansion in an exports at fair-market value I
would not be appearing in front of you today but as a former
prosecutor I believe in evidence and we have ample evidence
here that this is wrong.

The short term consumer benefits of low-input
prices are obvious and Minnesota based quartz fabricators
have responded to the sudden change in the market conditions
by expanding operations, hiring workers and making quality
quartz service products available to a greater share of the
American Public.

Unfortunately, the record demonstrates that the
explosive growth in Chinese quartz production and export has
been marked by unfair trade practices. The Department of
Commerce's investigation has confirmed that the Chinese
exports received unfair subsidies of 34 percent with two
Chinese factories receiving subsidies of 178 percent.

I'm sure there's a lot of businesses in America
that if they can get that kind of subsidy that'd be pretty

good but that's not what we have here because we have a
capitalist system and we also have fair competition. China
not only subsidized its exports allowing the product to be
sold below cost but also instituted a tariff on quartz
imports into China.

The Chinese government also supplied quartz
producers with raw materials for the quartz and provided
valuable tax and utility price breaks, cheap loans and
grants intended to grow the Chinese industry artificially.
This unfair subsidization has created a glut of quartz
surface products pushed out onto the world market. These
imports are causing the domestic quartz industry to lose
sales and market share.

So that's a lot of facts and a lot of evidence
but the real truth is that it hurts workers in the U.S. Our
workers have proven that they can compete with anybody on
the world's playing field but not if it's tilted.
Unfortunately the fairness that we would expect is being
compromised by subsidized imports that are putting their
jobs in jeopardy.

Now that the Commerce Department's investigation
is complete it is time to impose duties to offset the
significant amount of subsidies that have benefitted Chinese
exporters to the detriment of U.S. companies and workers,
many of whom are my constituents. It is critical that our trade laws are adequately enforced on behalf of American companies and workers.

For that reason, I strongly urge you to make an affirmative determination in this case and support the Commerce Department's final determination. Thank you very much for your time. Thank you.

CHAIRMAN JOHANSON: Thank you, Senator Klobuchar. Do any of the Commissioners have questions for the Senator? No Commissioners do. We appreciate you being here today.

SENATOR KLOBUCHAR: Thank you very much.

MR. BISHOP: Our next Congressional Witness is the Honorable Tina Smith, United States Senator from Minnesota.

STATEMENT OF SENATOR TINA SMITH

SENATOR SMITH: Good morning. Chairman Johanson, and Commissioners Williamson, Broadbent and Schmidtlein and Kearns, I am honored to be with you today and thank you for the opportunity to testify about an unfairly imported product that is putting potentially hundreds of Minnesota jobs at risk.

Now I believe that on a level global playing field U.S. companies can out-innovate and out-compete anyone in the world but too often Chinese companies, often with government backing are violating International Trade Rules
and flooding U.S. Markets with dumped or subsidized products and that puts U.S. jobs and entire U.S. Industries at risk. I'm here today to tell you about why this matters to a small town, the small town of Le Sueur, Minnesota and why it's so important for the Commission to take action. Cambria, based in Le Sueur, Minnesota is the nation's leading producer of quartz surface products; countertops, backsplashes, tabletops and similar items.

The community of Le Sueur is a small Minnesota town with a population of about 4000 people, a little over, meaning that much of the fortune of the town and the surrounding area depends on Cambria's success or failure. Now I have had the opportunity to go to the Cambria fabricating facility and can speak firsthand, from firsthand experience about the quality and the innovation and the craftsmanship of Cambria products. I know that many of you, if not all of you have had a chance to see the facility as well.

Over the years, Cambria which is still a family-owned company, has invested over 400 million dollars in building this company and today employs over a thousand residents of Minnesota, my constituents. These are good-paying jobs and employees also have advancement opportunities within the company. Cambria is committed to the education and the...
training of its employees. For instance, they have onsite classrooms at their Le Sueur plant to provide employees workforce enrichment and advancement including English language classes. In addition, since their founding Cambria has made philanthropy a key focus of the company.

Cambria's giving, which dates back to the 1940's has touched a wide range of communities but they've taken particular focus on improving the quality of life for kids and teenagers with juvenile arthritis. Through the Cambria Foundation they have supported 324,000 children and adults with disabilities, primarily through a summer camp program.

The week-long summer camp allows children and teenagers with juvenile arthritis the opportunity to play and get to know one another and to learn new talents, to improve their confidence and to explore strategies to manage their conditions. These camps are held every year in Maple Lake, Minnesota.

Now unfortunately, these programs to say nothing of the hundreds of jobs, are at risk if dumped and subsidized Chinese quartz products are allowed to continue flooding the market. From 2015 to 2018, imports of Chinese made quartz surface products increased by nearly 400 percent.

These imports priced at far below fair value have made it more difficult for Cambria to maintain its
leadership position in the industry and as a result Cambria has been forced to reconsider expansion plans and even to contemplate layoffs. However, since preliminary duties were imposed just last year Cambria has been able to start taking steps to expand its production again and to hire more workers.

Providing an affirmative final injury decision will be the next key step to allowing this American company to get back on a level playing field and to allow its employees and the whole community of Le Sueur and the surrounding areas the opportunity to grow.

I want to thank you again for this opportunity to testify.

CHAIRMAN JOHANSON: Thank you, Senator Smith. Do any Commissioners have questions for the Senator? No Commissioners do. We appreciate you being here today, Senator Smith.

SENATOR SMITH: Thank you very much.

MR. BISHOP: Our final Congressional appearance this morning is the Honorable Jim Hagedorn, United States Representative with the First District of Minnesota.

STATEMENT OF REPRESENTATIVE JIM HAGEDORN

REPRESENTATIVE HAGEDORN: Good morning, Chairman Johanson and Members of the Commission. It's a pleasure to be here. Thank you for the opportunity.
The testimony that we have today is about a constituent from my district and the very survival of an American industry. I happen to represent Minnesota's First District and I wanted to thank you for the work that you're doing on behalf of American companies and workers who seek relief from unfair trade practices.

I'd like to first associate myself with the remarks of Senator Klobuchar and Senator Smith. I believe that they speak on behalf of the industry and on behalf of the people of Minnesota and I'd like to talk just a little bit more personally about our district and how this case affects the people of the First District of Minnesota.

Our District expands from South Dakota to Wisconsin along the Iowa border. Agribusinesses coupled with innovative and entrepreneurial businesses and world-acclaimed health care from the Mayo Clinic all play important roles in our global economy and add to the quality of life of our constituents.

This morning I'm pleased to appear in support of one of the family-owned businesses in our district, Cambria Company, LLC of Le Sueur, Minnesota and their thousands of employees that seek relief from Chinese dumping of quartz surface products in our domestic market.

During a recent conversation with the company's president I learned how these unfair trading imports have
impacted hardworking Americans. He explained how the Chinese Imports have taken a greater share of the U.S. Market, further eroding their business and resulting in a reduction of good, high wage jobs at their facility in my district.

As he explained, the company was making a good deal of progress until 2015 when they discovered imports at widely reduced prices and they were entering from China. Such a reduction of prices is not feasible in this industry. As a result, from 2015 to 2018 Chinese Imports totaled 21 million in square feet and jumped to over 83 million square feet. After much careful thought and considering all of the options available the company decided to use the trade tools available and file antidumping and countervailing duty cases in April of 2018 to help seek relief.

Since that time, the Commerce Department has issued preliminary findings that resulted in countervailing duty rates in the range of 34 to 178 percent and antidumping findings in the range of 242 to 341 percent. I support open and fair trade and I also agree that trade is a two-way street in which we must ensure that our global trading partners are adhering to global trade rules. It certainly does not appear that Chinese quartz producers adhere to these rules. Rather, they choose to pursue channels that threaten U.S. companies and U.S. jobs.
Cambria Company is another fine example of American business at its best. The company was founded in 2000 and began operations in 2001 and quickly established itself as a leader in the domestic production of quartz surface products. Today, Cambria quartz is widely recognized in design community and I'm honored to have such an industry leader call Le Sueur, Minnesota home.

I also wanted to emphasize that the company is not only a leader in the industry but is also a leader in our community. In addition to the employee enrichment programs at its facility, the company supports a wide range of community initiatives that support programs throughout the region and the counties of Le Sueur and Sibley, Minnesota specifically.

During its two decades in business the company has continued to make millions of dollars in investments that have benefitted the local economy. Cambria and its employees are great examples of what the country does best: American ingenuity, innovation, hard work that result in quality products for consumers here and abroad.

I would like to ask you that at this point you consider the case, give it a fair merit and that you side on the side of the American workers and the company of Cambria and for all the reasons I have laid out, I appreciate your time and consideration into this matter. Thank you.
CHAIRMAN JOHANSON: Thank you, Representative Hagedorn. Do any Commissioners have any questions for representative Hagedorn? No Commissioners do, we appreciate you being here today. Thank you.

REPRESENTATIVE HAGEDORN: Thank you.

MR. BISHOP: Mr. Chairman that concludes our congressional testimony this morning.

We will now move onto opening remarks. Opening remarks on behalf of Petitioners will be given by Luke A. Meisner of Schagrin Associates. Mr. Meisner, you have five minutes.

CHAIRMAN JOHANSON: You may begin.

OPENING STATEMENT OF LUKE MEISNER

MR. MEISNER: Good morning, Chairman Johanson and Members of the Commission. My name is Luke Meisner from Schagrin Associates and I represent the Petitioner Cambria Company LLC.

As you will hear from our witnesses today, Granite was king in the countertop world a decade ago. Back then, many fabricators did not cut quartz. Then Cambria and other market-based competitors came along. They invested in consumer awareness, trained fabricators and created beautiful new quartz designs. They made quartz an exciting product and through all these efforts demand for quartz soared and now quartz is king.
With this growing demand, Cambria was initially able to expand its production facility from two lines to five lines and add over 1000 good paying manufacturing jobs in the heart of Minnesota and 1000 jobs in other areas of its company throughout the United States.

Other U.S. Manufacturers also decided to enter the U.S. Market along the way. Now as with too many other cases that the Commission has seen, China took notice of the success of the U.S. quartz industry. The government of China showered subsidies on Chinese quartz producers and they rapidly mushroomed out of control.

These Chinese Producers set their sights on the U.S. Market and began dumping massive volumes of quartz products into our country. We are here today to seek relief from these imports. All of the statutory factors considered by the Commission support the granting of relief to the Domestic Industry.

On volume over the last 30 years Chinese Imports nearly tripled from 23 million square feet in 2015 to 66 million square feet in 2017 and surged again in 2018. In the process, Chinese Imports took away sales, market share and revenue from the Domestic Industry. On price, the record shows Chinese quartz undersold domestic quartz in every quarterly pricing comparison with high margins of underselling.
Faced with this underselling and the loss of market share, Cambria has fought to keep an edge by investing in innovation, marketing and new distribution centers. What you will hear from numerous witnesses today that while Cambria's brand, which is a big issue in this case, may lead consumers to quartz instead of granite and other surfaces, once they are through the door consumers ultimately leave with lower priced Chinese knockoffs rather than the domestic quartz produced by Cambria and the other domestic producers.

These trends have had a profound negative impact on the Domestic Industry. As demand skyrocketed, the Domestic Industry should have seen its production, sales and profits skyrocket too but as you will hear today, instead of seeing growth the Domestic Industry saw production and sales go flat. Instead of hiring more workers, the industry had to let workers go. Instead of filling their plant's capacity the Domestic Industry curtailed production. Instead of investing in new production lines, it cancelled existing plans for new production lines.

This negative impact has not been limited to Cambria, the leading producer. Just last week for example, Caesarstone announced that it was laying off over 100 employees in its company and shutting down half of its U.S. Plant due to declining U.S. revenue.
Chinese Producers also threaten additional injury absent relief. They have massing unused capacity and receive large export subsidies that encourage them to target the United States. Left unchecked, the negative impact already felt by the Domestic Industry will worsen.

Finally, you will hear today how so much Chinese quartz was imported into the United States after we filed Petitions on behalf of Cambria, that the market is still working through a massive inventory buildup. Importers will make these critical circumstances even worse when they import more Chinese quartz during a month-long gap in relief that may happen between the expiration of the preliminary duties and any final duties that are imposed in this case.

Thus, even if the Commission votes affirmative on injury, the Domestic Industry will not feel any relief for a long, long time unless the Commission also finds the critical circumstances exist.

In conclusion, we ask the Commission to grant relief from any further injury so that the Domestic Industry can result competing on a level playing field and reap the rewards of its investments, hard work and innovation. Thank you.

MR. BISHOP: Thank you, Mr. Meisner. Opening remarks on behalf of Respondents will be given by Jonathan T. Stoel of Hogan Lovells, U.S. LLP.
Mr. Stoel, you have five minutes.

OPENING STATEMENT OF JONATHAN T. STOEL

MR. STOEL: Good morning, Chairman Johanson, Commissioners, and staff. It is my privilege this morning to open today's hearing on behalf of Respondents.

I want to start by thanking the Commission for all the time and effort invested in these important investigations. This is a unique case for four key reasons:

First, you will hear this morning from luxury quartz producer Cambria and its witness that all this case is about China, but that is demonstrably false. The fact is that Cambria has unilaterally dragged the Commission into an old-fashioned food fight among the American companies that are driving the quartz industry to record new heights. Cambria is unilaterally prosecuting this case, and it is also the sole petitioner in a new case filed just yesterday targeting imports from India and Turkey.

Cambria is both a quartz slab producer and a quartz fabricator. This explains why the Petition's scope and the domestic like product comprise quartz slabs and fabricated quartz products.

You will hear this afternoon from another major U.S. quartz slab producer, LG Hausys, which believes this case never should have been started, and which has performed extremely well during the Period of Investigation.
LG Hausys will explain how Petitioner has inaccurately portrayed the dynamics of both the quartz industry and the quartz market. You will also hear from six fabricator manufacturers of quartz who also oppose the Petition. These fabricators, spread across different regions of the country, are testifying today despite Petitioner's many efforts to disenfranchise them.

These American companies have been repeatedly disparaged as, quote, "individuals in garages with handsaws" unquote. Notwithstanding that they employ thousands of American manufacturing workers and account for millions of dollars of investment in their facilities.

In fact, your staff visited a sophisticated, high-tech fabricator. See the picture on Slide No. 2 in your handout. I urge the Commission to consider fabricators to be part of the domestic industry. They are the ones in the red shirts back there. You should not let the big guy win to the detriment of small and medium sized American companies and their workers.

Second, both Petitioner and Respondents agree that this is an industry that is skyrocketing, as quartz is overtaking granite as the leading service product in American homes and offices.

This is important not only because Americans are eagerly buying up quartz as fashionable "must haves," but
also because this is a vibrant and successful industry in which everyone has been a winner.

U.S. apparent consumption of quartz has exploded over the Commission's POI, contributing to increased domestic capacity, production, sales, shipments, and profits. More importantly, two U.S. slab producers, Caesar Stone and LG, have expanded their production operations over the POI.

A third producer, DalTile, is actively hiring additional workers and ramping up production in its new Dixon, Tennessee, facility.

Third, quartz is a design product that is very different than the commodities typically seen in Commission investigations. The quartz industry is segmented between the high-end luxury market and the mass market, which comprises both multi-family apartment buildings and major commercial projects.

Cambria is the dominant player in the luxury segment. Its brand is, quote, "the art of stone" unquote, and it spent heavily on a full feature film called "The Legend of Cambria." On the other hand, the vast majority of imports from China are neither branded nor advertised, and they served the growth in the mass market segment over the POI.
Domestic slab producers have intentionally decided not to participate in the mass market. In fact, the head of Cambria's Lexus Partners Program has explained that, quote, "Cambria will not be offering any lower priced selections at builder programs" unquote.

Caesarstone CEO explained just last week that its product does not compete with Chinese imports neck to neck, because those imports, quote, "serve the low end of the market and we are playing in the medium and the premium end" unquote.

LG, which opposes the Petitions and reports that quote, "it is not possible to find a connection between the volume and pricing of any Chinese quartz and the volume and pricing of our U.S. produced quartz."

In other words, the entire U.S. slab industry agrees that there is attenuated competition between U.S. manufactured quartz and imports from China.

Finally, the Commission is confronted with a record demonstrating that subject imports have not caused material injury. Domestic industry production, sales, shipments, profits, all increased over the POI. Furthermore, domestic producers, and especially my friends at Cambria, have been able to raise their prices over the POI. All of these positive developments have occurred as subject import volumes increased and their
prices declined.

There is, thus, an absence of correlation between subject imports and the condition of the domestic industry.

I urge you to focus on these facts as Petitioners testify this morning. Thank you, very much.

MR. BISHOP: Thank you, Mr. Stoel.

Would the panel in support of the Imposition of the Antidumping and Countervailing Duty Orders please come forward and be seated.

Mr. Chairman, all witnesses on this panel have been sworn in. This panel has 60 minutes for their direct testimony.

CHAIRMAN JOHANSON: You may proceed whenever you'd like.

STATEMENT OF ELIZABETH DRAKE

MS. DRAKE: Thank you. Good morning, Chairman Johanson and members of the Commission. My name is Elizabeth Drake of Schagrin Associates, here today on behalf of the Petitioner Cambria Company LLC.

We would like to begin with a brief slide presentation, and then move on to our witness testimony. First I do want to take a minute to thank the Commission staff for all of their work on this investigation. There are obviously a lot of parties, a lot of issues, and they've done an excellent job, and we believe the Prehearing Staff
Report clearly supports an affirmative determination.

Turning to the issue of domestic like product and the domestic industry, there's really no dispute anymore over the domestic like product. There's one that's coextensive with the scope, and the Commission should continue to find in its preliminary determination that fabricators do not engage in significant--sufficient production-related activities to be included in the industry.

There's much lower levels of capital investment, expertise, value-added, employment, and parts sourced in the U.S. in the fabrication piece of the quartz production, and in fact these fabricators mainly produce granite, marble, and other out-of-scope products which can be gleaned from just the witness list that we have today, where many of those in opposition to relief have in their names the words "marble," "granite," or "stone," but very few "quartz" because quartz is just a recent addition to their product lineup.

Finally, the Commission should exclude any related parties as the facts warrant.

An important condition of competition in this investigation is a high degree of substitutability between Chinese imports and the domestic like product, which makes price a very important factor in purchasing decisions.
Sixty percent of purchasers report that domestic and Chinese quartz are always or frequently interchangeable. Most rate domestic and Chinese quartz as comparable on every single purchasing factor, except for price because of lower prices in Chinese quartz. And, excuse me, price is the second-most frequently cited top three purchasing factors.

In fact, every single purchaser responded that price was either very important or somewhat important, with more than 60 percent reporting it was very important. Respondents have sought to distract from this clear record of high substitutability and the importance of price by claiming there's attenuated competition. There's many different claims out there about what might be attenuating competition, whether it's colors, designs, luxury, mass market, et cetera, but the record shows that these claims simply have no merit.

On the question of colors and design, a full 75 percent of purchasers report that U.S. and Chinese quartz are either comparable with respect to colors and designs, or that the U.S. product is superior. So no support for Respondents' claims there.

In addition, the claim that the domestic industry does not offer marble is not supported by the record. The Commission Staff Report shows that marble-like designs
account for the largest share of both U.S. slab shipments and imports from China. Again, direct competition.

And in fact Chinese producers advertise that they provide hot and popular colors like the ones that Cambria does, specifically using Cambria's name, yet at lower prices. Again, direct competition.

This can be seen on domestic producers and importers' website. On the left (indicating) is a picture from Cambria's website of a white marble design beautiful kitchen, and on the right is a picture from the very front page of MSI's website, one of the large importers that's here to oppose relief today. Again, a beautiful white marble-like kitchen, even down to the stove and the cupboards, looking pretty similar. Direct, not attenuated, competition.

This is also apparent in the kitchen and bath dealers where consumers go to purchase the product. You will see that the Cambria sample stands are literally right next to sample stands from other brands, including China. The picture on the right (indicating), the stand next to Cambria, is Q-Stone. That is MSI's Chinese product being offered to consumers at the point of purchase, literally right next to each other, with the same colors, the same designs; the only difference is price, and that is what has injured the domestic industry.
On to the issue of brand, which is supposedly also attenuated competition. Again, no support in the Commission's Staff Report: 28 purchasers reported that price was one of their top purchasing factors; 0 reported that brand is one of their top purchasing factors.

In addition, a majority of purchasers reported that they never, or only sometimes, decide what quartz to buy based on the producer or the brand. And when you get to those customers, the ones who are looking at those sample stands side by side, over 90 percent of purchasers report that their own customers never, or only sometimes, decide what quartz to purchase based on the producer. In other words, based on the brand.

Another unfounded claim is that Cambria or the domestic industry has no interest in commercial projects, or in the mass market. Here are Cambria commercial projects: Embassy Suites, Doubletree Inn, Beautiful Kitchen Countertop in a 130-unit condominium.

The commercial segment is so important to Cambria that they have 50 out of 120 of their sales people devoted to the commercial segment. They have not abandoned it. They want to play in it. They pursue it aggressively, and it is underselling by Chinese imports that has denied them that opportunity.

So again, direct competition, not attenuated.
The facts we believe are very clear on all of those issues.

So turning to the factors that the Commission should consider, with volume we clearly have a very large increase in import volume: 183 percent from '15 to '17, and another 74 percent in the interim period. Even though demand was surging during this period, this even more rapid increase in imports allowed Chinese imports to take market share from the domestic industry.

Imports also have had significant adverse price effects. The Staff Report shows underselling in 100 percent of quarterly comparisons at an average margin of nearly 50 percent. Respondents' claims that this margin represents some kind of brand premium just doesn't hold up.

Why would the margins of underselling vary so widely from quarter to quarter, or product to product? And why would they increase over time for a number of their products if this was merely a reflection of some kind of consistent brand premium? Again, the facts speak for themselves and underselling is what has permitted the Chinese imports to increase so rapidly and take market share.

There is also evidence of price depression and price suppression by reason of Chinese imports. Import AUVs--this is based on public data--for Chinese imports declined steadily throughout the entire Period of
Investigation despite a massive increase in demand. Import prices declined for all 12 pricing products, dragging down prices, domestic prices for 5 of these products. Again, it doesn't need to be every single product, but in a market where demand is growing as rapidly as it had, you would expect all low prices to be rising rapidly. Instead, they were falling.

In addition, you have confirmed instances of lost sales, with purchasers saying that they bought Chinese instead of domestic quartz primarily because of lower prices, accounting for nearly 2.7 million square feet of lost sales over the Period of Investigation.

This surge in low-priced imports has had a negative impact on the domestic industry. Though the industry data is confidential, just to summarize broad trends, from 2015 to 2017, as imports increased and took market share, the domestic industry lost market share, the domestic industry's domestic shipment unit values fell even as their unit Cost of Goods Sold were rising, leading to a cost-to-sales ratio that was also increasing, causing a cost-price squeeze that lowered operating income and net income, as well as operating income and net income margins and reducing return on assets, all strong indicators of injury.

In the interim period, as imports continued to
surge in the U.S. market, a number of industry indicators
continued to lag. The increase in demand and the trends in
profitability, we believe are largely attributable to
confidential, single-company data that's covered in our
prehearing brief. And those trends have now ended, as can
be seen.

Finally, I want to touch on the very important
issue of critical circumstances in this case. In the
six-month comparison periods that the Commission normally
looks at, the volume of imports before the petition rose by
nearly 60% compared to the volume of imports after the
petition, as can be seen in this slide. But these imports
weren't drawn in by rising demand or rising sales. Instead,
they were stockpiled in inventory.

The staff report shows that there was nearly
thirty million square feet of Chinese inventory sitting in
the U.S. market as of September, 2018. This is a huge
amount of inventory. That represents about 600,000 slabs or
enough to wipe out two years of Cambria's own production.

And there will be an additional gap period due to
the government shutdown between which Commerce's preliminary
duties must end, and the final injury determination here,
and importers are already indicating to the market that they
have every intention to once again inundate the U.S. market
with unfairly traded quartz, that they will not have any
duty liability for, in order to take advantage of that
government shutdown created gap period. For all these
reasons, we respectfully request that the Commission make
not only an affirmative material injury determination, but
also an affirmative critical circumstances determination.
Thank you.

Now we will move to our witnesses. The first
witness will be Mr. Martin Davis, the President and CEO of
Cambria Company, LLC. Thank you.

STATEMENT OF MARTIN DAVIS

MR. DAVIS: Good morning, members of the
Commission. My name is Marty Davis and I'm the president
and chief executive officer of Cambria. I have led our
company since its inception in 2000 when my family decided
to enter the quartz surface manufacturing business after
being presented with the opportunity to buy production
equipment for quartz surface production.

There were just two employees when the company
first started, myself and our CFO, Jim Ward. Today we have
nearly 2,000 employees. We opened our production facilities
in the Le Sueur, Minnesota in January 1st of 2001. We
continue to take great pride in being a privately held,
family-owned American-based producer of natural quartz
surfaces.

We are appreciative that the ITC Commissioners
and staff were able to visit our factory, see the magnitude of it and the pride we hold in it, as well as the many excellent employees that make us a competitive company. We, too, appreciate you coming to Minnesota on a cold Winter day.

After a good period of success, rapid growth and ultimately, strong profitability, Cambria's situation changed dramatically for the worst when unfairly-traded Chinese imports surged into the U.S. markets. During 2015 through 2017, as mentioned, Chinese imports nearly tripled from twenty-three million square feet in 2015 to more than sixty-five million square feet in 2017. In 2018, in spite of our filing of this case in April, Chinese imports continued to surge to eighty-three million square feet.

As entrepreneurs and again, as has been mentioned, that have invested over $400 million in plant and equipment to help create an industry in the United States, and employing upwards of 2,000 Americans with good-paying jobs, many in rural parts of Minnesota and throughout the country, we've been shocked at the egregious activities of the reseller importers accelerating their imports during these proceedings. They have been bringing in more and more illegally dumped and subsidized Chinese quartz during this period all in a reaction to our filing of these petitions.

Based on U.S. import data, Chinese imports surged
from thirty-five million square feet in the six months prior
to our petitions, to fifty-seven million square feet in the
six months following our petition. This massive increase
simply timed to beat Commerce's preliminary duties.

In addition, we've had extensive communication
from the marketplace that the reseller importers dismissed
the notion of ever having to pay retroactive duties. Much
of it we learned came from their lawyers telling them that
the ITC never makes affirmative determinations on critical
circumstance cases. These import surges and the massive
inventory build-up very much further disrupted our business
in 2018 and will beyond.

And we now hear directly that the importers have
a no-duty window period in which they can rush in even more
product because of the WTO rules and delays caused by the
recent government shutdown. This, to me, indicates the
level of advantage the reseller gains with this dumped
material, as well as their, frankly, complete disregard for
the U.S. trade law and the integrity of the U.S. markets.

Cambria has most certainly experienced a great
loss that we cannot repair, never will be able to repair in
these past three to four years because of the opportunities
that we've lost due to these circumstances. We lost 200
employees in December of 2017. We had hoped to rehire them
after we got some relief, but as of yet, we've not been able
to. We do indeed have plans still sitting on our desks for another $150 million in investments in plant and equipment. And in the meantime, we've already invested heavily in the design, the permitting, the land acquisition work and the like for this project. Our laid-off employees have lost their wages permanently, and we have certainly lost, as importantly as anything, the tremendous opportunity that we had earned, to continue to capture more share in the very market that we had helped energize. And to further invest further in growing that market.

Finally, on this topic of critical circumstances, which I think is so relevant to what we're dealing with in the future, we just filed new cases against India and Turkey. What will prevent these importers' resellers who have pivoted over to Indian supply in real time, from exploiting the system again with imports from India and Turkey, if they don't have to deal with, or concern themselves with the critical circumstances and pay the price as a result of the surge in 2018 from China?

The inventory that they dumped into the U.S. after our filings, amounts to approximately 600,000 slabs, two years of our production, if you just run the math. If this is allowed to flood the market at Chinese pricing, rather than a fair market price, through the payment of critical circumstance duties, it will have a long-lasting
negative effect on our market. Almost like a second dumping injury after the preliminary determination. It could take two years plus or more than that for the market to fully clear through this illegally-traded material.

All material dumped after our filings usurp the will off the fair trade laws. We would prefer if the opposition was correct when they said Cambria has not, or will never be injured by Chinese imports because of Cambria's strong brand position. Believe, we wish that were true. Unfortunately, the market has mostly been flattened out with the dumped Chinese product.

Now, when consumers enter a showroom, they are bombarded by multiple Chinese product options on display. These options generally sit right next to our products and our offerings throughout the country and it's very hard to distinguish any differences except for that of price.

As a result, Chinese imports have taken sales and market share directly away from Cambria and our fabricator partners throughout the United States. They've also taken market share directly from our domestic and foreign competitors who in turn helped us develop this market, with legitimate open, market-based economics in their own production facilities and supplies.

As a result of all this, Cambria has become more reliant on making sales through our own distribution centers
instead of allied partner distributors, as we had previously
participated with. We've had to make major new investments
outside of any marketing or product development innovation,
just to build delivery infrastructures. As many of our
partners understandably had to abandon us for the cheaper
Chinese supply. They simply cannot partner with us due to
the new economics born of that Chinese supply. This reality
has been forced upon them.

This expansion effort that we've undertaken has
increased our operating costs substantially, as we are now
building and staffing our own warehouses and maintaining
additional inventory, instead of partnering with companies
that made up our supply chain for many, many years
throughout this country.

Let us be clear. Every sale of quartz surface
products that involve the Chinese import product is a sale
that Cambria can and should earn. Whether it is to a mass
market in a commercial project space like high-rise condo
developments, or as single-family countertop in a
single-family home. It is indeed a sale we would've liked
to have had the opportunity to earn.

This has been a very, very difficult situation
for our company and our employees. As a privately-held,
family-owned company, it gives us great pride over the years
to be a part of offering many good-paying jobs in the
community of Le Sueur, the greater Southern Minnesota region, as well as the American workers throughout the United States. As mentioned, in recent years, we have indeed had to make the difficult decision to lay off some of our valued workers.

As I noted earlier, we were shocked at how quickly the Chinese could ramp up and distribute dumped quartz products in the months following our filing of these petitions. Now we again are even more shocked at the Chinese and their importer reseller partners are planning to do so again during this gap where the dumping duties again will expire before any relief is granted. This, as we know, is a result of the government shutdown.

Without your affirmative vote, the Chinese will surely continue in their mission to destroy the U.S. domestic manufacturing industry of quartz surfaces. Let me assure you that we at Cambria have no doubt about that. We are committed to the growth of our company in every form. We believe we can continue to grow in the market when there is fair trade on a level playing field with free, fair and open markets. This has been a tough case and a difficult time for Cambria and the domestic industry. As you saw in our prehearing brief, we've dealt with multiple boycotts against us from fabricators that are importers or allied closely with importers.
We need your help to let this vibrant entrepreneurial industry thrive in the United States. This, for us, is not protectionism. We are free traders. This is about ensuring fair trade to ensure free trade. We respectfully ask for your affirmative injury and critical circumstances determinations in this case. And we again thank you very much for your time.

MR. MEISNER: Thank you. Our next witness will be Jim Ward, who is the CFO of Cambria.

STATEMENT OF JIM WARD

MR. WARD: Good morning, Chairman Johanson and members of the Commission. My name is Jim Ward. I am the Chief Financial Officer for Cambria, and have served in that role since the company started back in 2000. As a CFO, I am responsible managing the company's finances, including financing reporting and planning, overseeing our banking relationships, management of our financial risks and analysis of our financial trends and results.

Let me first explain how Cambria goes to market with our quartz slab products. Our primary market channels are distributors and fabricators. We sell and ship the product either from our plant or through our own distribution centers to fabricators. Cambria has four fabrication shops of its own in the U.S. and one in Canada. As noted, we sell quartz surface products to independent
fabricators, some of whom are part of our Lexus partnership program, who serve exclusive and semi-exclusive market territories.

From the fabrication shops, there's numbers of ways that the quartz products reach the final end user in the form of a countertop, bar surface, wall or other forms. These include sales to contractors for large commercial projects, home builders, kitchen and bath designers, and retailers. Cambria products are sold through all these distribution channels. Let me now turn to discuss the Chinese imports in recent years.

When Cambria first entered the quartz surface industry in 2000, we were the only U.S. manufacturer of quartz surface products. Being the sole producer in the U.S., we worked with the U.S. government to establish a harmonized tariff schedule code so that we could monitor the imports from our foreign competitors.

Over the years, Cambria and its original competitors invested and grew the demand for quartz surface products, leading to two foreign competitors building quartz plants in the U.S., LG and Caesarstone, and more recently two U.S. companies, Daltile and US Quartz have added production capacity. We also saw increased competition in imports from other foreign suppliers.

This growth in our competitors' participation
were normal. But what we have seen from Chinese imports over the last three to five years is unlike anything we've ever witnessed. Chinese quartz imports averaged over 700,000 square feet a month in '14. It grew to 1,750,000 in '15. 3.1 million square feet a month in '16. 5 million square feet a month in '17. Over 9 million square feet a month through September of '18. This is over 1,100% increase over that period of time.

I'm involved in negotiating contracts with our customers, and in recent past, a common theme has been how difficult it is for them to compete with the Chinese imported products because of the extremely low price at which these products are being sold. There's often a request of Cambria to write our customers with a loss-leader product to help them compete. This has definitely impacted our pricing.

Over the first fifteen years of our business, annually, Cambria was able to raise its prices. In my opinion, these price increases were more than justified by the growth of demand created in large part by Cambria's substantial investment in educating the consumer about quartz products. Our innovative designs, our capital investments in production and infrastructure to assure product availability.

In 2017, 2018, and to date, 2019, however, we
have not been able to increase our price due to the
continuing surge in extremely low-priced Chinese imports.
This was in spite of increased domestic costs such as
healthcare, labor and freight. Unfairly traded Chinese
imports have also had an impact in Cambria's operation and
financial performance. Historically, our production and
sales volume has grown every year by percentages ranging
from 15 to 35%. We experienced the same rates of growth in
2015 and 2016. 33% and 15%, respectively.

For 2017 and 2018 and the first quarter of 2019,
we've had no growth in spite of the continued growth in the
overall quartz market demand. We have the production
capacity to serve it, but because of the flood of Chinese
imports into the U.S. market, our numbers are flat.

As Marty just mentioned, midway through 2017, due
to reduced orders, we began changing things, including
operations of our plant. We had to cut line production from
28 to 40% by going to four to five days a week instead of
our usual seven days a week. As a result of this reduced
production, we had to lay off over 200 employees, including
160 production employees.

In addition, our bottom line has been negatively
impacted by the reduction in our plant's operation. The
equipment and facility used to produce quartz surface
product require large capital investment, and therefore, a
large portion of our overhead is fixed. In fact, we've made
over $400 million in capital investments in the production
facility in Le Sueur.

The reduction of two to three days, or up to 40%
of our weekly production, means we have unabsorbed fixed
manufacturing overhead that directly impacts our bottom line
in a negative way. We thought we'd be able to rehire the
employees and return to a seven-day-a-week operation after
the duties were imposed. But the import surged and
increased subsidized quartz inventories resulting from that
surge, have prevented us from going back to seven days a
week. This is evident in the fact that Cambria sales have
been flat when you compare the first quarter of 2018 to the
first quarter, 2019, unlike in the past.

Chinese imports have also had a negative impact
on our ability to make investments in our company. In 2016,
based on our historical and recent sales trends, we
reasonably anticipated that we would have enough sales
growth to justify the addition to our production facility.
As a result, we started the process of investigating adding
two new production lines and other equipment. These
investments would've involved well over $150 million in
capital investments.

It also would've resulted in Cambria, not only
rehiring employees we lost, but also hiring over 200 new
employees. By the way, our average starting pay for
entry-level labor in Le Sueur, Minnesota is about $40,000 a
year.

In early 2017, as the Chinese imports continued
to pour into the U.S., we reversed course, cancelled our
plans to invest in the two new production lines, and as
mentioned earlier, we had to let go many production
employees. It no longer made sense to make such a large
investment to expand the production capacity when Chinese
imports were denying us the opportunity to participate in
the growth of the quartz market in the U.S. I respectfully
ask that you provide Cambria, and the other domestic
producers of quartz surface products in the United States,
for this much-needed relief. Thank you.

MR. MEISNER: Thank you, Mr. Ward. Our next
witness will be Brian Scoggin, the Executive Vice-President
for Operations of Cambria.

STATEMENT OF BRIAN SCOGGIN

MR. SCOGGIN: Good morning, Chairman Johanson and
members of the Commission. My name is Brian Scoggin and I'm
the Executive Vice President of Operations at Cambria.

I have been with Cambria running our plant since
2001. I am responsible for all operations at Cambria's
production facilities, as well as its fabrication shops and
distribution centers.
Our production facility in Le Sueur consists of five production lines and occupies over one million square feet. As you have seen, the equipment to manufacture quartz slabs is massive. To build the infrastructure to make quartz slabs we have invested over $400 million in our plant. The equipment at the plant is highly complex and interconnected. As a result, we have an extensive team of process engineers, process controllers, specialists, mechanical and chemical engineers, and process management teams who ensure the proficient operation of our facility. There is no way one single employee, or even a handful of employees, can make these products on their own. It's a large team working together in tandem to make quartz slabs.

The primary raw material that we use for our quartz—for our product, is quartz, which is among the hardest naturally occurring minerals. We begin by mixing quartz with a small amount of pigment and a small amount of resin binder. We then combine these mixtures and very specialized mixing techniques and then distribute them into a mold in specific ways to achieve specific designs in our slabs.

Cambria has invested heavily in innovation and has created many new designs for quartz products. The next stage in our production process involves pressing the material in the molds to compact the material into slabs of
varying sizes and thickness. We then heat the slab to cure it. After cooling the surface of the slab, it's then polished. The surface finish can vary.

For example, the polish can be a highly polished glossy surface, or a duller mat type finish. Finally, we inspect the slabs and prepare them for shipping to our many customers throughout the U.S.

Cambria's quartz products are used in a variety of applications such as countertops, tiles, bar surfaces, shower and tub surrounds, fireplace surrounds, walls, floors, and other surfaces. Quartz has become an increasingly popular alternative to quarried stone surfaces such as granite and marble due to its resistance to heat, staining, and scratching, and its low maintenance, as well as much improved aesthetic appeal.

Since the early 2000s, demand for our quartz products has grown steadily, and Cambria has played a role in that growth. Throughout our history, we have invested in educating our customers, including our fabricators, distributors, kitchen designers, architects, homeowners, builders, and the rest of our channels about the benefits of quartz surface products compared to the alternative stone products.

Our plant has been greatly affected by the surge of dumped Chinese products into our market. I have
personally lost nearly 160 employees and have not been able
to hire most because of what's happening with the illegal
activity from China.

Our employees, their families, and our community
need those jobs. We worked hard to build this company and
the market for its products. It is very tough to even
consider what it would mean for our employees and their
families if we do not get relief we need to stop these
unfairly traded imports from China.

On behalf of our many dedicated employees, we
thank you for hearing our position and ask you to please
help our company obtain much-needed relief from unfair
trade.

MR. MEISNER: Thank you, Mr. Scoggin. Our next
witness will be Rebecca Shult, the General Counsel for
Cambria.

STATEMENT OF REBECCA SHULT

MS. SHULT: Good morning, Chairman Johanson. My
name is Rebecca Shult and I am General Counsel at Cambria.
One of my primary responsibilities at Cambria is to protect
its intellectual property that the company developed over
many years for its quartz products.

There are now countless Chinese companies and
products that infringe our trademarks and designs. At the
staff conference last year, I brought and left with the
staff a number of quartz product samples showing that the
look of the Chinese imports is substantially the same as
Cambria's designs.

Now today I've brought along a selection of
samples from Cambria's marble collection, which as the name
suggests includes designs inspired by the look of marble.
When we pass these out, you'll notice that many of them have
a white background with veining. Cambria first introduced
this marble collection back in 2009 with its new design,
Waverton. Since that time, we have introduced over 30
designs in our marble collection. The assertion we keep
hearing from the importer resellers about Cambria not
producing marble-inspired designs is simply false.

In fact, Cambria led the market with these
designs. And then the Chinese producers imitated those
designs from Cambria's marble collection.

Now today I also brought along another sampling
of Chinese products. These are the ones that look like
Cambria's designs specifically from the marble collection.

Now Cambria's quartz surface products are not
sold as small, three-inch samples like this. We sell
countertops and slabs. So it might be helpful to show you
an example of a full slab from China that looks
substantially similar to one of Cambria's most popular
design, Britannica, which we invented and filed patents on.
Importantly, no one had a design like Britannica in quartz before Cambria created it. We couldn't bring the full slabs to the hearing today, so here's a slide to show you Cambria's Britannica product on the left and then an image of the copycat slab from China on the right (indicating). And I apologize. It's difficult to see the designs in the products here on the slide, but I would refer the Commission to the handouts of the slides to see the images of the side-by-side of Cambria's product and a copycat Chinese slab.

For the Cambria product shown here, Cambria filed a patent infringement lawsuit in federal court against the reseller importer in December. As part of the confidential settlement of that lawsuit, the importer reseller agreed to stop selling the product.

I want to emphasize again that this is just one of countless examples of Chinese producers copying designs that Cambria innovated, and Cambria will continue to protect its IP. But filing IP cases is no substitute for the relief we need from all unfairly traded imports from China. Thank you.

MR. MEISNER: Thank you, Ms. Shult. Our next witness will be Sam Marchese who is the Chief Executive Officer of Consolidated Supply Company.

STATEMENT OF SAM MARCHese
MR. MARCHESE: Good morning, Chairman Johanson and members of the Commission. My name is Sam Marchese and I am from Omaha, Nebraska. I am the Chief Executive Officer of Consolidated Supply Company, also known as CKF, which I have owned together with my wife for 32 years.

Our company is a fabricator of countertop materials and an exclusive fabricator of Cambria's quartz surface products in our market.

When we first started working with countertops, we sold a lot of solid-surface products like Corian. In 1998, we began fabricating granite, and witness granite displaced a lot of the solid-surface products.

In 2003, we became partners with Cambria. And at that time, granite was dominant in the market, and the designs being offered for quartz were limited. Around 2012, Cambria began introducing designs with greatly enhanced aesthetic value that triggered real upward momentum for quartz. Demand for quartz surface products began to soar.

Initially, Cambria's innovative designs gave it an advantage over other quartz products, but Chinese producers soon began to knock off Cambria's designs and they have gotten better and faster at doing so. These Chinese products surged tremendously over the last three years, and are literally everywhere now.

Our kitchen and bath dealer customers now carry
both our Cambria product and Chinese imports. Their
customers may come into the showroom looking for Cambria
because of its brand recognition, but then are shown Chinese
product that looks the same as Cambria at substantially
lower price. And all too often then go with the Chinese
products.

The kitchen and bath dealers tell us that if they
don't add the Chinese imports to their product offering,
they will lose business to their competitors. This
situation has definitely impacted our business. Instead of
seeing growth, our business has been flat. In addition, our
profit margins have been slashed as we suppress our pricing
to maintain market share.

When I testified at the preliminary conference
last year, CKF had 328 employees. Through attrition and our
inability to hire new employees, we have lost 40 workers
since that conference. Where I operate in Nebraska, I
have seen no change in the competitive landscape since the
preliminary duties were imposed in September of '18. One of
the primary reasons is that Chinese importers loaded so much
Chinese product through the pipeline to pad their
inventories before the preliminary duties.

On behalf of CKF and other fabricators of
domestically produced quartz, I want to thank you for this
opportunity to testify about the negative impact that
Chinese imports are having on our businesses.

I hope that the Commission reaches an affirmative decision that Cambria and other domestic producers of quartz products have been injured by Chinese imports, and I look forward to answering any questions you may have. Thank you.

MR. MEISNER: Thank you, Mr. Marchese. Our next witness will be Darlene Brown, who is one of the owners of Bush Products.

STATEMENT OF DARLENE BROWN

MS. BROWN: Good morning Chairman Johanson and members of the Commission. My name is Darlene Brown, and together with my husband Bob, I am an owner of Bush Products, a fabricator of quartz surfaces with operations that cover 65 percent of New York State. We have been selling Cambria quartz since 2004, and are a proud Lexis partner with Cambria.

We primarily sell to kitchen and bath dealers, but we also sell to builders, developers and in the commercial arena. We have seen growth in demand for quartz every year since we began selling the product. In 2017 however, we saw a big shift, as Chinese imports flooded the market with cheaply-priced knockoffs of Cambria's designs.

Many of our kitchen and bath dealers and builders/customers told us they were shifting to Chinese imports because of these low prices. We are also losing in
the commercial segment. For example, we lost a huge project
for new dormitories at Syracuse University because the
general contractor could bring in pre-fabricated products
with excess for breakage at a price that was less than the
cost of our slabs.

Chinese imports have definitely hurt our
business. In 2017, our sales were flat and we had to
adjust. Every year that we have been in business, we have
upgraded and expanded our machinery. 2017 is the first year
that we did not make these kinds of investments. In 2004
and 2016, our business grew from 17 employees to 100
employees. But in 2017 we had to stop hiring. As workers
have left through attrition, we have not replaced them.

In 2018, we were down to 84 employees. We are
hopeful that final relief in these cases will get us back on
a path of growth. We had also lost a large, prestigious
U.S.-based furniture company to Chinese imports, but this
company recently returned to Bush Products. We also have
the opportunity now to bid on large commercial projects
again, where the door was previously closed to us due to
Chinese imports.

If there is no final relief from the Commission,
we know we will experience continued erosion and we will
slowly go out of business. It pains me to think of all the
jobs that will be lost without final relief. That is why I
am respectfully asking that you reach an affirmative final
decision in these cases. Thank you for the opportunity to
testify today.

MR. MEISNER: Thank you, Ms. Brown. Our next
witness is Chris Stewart, who is the chief executive officer
of International Granite and Stone.

STATEMENT OF CHRIS STEWART

MR. STEWART: Good morning Chairman Johanson and
members of the Commission. My name is Chris Stewart, and I
am the owner of International Granite and Stone or IGS, a
fabricator of quartz and other surface products with
operations throughout Florida. IGS has been in operation
for 17 years. Over that time, I have seen tremendous growth
in the demand for quartz counter tops.

Ten years ago, about 80 percent of the stone we
but was granite and marble, and just 20 percent was quartz.
Now we cut 80 percent quartz and 20 percent other surfaces.
The vast majority of the quartz that we cut and sell is
supplied domestically by Cambria.

Chinese imports have surged in our Florida
markets. MSI and its fabrication partners drove the price
of quartz counter tops to the rock bottom by introducing
Chinese imports, especially in the builder segment of our
business. Long-standing bill of accounts showed us prices
for Chinese quartz being offered by our competitors.
They told us that either we match the Chinese prices or lose the business. These designs were direct knockoffs of popular Cambria designs. The Cambria brand has not prevented us from losing sales. Everyone is representing themselves as a premium quartz brand with the best designs. It's impossible to distinguish Cambria as a luxury brand when design centers have Chinese knockoff products right next to Cambria's products.

Because of Chinese imports, our margins have suffered. We were forced to lower the price of our Cambria products in response to the pressure from Chinese imports. We have tried to survive by transitioning our business to more in-home sales, where we control the products presented to the customer. But this may not be a sustainable strategy, and we would certainly like to get back in the builder business.

I hope that the Commission reaches an affirmative final decision in these cases. On behalf of IGS and other fabricators of fairly traded quartz products, thank you for this opportunity to testify about the negative impact that Chinese imports are having on our business.

MR. MEISNER: Thank you, Mr. Stewart, and our last witness this morning will be Kim Clark, who is the president of Palmetto Surfacing, Inc.

STATEMENT OF KIM CLARK
MR. CLARK: Good morning Chairman Johanson and members of the Commission. My name is Kim Clark. I am president and owner of Palmetto Surfacing, a full service counter top company in Charleston, South Carolina. I've been in the counter top surfacing business for 30 years. I was an early adaptor of quartz and have been cutting quartz since it was first introduced in the U.S. market by DuPont in the early 2000's.

Back then, other fabricators used to poke fun at me for cutting quartz, but I knew it was a great product and I invested a lot of time and money educating consumers about the beauty and its benefits. There are about 27 fabricators in my market. We are one of the largest fabricators, with over a million dollars' worth of plant equipment.

There are 15 smaller fabricators that used bridge saws for cutting stone worth about 75,000 or less in terms of equipment. The remaining fabricators fall somewhere in between. I saw Chinese quartz enter the market about four years ago, imitating Cambria's designs but at much lower prices.

All of our customers are sensitive to price, but the builder business is very sensitive to pricing. Builders are our largest customers because their projects involve multiple kitchens and baths that require quartz surfacing. Over the last four years, we have lost four major builder
customers to Chinese imports based purely on price.

The Chinese imports have impacted our business in other ways. Prior to the arrival of Chinese imports, we increased our prices in line with demand and cost. But we have not been able to increase our prices for three years. In addition, our overall revenues were down ten percent last year. This was the first time in 30 years our business has not grown.

I employ 34 people and have had to change a lot of business practices to keep all of them employed. I also have put off investments for equipment purposes. I have not yet seen an impact from the preliminary duties imposed on Chinese quartz. Importers pushed through so much Chinese product before the duties and the market is still working through the inventory.

I am hopeful that the Commission reaches an affirmative decision and determination, and we will see a positive impact. Thank you for the opportunity to testify.

MR. MEISNER: Thank you, Mr. Clark. That concludes our presentation.

CHAIRMAN JOHANSON: Thank you Mr. Meisner and everyone else who is appearing here today. We will now begin Commissioner questions with Commissioner Broadbent.

COMMISSIONER BROADBENT: Okay. I want to welcome the witnesses today. We had a good trip out to Le
Sure to see your operation at Cambria, and I think when they were doing that, some of our staff was looking at this movie, the Legend of Cambria that was on the web, and I guess you took it down. Is it still available to see?

MR. DAVIS: Yes, it's still on our website.

COMMISSIONER BROADBENT: It's on your website.

MR. DAVIS: Marty Davis, manager at Cambria. But yeah, it's still available. We built that, I think you and I talked a little bit about that. We built that over four years ago, and deployed it about two years ago into the mainstream marketing mediums, and pretty quickly after we deployed it we pulled back the actual launching of it in mainstream marketing and advertising as a result of what we're dealing with.

COMMISSIONER BROADBENT: Okay, thank you. Why is Cambria here alone representing the domestic slab-producing industry in the injury argument? Why is LG on the other side and why is Cesar Stone not here today?

MR. DAVIS: I can only tell you what they've told me directly, a good relationship with Cesar Stone. They're very supportive of this case. They told me they filed a letter saying so directly, told me that directly, and I know that they have supported it at a variety of levels, both directly with Cambria and with our legal team.

They have a new CEO, Evall, who I've met once.
I think he's been to America a couple of times.

COMMISSIONER BROADBENT: This is LG?

MR. DAVIS: Yeah. This is Ceasarstone's new CEO.

COMMISSIONER BROADBENT: Oh, Ceasarstone.

MR. DAVIS: Who joined them last fall I believe.

I did get a chance to meet with him in Israel in November, and he was very, very concerned about China in this circumstance and very supportive of our case. As a public company, they're dealing with the dynamics of dual emperors as to what their messages can be, and I think that's been a challenge for them as it related to publicly supporting this case in a different way.

As it relates to LG, I talked and I know their CEO and have known him for some time. When we first started this case, I talked directly with him. He was very supportive of this case. He wanted to help us and join us with the case, and he assured me he was going to talk to his headquarters and get back to me.

He did get back to me, and he told me that he -- due to some of the safeguard issues their headquarters had with American Trade platforms, he would not be able to participate, but he wanted me to know how much he supported what we were doing, and would support in any way he could without offending his headquarters.
In addition to that, last year at this very site
out on the front sidewalks, two of the LG representatives
that were here came up and thanked me for my testimony,
shook my hand and told me how much they support what we were
doing. It was subsequent to that, when you put the
preliminary duties in and they had to raise the prices,
everybody in America did on Chinese imports, that LG raised
the prices on a bunch of their products.

They did so because those products were being
imported from China. We did not know that. They did not
share that with us, and in many ways the market did not know
that and assumed those products were made in America. So
all the things changed, I guess, as it relates to LG in
particular as an importer of Chinese material after that
occurred. I might also say that Cesar Stone too was
importing Chinese material.

They apologized to me for that and said they
were going to stop doing it. I don't know if they did or
not, but I had many discussions with them about it. I think
the Cesar Stone issue is understandable. They're dealing
with a tremendous amount of pressure.

They have desperate circumstances they're
dealing with with their investors in Wall Street, and in
reading the quotes that are being attributed to them, I can
imagine there's a variety of variances in the narrative that
they're having to deal with. That's all I could say to that.

I got a call from their new head of sales about two or three months ago, asking if there's anything he could do to help us with the case. He wanted to be a liaison to ensure that they were supportive, and he again reiterated to me how supportive he is and thankful they are for what they're doing.

When we won the preliminary ruling, the Chairman of the Company called me and told me that if he was with me at that time he'd kiss me, and he thanked me very, very much for what we've done on behalf of the domestic industry.

COMMISSIONER BROADBENT: Okay.

MR. SCHAGRIN: Commissioner Broadbent, this is Roger Schagrin for the record. I'd just point out a couple of things. First, it's not that unusual. We were here last year with Forge Steel Fittings and only the leading U.S. producer was the only petitioner in that case with another four U.S. producers.

So sometimes a lot of circumstances. What to me is so unusual about this case, I really over a lifetime of doing this have never seen a situation in which the prices of the imports from China are roughly half U.S. producers' cost of production. It's no surprise that U.S. producers other than Cambria have decided to become significant
importers.

I mean, you know, most of -- except for Cambria, these are multi-national companies. They have the opportunity to buy an imported product that looks like what they make in their U.S. plants at well below their cost of production. So I'm not accusing any of these other U.S. producers of not making good business decisions, not representing their U.S. interests, which is why LG is opposing us today.

They're not acting like a U.S. producer. I'm sure they're going to make claims of attenuated competition and get on the whole, you know, bandwagon. But really in other cases, in steel products, you know, we see imports at 10 or 15 percent below the market at U.S. producers' costs.

The idea that here we have imports at half U.S. producers' cost of production when the raw materials are the same price worldwide. This is quartz, stone and resin. It's the same price worldwide. So it's a very, very odd situation here, and I think it just shows the amount of subsidization and dumping, and it makes this an unusual case for the Commission. There's no question about that.

COMMISSIONER BROADBENT: Mr. Davis, from a non-legal sort of commercial perspective, how do these -- you're asking for critical circumstances, and those duties can be pretty punitive on I guess companies that could be
your customers. How does that help you? We're getting letters from small businesses that are looking at an $80,000 liability on duties retroactively. Does that make a lot of sense to do in the market? How does it help you?

MR. DAVIS: So that's a fair question and a dilemma that we've dealt, one of whom will testify against us today on critical circumstances, a friend of mine and a customer of ours. We talked earlier today. It's a difficult situation. But the reality is that product was dumped in here after we filed.

We were already harmed before the preliminary findings came out, and then they doubled down and dumped material in here after we filed at subsidized illegal prices, illegally dumped subsidized prices, my apologies.

So that product is in here at under-market prices, substantial under market prices, and the critical circumstances do nothing more than right-price the material. If you do the math on a $6 product that was dumped in here and put the tariff on it it's $18, which is what we sell to the distribution market at.

So why should the -- we've already been injured, we've already been damaged, we've already been irreversibly damaged in many ways. As you mentioned our film, that whole investment's been a waste and -- as a result of this, and as a result of having to pull back any of that positioning.
Now we're going to be damaged again because they doubled down during the period of time after we filed and want to be able to dump that product in this market under priced?

That's the issue and that's what I told my friend and customer when he came to my office two months ago to apologize for the circumstances, and when I saw him again this morning. So it is a difficult situation, but I don't know that we should be the road kill any further for other people's actions during this process and during this period.

MR. MEISNER: This is Luke Meisner from Schagrin Associates. I know you wanted to hear from a commercial perspective, but just to make sure the point is made, you know, I heard you mention the word "punitive." I don't think that the tariffs that were collected retroactively are punitive in any way. They represent the amount of dumping and subsidization that the Department of Commerce found through its investigation.

And again, if the importers were required to continue to have to pay those duties, then what -- all they're required to do is factor the payment of those duties into the pricing which they ultimately sell that inventory into the U.S. market. So it doesn't mean they have to go out of business. They're not being punished. They just have to raise their prices to fair levels, and they can still sell that inventory in the market.
COMMISSIONER BROADBENT: But you think about it. I mean a small fabricator out in the Midwest who's buying the stuff and orders it, and then suddenly he's given this huge duty bill. I mean how can he recover his costs for that?

MR. MEISNER: Luke Meisner from Schagrin Associates. If he was planning, if that importer, if he or she was planning to sell it at $7 or $8 per square foot, then as Mr. Davis mentioned, he can raise the price to $18 per square foot to cover the cost of the duties. That's exactly the intention of the imposition of AD and CVD duties under U.S. trade law.

COMMISSIONER BROADBENT: Okay. It's a pretty tough remedy, I think.

CHAIRMAN JOHANSON: Commissioner Schmidtlein.

COMMISSIONER SCHMIDTLEIN: Okay, thank you very much. I'd like to thank all the witnesses for being here today. I was one of the Commissioners who visited Cambria in February, so we appreciated your hospitality at that visit and it was very interesting.

I want to dive right into the argument about attenuated competition, and I think maybe the first question, and I think this could be for one of the witnesses instead of the lawyers, is do you agree with the position of the Respondents that there is two segments of this market,
one that is commercial or what they call the mass market, and the other being single family homes that are more high end, and that there are two price points between those segments? Mr. Davis, do you want to take that question or Mr. Ward, the CFO?

MR. DAVIS: Sure, I can and I'd be happy if a few of our partners do.

COMMISSIONER SCHMIDTLEIN: Okay.

MR. DAVIS: Certainly there's multiple pricing segments in the market. When you build a company and a product line and as our competitors have done, you want to tap into all those. You develop different products for them. You service them differently with different market specialists and different people in the market.

There's certainly on the commercial side more of a bidding process, but it's one that we intend to play in, intended to play in and operate in and can thrive in. Thirty-five percent of our sales during that period of time were commercial, where we had to bid.

So the point is that there's two different segments, and you play in one and somebody plays in the other. That's just not the case. We have 150 designs. We supply product at every channel in different ways, and we innovate to get into those markets in different ways.

COMMISSIONER SCHMIDTLEIN: So do you expect that
the mass market segment has a lower price point than high
end luxury homes?

MR. DAVIS: Some of it does, yes.

COMMISSIONER SCHMIDTLEIN: But not all of it?

MR. DAVIS: No.

COMMISSIONER SCHMIDTLEIN: So who would you --
can you estimate how much of it you think has a lower price
point than --

MR. DAVIS: I really, I probably can't. The
statistics in our industry are pretty fleeting. The ability
to look at data and understand it, you really have to get
what's on the ground. I can just tell you that it depends
on the circumstance, depends on if you win over the client
building the building or the hotel client building the
building and you can sell the value, or whether or not it's
strictly going to be kind of an auction oriented bid
process.

But it's a wide-ranging market. We plan all of
it, and the Chinese material completely imploded any of that
competitive landscape.

COMMISSIONER SCHMIDTLEIN: So when you said that
-- you estimated roughly 35 percent of your sales go into, I
guess, what we are calling the commercial and I'll use the
commercial and mass market terms interchangeably, is that
because you're selling slabs to fabricators, who are then
selling those to builders and developers, or are you talking about finished, fabricated counter tops?

MR. DAVIS: Yeah. I mean it ends up to be the same circumstance. We either sell it to a fabricator in our markets or we fabricate. We sell it directly to those users as well, those commercial users in that market. But those markets, those are our growth markets as well. That's where we were growing and have grown in those markets. So as quartz became more preeminent in the residential space, it started to pick up in the commercial space.

It's a bit of a longer pull as you start to develop the knowledge. It's got an architectural platform to it, a designer platform that's different. It takes commercial specialists to be in those zones talking to those people and trying to convince them of your product conditions.

And when you then compete with knockoff products of economics more than half of yours, those kinds of competitive landscapes change almost immediately, and that's what's happened.

MR. SCHAGRIN: Commissioner Schmidtlein, could I ask some of the distributors, because I think you heard from Ms. Brown, who distributes across two-thirds of New York and talked in our testimony about kitchen and bath, which is the home market, and the commercial market. So I think you
might benefit from hearing from some of the distributors, who might otherwise be shy.

COMMISSIONER SCHMIDTLEIN: I would, and I had a question for the distributors, and are they distributors or fabricators? Is there a difference?

MR. SCHAGRIN: Both.

COMMISSIONER SCHMIDTLEIN: They're both.

MR. SCHAGRIN: They're both.

COMMISSIONER SCHMIDTLEIN: Okay and, you know, feel free to add on to what Mr. Davis has said. But one question I had for all the fabricators on this panel is were you selling Cambria product to developers and builders before the Chinese came into the market, or was it that you were selling granite more to those types of buyers?

Because that's one of the arguments we have in this case, is that in fact the commercial market has really exploded because the price point of the Chinese product is low enough that builders are interested in it, and if the price goes up, they're going to go back to granite, right, another lower price point.

MR. SCHAGRIN: It's totally wrong and totally false. But it is.

COMMISSIONER SCHMIDTLEIN: It is.

MR. SCHAGRIN: I mean these Save Forge Jobs tee shirts, you know, they can fabricate whatever stories they
want. They are fabricators. But I think you should hear from the folks on this panel that in fact the Cambria product was being widely used across all these commercial applications. We showed you pictures, hotels, hospitals, condos.

COMMISSIONER SCHMIDTLEIN: Well, I have three pictures, and I'd like to hear from the fabricators, and of course only -- and I'm only rushing because, you know, we only have ten minutes per round so we're not here all day. But one question after that for the lawyers is what's the best, you know, besides the testimony that we have sitting here today, what's the best evidence of that in the record, right?

Because when you look at the channels of distribution, which the specific numbers are confidential, they're comparable in terms of where each product is going. So what do we point to in the record to say okay, you know look. It's not going to just be replaced by granite. In fact, they've lost sales in that particular segment of the market. They've lost sales in the high end residential segment of the market.

Like what do we point to, because I don't see in the record where that's supported, other than by the testimony here. (Simultaneous speaking.)

MR. SCHAGRIN: Let the lawyers speak second.
COMMISSIONER SCHMIDTLEIN: Please go ahead.

MR. SCHAGRIN: They'll let you know briefly.

MS. BROWN: Commissioner, it's Darlene Brown from Busch Products. We've always played in the commercial arena, and we've always fabricated quartz. Way back when we did do some granite but we switched to primarily quartz because we stood behind American manufacturing. We've lost many jobs in recent years that were typically going to go to us, because they could bring in pre-fabricated goods, allow for breakage lower than our cost of raw slabs.

Now since -- these commercial bids go out way in advance. So now they're looking at possibly not being able to get that cheap Chinese quartz anymore, I'm having opportunities getting these customers back now, and bidding on a 263 unit complex that's going all Cambria. They could go to cheap granite if they chose to.

They chose the quartz because especially for multi-unit projects, it's going to hold up better, it's going to last all of that and it's what's in demand. So we're getting opportunities back again that we had previously lost in that period because of the huge imports.

COMMISSIONER SCHMIDTLEIN: Do you fabricate granite stone?

MS. BROWN: No.

COMMISSIONER SCHMIDTLEIN: No. Just Cambria?
MS. BROWN: Yes. We're a Lexus partner and again we've chosen to stand behind American manufacturing, and we pride ourselves on that.

COMMISSIONER SCHMIDTLEIN: Okay. Do the other fabricators, would you like to comment? Mr. Marchese?

MR. MARCHESE: Sam Marchese, CSC of Omaha. I can speak to our marketplace in relationship to the builder market, which is a highly competitive market.

COMMISSIONER SCHMIDTLEIN: Where are you? Oh, are you in Nebraska?

MR. MARCHESE: Omaha.

COMMISSIONER SCHMIDTLEIN: Yeah, okay.

MR. MARCHESE: Omaha, Des Moines, Iowa and Kansas City, and the -- our challenge over the last few years, at one time we had market penetration in the builder market of up over 60 percent. So we were selling Cambria into the most competitive market segment, maybe not as competitive as the large-scale commercial.

We were successful in that market segment because of a combination of the product being produced with high quality and in America and our service levels. But what we've had to over the last couple of years to maintain that market penetration, to maintain that customer base is we really had to slash our pricing. We had no option.

So we're selling our customer base with deeply
discounted pricing that once you lose a customer, it's very hard to get them back. You know it's our feeling that what we see with this Chinese situation is a false economy. It can't sustain itself, and we've made the decision to hold on the best we can until things get straightened out in the marketplace. The marketplace is not, in our estimation, legitimately priced right.

COMMISSIONER SCHMIDTLEIN: And I know you said before you sell to kitchen and bath dealers. Are those considered to be part of the commercial market?

MR. MARCHESE: No.

COMMISSIONER SCHMIDTLEIN: No, okay.

MR. MARCHESE: Kitchen and bath would be more selling to --

COMMISSIONER SCHMIDTLEIN: Residential designers.

MR. MARCHESE: Residential.

COMMISSIONER SCHMIDTLEIN: Yeah, okay, okay. Well we can come back, because my time has expired, but we'll follow up in the next round.

CHAIRMAN JOHANSON: Commissioner Kearns.

COMMISSIONER KEARNS: Thank you all again for appearing before us today. I guess I want to continue on with the attenuated competition and the market segment questions, and reiterate that I think, you know, it would be
good to have more information on the record to sort of have
us better understand how you're competing in the more mass
market segment.

    For example, I thought it was interesting. In
the opening, I think Ms. Drake mentioned that 50 of your 120
sales representatives served that segment of the more
commercial end of the market; is that correct?

    MR. DAVIS: Yes, that is correct.

    COMMISSIONER KEARNS: Okay, thank you. So if you
can after, you know, in the post-hearing brief explain more
detail, more evidence, I think, to substantiate that you all
are really focused on that segment of the market, that would
be helpful.

    To continue on Commissioner Schmidtlein's
questions, one thing we saw in at least one of the
Respondent's briefs is some quotes from you all about how
you don't serve markets like Lowe's and I think it was Home
Depot or one of the big box retail stores like that. Is
that consistent what you're telling us now? In other words,
is it that you don't serve those particular channels but you
directly access, you know, hotel chains and that sort of
thing?

    Help us understand if you're very intent on
serving that segment of the market, why aren't you in those
big box stores?
MR. DAVIS: When we started our business, Silestone had already begun and they were entrenched pretty deeply with Home Depot. So we didn't consider that an option, and we chose on the residential side to launch our business with kitchen and bath dealers on the residential side throughout the country. At that time, our competitor was granite. So that's where we did focus and continue to focus.

Our competitors both in Cesar Stone and Silestone, I did meet with Home Depot multiple times, but they were already well entrenched there, and as a result of that we provided a workforce to focus in on a market that we didn't think was as well-served, and have built the kitchen and bath market as a result of that on the residential side. But the interesting thing that was happening is we were having to win over the granite market position, and that is a good answer to Ms. Schmidtlein, did I get that right, Schmidtlein's question.

The reason that cheap Chinese quartz is different for us than competing against granite in a commercial basis is the same reason we won the market share on granite. I mean we were the devil's music when we came into this business in the stone industry. Many of these fabricators back here wouldn't even allow me to come in and visit with them. They didn't want our product in their
category, they didn't want quartz involved.

So we went at it alone with some people like Kim, like Sam, who got on board with us and believed in this, and we competed against granite. We ultimately won that residential position because quartz out-performs granite from a durability standpoint, and once we accomplished through our intellectual property and patent development work the aesthetic look of granite, we were able to rapidly take market share and we moved right into commercial.

We will take the market share in commercial if it's against granite because of performance as a quartz product. But when cheap, dumped Chinese quartz comes in, it performs as well. So our opportunity to earn the space has been disrupted by that. As it relates back to the home center, it would have just been going in and competing directly with very ample supplies in those spaces that have been there long prior to us.

Whether we go in there some day now or not, we don't know. We talked with those companies. They're good companies. They serve the market well. One thing that's changed in our position with our kitchen dealers has been diluted, so they're no longer kind of our route to market as solemnly as they were because they've had to take on, as Sam said, the Chinese material.
But the big difference that I think to answer the question for us as a competitive product, a free trader who demands fair trade is that our product can win against granite and we can outperform it and the economic models can be won over because of performance.

That is why the man who invented this product, Mr. Tunchelli from Italy, invented it. He was a granite fabricator and seller who knew the woes and the ills of granite as it related to performance. He invented this quartz product to overcome the staining and some of the sanitation issues that occur with granite and marble.

So as we go back head to head in that and if we cleanse this market from unfairly dumped quartz from China that performs, then we will be able to compete on performance again and innovation and aesthetics, and that's how we will capture and continue to capture more and more of the commercial markets.

MR. SCHAGRIN: Commissioner Kearns, this is Roger Schagrin. So a few things from the record and then some things get mooshy. So this is in part in answer to Commissioner Schmidtlein's question. So when you talk about Lowe's and Home Depot, then I think you're trying to talk about well, that must be the low end and the mass market because we're so used to big box retailers being mass market.
But in fact, Lowe's and Home Depot, that's servicing the kitchen and bath design market. That's for people to put into their individual homes, which we're calling this high end residential. I get confused; we had this conversation a lot yesterday.

When, I don't know when Mr. Marchese is selling a builder building 300 tract homes in the suburb of Omaha for $200,000 homes and they want to get a contract to put the same kitchen in all 300 of those homes, whether that makes that the luxury market, but the person building a 200 unit million dollar condos in D.C. because they're all in one building, even though they're more expensive, that's the mass market because they're in one.

So I find a view, which is why I think this whole attenuated competition argument is really a lot of phooey, to be quite honest. But look at the fact Cambria, which grew tremendously from 2001 until 2018, could not have grown without also turning the mass market commercial onto their product. Which is why they have 50 people dedicated just to selling that.

Which is why all these fabricators that are here today for them sell into both markets, because it could be as much as 60 or 70 percent of the whole U.S. market. Yes, they have to access it.

In terms of the record, in spite of the attempts
by these big respondent organized lobby groups to tell
everybody how to answer the ITC questionnaire, which if
you've seen our exhibits to our brief we put in there, which
I personally, as someone who's practiced here for 35 years,
I just find it totally offensive for anyone to try to
manipulate the record. It's just wrong.

But the Commission got purchaser responses which
go across all segments of this market, and the purchasers
overwhelmingly said that the Chinese and domestic products
are substitutes. If you look at record evidence, it's your
purchaser responses.

COMMISSIONER KEARNS: Okay, and then one thing I
think that makes -- the argument we're hearing on the
Respondent's side seem persuasive though is, I mean as I
understand Cambria's business model, there is a lot of
tries to differentiate the product, right. I mean the
movie, you know, the distribution network, there's all this
--

MR. SCHAGRIN: The brand.

COMMISSIONER KEARNS: The brand. Yeah, and
there's pretty extensive branding going on here. So help me
understand. It does seem to me like if you're going to try
to do that and to fill this high end of the market, that
then selling into the mass market, and I agree with you, Mr.
Schagrin, it's kind of hard to understand exactly what we're
talking about there when we're not, I don't think
necessarily, talking about quality differences so much as
aesthetic differences.

But help me understand how that's one consistent
business strategy, that you're going to both have -- I don't
want to harp too much on the video, but the video and you
know, the distribution centers and the exclusivity
arrangements, and then at the same time you want to serve
everyone?

MR. DAVIS: Yeah. We do want to differentiate,
as I mentioned to Ms. Broadbent when she asked me that in
Minnesota, with just like a Kohler or anybody else in their
space would moan, you try to compete with your competitors.
We're competing and are competing with Caesartone and
Silestone and Zodiac from DuPont.

And so we've certainly tried to position
ourselves as a brand and elevate the experience and promote
the family-owned American made, and our movie was a heritage
movie. We invested in that movie, as I said, four or five
years ago. It's not in our results today. We spend $15
million a year in marketing. That is a very small amount.
It's about three percent.

We invest very smart in marketing. We do a lot
of things in-house, but we are certainly trying to position
ourselves on a brand basis in different channels that we
operate in. But we didn't build this company to operate in channels that others select for us to operate in.

The whole surfaces market is our market, and until the Chinese started dumping material in here, after we and others created this category's viability, and for us to then be told or described or defined that that isn't our market, I mean it's completely our market and we've been in it from Day 1.

We've been in airports, we've been in hotels, we've been in multi-family condos, and we were making tremendous headway as quartz began to make the same headway in the commercial market that it made in the residential market, as it relates to performance in those markets.

But our marketing budget is very small, and of that $15 million a good portion of it, about a third of it is to fly in and host fabricator partners, kitchen dealers, architects, designers from both markets, commercial and residential throughout the United States, and host them to see our factory and spend time in our showrooms, and about another $4 million of it is investments in our showrooms and our point of sale in the markets, out in the marketplace.

So this project, it's just completely false, that our marketing has somehow driven our cost position up. It's not a very large marketing budget, and our competitors, Cesar Stone and Silestone, have similar marketing budgets.
COMMISSIONER KEARNS: Okay. Thank you. My time is up, but if you can -- and that's helpful in understanding your marketing budget. If you can also post-hearing, you mentioned that right from Day 1, you all were involved in selling to, I think you mentioned airports and that sort of thing.

You know, anything you can put on the record to help us better understand that would be helpful. Thanks.

MR. DAVIS: One thing I would add, you're right. We do the marketing and then as I mentioned, the Chinese product and the resellers come into this market and draft behind our work, and then just give a me too presentation after we did the heavy lifting, along with other competitors that have done legitimate work in this market.

CHAIRMAN JOHANSON: I'd like to thank all of you for appearing here today. Here's my first question. Domestic inquiry in this case requires our consideration of fabricators, and whether they engage in sufficient production-related activities to be considered members of the domestic industry producing quartz service products. What evidence should we rely on to assess the complexity of fabrication?

MS. DRAKE: Chairman Johanson, this is Elizabeth Drake. I'll start. I think the traditional factors that the Commission looks at all support not including
fabricators in the domestic industry. The staff report has
good data on the level of capital investment, in the
industry which is in integrated producer's multiples of
what's invested in a fabrication facility in terms of
technical expertise.

While there is some expertise involved in
fabricating a slab, cutting it to size in the right shape,
it's nothing compared to the various kinds of expertise that
are needed to manufacture the slab, including process
engineers, other kinds of engineers, materials, experts, et
cetera, so it's an entire team of various kinds of
technical expertise that are required that require training
and that need long time on the job in able to be able to
produce those slabs.

Employment levels -- really there it if you're
looking at aggregate versus on an individual basis.
Certainly, on an individual basis, an integrated plant
employs many, many more people than a fabrication shop,
especially a typical fabrication shop, many of which are
very small.

In terms of value added, I would say that
Respondents have sort of misrepresented the value added by
simply comparing one square foot of slab to one square foot
of fabricated product which does not reflect how it's
actually produced which is the slab is cut down so there is
a significant amount of yield loss in producing a square foot of fabricated products. It takes about a foot and a half -- the slab, so you need to elevate that amount to understand the true amount of value added that's small and actually the majority of the value of the fabricated product comes from that slab itself, and not from the additional work done to the slab.

And finally, the quantity and type of parts sourced in the United States -- that will vary by fabricator. Certainly, the integrated producers are most of -- their inputs are coming from the United States, but fabricators, well some, obviously that fabricate domestic product, many of the ones that are in Respondent's questionnaire rely on imports, which is why they're here today opposing this release.

So, we think all of those factors together weigh against including fabricators in the domestic industry.

CHAIRMAN JOHANSON: Thank you, Miss Drake. Does it make a difference to the ultimate result for reach in this case as to whether or not we include fabricators in the domestic industry?

MS. DRAKE: This is Elizabeth Drake. No, so, we think that you will find material injury. That the record shows material injury whether or not fabricators are included and so, but we think the facts do not support
including them.

MR. SCHAGRIN: And Commissioner Johanson, this is Roger Schagrin. What you do create, because the statute requires you to look at related party issues for any domestic producer, so once you start to think about including the fabricators, your staff and the members of the Commission, you just multiplied your work 50-fold on the related party issue because the vast majority of the fabricators who are coordinated by these lobby teams that respond to your questionnaires, primarily cut Chinese material.

So, they're related to the Chinese as importers of Chinese material. So, if you include the fabricators, you'd actually then exclude almost all of them as related parties.

CHAIRMAN JOHANSON: Thank you Mr. Schagrin and Miss Drake. Respondent's argued that the Commission's pricing data and the underselling by subject imports demonstrate a lack of competition between the domestic industry and subject imports. And this can be seen at page 8 of the Chinese Respondent's brief.

Could you all please comment on this claim of the Respondents?

MS. DRAKE: This is Ms. Drake. As an initial comment, obviously we can comment more in the confidential
data post-hearing, but I think when you see the degree of
underselling and the pervasiveness of underselling at the
same time that the Chinese producers are gaining market
share at the expense of domestic producers, that's the
classic kind of factual situation that the Commission has
determined shows that that underselling is significant
because it has had impacts on the market volume-wise and
impacts on market share.

But in terms of the confidential analysis, we'd
like to respond to that post-hearing.

MR. SCHAGRIN: Commissioner, Chairman Johanson,
Roger Schagrin. Essentially their argument is the
underselling here is so great that they must be different
products because how could somebody sell something and yet
you've got the samples in front of you.

How could someone sell the exact same product for
50% less? And yet, when I was doing some kitchen
remodeling down at a house in Florida, you know, we walked
into this place and they got everything and they got all the
slabs and you go and you give them the design, et cetera,
the gentleman told me that the same slabs, the same design
-- the domestic price was $1,200 for the slab and the
Chinese price for the same slab was $400.

Now the first thing we want -- and they said --
and they're exactly the same. So, the first thing in my
mind was these importers must be idiots, they could have sold it for $600 instead of $400, why not pocket the extra 200 a slab? But the idea that they're selling so inexpensively that they can put the whole U.S. industry out of business and then say well, we sell so cheap it can't be the same product, I just don't think that makes common sense, so it's kind of a fallacious argument to begin with, it must be a different produce because it's so heavily undersold, but I think it's reflected in the amount of subsidies and dumping that Commerce found is connected to this underselling here.

CHAIRMAN JOHANSON: Thanks for your responses.

Given the massive underselling, why are we seeing some convergence of prices or consistent pricing declines in the U.S. market? And why are the domestic prices on a number of pricing products going up?

MR. DAVIS: Well, I think we have seen an affect in pricing flattening in many cases, already in the channels being discounted by our partners, for sure. I think that just as you might find with the comment on commercial, the other issue is this heavy level -- they went from 5 million dollars-worth of product in 2010 to displacing 1.3 billion in 2017 or something like that.

The other impact in the residential market is coming. This luxury, you know, serving opportunity that we
built and with borne of real market-based cost, they'll penetrate that area as well. The luxury consumer residential market will accept and has begun to accept Chinese material.

So, as this levels out and plays out, I mean they were tripling their dumping into the country. They go from 1.3 billion to 3 billion and they will, without this. Those markets will be saturated with that product and you will see the pricing degrade even further than it has.

It's degraded in real terms out on the front line and it's flattened in the wholesale channels that we live in, and in some cases gone down. But there's been no price increases for three years which was misrepresented in the opening statement. We sure haven't raised prices and I think you're going to see continued decline in pricing as a result of it.

MR. SCHAGRIN: Chairman Johanson, Roger Schagrin, I also think that the unusual situation here of there being such a gigantic price spread, doesn't give the U.S. manufacturers the normal Hobson's choice of do I, you know, cut my price and retain my volume or retain my price and lose my volume?

They can't cut their price to compete with the Chinese. You can see their profit margins here, it's confidential. They don't have a chance of competing with
the Chinese on price, so the result is that Cambria has cut
back in a market -- I mean also in my years at the
Commission I have never seen demand grow in a case before
this Commission.

I mean the growth levels and consumption here are
just mind boggling and yet the domestic industry's going
nowhere. Instead of cutting price and maintaining volume,
Cambria went from 7 days to 5 days or 4 days, and
Caesarstone just announced this company on the other side is
going to depend on oh, Caesarstone admits they're in the
high end of the market, they sell IKEA, you know, versus
Home Depot. I must have missed something, so Commissioner,
we're the same age, so I mean the idea that IKEA is the
luxury end of the market, I definitely -- there's something
going on at Caesarstone that I can't figure out, I'll talk
about it at some point I'm sure.

But you know, they just shut down half in a
booming market. They just said we're going to close half of
our operations in Georgia, so I think that's the answer to
your question that the domestic industry is responding by
looking forward, cutting production volumes instead of
trying to reduce price.

MR. DAVIS: I think a further measure for you is
this is still in the early stages, they have rapidly
impacted this in a three year period, but the ability for
them to immerse into the entire market and disrupt the economics, there's still much more to come.

It's been impactful, it's been painful, it's been rapid, but it hasn't fully found itself in its way through the entire system.

CHAIRMAN JOHANSON: Thank you for your responses. Commissioner Williamson?

COMMISSIONER WILLIAMSON: Thank you Mr. Chairman. And I too, want to thank all of the witnesses for coming today and offering your testimony. I also want to thank Cambria for the factory tour, which was quite fascinating, even in zero degrees.

I wondered -- the purchasers here, I guess Palmetto International granted Busch, and Consolidated -- are you all Lexus partners? Or, I think one person did identify themselves as a Lexus partner, but I was wondering about -- I forgot who it was and then about the others, okay, yeah, right. What about the others? And if it's something you'd rather not answer now you can do it post-hearing.

MR. CLARK: Yeah this is Kim Clark. I am not a Lexus partner.

MR. STEWART: And Chris Stewart, and we are not either.

COMMISSIONER WILLIAMSON: Okay. Mr. Marchese?
MR. MARCHESI: Yes, I am a Lexus partner.

COMMISSIONER WILLIAMSON: Okay, thank you. I was just wondering, and I'll ask some questions along that line. But before I do that, I was wondering does -- do any of the domestic producers are non-subject importers have relationships with big box stores? We talked about I guess, Caesarstone and IKEA, and I do remember redoing a kitchen in 2004, and we used -- that's the first time I ever heard of Silestone because we were using the Home Depot, or their subsidiary so I followed that.

But what about others? Are any of them --

MR. DAVIS: Caesarstone and Silestone and LG have all been in the big boxes -- both Home Depot, they are now, both Home Depot and Lowe's. So, those -- Caesarstone's made substantial sales in the box markets, the home center markets and in the commercial markets at all levels, it's been a big part of their business.

COMMISSIONER WILLIAMSON: Okay, thank you.

MR. SCHAGRIN: Commissioner Williamson?

COMMISSIONER WILLIAMSON: Yes.

MR. SCHAGRIN: And the Chinese products are now in those big box retailers as well, so you'll see them in aisles one next to another.

COMMISSIONER WILLIAMSON: Well that's not surprising.
MR. SCHAGRIN: No, that's not surprising. Surprising is if they carry some non-Chinese product, but.

COMMISSIONER WILLIAMSON: Okay, does Cambria limit the fabricators to which it sells its products in? And yes, how does Cambria decide whether it wishes to sell to a given fabricator, what are the criteria?

MR. DAVIS: I'm sorry, could you ask that again?

COMMISSIONER WILLIAMSON: Cambria limits it's fabricators to which it will sell its products?

MR. DAVIS: In about 14% of the markets we have partnerships that are long-lived, like with Sam, and where these people got onboard with us early, we've stayed very loyal to them. But in about 85% of the United States, we sell in an open market without any exclusivity.

In these markets where we have Lexus exclusives, it's important to note everybody in the market can get any product. They can get Cambria at the kitchen store, they can get any of these Chinese products, they can get Silestone, Caesarstone, granite, marble, any of these stone products. Our fabricator partner in an example like Sam Marchese, a Lexus partner in Omaha, he will only sell Cambria product in the market, but the market is able to get to all those products at the retail level.

And again, in 85% of the nation, we do not have those Lexus partnerships. In all cases, those are
partnerships we've maintained out of integrity and loyalty
to each other as partners in really launching this category
as an infancy back in the mid-2000's.

COMMISSIONER WILLIAMSON: Okay, so you could have
a fabricator you are working with who you permit to source
product from other companies?

MR. DAVIS: Oh yes and we do have many of them.
In fact, I think two of the gentlemen here today do so in
most cases that is the case. It's only where the partner
preferred the exclusivity, had earned the exclusivity that
we've honored the exclusivity.

COMMISSIONER WILLIAMSON: Okay, have your
distributions practices changed over the Period of
Investigation and if so, how and why?

MR. DAVIS: Yes, they have in a sense that we had
to put company owned distribution facilities in throughout
the nation, we now have 18 of them and before this occurred
we had maybe two.

As the result of our partners who were
distributing our product with along with granite and solid
surface products but when they had opportunities for these
Chinese products and the low-cost material in that nature it
became more and more difficult for them to really underwrite
and support our product line the way we needed it to be done
so we had to go in a direct fashion and build that platform
and that network in the past really three years throughout the United States.

COMMISSIONER WILLIAMSON: Okay, so does that mean there are companies that you have stopped supplying? There are specific distributors which you have stopped supplying over the Period of Investigation?

MR. DAVIS: That's correct.

COMMISSIONER WILLIAMSON: Post-hearing you might want to put how many and just a categorization of why --

MR. DAVIS: How many of those?

COMMISSIONER WILLIAMSON: Yes, this would be for posthearing I think.

MR. DAVIS: We've probably -- ten to twelve throughout the nation that were major distributors of our product and mostly because they couldn't support our product line at the same level and wanted to bring these other product lines on and in particular bring on the Chinese product lines to compete and obviously it made it very difficult from an economic standpoint for them to not choose the Chinese material so as a result we're kind of a has been if you will in their product offering.

So we made the move to aggressively get out and get control of our own point of sale so that we can control the narrative to a degree and still pronounce our product in the marketplace.
COMMISSIONER WILLIAMSON: Okay, do other Domestic Producers take a similar approach to your knowledge?

MR. DAVIS: I think it's a varied route to market but for the most part it's wide open on the sale of the products, wide open to distribution and wide open to where it goes in the market.

COMMISSIONER WILLIAMSON: To your knowledge do other domestic suppliers or foreign suppliers have exclusive customer agreements like you do with your Lexus partners?

MR. DAVIS: I don't know if they do. I know that Silestone had very specific and I don't want to define them for them but very specific partnerships with fabricators throughout the nation and had certain you know primary regard for their position in the market.

COMMISSIONER WILLIAMSON: Okay, and does Cambria an exclusive relationship with builders?

MR. DAVIS: No, not anything other than where our partners may have a relationship on an annual basis or something of that nature but I think very limited if at all.

COMMISSIONER WILLIAMSON: Okay, do any of the I guess what we are calling purchasers want to comment on the line of questioning I've just had from your perspective?

MR. CLARK: Well, and this is Kim Clark. I'm not a Lexus partner and I've been fabricating Cambria since its inception 15-16 years ago and you know when you were
speaking of the commercial business, it was interesting
because for 15 or 16 years I've been in architects and
designers' ears, often doing presentations and we're really
working hard to get the Cambria name in the building and
what I'm finding now is all the work that I've done has been
kind of killed because the level we get the spec because our
samples are in the architect's office and it's getting
switched out at the millwork house.

So we're fighting a long battle of you know I get
a phone call and they say "Kim, I really want to use your
product but you're 2000 dollars too high can you drop your
price. It will be on a small job and even large jobs so you
know we're really getting hurt in that commercial arena due
to the switching of the materials.

COMMISSIONER WILLIAMSON: Okay.

MR. SCHAGRIN: Commission Williamson, this is
going to be bad news for the Commission, bad news for Mr.
Davis, great news for all their lawyers on the Respondents
side back there. You know we filed two more cases
yesterday, but I told Mr. Davis and I have some knowledge of
steel products, commodity products, how importers can
switch.

I said Marty, welcome to the steel industry
because it is just obvious that a product that was so new
and unique 20 years ago just like when Steel Dynamics
introduced light gage material, they were the only one in
the world. Now there's like 50 plants around the world who
make the same thing. What starts as a very special product
has now just become a substitutable commodity product and
that's why the importers were able to switch.

They say "oh, there's such attenuated
competition". And yet, wow they go from China to India and
Turkey within months. How unique is this thing that you can
switch and so this is becoming that way so the question in
the future is do we make it in the United States at all? Do
the only people make it also be big multinational importers
or do we give it up.

COMMISSIONER WILLIAMSON: My time is about to
expire but is the product from India and Turkey is that a
Breton technology too?

MR. DAVIS: Some of that is and some of that is
not. Some of it is factories that are put together and some
of the Chinese are moving there now with their equipment.
The interesting part of the Breton technology, I won't take
long, is that the Chinese people went over to Turkey to
reverse engineer this and took the Breton technology back to
China and did a pretty good job.

It's a bit more archaic, I've seen some of the
factories but it's improving rapidly and their ability to be
mobile with that reverse engineered Breton technology is
rapidly on the move.

COMMISSIONER WILLIAMSON: Okay, I was curious because Turkey and India and not places we used to think of the Chinese going after we have a dumping case.

MR. DAVIS: We'd be happy if they put those Chinese copycat factories in Texas or Nevada then we could compete fairly. We have no problem as I mentioned. We are free traders. We cannot have free trade without fair trade and subsidized material at these levels does not allow us to compete against it if it is supplied from India, Chinese type material or in China. They also are moving it to Malaysia to get it in here right now and undercut the subsidies and the tariffs.

COMMISSIONER WILLIAMSON: Okay, thank you for those answers.

CHAIRMAN JOHANSON: Commissioner Broadbent?

COMMISSIONER BROADBENT: Yes, Mr. Davis. Based on information on pages 2-10-11 of the prehearing report just under half of all purchasers identified supply constraints with their suppliers. Several purchasers identified Cambria's unwillingness to supply them with slabs for fabrication due to limitations on sales in specific geographic markets. Why would Cambria limit which purchasers it sells to in specific geographic markets?

MR. DAVIS: I kind of referred to that a little
bit earlier but in some cases we have a franchise/quasi partnerships with Lexus partners for many years when nobody else would take our product they did so that's the case in some of the markets. In some markets we have fabricators, and by the way I might say the fabricator network, I've met much of it over the last 20 years, is an excellent network of hardworking, entrepreneurial good, smart people.

So much of the rhetoric that's been associated to me is false. But the reality is they are not the nuclei of this production and of this category. That is the manufacturing plant that makes the slabs. In some cases throughout the nation we select the fabrication partners based upon quality, service, sometimes financial capability through credit review and this type of thing.

It may be that we don't want to saturate the market with 100 fabricators and we might have premium fabricators that we bring on board. We have fabricators that we bring on board that over time we don't appreciate some of the performance. Just like any manufacturer that has somebody in the market representing their product we might select them out in that form.

It's mostly a competitive earn the product line and earn the marketplace kind of an environment but we don't block them per say. We need fabricators throughout the country. We've valued the fabricators from the beginning.
They've been the key to our business but in the early days as I mentioned we were the devil's muse and only certain fabricators would take quartz on and those people we've remained loyal to.

Some, about 15 of them have moved to split to Cambria and China and instead of 25 of those partners we have about maybe 8 or 9 now left.

COMMISSIONER BROADBENT: But you're saying that there are areas of the country where you only sell to your Lexus partnership. You don't sell to anyone else that didn't want to buy your product in that region.

MR. DAVIS: Yes, they can get our product through kitchen dealers, through builders. Everybody on the market has access to our product but those retail channels will have to buy our products in 8 or 9 markets from our local fabricator. In Omaha, Nebraska if they want to buy our product they buy it from our fabricator, from Sam Marchese's company but any of those retailers can get our product and any consumer can get our product.

MR. MARCHESE: This is Sam Marchese with Consolidated Supply in Omaha. I think maybe I can shed some light on how we go to market and what you may perceive as an exclusive arrangement in a controlled market environment. We have, just in our small populated state of Nebraska and Iowa, we have twelve fabricator partners that we move
Cambria through so we have fabricator partners that review, have a similar business philosophy and different standards. They serve, for example, in Nebraska we have partners in the middle of the state because it's so vast, we have partners that service the western part of Nebraska, the central part of Nebraska. These are all fabricators independent fabricators that are a part of our collective Cambria family.

So the exclusivity I think is a little bit misled because we do, there are a number of fabricator partners that we have in our marketplace and I think that's true of most Lexus partnerships.

COMMISSIONER BROADBENT: But there's definitely people outside of the family that you're leaving out cold?

MR. MARCHESE: I think it's any manufacturer whether it be Casearstone, Silestone or whatever makes a decision on who can they partner with just due to basic business philosophy. There are companies that would not sell to certain fabricators because maybe they are protecting another fabricator in that market. Just because you're sensitive to letting a fabricator have enough market share to be profitable so it's not an uncommon practice to have selective distribution.

COMMISSIONER BROADBENT: Does this Lexus partnership, are there areas where Lexus partners can't sell
other brands of quartz products, you only sell the Cambria brand?

MR. MARCHESE: Sam Marchese, Consolidated. We promote exclusivity because we believe in that. That's just a simple decision that we made as a company. So it's --

COMMISSIONER BROADBENT: What other things do you require of the Lexus partners?

MR. MARCHESE: If we want to select a Lexus partner, we don't ask them for this exclusivity, especially in rural communities. They have to sell multiple products to be able to sustain themselves. We just look for basically a similar business philosophy and ability to work together with somebody as a good partner. We don't look for exclusivity in those areas.

COMMISSIONER BROADBENT: Okay, so setting aside your sales --

MR. DAVIS: Commissioner Broadbent, can I just add to that? I'm sorry to interrupt you. I think just to bring clarity our Lexus partners are our local exclusive supplier of Cambria. They're our Lexus partner and I think as our lawyers indicated earlier -- slash distributor and so they manage that market in that form.

We do not require them not to carry other quartz products and in our own fabricator markets our installers that are our partners in the market can sell other quartz
products and in many cases 50 percent of their offering is non-Cambria quartz products.

So it's being a little spun as to how it all works and again I think it's important to know it's in less than 15 percent of the market in the country right now where we have Lexus relations and they're born of long-term loyal relationships. They're working well because they do what Sam does, they sell slabs to other partners in the markets.

COMMISSIONER BROADBENT: Okay. So outside of your sales, Mr. Davis, to end users, what share of your sales are made to Lexis partners and which share of your sales are made to non-Lexis partners? Are you saying it's 15 percent to Lexis?

MR. DAVIS: I said they cover about 15 percent of the country. And, yes, it's about 15 percent of our sales.

COMMISSIONER BROADBENT: Okay, and that's pretty constant across the Period of Investigation?

MR. DAVIS: It's gone down a little, because one of our partners in the Northwest left us for, frankly, for Chinese supply.

COMMISSIONER BROADBENT: Okay. Would you, for the record posthearing, can you provide us a list of your Lexis partners and what markets they're covering?

MR. DAVIS: Sure.

COMMISSIONER BROADBENT: Okay.
Mr. Davis, the domestic industry has lost a slight amount of market share over the Period of Investigation in this environment of very rapidly increasing demand. Is it reasonable that the domestic industry, or any supplier, should have expected to increase its sales at the same pace as apparent consumption, given the size of the growth in this market? Do you think you should have gotten all that growth?

MR. DAVIS: I think we should have been able to fairly compete for it. Does that answer your question?

COMMISSIONER BROADBENT: Well I'm just wondering, you know, if the market's growing do you deserve to get all of it?

MR. DAVIS: You have to earn it. You bet.

COMMISSIONER BROADBENT: Okay.

MR. SCHAGRIN: Commissioner Broadbent, Roger Schagrin. It wouldn't be like it would be guaranteed for Cambria, but I think one of the questions here, if the market grew by 200,000 square feet, and the U.S. industry's capacity could only supply 100,000 square feet more, then obviously the U.S. industry couldn't capture that 200,000 square feet because it wouldn't have the capacity. But I think what's striking on the record here is that during the Period of Investigation in which demand was increasing so rapidly is that the U.S. industry's capacity utilization
decreased.

And that clearly shows that they were losing share of the growing market.

MR. DAVIS: If we'd been able to go compete for that growth, both Caesar Stone, LG, and Cambria would have more factories in this country today. We'd have seven or eight lines instead of five. Caesar Stone set up that plant for four lines. They built two and just shut one down.

And LG is adding a line, I would argue, to replace their Chinese-imported material that has now been disrupted by this proceeding.

COMMISSIONER BROADBENT: Well, in your prehearing brief you've indicated on page 48 that you were able to increase prices every year for the last 15 years. Then it states in January 2017 you weren't able to increase prices and you had to wait until July 2017 to do so.

Usually we see pretty tough pricing in these markets, and I guess I'm just kind of questioning whether it's reasonable that you should expect to be able to increase prices every single year for 15 or 16 years.

MR. DAVIS: We didn't increase pricing every year for 15 or 16 years. But as--

COMMISSIONER BROADBENT: It doesn't say that in your brief?

MR. DAVIS: No, I mean we didn't--not each and
every year. I'd have to see the context of it. But we changed designs and added new designs that were luxury in nature. They were more expensive to make. And then we priced those in a different category. But we've never been able to cost-price the product line when we got into the business, so we under-priced the market until we developed the aesthetic and the performance and the service that ultimately earned us the market position. And we grew our investments in innovation, and that's the way business works.

So we had to price in a market-based position in the marketplace throughout that. And it's a very competitive marketplace. Without the Chinese supply, it's been a very competitive marketplace.

We were the third brand in, really, and it continues to be competitive, and it will continue to be competitive and grow. So the pricing is set by the market quite well.

COMMISSIONER BROADBENT: Okay. My time has expired.

CHAIRMAN JOHANSON: Commissioner Schmidtlein?

COMMISSIONER SCHMIDTLEIN: Okay, I want to go back a little bit to this argument about market segmentation. And, Mr. Davis, you said a few minutes ago when you were discussing your experience in the market and
the Chinese penetration of the commercial or builder's side of the market, and you were talking about the residential side, I believe, and you said something along the lines of we're in the early stages here. We're in the beginning. But they're going to penetrate that as well.

And so my question is: Have you already seen inroads into the residential side by subject imports? Or has it mostly been on the commercial builder/developer?

MR. DAVIS: No, I--yes, they have been. They've entered and permeated the residential space. I can't tell you what percentage. The debate was over on this commercial side as if it's a sector we shouldn't play in, which is absurd, frankly, but it's there in every part of the market. The market isn't like segmented to them. And there are many, many consumers in this country that in the last year put in Chinese quartz services in their single-family home.

What I was suggesting is that we--we earned that market on performance over granite, and displaced granite. That effort--you know, commercial has sometimes a 6- to 12-month lead time from the time you spec products till the time the project comes to fruition. So there's some lag there.

But that same dynamic will occur and has occurred, as Kim described, where we can win the market on the commercial side, and have, against inferior performing
stones like marble and granite, but when quartz entered into it from China, it took it to an economic equation. And it was pretty much over for us to come in there and compete as we had done on the residential market.

The Chinese product is everywhere. It's in kitchen and bath dealers throughout the Nation. It's in architect firms. It's in millwork houses. It's everywhere. And it's competing with us everywhere. And it already has displaced substantially our residential positions, for sure.

We're able to maintain those a little bit longer because it's less of a bid process in what a commercial is. So the dynamics are different. But to survive, and to grow, and to be what we have always been about as a manufacturer and a brand provider, we have to succeed in all those markets.

That's why we laid out a plan for the growth we had in place to satisfy those markets, and that's why our competitors were doing the same thing.

COMMISSIONER SCHMIDTLEIN: Are there certain designs that are more predominantly used in the builder/commercial side than in the residential side? Or are they same? Or do you find that the specialty designs are sort of a small part?

MR. DAVIS: I think it's pretty diverse. If you're talking about--if you just break down a hotel, or a
large-scale commercial project, the lobbies might have the
more higher design aesthetic, and in some other areas they
might have a more monochromatic look around the vanity--300
vanities in a hotel, or that type of thing. But we just did
a hotel in Minneapolis because we had a relationship with
the owner. We did 320 rooms and they did a high-end looking
design in our Ella product in it.

So I think the answer is diverse, and they'll use
the product as the designer and architects see fit. And
they're highly valuing the marble collections out in the
marketplace today, and more of the white products. And I
think that the use is very diverse across the whole
spectrum.

COMMISSIONER SCHMIDTLEIN: So--and this might be
a question for the lawyers--in terms of the pricing products
where we have white--you know, two of them are plain white
quartz surface products, no visible particle specks, chips,
or crystals. You know, where are those types of products
going, where it's literally just solid white?

MR. DAVIS: Yes, that happens. That happens, yes. It can go commercial and residential.

COMMISSIONER SCHMIDTLEIN: And residential?

MR. DAVIS: Yeah, and those products often are
more--not less expensive to make because of the quality of a
white product, and the integrity of that product remaining
white. So monochromatic white is still, you know--

COMMISSIONER SCHMIDTLEIN: Popular?

MR. DAVIS: Yeah.

COMMISSIONER SCHMIDTLEIN: Okay. So I was just trying to get a sense of whether when we look at the pricing products do you see any breakdown there that aligns with, you know, builder/developer versus residential kitchen/bath.

MR. DAVIS: Yes. The market has group pricing, and in it we have two-tiered pricing in our company. We were in the process of moving to a more multi-faceted tiered pricing when this all began.

Our competitors have multi-group pricing. They might have five different groups of pricing. And that's based on some of the more--if I dare say--vanilla design products that were the early quartz designs before we developed the technology to make these aesthetic stone-looking products, if you will, the high movement products.

So there's category pricing in there, and it's within a realm and a range that's still based on, frankly, competition and a fair and free marketplace.

MS. SHULT: Commissioner Schmidtlein, this is Rebecca Shult. On the pricing product question, all six of the pricing products listed in the report here are used in both residential and commercial type projects. They are not
segmented out. They're all used in all.

 **COMMISSIONER SCHMIDTLEIN:** Okay, yeah, that's what I took from his answer.

 **Okay, do you agree that there's a seasonality to this product? In other words, that you see an increase in the warmer months when construction picks up?**

 **MR. DAVIS:** I would put it, we found it to be more around the holidays, in December and January. And we've tried to identify that difference--

 **COMMISSIONER SCHMIDTLEIN:** Why is that?

 **MR. DAVIS:** Probably because people--you have to measure, and install, and be in people's homes in those periods of time, and we've always seen that drop off on both on a retail basis and a---

 **COMMISSIONER SCHMIDTLEIN:** So it goes down in December and January?

 **MR. DAVIS:** --also, but, yes.

 **COMMISSIONER SCHMIDTLEIN:** I just thought you meant it went up.

 **MR. DAVIS:** And then there could be the year-end inventory position part that contributes to that. But we've seen December and January, year over year, fairly flat.

 **COMMISSIONER SCHMIDTLEIN:** Okay. Alright.

 Something else you said that I thought--that peaked my interest was, you were talking about that there could be
discounting out in the channels by your partners, right? So one question I had for you as a CFO I guess is, how does the negotiation in pricing work between you and your partners?

And this also sort of dovetails with a question about you say you have 50 people who are dedicated to the commercial side, and I'm wondering what are they doing? Because you're selling mostly slabs to fabricators who are then turning around and selling them.

So do you have fabricators that are just devoted to commercial? How do you negotiate the price with them? Are they putting pressure--are they putting pressure on you to lower the price because of the competition they have with the imports? I know that's sort of a lot, but do you see where I'm coming from here?

MR. DAVIS: Yeah, I got where you're going. Yeah, we set our price annually. And we look at increases every one or two years. We haven't increased it in recent years. They--and usually it's a function of new designs that we brought out that create more value in what we're trying to do.

But we set a price with them on kind of a wholesale basis, and then they mark--they price in the marketplace through competitive realities of the marketplace. And, yes, they do come to us and have asked us to reduce our price. They've begged us not to raise it in
these times, and asked us to reduce it throughout the
process.

COMMISSIONER SCHMIDTLEIN: And so you say you set
price on an annual basis?

MR. DAVIS: For the most part that's true.

COMMISSIONER SCHMIDTLEIN: For the most part. So
you wouldn't be making adjustments to that until the
following year, based on feedback you're getting?

MR. DAVIS: Yeah, and we've done it, sometimes
it's been an 18-month period. We're talking to our partners
about the market and that type of thing. Over the years,
that's how we've done it. And it's not that sophisticated.
We're just talking to our partners about the market
condition, talking to them about our costs, and if they've
changed or increased, what we've invested, and this type of
thing. And then we'd set a price with them. And then that
price holds. And then they take that and convert it into
the market through their labor, fabrication, and
installation costs, and they price into the market. And
they have come back. Sam has, for one, and said can you
reduce the price? And we've been able to show him what our
costs are on the product, and so it's pretty open with them.

COMMISSIONER SCHMIDTLEIN: Can you speak to the
50 people you have who are dedicated to the commercial side?

MR. DAVIS: Yeah, they're not--their time is
spent with architects and designers in the commercial space, and millworkers. And that kind of a thing. That--

COMMISSIONER SCHMIDTLEIN: You're not selling directly to those people? You're trying to get them--

MR. DAVIS: They're trying to gain specs for our product.

COMMISSIONER SCHMIDTLEIN: Okay.

MR. DAVIS: And we've been in that business since 2007-08. We used to have a partner, Wilson Art, who did that. They had 70 spec reps out moving our product through commercially. When we separated from them, we put our own reps on the ground. And so we've had spec reps, commercial reps in the marketplace, since 2009 in a heavy manner. And they're calling on that commercial channel every day.

COMMISSIONER SCHMIDTLEIN: And has the number roughly stayed the same since that time?

MR. DAVIS: No, it's grown.

COMMISSIONER SCHMIDTLEIN: It's grown?

MR. DAVIS: And it's proposed to grow right now. We've actually held back. But our management would like to put another twenty-five people out in the field, and they've tried to do that for the last couple of years. In our company, our hiring has had to be very selective as we've looked at it.

And it's a bit of a double-edge sword, because we
need the people out there to create the demand, but we're
creating a demand in a marketplace that's unknown as to
these economics, and then -- you can have four hundred
people out there, if China's one-third your price, you're
not getting the spec.

COMMISSIONER SCHMIDTLEIN: Okay.

MR. MEISNER: And Commissioner Schmidtlein, this
is Luke Meisner. I know you asked before, you know, where
is there evidence in the record of this type of competition
occurring in the commercial segment, and we can provide you
more if that's useful. But if you look at Exhibit 7 of our
prehearing brief, which is also discussed on Page 41, that
involves a commercial sale, it involves, you know, without
disclosing too much proprietary information, it involves a
sale attempted to be made by a commercial sales manager at
Cambria for a commercial product. And they had it specced
out.

Cambria was close to closing the deal and then
another importer came in and stepped and said that it was
going to supply a design that was basically an imitation of
a Cambria design, but for a lower price. And so Cambria
lost a commercial sale to a Chinese import because of price.
And, you know, this is just one of many, many examples. But
I think it's a very solid one.

COMMISSIONER SCHMIDTLEIN: Okay, all right.
Thank you.

CHAIRMAN JOHANSON: Commissioner Kearns.

COMMISSIONER KEARNS: Thank you. I've got a lot of questions. I guess the first few, I'm hoping to get through pretty quickly. First, for the fabricators out there, if you all haven't submitted responses to our questionnaires, can you please do so? I don't believe -- we may not have responses from you all.

Also, on pricing, I think Commissioner Broadbent raised questions about when you plan to see prices. Because I think Page 48 of your brief, you say over the past fifteen years, Cambria was able to raise its prices annually on a consistent and regular basis, based on increased demand, etcetera.

So can you just, post-hearing, let's get a lot of clarity on exactly what your price increases have been in the past, how much they were, how frequent they were. Because I think here, the suggestion was, it's been in the brief, it's been annual and then during the POI, we had to do it in eighteen months, but I think, Mr. Davis, you suggested that may not have been the first time that it was just eighteen months. So, some clarity there would be helpful.

Also, just to clarify again, I think, Mr. Davis, I think in response to a question I had earlier, I thought
you had sort of suggested that the costs involved with producing this movie, that those had been incurred all before the POI, but I think we have -- I'm curious how that -- is that consistent with what we're seeing in--I think it's in our staff report and this is proprietary--but there's Footnote 15 on Page 620, and I just wanna know, sort of, when those costs were incurred in connection with the movie. I don't know if you all have a second to talk about that now, that'd be helpful, I guess.

    MR. DAVIS: We did the movie, I think, in '14, '15 and '16. And whether or not they're amortized in the financials, I don't know. But we can clarify that for you.

    COMMISSIONER KEARNS: Okay.

    MR. DAVIS: And as I suggested, our total marketing budget is pretty minimal.

    MR. MEISNER: I think Cambria's CFO may be able to have a little more detail on that, and if he's comfortable discussing it now or post-hearing.

    COMMISSIONER KEARNS: That'd be great, now.

    MR. WARD: Jim Ward. The movie investment was incurred '15 and '16 and expensed in the records in '16.

    COMMISSIONER KEARNS: Okay, only '16? Not beyond '16?

    MR. WARD: Correct. We had some marketing expenses when we did the limited launch that Marty mentioned
earlier, in '18, early part of '18, that we incurred when we
did that launch. But the actual investment to produce the
video was in '15 and '16, but expensed in the records in
'16.

COMMISSIONER KEARNS: Okay, thank you.

MR. MEISNER: This is Luke Meisner. One quick
thing to mention there. And Mr. Davis touched on this. You
know, there was expenses that were incurred to produce the
movie, but then to use the movie as a marketing tool,
there's also launch expenses. There were a small amount of
those towards the end of the POI, but as Mr. Davis
mentioned, those were pulled back. Cambria was not able to
use the movie effectively like it had planned to, because to
use it effectively would incur additional launching
expenses. That's why it's been pulled back.

COMMISSIONER KEARNS: Okay, thank you. Anything
more you can tell us about those costs by year, so that we
have a better sense of how they affected your bottom line.

And then more generally, you know, I'm looking,
I'm trying to evaluate impact here. And on a few of these
factors, and I think y'all had a slide that showed downward
trends on a number of different things. But I'm looking at,
for example--and this is, again, of course, the industry as
a whole, not just Cambria--but you know, one thing we see
is, there's a decline in operating income for the industry
as a whole.

It doesn't seem to me that you can really attribute that to subject imports. At least not most of that. You know, given that we have sales volumes increasing. So if you can answer either now or post-hearing, how I can sort of see injury from subject imports from the decline in operating income.

And then related to that, we just spoke a moment ago about capacity utilization also in a downward trend. But how am I supposed to evaluate that, given that domestic production has increased over the POI? So if you could help me understand that.

And then, also, again related to the other two, you all spoke a minute ago about reduction in employment for Cambria and moving from a five-day-a-week work schedule from a seven-day, but again, given that what we're seeing for the industry as a whole in terms of production, help me evaluate those things. So if you can speak to that now, that'd be great, but also post-hearing.

MS. DRAKE: Commission Kearns, this is Elizabeth Drake. I would just say that I think the answer to most of those questions has to do with looking at industry trends in the context of the explosive growth in demand. And we can try to quantify that, that what was the lost opportunity due to the even more rapid increase in imports post-hearing.
COMMISSIONER KEARNS: Okay, but when you say lost opportunity, is it not so much that, that you all are saying subject imports are causing, for example, operating income to decline, it's just that you would expect operating income to be much higher, but for subject imports?

MS. DRAKE: Well, I don't think that we would expect it to decline, but for subject imports when demand is going up so rapidly. I mean I don't have a number to say for you about how much we can say it's definitely due to subject imports, but even those sales volume went up, it went up less than demand, and because unit values are going down, you had an adverse impact on sales revenue, which does flow through to --

COMMISSIONER KEARNS: It does, although the unit values don't -- the decline doesn't seem to really account for the decline in the operating income.

MS. DRAKE: Understood. So we'll do the numbers post-hearing.

MR. MEISNER: We have a little bit of response from Cambria's CFO that we would wanna make sure you hear now and we'll get into it more post-hearing.

COMMISSIONER KEARNS: Right, I appreciate that.

MR. WARD: Jim Ward, Cambria. Through '17, '18 and '19, like I testified earlier, Cambria's sales were flat. Our production -- and during that period of time, we
further implemented--and I think Marty testified earlier to
this--the distribution strategy where we put sixteen new DCs
into the marketplace and each one of those DCs takes a
certain amount of inventory. So our production was--our
sales are flat, our production increased, but it was to
produce inventory to put out into the DCs.

COMMISSIONER KEARNS: Okay.

MR. WARD: So you have some of that occurring.

COMMISSIONER KEARNS: That's helpful. Thank you.

MR. SCHAGRIN: Commissioner Kearns, Roger
Schagrin. I think one of the things you'll see in this
record, we're arguing both, not only did operating income
actually decline during the period of soaring demand and
higher production for the industry as a whole, but the
reason for that decline is, I think you can see that just,
in terms of the trends, costs were increasing, but selling
prices were flat.

And that's both, you know, for everyone in
American industry. I mean, some of it's raw materials, some
of it's employment and healthcare costs, and some of it's
freight costs, and so you definitely have a squeeze between
the increasing costs of goods sold and flat selling price or
revenues, resulting in decreasing operating income.

And for Mr. Dougan's correlation causality
argument, it's all confidential, but the little change in
interim '18 is all just a decision by one multi-national company about switching things around. And we explained that confidentially in our brief. So nothing breaks the impact of the Chinese on the domestic industry throughout the period of investigation.

COMMISSIONER KEARNS: Okay. Again, and you can just tell me post-hearing brief if I'm wrong about this, but what I'm seeing is, AUVs are going down a little bit. Costs of goods sold are going up a little bit, so there is something to what you're saying cost-price squeeze potentially. But that doesn't come anywhere near describing why operating income is declining as much as it is.

MS. DRAKE: Ms. Drake again. Just real quickly, and the respondents make a lot out of the increase in SG&A expenses, which is obviously where a lot of that difference is. But that increase in SG&A expenses is precisely because of these efforts to do more direct DC distribution in an effort to compete with imports. So those costs are import-competition costs for Cambria to go directly out into the market itself because the distributors they had been working with, had left to go take Chinese products. So that's why those costs increased.

COMMISSIONER KEARNS: Okay, thank you. And a lot more on that in the post-hearing would be helpful, too, because, you know, what I'm hearing on the other side is,
first of all, I believe this is SG&A, this is really because of the cost of the movie, and you all have this distribution system that's super exclusive and that's what this is about, so if you can respond to that.

MR. SCHAGRIN: And that's why we call them fabricators, Commissioner Kearns.

COMMISSIONER KEARNS: Okay. You already used the joke, Mr. Schagrin, so you can't use it twice.

MR. SCHAGRIN: I'm old.

COMMISSIONER KEARNS: All right.

MR. SCHAGRIN: I can't -- tell them please don't expect to have a new joke at my age.

COMMISSIONER KEARNS: All right, my time's up.

Thank you.

CHAIRMAN JOHANSON: Two domestic slab producers have expanded or built additional facilities during the period of investigation, those being Caesarstone and LG, while two other domestic slab producers came online in the past few months, Daltile and USA Quartz.

So there are now five domestic slab producers when you include Cambria. And four have expanded or started production during the past three years. How does this demonstrate a slab-producing industry that has been injured? Aren't these signs of improvements in the domestic industry?

MR. DAVIS: The Caesarstone investment in the
U.S. was made before this occurred. And as you heard, they haven't gotten that thing going and they've shut half of it down now this last week. Mohawk was a heavy importer from China. I was talking to them throughout the process. I have a good relationship with them. Daltile is their market brand. And they had that -- this takes about -- you've gotta order this equipment two years before it's gonna operate, and you have to be in the process of buying it about a year before and designing and so forth.

It's about a three-year process to get this equipment designed, ordered and installed. So I think--I know in Mohawk's case--they were gonna replace their Chinese supply, they were gonna pivot away from that and use it as an augmenter to their market and get their own base production, and Caesarstone was in before this occurred and regrets very much building their factory here, has told me directly they shouldn't have done it. I can't speak to LG, other than I know that they're gonna have to replace their Chinese supply if these preliminary findings are confirmed.

MR. SCHAGRAN: Chairman Johanson, Roger Schagrin. I think it's great. I think as Mr. Davis testified to, your lead times are two to three years. So the fact that after this product is introduced into the market and slowly saw growth that it began to skyrocket over the last several years, led people to make a business investment decision,
"We should invest in the United States and make this product where it's consumed." So that's good and you have to debate whether that's a sign of injury or noninjury.

I think the key thing is the results from these operations. What's clear—and Caesarstone is the prime example—here's someone who made plans for investments before the POI, made investments during the POI, and at the tail-end of the POI, is shutting half of their facility down.

And I would say, without any doubt, you look at the growth of imports from China and the underselling by China and their ability to penetrate all aspects of this market, this will be like the steel industry if you don't stop this now, within two to three years, all these plants will be shut down. It doesn't matter that they're new. They'll all be shut down.

And the people who are doing this, someone like Mohawk who says, I'd like to build something here if I can't buy dumped Chinese, or this is growing. If they start a facility here, but can still buy Chinese for half of their production costs, what are they gonna decide to do with their big distribution? I mean Mohawk is in every aspect of your home and kitchens with floor tiles and these kinds of products, they'll decide to import instead of making it. It's a smart business decision for a big company.
So it's a mixed bag. I, as somebody who likes manufacturing in America, I think it's great that people are investing and we should enforce our trade laws and allow these people to invest and hire new workers here.

MR. DAVIS: I think it's an important point to note, we were within months of being in the same position as those other companies that built factories here. We almost built two more lines because of the same thing they were seeing before this happened. We recognized the circumstance and withdrew and pulled back.

And so I think the fact they built these plants over the last four years, or put them into their working business plans, does not surprise me. I think the reality of today is difficult for all involved. And we were fortunate enough to catch it before we had activated our plants. We were very, very close.

CHAIRMAN JOHANSON: Thanks for your responses. With the RISI chart of two new slab-production facilities and a further expansion by another domestic slab producer expected for later this year, how do increases of demand, production of capacity correspond with the making of a threat finding?

MR. DAVIS: Can you ask -- I'm sorry, can you ask that again?

MS. DRAKE: Elizabeth Drake, Chairman Johanson.
It actually makes the industry more vulnerable to threat, that they have these new facilities that they have just invested in, that they're hoping to bring online. They've got more start-up costs. They've got more on the line, basically with the outcome of these cases.

So if the outcome is negative and Chinese imports continue to increase at the same rapid rate that we've seen during the POI and at the same low prices that puts those new facilities in some ways the most vulnerable of all of them to threat of further injury in the imminent future.

CHAIRMAN JOHANSON: But the industry appears to be growing.

MR. DRAKE: It is growing because demand is growing, and there are a number of cases where the Commission has looked at industries that have added capacity or added facilities, the cases on cold-rolled steel, cases on OCTG, we can go through additional cases in our post-hearing brief.

But of course, the domestic producers would seek to expand to take advantage of rising demand, but if relief is not provided, then those will just be facilities that aren't able to fully produce and they'll be the next Caesarstones if we don't get relief.

CHAIRMAN JOHANSON: Thank you.

MR. MEISNER: And Commissioner Johanson, let me
just add a little bit more color there on the issue of Caesarstone. Because, you know, while there are some domestic producers that are expanding, Caesarstone just announced last week that it was laying off over 100 employees in its company and it was shutting one of its two production lines, so it's decreasing its capacity.

And on this question of whether or not Caesarstone competes with the Chinese, I know the respondents have made a lot about one statement by their CEO in a recent earnings transcript call, but if you put that in context and if you read it together with some of the other statements that Caesarstone has made, for example, in its 2018 annual report, it's very clear that Caesarstone does believe it has been impacted by Chinese imports.

For example, in its 2018 annual report, it's speaking about Chinese imports, it says, "if the amounts of these low-priced imports increase, our sales could decline. In addition, sales of these low-priced imports may negatively impact our pricing." And then it also talks about the critical circumstances. It says, "the imposition of AD/CVD orders may lead Chinese exports to redirect their products into other markets in which we operate, thereby adversely impacting our operations and financial results. In addition, imports of lower-priced Chinese products into the U.S. has increased significantly after the announcements
of the preliminary determinations and the large build-up of
inventory will continue to compete with our products in the
near future," so Caesarstone absolutely believes that it
competes with Chinese imports and it's prepared to offer
some clarifying statements on this issue in post-hearing.
But I think the closure of one of Caesarstone's production
lines is powerful evidence on this point.

CHAIRMAN JOHANSON: Thank you, Mr. Meisner and
other. On Page 57 of its prehearing brief, Cambria alleges
that subject imports prevented the domestic industry from
taking full advantage of the strong demand conditions in the
U.S. market. Does this assertion apply to other domestic
slab producers?

MR. DAVIS: Yes, it does.

CHAIRMAN JOHANSON: Okay.

MR. SCHAGRIN: Chairman Johanson, just to clarify
as Mr. Davis just testified. So for them, they were about
to add two more production lines with an investment of $150
million. So the increase in imports from China prevented
them from making investments, take advantage of the growth
in demand. Obviously, other companies who made investment
decisions prior to Cambria's decision not to make this
additional investment, had already committed to investments
in this market because of the growth in demand.

MR. DAVIS: Mohawk put a line in because they
built up a market for their Daltile quartz with Chinese supply. So they're not banking on new demand or growth. They certainly would be with Line 2, Line 3 and this type of thing. But, for them initially it was a replenishment of existing position they had built with Chinese supply.

I, in very direct talks with them, warned them that their economics of their new factory in Tennessee are gonna be very different than the economics of their purchased product from China and I think that's bearing out for them.

MR. MEISNER: And one last point. I promise to be brief. I know if you look at the interim 2018 data, in terms of production and sales, there's some very strange things going on, and we discussed that already in our prehearing brief and we can also do it in our post-conference brief.

But there's some unusual things going in the interim 2018 period and you have to look at all of the different exports, domestic shipments, U.S. shipments, other shipments, to understand what's happening there. And I think when you understand some of the decisions that were made by the domestic producers and you look at the data as a whole, it shows that yes, Cambria was not the only domestic producer that lost an opportunity to take advantage of the growing demand conditions.
CHAIRMAN JOHANSON: All right. Thank you for your responses. Commissioner Williamson.

COMMISSIONER WILLIAMSON: Thank you, Mr. Chairman. Commissioner Kearns had already gotten to this question of SGA expenses. And this is Table 6-7, so post-hearing, I just hope that when addressing those questions, you go into, if there are other differences between the cost of different domestic producers and SGA's expenses and all.

MR. SCHAGRIN: We'll do that post-hearing, Commissioner.

COMMISSIONER WILLIAMSON: Thank you. You estimate the value added by fabrication at Page 28 of your brief. Do you argue that these figures are not significant? Does it matter the slabs are not useful goods until fabrication?

MS. DRAKE: Commissioner Williamson, this is Elizabeth Drake. There have been other cases where there are products that in the kind of upstream form have no use except for being transformed into a downstream form. So there was a case on salmon where the scope covered both the huge piece that comes off the salmon and also the small filets that are cut. And they had to decide whether or not the filet cutters were a part of the domestic industry. And, of course, no one buys--well, I don't buy--a huge side
of salmon.

COMMISSIONER WILLIAMSON: No.

MS. DRAKE: I buy the filets that my family can eat. Right?

COMMISSIONER WILLIAMSON: Yeah.

MS. DRAKE: And so, and they said there, "Well, it actually does add a lot of value, because it makes it a consumable product." But they also looked at the costs, what costs were associated in the different stages. And I think they looked at that together with all the other factors, but not any one factor as determinative and found that those filet cutters did not perform sufficient production-related activities to be included in the domestic industry.

So I think if you look at the fact that most of the value comes from the slab, especially after you account for yield loss. And, you know, they're put together with investment, with technical expertise, with the part sourced in the U.S. and all of those other factors. The fact that there is more value in a final consumer product than in the upstream product shouldn't be enough to say that those stand-alone fabricators themselves are also part of the same domestic industry as the integrated producers. But again, as we said before, if the Commission includes the fabricators, we still believe the record supports an
COMMISSIONER WILLIAMSON: Okay, so essential part of the process, but you don't wanna say, be included.

MS. DRAKE: It's just the amount of value that's added compared to the upstream product. That all of the essential physical characteristics are defined in the upstream product, all of the real technology is there.

COMMISSIONER WILLIAMSON: Good, thank you. Is it appropriate to include installation costs? Why or why not?

To include installation costs when calculating the value added by fabricators.

MS. DRAKE: No, it's not appropriate to include installation costs. Those are separate from the cost of actually producing the fabricated product. Installation is an "after" service. There is some, obviously, the measuring that takes place before the slab is cut into its final form. But all of those installation costs are completely separate from just manufacturing the fabricated product.

So it's really more helpful to think of it as the imports that are coming in, in fabricated form. Those don't include installation costs and those unit values. I mean it's kind of surprising when you look at the unit values of the fabricated product from China and how low they are compared even to the slabs from China. But that doesn't include installation costs and it shouldn't on the domestic
side either.

COMMISSIONER WILLIAMSON: Okay. Thank you.

You've kind of already referred to some previous cases. But I guess respondents referred to various cut-to-length investigations that support for including fabricators. In post-hearing, could you compare and distinguish those cases?

MS. DRAKE: Yes, we'd be happy to do so. I would note that one of the briefs talks a lot about the solar case. That one no one contested that the module producers should be included and the module producers relied predominantly on domestic sales. All of the cases that they cite have key distinguishing characteristics. And a lot of those cases, if you actually read them, you know, it's a very short paragraph where the Commission says, "No one contested this on balance, we don't care." This is a very different case.

COMMISSIONER WILLIAMSON: Okay.

MR. SCHAGRIN: Commissioner Williamson, one thing I'd like to add in the context of these other cases is that, if you look at the plate cases, cut-to-length lines, number one, they're $20- to $30 million each. Yes, a lot less than a billion dollar plate mill or to make the hot-rolled coil, but they're substantial. And I would also say they're built to cut coil into cut-to-length plate.

Here, I think you will find, and I know you're
gonna have another panel today, but I ask, you know, our
four people, I would say probably 90% of the equipment that
is being used today by fabricators to cut quartz, was
already on the ground in these companies called Joe's Marble
and Stone, or Freddy's Granite to cut marble and granite,
and then the same equipment, it wasn't bought to become a
quartz fabricator. It's just a new stone material come
onto the market and they use that equipment to cut it.

And I think that makes this completely different
from a cut-to-length line. And really changes, you know,
the way you would view whether those folks, they didn't get
into this business to say, "I want to create a quartz
fabrication facility." They just decided, and I think the
evidence on the record, which is public, in the aggregate is
that, even today, with the growth of quartz, the majority of
what fabrication plants cut is still nonquartz. It's
getting closer to 50/50, but still a majority of nonquartz.
Whereas Marty, Cambria cannot make granite. They cannot
make marble. They invested $400 million only to make quartz
slabs. So totally different.

COMMISSIONER WILLIAMSON: Okay. There's a
distinction between somebody having bought something for one
purpose and then using it in a different business, I guess
is the question, or is it that they're allocating that
equipment between two different products? So there's a
distinction there, but I'm sure the respondents will
comment.

Do you agree with Reliance that the Commission
does not have adequate domestic industry coverage to supply
substantial evidence of material injury, and that
fabricators are included in the domestic industry? I'm sure
you probably don't, but do you wanna say why?

And if we weren't including fabricators, how
should the Commission weigh slab producers versus
fabricators?

MR. MEISNER: Well, you know, on this question of
the data that we have for the fabricators, it's a little
unusual because, as you know, from the outset of this case,
we believe that the domestic industry only consisted of slab
producers, namely Cambria, LG and Caesarstone. And it was
the importers in alliance with fabricators that used Chinese
quartz that first made this argument that the fabricators
should be part of the domestic industry.

And the process by which the information was
gathered from the Commission was also a little bit unusual
in that the Commission, in response--in fairness to the
Commission, staff has done an amazing job in this case--but
because they were responding to requests from the Chinese
importers to do this, they reached out to the Chinese
importers' counsel and asked for a list of the sixty
largest fabricators that they had contacts with to provide data.

And so we think that data are gonna be a little skewed for those reasons alone, because number one, you're gonna be looking at the largest fabricators instead of some of the medium- and small-sized fabricators. In addition, you're getting fabricators that were self-selected by U.S. importers' counsel and so their data are gonna look a lot different than the data that would be supplied by the folks like the fabricators that we have with us here today who are cutting Cambria's quartz and other fairly-traded quartz, who've seen different kinds of trends.

And we were never asked by the Commission to provide questionnaire responses until very recently when we received an e-mail that said if we planned to testify, we may be asked to provide questionnaire response, so we have supplied those. And we're looking into it. And as with many other fabricators, because of the size of operations and accounting systems, it's difficult for fabricators to supply questionnaire responses, but we are working to try to provide as much data as we can.

But, so to answer your question, you know, we think it doesn't matter if fabricators are included. But that's our response.

COMMISSIONER WILLIAMSON: Okay, thank you.
MR. SCHAGRIN: Commissioner Williamson, Roger Schagrin.

COMMISSIONER WILLIAMSON: Okay, just -- I had two other quick questions. Yeah.

MR. SCHAGRIN: Right, you go. And then we can all say in the post-hearing, but you know, like in fabricated structural is over a thousand years produced, there are probably in the tens of thousands of fabricators of products in the United States of stone. I mean, just in the area where I am, there are dozens and dozens and that's just one city.

COMMISSIONER WILLIAMSON: Okay, thank you. How much downtime is there between orders to set up or clean machines. I'm talking about quartz production now. Is there incentive to produce a narrow selection of products?

MR. DAVIS: I'd say that's one of the competitive edges that you work towards and our downtime is pretty limited if we stream the designs correctly. We have over 150 designs. And our downtime is pretty limited due to our ability to campaign the design's color, hues if you will. So it's a factor in cost of production, but not disruptive.

COMMISSIONER WILLIAMSON: Okay. With the majority of quartz service products from inventory, how do suppliers forecast demand in terms of designs and colors? And how quickly can suppliers respond to changing consumer
preferences?

MR. DAVIS: I think that's the challenge of the business. The more, like I mentioned, about 85% of our business now operates on what's on a retail basis. In other words, the distributor's gonna sell a slab today and they didn't know that that customer wanted that slab until today and so that's part of the increase in operating expenses was to fulfill those distribution centers out in the market with inventory that was available to customers in the market.

COMMISSIONER WILLIAMSON: Okay, thank you.

MR. WARD: We are constantly working our inventory models based on demand. So it's a daily exercise to react to what's going on in the market.

COMMISSIONER WILLIAMSON: Okay, thank you. I have no further questions. Thank you.

CHAIRMAN JOHANSON: Commissioner Broadbent.

COMMISSIONER BROADBENT: Okay. Mr. Davis, what is quartz glass and why is Cambria trying to get this product added to the scope of the case?

MR. DAVIS: I think it'd be better if Luke or Rebecca handle it, because I'm not expert on it.

MR. MEISNER: I can address that, Commissioner Broadbent. So, you know, when we first file petitions in this case, we said nothing about glass whatsoever in the original scope, or as we were working to file. And the
Commerce Department came to us and said, you know, what about these guys, they're operating here in the United States, who make this jagged glass, crushed glass product. And we looked at it and we said, well, you know, a lot of these guys, they make it by hand, they're small artisanal shops, it's got a different design, it's in a very niche market. And so, you know, we will exclude from the scope, crushed glass products, not thinking that this would have much ambiguity in it or would be a potential means for circumvention.

And again, we're talking about slabs that are made in a very similar process the way Cambria makes its quartz surface products, but they have large jagged chunks of glass that are visible on the surface. Now, after, you know, it's hard to say exactly when, but certainly around the time of the preliminary determination by the Commerce Department, we started seeing a lot of information in the market from Chinese producers, as well as importers as to what they themselves were calling "new" quartz glass products. We saw some manufacturers trying to register new patents with regards to these "new" quartz glass products. And what's different from these and what makes them new and unique is that, instead of incorporating large chunks of what we thought was--we were calling crushed glass--they were using very small glass powder or glass
granules, a material that looks and in some ways is similar
to the physical characteristics of the raw quartz material
that's used to make quartz slabs.

And they're able to imitate and make all of the
full panoply of designs that it's possible to make using
quartz as a raw material. And they said in their marketing
and e-mails to potential customers that they specifically
had created this new product to be able to get around the
anti-dumping and countervailing duties that Commerce had
imposed.

And so when we saw that, we said this is a
potential huge loophole, an opportunity for the imports to
circumvent the duties, and so we immediately started talking
with Commerce. There was a government shutdown, which
prevented us from raising it with them earlier, but as soon
as we could, we started discussions with them to say, "Hey,
we think we need to clarify the scope, not broaden it."
We're not trying to broaden it in any way. Clarify the
scope to make clear that crushed glass means that large
jagged --

COMMISSIONER BROADBENT: Okay, Mr. Davis. So you
think this is like a commercially significant thing the
government needs to do on the scope?

MR. DAVIS: I think Rebecca's been dealing with
that more, but it certainly is -- it's also an ability for
them to adulterate the glass and make it very difficult for
a standard of identity of what it really is. It's sold in
place of the quartz, identical to the quartz. Rebecca might
be able to speak to it more specifically.

MS. SHULT: Yes, Rebecca Shult. And if I can
add, the scope of the case has always said predominantly
silica. And so because glass is silica, the scope has
always covered glass products. Glass products, however, are
new to our market as a threat because of the Chinese efforts
to evade the tariffs here.

And so, while we were okay with the exclusion to
begin with, but this special crushed glass product which is
a distinct thing, we now felt the need to seek the
clarification from the Department of Commerce on the scope
issue, because what we're seeing in the market in terms of
evasion efforts and blatant efforts by the Chinese to try to
avoid paying tariffs, the challenge is this: At the border,
it may say that it's glass and different and the tariff
shouldn't be applied. But in the market, these markets are
now being placed side-by-side next to Cambria and other
domestic suppliers of quartz products. And so, yes, it is a
competitive threat and it is an issue in our industry.

COMMISSIONER BROADBENT: Okay. Mr. Meisner, if
quartz glass is included in this scope, will the Commission
have to collect additional importer or producer information
to ensure proper coverage of this product?

MR. MEISNER: I can answer that. In terms of, you know, data that would have to be collected from importers and purchasers, the answer is no. Because this product did not enter the market at all, or at least in any significant quantities until after the preliminary duties were imposed by Commerce in November of 2018 and because the period of investigation only runs for the first three quarters of 2018, there would be no impact on the data collected by the Commission.

Now, if the Commission wants to collect additional data or maybe send a simple questionnaire asking, "Did you sell any?" then that would be fine, because the simple fact of the matter is, there was no importation in significant quantities of this glass quartz prior to the imposition of preliminary duties.

COMMISSIONER BROADBENT: Okay, my time's going by here. Mr. Grzeskowiak, excuse my pronunciation. Joint respondents argue on Page 54 to 56 of their prehearing brief that the Breton technology, which Chinese producers do not have access to, impart certain advantages on quartz products made from these machines, including quality, greater diversity of product features, durability and product longevity. Do you agree that this is the case?

MR. GRZESKOWIAK: I do not. John Grzeskowiak
from Cambria. I do not agree.

COMMISSIONER BROADBENT: If Breton technology has no such advantages, why do you invest in this proprietary technology?

MR. GRZESKOWIAK: Is that directed to me?

COMMISSIONER BROADBENT: Yeah.

MR. GRZESKOWIAK: I'm not the one making the decision to make that investment. I'm serving in my capacity at the company.

MR. DAVIS: I guess, are you asking, our investment in Breton, that would be Cambria's investment, not the fabricator investment. They founded the technology and brought the opportunity to the industry. And that's how we got into the business.

As I mentioned earlier, the Chinese went to Turkey where they had Breton equipment and reverse engineered it. So the Breton technology lives in all these products. And the gentleman who invented it, his family runs the business today, that's where we buy our equipment. They're a good company, good people.

COMMISSIONER BROADBENT: Okay. And this is my last question, Ms. Shult. Respondents have accused Cambria of engaging in sort of a lot of litigious activity, which they have used to describe a rapid-fire array of lawsuits, 337 actions, anti-dumping, countervailing duty actions to
place pressure on customers and independent fabricators.

Can you respond to this characterization?

MS. SHULT: Yes. Given the size of our business
and the challenges of our market, Cambria's not particularly
litigious. And while we've brought cases such as IP cases
to protect our intellectual property, those kinds of cases
just simply don't give us the type of relief that we need
from the kind of unfairly traded imports that we're seeing
now from China.

COMMISSIONER BROADBENT: Good. Thank you very
much.

CHAIRMAN JOHANSON: Commissioner Schmidtlein.

COMMISSIONER SCHMIDTLEIN: Okay. I just have a
couple of questions. One is a post-hearing question I
think. But the other is sort of a big, maybe a big picture
question. Probably for the lawyers. So we've talked about
the underselling, which is universal, right? We've talked
about the pricing, which in your presentation, I think you
argue that there's enough evidence for price depression, Ms.
Drake, with five out of the twelve products declining over
the period.

So here's my question, and in particular, I'm
looking at Products 3 and 4, which are the slab marble
products, which you say account for the largest share of
both U.S. shipments and from China. And so when you look at
those two products, the Chinese pricing information is
public, but the U.S. is not. U.S. price does go up, right?
And in fact, it goes up basically every year during the POI.
And then also from beginning to end, you know, if you just
look at the two endpoints.

So my question is, you know, in the largest, in
the product, you know, the type of product where they are
competing, you see the Chinese volume going up
substantially, right? It starts at 10,000 square feet in
2015 and it ends at 1.8 million square feet in 2018 and
that's for the 2 cm, the 3 cm, it starts at 60,000 square
feet and ends at 3.7 million, right? So they are flooding
into the market at substantial margins of underselling.

But the U.S. industry is still able to increase
its prices and increase its volumes in that product. So
when you look at that product as sort of a microcosm of the
whole case, and then you look at the overall loss of market
share from the U.S., I guess my question is, how is that
possible?

MS. DRAKE: Thank you, Commissioner Schmidtlein.

Elizabeth Drake. So I think there are three forces that
would cause domestic prices to rise during the POI. One is
obviously a very rapid increase in demand. The second is
you do have unit COGS increasing--it's not huge, but you do
have that increase. The other is this effort by Cambria,
the leading producer, to establish its own what they call
DC's, its own distribution centers, to make up for the
distributors who have left them for Chinese product.

And so that requires significant additional
investment on Cambria's part in terms of inventory, in terms
of all of the other things that go with setting up their own
distribution centers. They started out with 2, now they
have 18, as the way that they are trying to keep that market
share from declining even further.

And so that make their sales at a further
downstream level of trade. But now they are not just
sending it to the distributors, they themselves are the
distributors in those situations.

And so that, together with increasing demand, and
maybe increasing demand for particular products at a
different rate than for other products, all would tend to
lead to increasing prices. And so the fact that we
nevertheless saw decreases in 5 out of the 12 pricing
products we think supports a finding of price depression.

But even if the Commission does not find price depression or
price suppression, we think the under-selling on its own is
significant not just because it's universal or because it
sets high margins, but because it did coincide with a loss
of market share overall, and because it also coincided with
pushing the domestic industry to scramble to stop losing
market share by incurring more costs, which drove down its
profitability.

So we think that under-selling on its own is
significant for all of those reasons. But we'd be happy to
walk through the confidential data on that in our
posthearing brief.

COMMISSIONER SCHMIDTLEIN: Okay. Did you want to
add anything?

MR. WARD: Commissioner Schmidtlein--

COMMISSIONER SCHMIDTLEIN: Mr. Ward.

MR. WARD: Yeah, Jim Ward. I'd like to address
some of this. We grew out our distribution network, we
incurred costs. We freight the product to the region where
the DC is located. We have the overhead of the DC. We've
taken the inventory requirements out of the market and we
own those. And so our price out of our DC is higher than it
would be out of our plant because of that.

And so I'm not exactly sure what data you're
looking at, but there would be an appearance of price
increase when the net margin is the same to us.

COMMISSIONER SCHMIDTLEIN: So I guess my question
in response to that, though, is, and again you don't have
access to all the confidential information, the lawyers do,
is wouldn't the DC's feel the price pressure from the
Chinese product that is the same product? I mean we're
looking at two very specific products. So I understand the
costs have gone up, and that's a justification for raising
costs, but just based on market dynamics wouldn't you--
wouldn't those DC's be feeling that price pressure?

So normally in case where we see--

MR. BISHOP: Commissioner, excuse me. Could you
pull your mike closer?

COMMISSIONER SCHMIDTLEIN: Sorry. Normally in
cases where we see not a large, let's call it, loss of
market share, you see more of an impact in price, right?
Because they're lowering price to hang on.

MR. DAVIS: So you're seeing our wholesale price
to our distributors.

COMMISSIONER SCHMIDTLEIN: These are slab prices,
right?

MR. DAVIS: Yep. And so the retail price has
been suppressed and declined, and that's been eaten largely
by that channel. And in cases where we're that channel,
we've also done that, the fabricator/installer channel.

In addition to that, the price increase that is
perceived--that's why I was shaking my head, we haven't
increased the price--we bore about a $6 cost per foot to
build those distribution centers, and our spread on pricing
is about $5. So they're losing. Each of those initiatives,
except for Florida, is losing. And that's sharing
information that I probably should share in the off-record. But that reality has hurt those operations, and in fact their volume has not come to the level to support them.

So to your point, it has suppressed the demand. And, you know, what's the option? We're already a dollar a foot under water, and we were forced to go in them. And it artificially gives you a price increase. Somebody else was charging that price before, and distributing. In fact, they were charging $3 a foot higher than we are when we moved the business to us.

So I think we can supplement that information and help you see that there has been a static price and a declining price in the market throughout the channel with our product line.

COMMISSIONER SCHMIDTLEIN: Okay. Well I would invite you to do that in the posthearing.

The other question for posthearing relates to a report that is attached to the Joint Respondents' brief as Attachment One. It's an economic report. And they provided some analysis of the lost sales and lost revenue data.

I wonder if you could respond to that. That is at pages 43 to 45 of that ECS report. So if you could do that posthearing, as well, since it's confidential, that would be great.

Alright, I have no further questions. Thank you.
CHAIRMAN JOHANSON: Commissioner Kearns?

COMMISSIONER KEARNS: Thank you. Just a few here.

I guess I wanted to talk a little bit about sufficient production related activities and related-parties issues, so this is for the lawyers.

When I read your brief, even though it's under the section on sufficient production-related activities, it looks to me like you're really more concerned about the extent to which these fabricators are using Chinese product.

And so my question is: It seems to me that in a case involving a semi-finished product, the concern about related parties and about how related parties importing subject product skewing the data is particularly strong. So I'd just like you to comment on that. You know, how--you know, there seems to be kind of an overlap between the two issues. So can you speak to that, about how we should think about it?

MS. DRAKE: Certainly. Excuse me, certainly, Commissioner Kearns. Elizabeth Drake. We think there is kind of an overlap because one of the factors that the Commission looks at under the sufficient production related activities test is the quantity and type of parts sourced in the United States.

And so as we were looking at the quantity and
type of parts sourced in the United in the United States, we
could see there were a lot of fabricators that were sourcing
their slabs', and obviously their main input from China. So
we think that is relevant to that factor.

But you're right. We think that even if the
Commission decides, well, you know, regardless, there's
still sufficient production related activities to include
them in the industry. The next step is to go to the related
parties test where when you look at those imports it becomes
apparent that their interest lies more with importing than
with domestic production. And it should be imports of
everything in scope because it's a semi-finished domestic
like product test. So that includes their imports of
slabs. And so then they should be excluded from the
industry on that basis.

But we would be happy to walk through--we didn't
go through fabricator by fabricator in our brief. We had an
exhibit that looked at, you know, separating out some of the
different groups of fabricators, but we think if it's not
sufficient to kick them out on the first test, then it
should be sufficient to kick them out on the second test.

COMMISSIONER KEARNS: Okay, thank you. Returning
one last time to market segmentation--and again I think, you
know, we're struggling a little bit here because I just
don't think we have great facts on the record like we often
do to help see the different segments.

And so I was thinking like even just these pictures you all provided helped me understand that, yes, in fact, you know, in the residential segment of the market I assume that's where kitchen and bath dealers come in, you know, there seems to be some competition there. So anything you can do to help us understand how much competition there is in various segments of the market would be helpful.

One thought I had on how we could maybe get there is, I think it would be helpful if we could see, you know, every type of product--I don't know if that's by SKU or however best to do it--that you all sell. Because I would think that if--if you all are supplying, or are interested in supplying, or are able to supply the commercial segment of the market, we would see very big volumes in some products, and smaller volumes in these, you know, however you want to describe it, luxury, or very more niche sort of individual product market.

So if you all can provide some sort of data like that, and pricing, and maybe from the beginning of the POI, the Period of Investigation, to the end, I think that would help us understand. You know, if I saw some models sell a whole lot more than other models, that would suggest to me that, you know, that's the mass segment of the market and these other areas are smaller.
But does that make sense? I mean, because if that kind of information is provided do you think it would be helpful?

MR. DAVIS: Yeah, I think it does. I think we'll be able to do that to show that it's a very blended market in that sense. And the designs go across the board in there subject to what the designer and the architect designed from specs. So I think we will be able to show you information on that side of the business.

I might add, we have to speak of our purported marketing expenses. We have an $8 million payroll in just commercial people, commercial reps and commercial support people that's been in place since 2009, '10, '11, and '12, and growing, and we'll illustrate that as well in that narrative.

COMMISSIONER KEARNS: Okay, that would be helpful. And I guess I should reveal sort of what are my assumptions that may or may not be right. And from some of the things you've said, Mr. Davis, it makes me think maybe it's not entirely right.

But I would have thought that in the mass commercial segment of the market you would have the more vanilla flavored products, whereas in the more smaller quantities, you know, for individual residences, you might have the more extravagant sorts of designs. But then there
were some things you said earlier that suggested that's not
necessarily true.

    MR. DAVIS: I think it is. In cases there are
certainly segments within that segment that is that way.
For instance, multi-unit college dormitories that are being
built across the Nation, for sure. It's just that that
market is very large, and a good portion of that market is
looking for design, as well, and performance.

    So there is definitely that place where you would
say that so-called commodity product lies, but it's
certainly not the majority of the commercial segment, and
there's a very robust marketplace for all of the above in
the commercial segment.

    COMMISSIONER KEARNS: Okay, great. Thank you.

    MR. MEISNER: Commissioner Kearns, if I could
follow up quickly--this is Luke Meisner--again I don't know
if it'll be useful to show that Cambria operates in the
commercial segment, to break it out by SKU, You can
certainly look at that. But because, as Mr. Davis was
saying, you know, it can vary quite a bit. The plain white
designs, and the stark white marble that's popular that, you
know, some are calling the mass market, that's not only
popular in college dormitories, it's also very popular these
days in the residential kitchens and individual consumer
market as well.
And so, you know, we can certainly break out Cambria's sales by commercial versus residential segments of the market from the beginning of the POI towards the end, and I'm sure that will show that Cambria competes as hard as it can in the commercial segment, as well as the residential segment.

And again, you know, I want to emphasize one last time, we think Cambria—the evidence shows that Cambria does compete in the commercial segment with the Chinese, but I don't want the Commissioners to be focused only on the commercial market because the Chinese are also in the residential market exactly where Cambria competes as well.

COMMISSIONER KEARNS: Understood. But given that the other side is, you know, making that argument, I want to make sure I understand it. And my point is, while this is helpful, it's also sort of disturbing that I'm looking at one picture which is pretty anecdotal to try to figure out, you know, how much there is competition.

So there's a lot of anecdotes on both sides of the record, I think, on this, and having more aggregated data of some kind, whether it's by SKU, or breaking out commercial versus residential, that would be helpful.

On impact, subject import volume increased both by volume and market share between the interim periods, yet the financial condition of the domestic industry, however
defined, improved. How do you explain that?

MR. SCHAGRIN: Our answer is confidential, but it's all about--I mean, as you'll see in our posthearing, we're going to argue one of the U.S. producers is going to speak today shouldn't be considered part of the domestic industry. They are already clearly on the Chinese side. They're a Korean multi-national company with more plants in Korea than--I mean, in China than they have in the United States, you know, across their broad brand of everything they make for kitchens, for microwaves to washing machines, to et cetera, et cetera.

But as to the rest of the domestic industry, it is all one choice to try to address really horrible utilization rates for a company that operates worldwide, and based on their recent announcement, you know, it just didn't work out. But we're going to have to explain that confidentially.

I think we already did explain it in our prehearing, but we'll put more emphasis in the posthearing.

MR. MEISNER: We did. You can look at page 66 of our prehearing brief and you can get a, you know, preview of our response of what we'll explain in additional detail in posthearing.

COMMISSIONER KEARNS: Okay, thank you. I think the company you referred to, Mr. Schagrin, earlier that
should be excluded from the industry, I'm not sure if I saw a lot of reasoning in your brief as to why that should be. So if you all could explain that further, that would be helpful.

MR. MEISNER: We will.

COMMISSIONER KEARNS: Thank you.

On critical circumstances, I guess I'm going to ask a couple of questions here before my time runs out. What is the appropriate length of the comparison periods, given the timing of Commerce's preliminary CBD determination?

Also, your slide that you presented at the beginning here, I think it was page 12 of your slide, doesn't seem to match our data on page 4-10 of the Staff Report. And so if you can explain that.

And then finally, your brief only addresses the AD investigation in detail. Please flesh out here, or posthearing, any arguments you have for the CBD investigation, given the different entities and import data at issue. And given that my time is about to run out, I'm happy to hear a little bit now if you like, but posthearing is completely fine as well.

MS. DRAKE: We'll respond posthearing.

COMMISSIONER KEARNS: Okay, great. Thanks very much.
CHAIRMAN JOHANSON: I have just one question, and it's for the attorneys, and it'll probably be best handled posthearing.

Given business proprietary information issues, could you please respond in the posthearing to the arguments of the Joint Respondents regarding Cambria's financial performance during the Period of Investigation? You will want to refer to the Joint Respondents' brief at pages 57 to 67. And that concludes my questions.

Do any other Commissioners have questions?

(No response.)

CHAIRMAN JOHANSON: No other Commissioners have questions. Do staff have any questions for this panel?

MS. HAINES: No.

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

MR. STOEL: Jonathan Stoel, for the record. Mr. Chairman, no, we do not. Thank you.

CHAIRMAN JOHANSON: Alright, then we will now take a recess for lunch. Let's return at 2:15. I would like to remind parties not to leave business proprietary information on the room because the hearing room is not secure.

So we will see you back here at 2:15.

(Whereupon, the hearing was recessed for lunch,}
to reconvene at 2:15 p.m., this same day.)
AFTERNOON SESSION

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

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

MR. BURCH: There are no preliminary matters. I would like to note that all witnesses have been sworn in on this Panel and this Panel has 60 minutes for their testimony.

CHAIRMAN JOHANSON: You may proceed.

STATEMENT OF JONATHAN STOEL

MR. STOEL: Good afternoon, Chairman Johanson, Commission and Staff. For the record, my name is Jonathan Stoel of Hogan Lovells.

Respondents' Panel this afternoon comprises an array of quartz industry participants, all of whom are opposed to Cambria's Petitions. You will hear first from LG Hausys, a quartz slab producer who has performed very well over your POI. Next will be a group of fabricator manufacturers who also oppose Cambria and have experienced shortages of quartz slab in the U.S. Market.

Several U.S. Importers and distributors of quartz will inform you on how imported quartz from China competes differently than U.S. Manufactured quartz products. Lastly, a representative of the Chinese quartz industry will explain why there is no threat of material injury.
I'd like to make three points before I turn to our witnesses. First, Cambria has been screaming for more than a year that this case is all about China but just yesterday Cambria filed new Petitions against imports from India and Turkey. This confirms this case is nothing more than trade lawfare by Cambria to attack its competitors in this thriving and growing industry.

Second, other U.S. Producers of quartz strongly dispute Cambria's claims. LG have been very successful over the Period of Investigation and is here today why imports from China have not had an adverse affect on U.S. slab producers' sales, volumes or prices.

U.S. fabricator manufacturers are small and medium-sized businesses. They have been repeatedly disparaged by Cambria and its lawyers but they are here today to stand up in support of thousands of American manufacturing workers in opposition to Cambria's duties.

Finally, our witnesses will confirm that the Domestic Industry has not suffered material injury over the POI. U.S. Domestic production, sales, shipments and profits are all strong and rising. LG and Caesarstone have expanded their operations and a new domestic slab producer Dal Tile is opening its doors in Tennessee hiring hundreds of workers.

Moreover, Cambria has been breaking contracts
with its own Lexus dealers turning away substantial business
in the process. I ask you, if Cambria has been truly
injured by Subject Imports then why is it turning down
opportunities to produce and sell additional quartz?

Lastly, Domestic Producers' prices have been
rising over the POI even as Subject Imports volume rose and
their prices fell. So the U.S. Industry has benefitted
handsomely from the explosion of demand for quartz, a
product that is very different from the commodities such as
steal with which you have so much experience.

Thank you. Our first witness will be Dan Prokop
from LG Hausys.

STATEMENT OF DAN PROKOP

MR. PROKOP: Good afternoon. My name is Dan
Prokop and I'm the Production Director at L.G. Hausys of
America. Joining me today is Mike Maurisi, Director of
Surface Products at LG Hausys America. LG Hausys America is
a U.S. Producer of quartz surface product at issue in this
case.

We produce quartz slabs at our production factory
in Adairsville, Georgia. U.S. production is overwhelmingly
our main focus. Although we also import quartz to round out
our product line during 2017 and 2018 our U.S. production of
quartz in our GA factory accounted for 82 percent of our
quartz sales.
So let me get right to the question that you are about to ask, what in the world is a significant U.S. Producer doing by appearing with Respondents in opposition to an AD/CVD case?

Well, there are three reasons. First as Mike will explain in just a few minutes, LG Hausys relies on imports to supply those particular quartz products that our Georgia factory does not produce and indeed, our ability to offer a full product line actually helps us to grow our sales of U.S. produced quartz.

Second, Cambria's descriptions and characterizations of the competitive dynamics in the U.S. quartz market are just wrong.

Third, if accepted, Cambria's critical circumstances allegations would cause significant harm to LG Hausys America's ability to invest even more in our Adairsville, Georgia factory. That is why we are here today.

This afternoon I am going to focus my remarks on the development of our U.S. manufacturing facility for our Viatera branded quartz products. I will then hand the microphone over to my colleague Mike Morici who will offer our experience selling quartz in the U.S. Market.

LG Hausys America developed our branded quartz product Viatera in 2005. With increasing demand for quartz
we established our Adairsville production factory. You can
see an overview of our plant on page 1 of the attachment.
Our first U.S. production line focused on particulate
designs which were favored by consumers at the time.

When consumer preference started to shift toward
design with movement or veins, we made enhancements to line
1, enabling the production of small vein products that
proved to be extremely popular in the quartz market.

With demand still growing by leaps and bounds, we
added a second quartz line that became operational in 2016.
Our second production line contained significant
enhancements including a better vein machine which can be
seen on page 6, multiple robotic arms which can be seen on
page 7 and our own patent-pending design technologies which
you can see on Page 8.

All of these production and factory enhancements
have enabled us to produce more sophisticated designs.
Given these advanced factory technologies we now focus our
U.S. Production on high end, short and long-vein designs. I
am happy to report that we have had tremendous success in
the market for U.S. produced quarts.

In fact, both increasing demand and our success
have been so strong that we have already begun constructing
a third U.S. Production line that you can see on page 14.
This third production line will begin commercial operations
by the end of the year.

I have to add that Marty Davis' statement, that we built our third production line because of the trade case is flat wrong. The decision to add our third production line was made long before the Petition was filed and we had internal documents to prove this.

There is even more. Given the growth in the U.S. Market and the success of our U.S. produced quartz we have already purchased land in contemplation of a fourth production line that can be seen on page 15. We are still deciding whether the 4th production line will be built on future site 1 or future site 2.

Finally, I want to make a point about the quartz production process. What cannot be seen from the photographs provided is the intense production planning that LG conducts each month so that we are able to minimize downtime across our production lines. As LG produces more and more unique designs for the high end market, it must be mindful of the substantial downtime required when changing from one color to the next.

The process of changing colors can take up to twelve hours depending upon the color. The mixers and all associated material conveying equipment must be cleaned to ensure no color residue remains. Thus, as we continue to increase the number and complexity of our quartz products
the quantity of square feet that can be produced per line
per month decreases.

For this reason, LG Hausys conducts careful
monthly planning and anticipates continuing to grow its
Adairsville manufacturing facility. However, construction
of new production lines with such high-tech features takes
time, and as we work to expand our facility we will need to
rely on imports to keep up the demand. Thank you.

STATEMENT OF MICHAEL MORICI

MR. MORICI: Good afternoon. My name is Michael
Morici and I am the Director of Surface Products at LG
Hausys America.

I have come here today to offer the Commission
important perspective on the competitive dynamics of the
U.S. quartz market based on our experience in selling both
U.S. produced quartz and imported quartz.

Let's jump right into how quartz is sold in the
U.S. market. I ask you to review page 1 of the attachment
to my statement.

It is our view that the quartz market is broadly
organized into three segments: residential; builder; and
commercial. As a slab producer with no internal fabrication
capabilities, LG Hausys America's customers are almost
exclusively fabricators. For this reason, LG Hausys has
focused on its relationships with fabricators in order to
grow its branded Viatera business. Because many fabricators tend to specialize for a particular market segment, understanding market segmentation is very important to the success of our business.

Of the three market segments, we have focused our U.S. production on quartz for the high end of the residential segment, particularly for kitchen and bath retailers in which consumers favor intricate and unique designs.

As Dan just explained, with the addition of our second U.S. production line equipped with advanced technologies we have been able to dramatically increase our product offerings intended for the high end of the market. Since we installed our second line, roughly 85 percent of our U.S. produced quartz products are for the residential segment.

Next I want to address the tremendous growth in the U.S. market. Please refer to page 2 of the attachment. As you can see, the different segments of the market have had very different growth rates. I note in particular the spectacular growth in the builder segment.

As quartz has increasingly replaced granite surfaces in consumer preferences, the builder segment of the market has exploded. We estimate that sales growth in the builder segment has increased by roughly 84 percent from
2016 to 2018. Given that our U.S. factory is virtually sold out producing for the kitchen retail segment, we have relied on imported product to keep up with the demand in this segment.

I now ask you to refer to page 3 of the attachment that will help you understand how we go about selling our quartz in the U.S. market. Page 3 provides our quartz price list for 2018. As you see, we have purposefully organized our many different quartz products—which we refer to as colors—into four categories: A, B, C, and D.

Each group category represents a point on the spectrum of designs and price. Broadly, categories A and B have less sophisticated designs. Therefore, they are lower priced. Categories C and D have more sophisticated designs and appear more similar to natural stone. Therefore these designs are higher priced.

We have adopted this categorization because this is how the vast majority of our fabricator customers organize their own sales. Some fabricators have six categories, while others may only have four, but all organize their sales of quartz products according to this same spectrum idea.

What is very important for you to understand is that our company has achieved its success by being able to
offer the full spectrum of quartz products. In our experience, many fabricators vastly prefer to work with a supplier that can offer a full spectrum of products. And so, in our experience, those suppliers that can offer a wide array of products have an advantage in the marketplace. LG Hausys has seen this first hand.

And therefore, what my colleague Dan said is very true. Our own imports help grow our sales of U.S. produced quartz. Being able to offer imported quartz in category A or B allows us to persuade a fabricator to carry all of our designs on the spectrum, including the Cs and Ds made in our Adairsville, Georgia, factory.

Concerning the interaction of our imports and U.S. produced quartz, I ask you to go back to page 3 which provides our price list. To be clear, "Jumbo I" refers to our imported quarts, and "Jumbo II" refers to our U.S. produced quartz. As you can see, within each category we charge the exact same price whether the product is imported or U.S. produced. We do not charge a lower price for imported products.

I next you to turn to page 4 of this attachment. This presents our total quartz sales. I ask you to look at the very first column which presents our dramatic increase in sales of U.S. produced quartz, and the very last column which provides imports as a percent of total sales. As you
can see, over the past few years the share of our sales represented by imports has been virtually the same year to year. Just the country mix has changed.

I am running out of time so I want to end with what I believe is the most important point. Cambria's allegations and characterizations do not apply to us. Quartz imports from China have not harmed the success of our U.S. produced quartz. Please refer to page 5 of the attachment. This chart presents data from our U.S. producer questionnaire response. As you can see, even though imports from China increased a fair amount from 2015 to 2018, the profitability of our Georgia factory remained the same. That is, we were able to earn double digit profitability in each time period.

Thank you, and now I pass the mike to Mitch Hires.

STATEMENT OF MITCH HIRES

MR. HIRES: Hello. My name is Mitch Hires, and I am the CEO of Construction Resources, a 50-year-old multi-product building and installation company with approximately 750 employees. We serve all segments of the industry including single-family builders, multi-family builders, commercial projects, and retail. Construction Resources consists of a group of 14 companies, including National Stoneworks, an importer of the subject
merchandise.

As a U.S. fabricator and importer of prefabricated quartz surface products, I oppose the imposition of antidumping and countervailing duty orders. The quartz industry is thriving and the domestic industry cannot meet current demand for all the market segments, primarily multi-family apartments. My company, including my domestic fabricating business as well as my import company, continue to grow and increase our market share.

U.S. fabricators such as my company are part of the domestic quartz industry. My company is a highly skilled and sophisticated manufacturer. We take advantage of today's technological advances including the use of automated machinery and extensive production processes.

My company invests significant amounts of money in our manufacturing, distribution, and fabrication facilities. Our labor is highly skilled and we focus heavily on their training and continued development. We do not simply cut rectangles.

My company is profitable and growing. Over the years I have and continue to have a good working partnership with Cambria, as our company was a Lexus dealer and I was an advisory board member. In this capacity, it was clear that Cambria made a business decision to disregard the multi-family apartment market. Put simply, this was not and
is not a part of Cambria's market strategy.

This Lexus relationship ended when we made the
decision to go forward with a multi-product business
strategy.

Our diverse product offerings have been well
received by our customer base, which has been good for our
bottom line. Our customers hire us based upon our focus on
customer service and ability to meet their needs in terms of
schedule and a wide variety of unique, quality products that
meet their specifications.

We need a diverse supply base to meet the needs
of our company. We have experienced shortages with certain
U.S. suppliers. Moreover, Cambria as well as other U.S.
manufacturers do not sell into all of our markets—primarily
multi-family apartments.

Critical circumstances should not apply in this
case. My company made purchases for multi-family projects
based upon existing contractual obligations to
long-standing, valued customers. Most of these sales and
contracts were signed months before Cambria brought this
case.

Imports were sourced globally to meet these
contract terms, which include customer driven design
specifications, precise lead times, and sequenced
deliveries. Failure to deliver specified materials and meet
often compressed installation schedules would be considered a breach of contract and subject to liquidated damages. I urge the Commission not to hurt U.S. companies such as my own. Regardless of our proactive approach and willingness to confirm to the current quartz market landscape, punitive critical circumstances punish my business. These retroactive duties are being paid by hardworking American companies, not Chinese businesses. I thank you for this opportunity to testify, and I'm happy to answer any questions.

STATEMENT OF TIM BUTLER

MR. BUTLER: Good afternoon. My name is Tim Butler and I'm Vice President of Purchasing and Inventory for Wisenbacker Builder Services. Wisenbacker is a family-owned company that's been doing business in the State of Texas for almost 50 years.

We provide and install a broad range of interior finish home-building products to companies that build single family homes in the four major cities of Texas. Among the products and services we provide is the fabrication and installation of countertops. Wisenbacker has approximately 900 employees, more than 100 of whom work in the fabrication of countertops.

We complete approximately 150 countertop installations per day, and thus help finish tens of
thousands of new homes each year. Wisenbacker acquires the
products it installs from both foreign and U.S. sources,
including its own domestic countertop and cabinet
production facilities.

The vast majority of the countertops in these
homes are at a price point much less than the expensive,
high design styles produced with the Breton process and sold
by Cambria.

Fabrication is an incredibly sophisticated
process. In 2018 we fabricated and installed 1.6 million
square feet of finished countertops in new homes in Texas.

Fabrication is becoming increasingly capital
intensive and automated. Our countertop manufacturing
facility has approximately 130,000 square feet under roof.
Since 2015, Wisenbacker has added several robotic machines
to our fabrication operations, and our total capital stock
for fabricating countertops now has a replacement value of
approximately $15 million. Using all this machinery
requires highly skilled and trained workers. Some have
advanced training in computer numerical control programming
and thus are able to command high wages.

The value-added in fabrication is extremely high.

For Wisenbacker the cost of the slab is at most 40 percent
of the cost of the entire fabricated countertop, and
sometimes is as low as 25 percent. The remaining value
added takes place at our Houston factory.

Finally, a few words about critical circumstances. Interior finishes in a home are driven by fashion and customer taste. The home buyer often selects the finishes before construction begins. As soon as Cambria filed its trade petitions, Wisenbacker stopped offering countertop colors that could only be sourced from China. But Wisenbacker was still responsible for supplying home buyers' previous Chinese selections for 6 to 8 months through the build cycle of the house. Thus, Wisenbacker had to import some Chinese quartz slabs after the filing of the petitions by Cambria.

As a result, Wisenbacker is now facing in excess of a million dollars of tariffs on those products if penalty duties are assessed retroactively through a finding of critical circumstances.

Thank you.

STATEMENT OF JEFF KECK

MR. KECK: Good afternoon. My name is Jeff Keck. I am the President of Marble Uniques, a U.S. fabricator of natural stone and quartz surface products serving the Greater Indianapolis area since 1998. I will focus my testimony on the importance of aesthetics in the quartz industry. I believe that the unique design of Chinese quartz distinguish them from most
other products on the market. I also believe that the unique look of Chinese products explains their recent growth.

Until 2015, quartz was a relatively stable and small part of the U.S. countertop market compared with natural stone substitutes like granite and marble. Then the mass market for quartz took off in 2015-2016 when Chinese producers began producing a quartz product with a natural marble look comprised of big, bold and thick lines called Calacatta.

Real Calacatta marble has disadvantages as a countertop surface as it is easily scratched, can bruise, and is subject to etching. Quartz made to look like Calacatta eliminated these issues for consumers and as such it began taking substantial market share from natural stone, not from quartz products produced by American manufacturers like Cambria.

My clients have shown a preference for the aesthetic of the Chinese Calacatta product over quartz made by manufactures that use Breton machinery like U.S. producers.

The duties on quartz products from China have caused a severe shortage of quartz in the U.S. market, particularly in the mass market. As a result, highly successful American producers of quartz products like Marble
Uniques have seen reduced sales of quartz.

The duties are shrinking the quartz market compared with natural stone, threatening to reduce quartz's market share to 2015 levels. Specifically, our customers have replaced Chinese quartz products with natural stone, not with U.S. produced quartz. I expect this pattern will continue.

The Commission should also know that Marble Uniques cannot buy or fabricate Cambria in Indianapolis as Cambria is not sold to independent fabricators in the region.

The story with the other U.S. producers is not much better, as we have frequently been on back-order with Caeserstone over the last few years.

The Commission should also know the impact Critical Circumstances is having on fabricators. In my specific case, we entered into a contract in 2017 to purchase quartz for a 144-unit apartment renovation project from a Chinese manufacturer.

The specific quartz color and manufacturer was specified by our customer, not Marble Uniques. The contract called for damages if we did not supply the product. One of the orders was subject to Critical Circumstances and turned a profitable contract into a significant loss that threatened the ability of our company to continue being an
ongoing concern, which could impact the livelihood of my 32 employees.

Thank you.

STATEMENT OF JOSH YOLTAY

MR. YOLTAY: Good afternoon. My name is Josh Yoltay and I am the CEO of Artelye Marble and Granite. Artelye manufactures quartz surface products for the mid-Atlantic region. On behalf of my 100 employees, thank you for the opportunity and honor to appear before you today.

The quartz industry as a whole is doing amazingly well. Most of us in the industry think that quartz will continue to grow for the foreseeable future as more customers choose quartz over natural stone. Artelye is betting on the future of quartz by recently expanding and opening a fabrication facility and showroom in North Carolina. This manufacturing facility employs an additional 20 employees.

I would like to explain the differences in the quartz products on the market. We have sold Cambria for a number of years, and we have been very successful fabricating their patterns for high-end houses, high-end commercial jobs, and custom millwork projects. Cambria makes a beautiful product. It is essentially the Ferrari of quartz. I would love to sell as much Cambria as
possible, as the margins that I enjoy on that product are the highest.

Because of this fact, I am really nervous to testify today. I sincerely hope that I am able to continue to sell Cambria into the future. I simply disagree with the fact that Chinese quartz harms Cambria and the other U.S. slab producers.

Cambria is generally not used in our mass market projects due to its dramatic colors and look. We have never installed large volume Cambria in a large commercial or multi-unit residential project like an apartment. Instead, architects for these larger scale jobs are looking for a more steady or simple color pallets. They want Honda, not Ferrari. With larger builder accounts, the builder's designers will inform us which products they would like to use and ask us for pricing. These major national builders do not ask to price Cambria because the large company designers want a color that works for a broad community of buyers. These builders are shying away from exotic looking materials.

The difference between Chinese quartz and Cambria is like the difference between Honda and Ferrari. They are both good cars and serve their customers very well, but they do not compete against each other.

In addition, builders of multi-unit projects are
very conservative about complicated patterns due to issues with the seaming those patterns together. Seaming refers to the need to join two pieces of a cut slab, quote, "material" together into the final form that goes into the customer's house as a kitchen countertop. The more complicated the pattern, the harder it is to seam after it is cut. That difficulty leads to increased costs to the builder.

Thank you very much for the opportunity, and I am very happy to answer any of the Commission's questions later on.

STATEMENT OF ALAN JORGENSEN

MR. JORGENSEN: My name is Alan Jorgensen, CEO of Bedrock Quartz, employing 125. Fabricators are a much larger part of the industry than U.S. slab producers. Various sampling and NSI estimates show at least 10,000 fabricators, and likely over 15,000, in a $17 billion industry. Employment is well over 100,000.

Were Cambria to cease production, the industry would continue unaffected. Fabricators are the preexisting industry that Cambria plugged into to move their product. At the preliminary hearing, fabricators CKF and Flow Form supported Cambria. I hoped they would submit their questionnaire responses because their data would support huge added value, significant investment, and high employment levels in the fabrication industry and the points
I am about to make.

Sadly, they did not. Cambria claims negligible value is added through fabrication. This is false. To show the reality, I obtained an estimate from Cambria Lexus Dealer CKF showing $100 per foot for a kitchen countertop. Removing installation and material costs, including a waste allowance, leaves $60 added value created by CKF, a fabricator.

There is significantly more value added by fabrication operations than is added by Cambria slab production, which adds, at most, $15 per foot. Yearly, Cambria adds value of perhaps $390 million versus $1.2 billion in fabrication operations on the same volume of goods.

Cambria crudely compares its mature investment of five imported Breton Lines, national presence, warehouses, and employees against the smallest possible startup fabrication operation. This is beyond comparing apples and oranges; it's deception.

If one fabricating business handled all Cambria's output, it would require over 5,000 employees and investments exceeding $200 million. It would take at least 76 fabricators the size of Bedrock Quartz.

Cambria calls fabrication a relatively insignificant process, yet they identified their fabrication
operations as "sophisticated."

STATEMENT VINEET MALIK

MR. MALIK: My name is Vineet Malik. I am President of Stone Showcase. As one of the initial Respondents in the coalition, we created a website, "Quartzcoalition.com" to post briefings and an opportunity for our fabricator customers to voice their opinion on this case. Our goal was simple. We wanted to hear from the fabricators. We wanted to confirm if Cambria really represented the industry and spoke for them.

We had an overwhelming response from 450 fabricators who represent over 10,000 U.S. employees. The responses were candid, and 442 disagreed with the petition filed by Cambria. But all 450 companies believe they are part of the industry.

They were furious by Cambria's portrayal that their job required no skill or training; that they should not have a voice; and that one company should be allowed to speak on their behalf. Over 90 percent of those fabricators who voiced their opinion to the Coalition said they would be willing to respond to a questionnaire from the Commission.

Unfortunately, the number of companies who were able to respond to the questionnaire the Commission released was a small percentage of these companies. Why, you may ask? Simply put, the questionnaire was extremely lengthy,
difficult, and required an overwhelming amount of data for the past five years that these fabricators do not track.

Since record keeping is not their strong suit, 253 fabricators representing 4,037 employees, provided certifications in our brief opposing the Petition. If requested, more certifications will be provided in the posthearing brief.

Furthermore, even those shops who were willing to go back into their records looked at the questionnaire and said they would need to get their bookkeepers and lawyers involved so they could understand the questionnaire. They then questioned the cost and time needed to sift through years of records to compile this data to complete the questionnaire and laughed. They threw their hands in the air and said, I'll simply close my doors and file for bankruptcy. I cannot afford to give up 6 hours of working time, never mind 80. They said, this is impossible.

They then asked us, will Cambria see my answers? Will Cambria know I was involved? This was often the end of our conversation with those larger companies who did keep more extensive records.

STATEMENT OF EVAN KRUGER

MR. KRUGER: My name is Evan Kruger, Managing Member of Quartz Source, an importer and solid tops fabrication company. Because there is no quartz industry

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trade association, the quartz coalition tried to organize a response to Cambria's petition and establish that fabricators are indeed part of the domestic industry.

Through personal appeals and e-mail blasts, we spread the word to at least 2,000 fabricators, including links to the questionnaires and ITC investigators' contact info for help with questions fabricators might have. These calls to action were repeated numerous times from December until a few weeks ago. Hoping for more, in the end, only 15 fabricators responded with completed questionnaires. Whether petitioner made similar efforts, I do not know.

But apparently none of Cambria's fabricator customers such as FloForm Consolidated, Push Products, International Granite or Palmetto Surfacing, responded to the Commission's questionnaires, even though they have substantial production facilities and likely keep the in-depth data required. I believe their data will directly contradict petitioners' argument that fabricators play no significant role in the industry.

One common theme coalition members heard from fabricators was the fear of reprisals from petitioner if their participation was discovered. Substantial evidence of multiple lawsuits have been submitted regarding termination of their fabricator customers. Almost every fabricator knows a fabricator who's experienced intimidation or
Responses included, "If Cambria sees my name on that questionnaire, they'll shut me out of my sales booth and cut me off. I can't do it." And "If the Cambria police find out about this, I'm done." Several years ago, though I had no exclusive agreement with petitioner, nor their distributor, I, too, was cut off. Many fabricators were, and are simply too afraid of Cambria to respond to the ITC questionnaire, especially when the names of the companies would be publicly released.

STATEMENT OF RUPESH SHAH

MR. SHAH: My name is Rupesh Shah. I am the President of M S International, or MSI. We are a leading distributor of flooring, countertops, wall tiles, and hardscaping products in North America. We employ more than 1,600 hard-working Americans across over twenty-five distribution centers in twenty-one states. I strongly oppose new duties on quartz. Imports from China have not injured U.S. quartz producers, including Cambria.

I am very proud of the history of MSI. We were founded in 1975 in the basement of our home in Ft. Wayne, Indiana, by my parents who had emigrated from India just five years earlier. In 1981, MSI supplied the black granite for the Vietnam Veterans Memorial here in Washington, just one example of the high-quality product that has defined
MSI's excellence and our reputation.

MSI entered the quartz industry in 2008 to complement our granite offering, which for fifteen years was our top countertop selling product. As recently as 2014, the "mass market" for countertops used in production homes, multi-tenant housing, and similar institutions was dominated by imported granite surfaces with relatively uniform colors. About 90% of the mass market was being served by granite, and only 10% by quartz surfaces.

Demand for quartz has gained ground and recently became more popular than granite in the mass market. Instead of granular and darker granite looks, everyday consumers now prefer quartz with white marble looks or neutral, monochromatic looks. These very popular, on-trend looks are simply not available in granite leaving a demand void in the mass market. Chinese quartz producers have filled this void by making attractive and mass market Calacatta and Carrara marble looks that consumers love.

Cambria was slow to adopt these consumer trends, focusing instead on more traditional and exotic granite looks. Even in 2019, most of Cambria's newest designs are very bold, unnatural looks that do not emulate natural marble looks, and particularly do not emulate Calacatta or Carrara marble looks. The vast majority of Cambria's designs are too ornate and polarizing to be suitable for the
mass market.

Put simply, Cambria caters to the luxury consumer and its brands is "The Art of Stone," whereas MSI's Guiding Statement is "To Make Dreams Attainable." We want to offer countertops that are both beautiful and affordable to everyday Americans. Cambria does not generally compete in the mass market where nearly all of our quartz is sold. In fact, while Cambria spends tens of millions of dollars annually to develop consumer brand recognition in the luxury segment of the market, MSI caters to the business-to-business segment of the mass market industry, with virtually no marketing dollars spent on direct-to-consumer advertising.

Demand for quartz today is strong. We expect demand for countertops to continue to grow, driven by strong new home construction and residential renovations, and overall mortgage affordability. Consumers will increasingly select quartz over other surface materials like granite, causing increased market penetration for quartz products over the next several years.

STATEMENT OF MATT HUARTE

MR. HUARTE: My name is Matt Huarte. I'm an Owner and Vice President of Arizona Tile, a leading distributor of tile and surface products in the United States. We were founded by John Huarte, 1964 Heisman winner
from Notre Dame, in San Diego, California in 1977. Since
our founding, Arizona Tile has grown to twenty-seven
locations in eight different Western states with 875
employees. We sell quartz under our own Della Terra Quartz
by Arizona Tile brand.

Quartz is not a commodity product. Far from it.
People choose a countertop based on how it looks. It is a
design product. The countertop is often at the center of
the home, and so the look of the product is extremely
important. It is like a piece of artwork. Mass market
buyers like new homebuilders and developers are demanding a
long-veined light-colored look that approximates the look of
natural marble or quartzite. If a customer does not like a
particular look, they will not buy it, no matter the price.

The quartz industry is booming. Quartz has
overtaken granite as the top countertop solution in the mass
market. As one of the largest distributors of granite in
the United States today, we have seen this massive change in
the market firsthand. We are already seeing the movement
back toward granite as a result of lower availability of
quartz from China due to this investigation.

U.S. producers, including Cambria, rely on the
automated, expensive Breton Technology to create their
designs, while Chinese producers use a different, handmade
manufacturing process. There are benefits to Breton,
including a higher gloss finish and its more automated
production process. The Chinese manufacturers create
handmade natural-looking quartz products, including
beautiful large white vein marble and quartzite looks.

Cambria's product is quite taste-specific. Our
customers prefer quartz that looks like marble and the
beauty of natural granite. We started as a natural stone
distributor, and we know what natural marble looks like.
The handmade quartz products made in China look just like
real marble, in contrast with Cambria's artificial granite
looks.

Finally, you have heard from several fabricators
today about their high-quality products using specialized
equipment and significant expertise. Most fabricators
cannot buy and fabricate Cambria, because Cambria negotiates
exclusive deals with preferred fabricators in each market.
Most of our customers could not buy Cambria, even if they
wanted to and are leery of Cambria, which is opening its own
fabrication shops and eliminating long-term customers.

Thank you.

STATEMENT OF MARISA BEDROSIAN KOSTERS

MS. KOSTERS: My name is Marisa Bedrosian
Kosters. I am an Owner and the Legal Counsel of Bedrosians
Tile & Stone. We have been operating in the United States
since 1948 and are now one of the largest U.S. importers and
distributors of tile and slab. Bedrosians, a family-owned company, is proud to employ 1,000 Americans and operate forty nationwide retail locations. We sell many surface products, including natural stone slabs, porcelain panel slabs and engineered quartz slabs. We also have a fabrication facility in a small town called Fresno, California where our company was founded.

Bedrosians opposes the imposition of duties on quartz surface products from China. U.S. quartz producers, including Cambria, are not being harmed by imports from China and do not have the capacity to meet the recent surge in U.S. demand for this "hot" product.

U.S. demand for quartz surface products has exploded in recent years. It is now the number one surface product in America. Domestic demand for quartz has been driven by a boom in multi-unit condo and apartment housing and tract home construction, increased spending on home improvements, and increased customer preference over natural stone. Fabricators, including Bedrosians, also prefer working with quartz over other stone slabs because it is easy to cut and finish.

When our customers buy a countertop, that product may be in the center of their home for a lifetime. The customer therefore cares about design above all else. Chinese manufacturers offer designs, patterns, and color
mixes that are in high demand for the mass market.

Cambria's Breton-produced designs do not include these looks.

I want to add a word about the fabricators. Bedrosians employs skilled production workers at our fabrication facility in Fresno, California, where we have made substantial investments, $1.5 million, in automated fabrication equipment and shop improvement. This manufacturing should not be excluded from the domestic industry. These are hard-working Americans who contribute substantial "value add" to finished quartz surface products.

Finally, I want the Commission to know that Cambria's requested imposition of approximately hundreds of millions in retroactive duties industry-wide would put many small- and medium-sized American companies out of business. Put simply, this punitive tax threatens the very survival of many companies upon whom tens of thousands, if not more, Americans depend on for their livelihood. Thank you.

STATEMENT OF DREW MURRAY

MR. MURRAY: Good afternoon, my name is Drew Murray. I'm the Vice President of Business Development for MGroup. MGroup is a family-owned and operated business headquartered in LaGrange, Georgia and employing forty Americans. Our MStone business supplies cut-to-fit, finished countertops, primarily for the hospitality
business, and ships them directly to jobsites.

First, this petition was filed by a sole company without knowledge or consideration for the industry. Cambria's portrayal of the quartz industry is purely fictitious. The quartz industry is highly segmented. While Cambria focuses on the home and remodel business, they ignore vast segments of the market to their detriment.

As for my experience, Cambria does not serve the hospitality market. Having ignored these segments of the market, Cambria is now attempting to bully its way in and develop business without the acknowledgement, the realities of their production. The demand for these segments cannot and will not be met by the domestic industry.

Second, the Commission must make a negative critical circumstances determination. The retroactive assessment of duties on our imports will cripple our company. Our customers' orders are based on construction schedules, not the whims of the market or the supplier. We base all our sales on contracts. MGroup's imports of quartz products have always, including the period of the investigation, consistently been based on contracts to supply specific projects with specific custom products at the appropriate time in the construction schedule. Many of these projects are specified years in advance by hotel brands and the orders are placed months in advance to meet
project schedules. Our business carries no inventory and
did not participate in a surge to avoid anti-dumping duties.
We now supply our customers' needs from other resources.
The imposition of anti-dumping duties had the
intended punitive impact on Chinese producers, effectively
shutting down the industry's access to its largest market.
Making those duties retroactive has no impact on the
Chinese. It only punishes American companies like ours and
puts American jobs at risk.

In my opinion, Cambria's understanding of the
industry is naive. They ignore one essential factor in
their arguments: the consumer. Consumer preferences are
based on trends. First, it was marble, then we shift to
granite and then quartz. Any perceived increase in quartz
products over the last three years has been a direct result
in a shift in customer preference from granite to quartz.
Today, the trends are redefining the stone industry for the
next product.

Cambria's manipulation of these proceedings is
now affecting thousands of family-owned and operated
businesses much like MGroup. I speak on behalf of my entire
family in urging the Commission to issue a negative
determination. The goal of this determination should not be
to harm a family-run American business such as my own.

Thank you for your time today and I look forward to
STATION OF JASON BROWN

MR. BROWN: Good afternoon. My name is Jason Brown. I'm the Director of Product Management at Architectural Surfaces Group. In this role, I negotiate and procure natural and engineered stone on a domestic and global basis. I have worked in the natural and engineered stone industry since 2005. I'm appearing today to testify against petitioners' critical circumstances allegation.

ASG is a building products company owned by Select Interior Concepts, a Delaware company that became a publicly-listed company on the NASDAQ Exchange in August of 2018. ASG imports and distributes natural and engineered stone slabs. Based on ASG's experience and my personal knowledge of the market, I am not aware of U.S. importers engaging in stockpiling of Chinese quartz products after Cambria's filing of the petition.

ASG's import activity was driven by existing customer demand, long lead times associated with fulfilling that demand in an earlier established company initiative to expand inventory to meet growing demand. The point being, these business concerns drove imports, not in an effort to circumvent tariffs. My experience is that similar concerns were the motivating factors for our competitors. There are several drivers behind imports during this period:
First, the demand for quartz countertops is driven by construction and renovation projects and, in particular, by finishing of projects. There are more construction and renovation projects being finished in the summer and fall. As a result, it is not surprising that more quartz products would be imported in May through October to meet demand in those months.

Second, ASG's import quantities in the months after petitioners' filings of the case were based on our internal projections of demand increase and a growth strategy established in late 2017 and the beginning of 2018, to increase our product offerings. In addition, we took on Lakeside Surfaces in early 2018 when Cambria refused to sell quartz to them, which required us to increase our purchases.

Third, many of the Chinese quartz products we imported are the unique design and aesthetic not currently available anywhere else in the world, including the United States. In the quartz countertop market, price is not a major consideration in consumers' purchasing decisions. As the acquisition of internal finishes tends to be a highly personal decision driven more by aesthetic than price.

I urge the Commission to reach a negative determination on critical circumstances. Thank you.

STATEMENT OF QIAN JINGFEN (TRANSLATED)

MS. JINGFEN: Good afternoon, Commissioners. My
name is Qian Jingfen and I am the Vice Chairman of China Chamber of Commerce of Metals, Minerals & Chemicals Importers & Exporters, or CCCMC. CCCMC, along with the China Stone Material Association, or CSMA, is an industrial association of Chinese quartz surface product exporters. It is my privilege to speak here on behalf of CCCMC, CSMA, and more importantly, all Chinese quartz surface product producers involved in the current investigation.

There are two points that I would like to discuss today. First, Chinese quartz surface products are much more limited in design and color ranges than U.S.-produced quartz surface products. These more basic and functional products are suited to the builder segment of the market or for commercial uses, such as restaurants or apartment buildings. The producers tell me that the residential market is more oriented towards appearance grade products and U.S. producers have dominated that market through innovation and by building brand recognition. As their questionnaire responses showed, Chinese producers do not use Breton technology and their product lines are more limited. Again, this is a function of the commercial and builder markets that don not demand these colors and styles.

Secondly, I want to explain why Chinese quartz surface products do not threaten the U.S. industry. Demand for quartz surface products has grown not only in the U.S.,
but also in China and in other third country markets where
construction is growing and is projected to continue to
increase. Chinese producers expanded their presence in the
U.S. market during the POI in response to the increased
demand in the sectors they serve, but Chinese producers have
also significantly increased shipments to the market in
China, as GDP and construction have continued to increase in
China at strong rates and household income has risen,
driving demand for quartz surface products.

In sum, we believe that there is no basis for the
Commission to conclude that subject imports have materially
injured or threaten to materially injure the U.S. industry.
Also, we sincerely hope that based on an objective
examination of all of the evidence on the record, the
Commission will reach a negative determination. Thank you
for listening.

STATEMENT OF JIM DOUGAN

MR. DOUGAN: Good afternoon, I'm Jim Dougan from
ECS. Because much of the relevant data are proprietary, I
have two versions of my presentation, a public version on
the screen and distributed to the room, and a confidential
version for the Commission and Staff's reference.

Demand for QSP in the U.S. market exploded over
the POI as shown in Slide 1. In response to this expansion
of the market, integrated U.S. producers are grew their
capacity, production and shipments substantially, as shown on Slide 2.

U.S. slab production is poised to continue its strong growth, with two additional producers, Dal-Tile and USA Quartz, beginning production after the end of the POI, and LG opening another production line in December 2019.

As you can see on Slide 3, notwithstanding the massive growth described above, a structural deficit exists in the U.S. QSP market. Demand for QSP far exceeds domestic industry capacity, even as reported. Thus, imports have been and remain essential to satisfying all demand in the U.S. market.

As explained at length in our pre-hearing brief, the U.S. slab capacity was overstated, and the domestic producers could not have increased production and shipments by significantly more than they did during the POI. So, the real structural deficit was even larger.

This factor helps to explain how subject import volume and market share could grow without causing injury to the domestic industry. The other key factor for the Commission to consider is attenuated competition between domestic producers and subject imports. Domestic producers, especially Cambria, are focused on the high end, luxury segment of the market, while subject imports serve the mass market segment.
In a recent earning call, Caesarstone's CEO attested to this attenuation, basically saying that 90% of the Chinese volume serves the low-end of the market, and Caesarstone places in the medium and premium end.

As for Cambria, not only does it not serve the mass market and builder segments, it appears to actively oppose doing so. You see in the quote from Cambria's website, which also has been deleted from their website, with them boasting about not being carried in big box stores.

And if I can correct something from the record this morning, the legend of Cambria movie is no longer on Cambria's website. The link to the legend of Cambria brings you directly back to their main site, but the movie is nowhere to be found anymore.

Moreover, Cambria has terminated relationships with its partners for even raising the suggestion that Cambria offer a product to address the builder segment of the market. This is all covered in Respondent's pre-hearing briefs.

Cambria has spent enormous sums on marketing and advertising to differentiate itself and its designs from other QSP suppliers, and to appeal to luxury buyers. Unless you think that this is just us imposing a categorization on them, they adopted this categorization themselves. There's
an interview transcribed in Exhibit 1 to Chinese
Respondent's pre-hearing brief, where there's an interview
between an interior designer and Summer Cass, who's the
executive Vice President of Business Development of Cambria
who says, "The commitment to be an American-made product
comes from Marty Davis's desire to remove a luxury brand, to
never compromise quality and service.

Cambria is committed to luxury and will not
compromise that. It comes with a price, but we are pledged
to the quality and brand. Bottom line is we will not make
excuses for our product or price, instead we will continue
to elevate the brand."

In response to that, the designer says, "I see
Cambria as the McCleran of the auto industry, McCleran isn't
introducing a more affordable division of their brand like
BMW did with the 3 series. McCleran is committed to their
brand and clientele and won't compromise price, quality or
service to afford another division of clients."

Yes, to this the Executive Vice President of
Business Development for Cambria responds, "Yes, exactly."

So, they characterized themselves as committed to luxury and
remaining in the luxury segment of the market and to not
compromise that and to not compromise their price.

But since the growth has been even stronger in
the mass market and builder segments, Cambria and the other
integrated producers have grown at a slower but still, very
significant rate.

The difference in relative growth rates, you can
see on Slide 5, of domestic and subject import shipments has
led to a "small decline" in domestic industry market share.
However, any decline in market share when demand and
domestic industry shipments grew so much over the POI, does
not constitute injury by reason of imports.

This was not displacement of domestic QSP by
subject imports and this is supported further by the lack of
material lost sales shown in the record. To the extent that
subject imports have displaced any suppliers to the U.S.
market, it appears to have been non-subject imports as you
can see on this slide.

There were no observed adverse price effects.
Domestic industry prices were generally increasing over the
POI. Please look at Confidential Slide 6. Prices for
domestic shipments were at their highest when import
penetration was also at its highest levels. And there's no
clear correlation between domestic prices and subject import
prices.

Now, Petitioners have repeatedly talked about a
decreasing unit value of U.S. shipments, okay? But if you
look at Confidential Slide 6, the number that they're
referring to is the second row of that table. That includes
the fabricators that Petitioners argue should be excluded from your analysis.

I invite the Commission to look at the unit value of Cambria's fab's which is also shown at row 3 here and decide whether Petitioners can make a credible claim of price depression. The Commission should draw the same conclusion from Confidential Slide 7, which is a graph of Cambria's slab product prices over the POI.

Now, please keep this graph in mind when you weigh the credibility of the testimony of Cambria's witnesses this morning who claimed that they have been unable to raise prices. I'll also remind you that these are the products that Cambria itself selected to show the greatest degree of head-to-head competition with the imports.

This is where they were going to be experiencing the most pain on their prices. Look at that chart. That's not price depression in any universe.

The pricing product data for the domestic industry in aggregate also show increasing prices for more than half of the products, therefore, no price depression. There's no price suppression for the reasons explained on Confidential Slide 8. And if subject imports -- and Commissioner Schmidtlein pointed this out this morning, if they were causing adverse price effects, one would expect
domestic industry pricing trends to be the worst in the 
products where subject imports are most concentrated. 

But the exact opposite is true from the evidence. 
Products 3 and 4 jointly account for more than half of the 
pricing data reported for subject import slabs. As noted in 
the staff report, "domestic prices for products 3 and 4 
increased the most during January 2015 to September 2018."

As you can see on Confidential Slide 9, domestic 
producers increased their prices and shipment volumes for 
these products at greater rates than their overall U.S. 
shipments. So, the heaviest concentration of subject 
imports with large underselling margins served as no 
impediment to domestic producer's significant increases in 
pricing and sales volume. 

Therefore, the underselling observed on the 
record is not significant. As shown on Confidential Slide 
10, the integrated producer's financial performance also 
shows no injury by subject imports. The lack of causation 
is most apparent when considering the improvement in the 
integrated producer's performance between the interim 
periods. See Confidential Slide 11. 

In interim 2018, subject imports reached their 
highest absolute volume, value and market share of any 
period in the POI. At the same time, integrated U.S. 
producers experienced significant improvements in virtually
every performance indicator.

As for fabricators, Petitioners claim that they oppose the Petition because they benefit from unfairly traded imports. But the staff report shows that they performed worse than the integrated producers. And yet they did not claim that subject imports caused them harm.

The fact pattern you see on the record only makes sense in a market where there's limited competitive overlap between domestic producers and subject imports. This alone should be the basis for negative determination.

If such substantial increases in subject import volume and market share do nothing to inhibit such large improvements and domestic industry performance, the industry cannot claim that it's been injured by reason of subject imports.

Very quickly on threat -- the Commission has an unusually high foreign producer coverage here -- over 90%, so I think that they can very much rely on the data that they've received to draw conclusions from these producers. You can see that their utilization is up, their inventory to shipments ratio is down and then there's growing whole market demand.

The domestic industry is strong, performing well and is not threatened by future injury from subject imports. And just to add one thing -- in Petitioner's brief, and I
think in response to some of these questions about the improvement in 2018, they've kind of made this a linchpin of their case.

They've made some extremely misleading statements with regard to Caesarstone in 2018. I can't discuss this publicly, but if you take a moment to review Confidential Slides 12, 13 and 14, they lay out the facts and I invite the Commission to take a moment to review them and consider them and to consider the credibility of Petitioner's statements on that, thank you.

CHAIRMAN JOHANSON: Thank you all for appearing here today. We will begin Commissioner questions with Commissioner Schmidtlein.

COMMISSIONER SCHMIDTLEIN: Okay, thank you very much. I'd like to thank all the witnesses for being here today as well, it's very helpful for us to understand the case. So, I want to start with a basic question, and I don't know, this might be a question for the lawyers, but if one of the witnesses would like to answer, that would be fine as well.

Is it your position that the domestic industry doesn't compete with Chinese imports in any segment? So, my understanding is -- and we'll get to a question about how you defined mass market and commercial, but I just want to get on the record -- are you saying that domestic industry
MR. PORTER: Thank you, Commissioner, I'll start, and I'll ask our industry witness to comment. That is not the position of LG Hausys America and I want to because you very correctly this morning said, I like all the testimony, but can you show me a document to back it up.

So, I asked you to look at the confidential pricing list that was given as part of Mike Morici's statement. If you look here, you'll see they have divided up -- jumbo one is the imports and by the way that's imports from all countries, not just China. They -- LG Hausys America imports from a number of different countries.

If you look at the bottom, Group D, which is their highest end category of product, you'll see there is jumbo one, alpha, marble and jumbo two has four or five colors. Colors is their sort of, word for a combination of color design.

Jumbo two is produced in Adairsville, Georgia and there's four or five there. Jumbo one are imports. Alpha is called Calcutta alpha -- that is an import from China, so they have a Chinese product that they happen to sell at the very top of their product line. That top of their product line competes in the top end of the market.

Now, but very important to understand magnitude. They have a product that customers really like that came
from China and so they sold it.

COMMISSIONER SCHMIDTLEIN: And this is -- is this a marble-looking product?

MR. MORICI: Yes, this is a marble --

COMMISSIONER SCHMIDTLEIN: This is the marble?

MR. MORICI: This is marble looking.

COMMISSIONER SCHMIDTLEIN: So, marble style, let's call it marble style, that is sold in what you all are calling high-end luxury market?

MR. MORICI: Yes, yes, it is but in a small quantity.

COMMISSIONER SCHMIDTLEIN: Okay, so for the other defendants --

MR. STOEL: Commissioner Schmidtlein, this is Jonathan Stoel for the record. I want to invite our other witnesses to weigh in, but I think what you see is that there is very, very attenuated competition between these products and --

COMMISSIONER SCHMIDTLEIN: No, my question is, is it your position they don't compete in any segment? And if they do compete in a segment, which segment?

MR. STOEL: Yeah.

COMMISSIONER SCHMIDTLEIN: Do you agree with LG that there is competition in the high-end, what we've been calling the high-end luxury market?
MR. STOEL: I think there is very, very little competition. Let me explain why. I think there was talk this morning that perhaps confused the market segments. I think it's very important to define the market segments between luxury, which is really the premium and where at the very top of the scale, and then the mass market.

COMMISSIONER SCHMIDTLEIN: And is that just defining it by price, or how are you segregating it?

MR. STOEL: I think --

COMMISSIONER SCHMIDTLEIN: By end user, by look?

MR. STOEL: Yeah, I think it's really more about the user, let me give you a couple examples. For example, if you're in a hotel and you go to your room, there might be something in there that's made of quartz. That's going to be something for the mass market.

Multi-units, you're going to have mass market and that's going to be -- it could be from China. If you're in the lobby of the hotel, right, you walk in and you're really impressed by the lobby, that's probably a really beautiful thing that looks like marble, or it might look like some other very high-end product.

COMMISSIONER SCHMIDTLEIN: So, you're defining it according to who the end user is, so builders, hospitality, that is what you would call the mass market?

MR. STOEL: And especially, I think you've heard
from a lot of the witnesses that I invited Mr. Hires in particular, to testify, particularly in the multi-family apartment area where there's been really an explosion of growth. That's the type of mass market that Chinese products have been able to capture.

I think what Mr. Porter's been talking about and obviously LG is the domestic producer, they have to make a choice about how they allocate their own sales, but that's a very, very small part of the market.

Let me invite Mr. Hires and perhaps some of the other folks, some of the other fabricators, in particular, to weigh in.

MR. HIRES: So, if you're talking about the commercial markets, you know it's --

COMMISSIONER SCHMITLEIN: Well, I guess let's be clear what we're talking about, right? So, when you use that kind of term. I mean my original question was is it the position of the Respondents that the domestic industry doesn't compete in any segment with Chinese imports? So, if you can answer that question and then we could get to how are we defining those segments?

Or, you could answer all at once, but I'd like to hear whether you think there is competition, there is any competition?

MR. HIRES: Yes, there is competition between in
the multi-family market for instance. There -- let me
define the multi-family. So, if you break down commercial,
I feel that you have the multi-family market is one part of
that. You've got the hospitality market is another part of
that and then, what I'd define more traditional commercial
-- that may be stadiums, hospitals, schools, those type
things.

So, you're going to see some competition in the
traditional commercial from time to time. On the
multi-family side in apartments in particular, the Chinese
imported product was really the traditional route to market
that grew from granite.

It simply transitioned. There was granite that
was coming from China into multi-family units and for
instance we have a cabinet production facility. As a -- we
would partner that with that multi-family product that came
from China and sell the combined offering to the general
contractor.

So, we saw almost no competition from domestic
products in that market. It just wasn't in the multi-family
side. In hospitality, I think there was limited competition
there as well. In commercial you did see -- in true
commercial, stadiums, hospitals, schools, you would see
competition there.

COMMISSIONER SCHMIDTLEIN: Okay.
MR. WESSEL: Commissioner, Jared Wessel. I think one important way to think about it is --

COMMISSIONER SCHMIDTLEIN: Could you just please identify yourself -- I can't see your name tag?

MR. WESSEL: Sure, sorry, Jared Wessel.

COMMISSIONER SCHMIDTLEIN: Oh, sorry, okay, you said that.

MR. WESSEL: One way to think about it is there are people who purchase quartz surface products not knowing who the ultimate customer is. There are builders who are building something -- again, not knowing who is actually going to end up purchasing the product.

So, those people -- like if I was building you a house, they seek out a very neutral, color palette that the Chinese have really focused on. In contrast, there's a different part of the market what we're calling the luxury part of the market, where people are allowed and often buy very taste-specific products and that is the part of the market that Cambria has really focused in on serving.

And I think if you look in a lot of the documents that we have provided on the record, it is clear that that builder segment -- Cambria has essentially abandoned. This came out of the Lakeland case that we provided. It was a dispute between a former Cambria Lexus partner and Cambria, and I could just say it says that growth in the builder
segment would require lower cost options and alternatives to
the Cambria product.

Cambria quartz is top of the line quality and
different products would need to be offered and what they
have chosen -- those Lexus providers such as CKF is offer a
granite product for that builder segment of the market.

But it is clear from documents --

COMMISSIONER SCHMIDTLEIN: I mean I'm glad you
brought that up because this is another sort of intertwined
question here, which is to me when you read that, it sounds
like they're saying yeah, we don't want to lower our price.
So, I just want to understand -- you know, we want to stick
with this price and we want just like you mentioned, the
BMW, that also came to mind for me, right?

BMW had a certain brand and a certain price and
they had it up here, and then they decided to introduce, you
know, these series 3 or whatever they are and I don't know
if they're down to series 1 now, but you know, so they could
lower the price. And there were some people that said oh,
that diluted their brand, you know, they shouldn't have done
that. So, I see that but isn't the flip side of that the
argument that yes, so the subject imports are being bought
on price?
And if Cambria wanted to lower its price, then
they would be competitive, and I guess then we could get
into this question about -- I think that they don't offer
marble-looking style countertops.

MS. MENDOZA: Commissioner Schmidtlein, this is
Julie Mendoza. Just to get back to the point here though,
just a little bit, which is that you know, certain companies
--

MR. BURCH: Miss Mendoza, can you pull your mic a
little closer?

MS. MENDOZA: Oh, sure. Certain companies like a
Cambria, can make a business decision that they are going to
make the most money by establishing themselves as a fashion
luxury-type brand, and be committed to that market and be
conscious about anything that they sell that diverts from
that market and I think all of the things that you've heard
people quoting from, suggests that that's very much their
strategy.

I didn't hear anything in anything anybody said
that they really wanted to enter into the lower priced
market. So, I mean, the key feature here of this case that
makes it so different from any case that the Commission
normally sees, is that you really have a luxury consumer
product involved here, where taste is a big part of the deal
and where people, for reasons that may not be apparent to
Mr. Schagrin, are willing to pay $2,000 more for a slab.

Well, why are they willing to pay more for a slab? I mean it's the same reason I joked with him, he has a Brioni suit on, you know, and I said it costs $5,000, why didn't you buy your suit at Walmart, and he said because I don't like the way they look and I like the brand. I mean that's the reality that you're dealing with here, I think.

So, you know, the fact that there is some overlap and honestly we do not deny that at all and we don't think that it's necessary for you to find no overlap in order to find no material injury at all, but the fact of the matter is that Cambria may sell in some other markets, but that is not their core business, and that's not what they have built up over years and years and they're not going to threaten that brand.

You know, he said Ferrari, I'd say Chanel, I don't know, but you know, one of the two, that's what it's really all about here and I think that when you see that kind of price gap, consistently over a long period of time, and I'm talking, you know, we know what the gap is, and yet people are still holding on to their prices.

I mean how many witnesses have ever told you that they change their price once a year? And they raised it every year, I mean that's a luxury marketing process, you know.
MR. DOUGAN: Commissioner, can I just add one thing, Jim Dougan from ECS. I know, but when you talk about BMW introducing the 3 series, they didn't lower the price of the 7 series. They introduced something else and brand dilution, whatever, I mean I'm sure they've made a lot of money from the 3 series, right, otherwise they wouldn't still make it.

But also, you know, you had the testimony of the witnesses from LG Hausys today who said you know we offer A, B, C, and D and us selling A and D has not -- has actually helped us grow the sales and increase the profitability of our domestic operations that sell the C and D.

So, the idea that the introduction of a different product, not lowering the price of your existing product, but a different product for a different segment of the market is akin to price depression or suppression I think is not --

COMMISSIONER SCHMITLEIN: Well, that's the question I guess, and I've got to pass it on to Commissioner Kearns, but how is it a different product?

COMMISSIONER KEARNS: Yeah, I'm -- I'll continue on with that. I mean Mr. Dougan I think you've raised some questions I want to get into about the numbers here. I think there's some really good questions on the numbers, but to stick on market segmentation here.
I mean I think I just find this incredibly nebulous and I think what got me stuck the most in the testimony is the statement was made by Mr. Murray, Cambria does not serve and has expressed no intention to serve the hospitality or multi-family housing industries.

I don't have a lot to go on in this record that I can say but I do have three pictures from the Petitioners -- one showing that their products are sold to Embassy Suites, one was sold in 130-unit condominium and one in a Doubletree Inn, so that doesn't seem to be true. I mean our staff import data, tell me what you all think about that but like when I'm looking at this, I'm having a hard time seeing that there's a big difference between the Chinese product and the U.S. product other than price.

I do think that it's, you know, maybe we didn't ask the right questions. I mean aesthetics is different than quality for example, so I get that. And maybe we're not really finding the right way to address aesthetics, but I mean it sounds like there are some Chinese products that are aesthetically pleasing to many people at the high-end market as well, so I'm struggling with that.

MR. STOEL: Commissioner Kearns, might I?

COMMISSIONER KEARNS: Well, hold on one second.

Let me just finish because I'm -- I want you to respond to all of this. The Petitioner slides, like I said, the
hospitality issue, I don't see anything there.

Just that you point out that 50 out of the 120 of
their sales people are serving the commercial market. I'm
also now sure how, you know, we said well let's define this
as you know, commercial segment versus residential, but as
I'm hearing it like the hotel, well there's the second
floor, third floor segment versus the lobby -- that's
different.

And when I saw the product this morning, I mean I
don't know if you have any samples, but you hear, you talk
about how exotic the Cambria product is. I didn't see that
this morning. They didn't look exotic at all to me, I was
pretty disappointed with how exotic the product was this
morning. And some of them looked like maybe they were
higher quality than the Chinese product. On others, the
Chinese product looked a little bit higher quality, so help
me through this market segment thing before I get to the
other questions about the numbers that Mr. Dougan had
please.

MR. STOEL: Commissioner Kearns, Jonathan Stoel
for the record.

COMMISSIONER KEARNS: Yeah, that's exotic, I'll
give you that, yeah, so that's Cambria right there.

MR. STOEL: Yeah, you asked about it look, and I
saw this slide and actually we showed it to your staff when
they came to visit with our fabricator friends. And I want you to look first at what's in the foreground, okay, and let me just talk about that a little bit.

This, like all U.S. manufactured Quartz, is made with Breton Technology. That's really very important because I think when you look at a product, the Commission rarely ever sees this, but these products are made fundamentally differently. Breton Technology, Mr. Davis and his colleagues decided to pay millions and millions of dollars for this technology to make a very unique specialized product.

And you heard about LG Hausys and things they've done with their also, Breton Technology. So, it's a different kind of product -- made a different way. Secondly, in terms of luxury and what people are trying to market. You've heard about how much money they're spending on advertising and it's been successful, they've been very successful and so congratulations to Cambria on a long track record of success.

Look at what they're marketing. What's in the foreground? Exotic, very different look, right? Looks what's in the background. The white colors that you've been hearing about that are exploding in the mass market, that are exploding in the apartments, the multi-apartment buildings that are exploring, as you said on the second
floor and the third floor.

You might put what's there in the front in the lobby of the hotel because you want the, you know, like my guests here today, they came into D.C. and they want to see something spectacular in the lobby, they might put that in.

Or, we were talking earlier, maybe Derek Jeter puts that in his house or maybe somebody was joking, maybe that's what's actually in the people that work for him, in their house. But the point is that's what you put where you want people to get attention and to be very specialized.

What's in the background, which they don't really want to sell because clearly you wouldn't put it in the background. That is a color that's neutral. That's something where if you want to sell the home. If my wife wants to buy a home, she tells me what to do, she'll say I don't like that color Mr. Stoel, I don't like that color Jonathan, so I'm not going to buy the house.

But maybe if she saw the white, she would think it's okay and not be as offensive to her or difficult for her. So, the point is if you're going to put a more neutral, a more normal looking color in the back.

And this is what Cambria is focused on. These are the kinds of things that they have done very, very well. I also want to make a point consistent with Mr. Ward and Mr. Shaw's testimony. What product does that look like? Does
it look like marble? Like the Calcutta that people keep
talking about at least in my case I can't pronounce very
well? No.

It looks like granite. Cambria's products again,
very beautiful for a certain taste, a certain way of look.
Their products look a lot like granite and what they didn't
show you this morning when they had their slide, and their
lawyers are very good. I like what they did, they didn't
show you a tower of granite, and do you know why Mr. Kearns?
Because, Mr. Kearns, because it looks a lot like that.

They adopted the granite looks. They did very
well in that look and they, as Mr. Davis testified, they did
a very nice job of growing the market, but they did not
shift to this other style that's taken off in the mass
market. But you know, Mr. Yoltay maybe wants to weigh in a
little bit on this.

MR. YOLTAY: Thank you, Josh Yoltay. I totally
agree with that. It's an undeniable fact that we do use
Cambria on the commercial projects, and we need to open what
is commercial project. On the commercial project it's used
very limited. Again, it might be with the Ritz Carlton, in
the you know, lobby area.

I do custom mill work jobs, again very high end,
they use only where you enter the building to impress you in
the first place and the rest with the bathrooms, anywhere
else, showers, they usually go with the standard looking,
not dominant looking colors from overseas.
I would not care, Chinese or anywhere, but
overseas colors they are going with which is steady and
not-dominant.

COMMISSIONER KEARNS: Thank you, that's helpful.
MS. MENDOZA: Commissioner Kearns, could I just
add one thing.

COMMISSIONER KEARNS: Yeah, yeah.

MS. MENDOZA: I think the other thing is that you
know, because of the unusual nature of this product you
know, being kind of a consumer product unlike a lot of them
the Commission sees. In addition to all of the things that
you've heard, you know, it's not really always just about
comparing the two and figuring out if they look alike or
not, its' how things are marketed to people too.

And you know, it may not be so easy to tell the
difference between you know, I don't know a Gucci bag and a
Macy's bag if you look at them, but the fact of the matter
is that they are sold in very different markets in part
because it is selling to customers and convincing them that
this is a very high grade product, it's very special, you
put it in your house, you can tell people you have Cambria
in your house, it's going to make a difference.

So, I think just looking physically at the two
products when you have a consumer product like this, isn't quite enough, which is what I think you were alluding to about the appearance, but I think it's even -- it's not just people's taste, it's also just the fact that you have a fashionable or sophisticated product that people want to buy, I mean, what else explains the fact like Mr. Schagrin was saying?

If somebody walks into a store and this costs $2,000 more than this and people still buy the $2,000 product, because they do because we know that their sales haven't gone down, they've been stable or gone up exactly, because of demand. So, there has to be something explaining why that's happening and I think that the answer to that is, you know, what they're saying, but it's also the fact that people are just willing to pay more for a product that they have been convinced is of a higher value and more attractive and something they can say I've got Cambria in my house, you know?

COMMISSIONER KEARNS: Yeah, which is a little different than what I was saying about aesthetics. I think, but that's another point, well that's helpful. Mr. Porter?

MR. PORTER: I'm sorry, really quickly, Commissioner Kearns, I just want to sort of make sure we're grounded, okay. The idea of market segmentation is an explanation to explain really hard data and I want to look
at Mr. Dougan's Slide 7, okay?

The market segmentation is explained how is this that Cambria can increase their prices so much with the rapidly increasing Chinese product? Its market segmentation is the answer. It's not the end result. That's the point I want to make.

So, you could literally say well, I can't understand market segmentation, but I have hard data that disproves Cambria's theory.

MR. JACOBSON: Commissioner Kearns, just briefly, Mike Jacobson from Hogan Lovells. You asked about the differences in aesthetics between the products, and I just wanted to direct you to Exhibit 4 and Exhibit 18 of joint Respondent's brief. There's a good deal of information there about the differences in aesthetics. I think it's fairly stark, so I encourage you to look at that.

COMMISSIONER KEARNS: Okay, thank you. So, just to wrap this up. Mr. Stoel, the slide you presented is helpful. That does give me the exotic look I'm looking for. I think what I need and as you know this morning I asked the Petitioners you know, I'm not entirely sure how best they can do this but if they show me whether by sku or by purchaser, however, you know, more aggregate data on their business, that would be helpful because I think what concerns me here is yeah, if I knew that that's most of the
-- and that kind of thing is most of what Cambria is doing,
then that would be pretty persuasive, but I don't know that,
I don't know if that's a small -- very small part.

It's like I'm going to get into trouble here if I
try to talk about Chanel, but Miss Mendoza, you mentioned
Chanel, but you know I know the fashion, every Paris fashion
show or whatever isn't necessarily what you're going to be
selling in the, you know, in the commercial market right?

So, like -- so I need to understand, I don't know
how you guys can help us with that but if there's some way
that you can say yes, believe it or not that is the bulk of
Cambria's market, that would be helpful or anything else you
can do to kind of in the aggregate, help us understand how
this differs, that'd be helpful.

MR. STOEL: Commissioner Kearns, we'll do that
and I ask one quick moment of your time and that is you
know, you heard Cambria describe its own products this
morning and let me just recount what they said. This is Mr.
Marchese "we promote exclusivity". Mr. Davis "selective".

So the point is, they're not just picking the
average American, they're looking for a very unique kind of
customer, who might like that. Again, they're making a lot
of money and fortunately for them they've been able to raise
their prices contrary to what was said this morning.
They've been raising their prices throughout the POI.
Again, we want them to do well but they are doing very, very well.

COMMISSIONER KEARNS: Okay.

MR. STOEL: But again if you can just give me some aggregate data that would get me even farther but we will do that, Commissioner.

MS. MENDOZA: But I think your point actually, Commissioner Kearns is exactly on the mark. I mean, this is the stuff you show at the Paris show but then people are willing to pay the other things that you sell at a higher price, right?

I mean you lead with this because then you say "oh, look. Look at this great product and then you can charge a lot more for all the products that you sell so I don't think it's so much about the fact of how much exactly do they sell of this particular style, and maybe it's a lot -- I don't know but the fact of the matter is when you show people that this is what you can do and everybody goes "wow, it's so impressive" you can also charge for that plain product more too. And in fact they do.

COMMISSIONER KEARNS: Okay, thank you. My time is passed.

CHAIRMAN JOHANSON: Thank you all for being here today. Should fabricators be excluded as related parties if their imports of Subject Merchandise suggest that they are
reliant on Subject merchandise for their slab?

MR. PERRY: I'd like to respond to that, William Perry. I think that we've heard from Mr. Schagrin this morning that we're talking tens of thousands of fabricators. This is the problem. We were told by the Stone Institute 4000, now people are saying ten to 15,000 with potentially over 200,000 employees that are not all doing just Chinese. Many fabricators don't know what they're fabricating. They just fabricate. There's guys from the high end to the low end. This is the problem. You asked one question I wanted to answer. Does it matter if the fabricators are in? Roger Schagrin said no. My answer is yes because then you have a substantial evidence problem. You have responses from less than one percent of the industry. Please look at the Chun Ling case and what the court said then. Now I ask somebody else to speak.

MR. STOEL: Excuse me Chairman Johanson, this is Jonathan Stoel. As I said in my opening statement, the Petitioner included fabricators in the Domestic Industry. They're the ones who included fabricated product so they have to be included in the Domestic Industry by their own admission. Now they will try to come back and say the fabricators should not be included. I would suggest to you that this is a little bit similar to in
a steel case. If U.S. Steel were to say that AK Steel
should not be included because it's a much smaller company.

I don't believe our trade laws are about
excluding small and medium sized companies, these are
American workers. Your staff has visited them doing their
manufacturing work. I mean, it's really stunning to me that
the Petitioner is trying to exclude hundreds if not
thousands of companies and thousands of American production
workers. They are making products in the United States just
like Cambria. I'm sorry, I think it's really just not the
way to go.

In terms of your question, I think the Petitioner
is perhaps confusing the issue. There is no allegation here
that the fabricators are related to the Chinese companies.
These are independent American companies. They are not
related to Chinese Producers or exporters. They happen to
buy, as Mr. Perry said, Chinese quartz, American quartz.

You've heard from several fabricators who buy
from Cambria so there's no issue here about relationship
which is traditionally what you all have looked at. These
are all Americans making products here in the United States.
They are investing in their workers, they are investing in
American Manufacturing. So I think Petitioner is throwing a
lot of dust at you and I urge you not to be confused by
that.
MS. BEDROSIAN: This is Marisa Bedrosian. I just want to add one more thing. You know, we're not just talking about prefabricated slabs here. We're also talking about unfabricated slabs and so an unfabricated slab cannot be installed on a countertop unless it has the fabrication work done to it. So a lot of our fabricator customers actually consider themselves the second factory.

I think that some of our fabricators can talk to you about the value add. It's very significant, it's more significant than the actual product itself and so for that reason I think that they should be included as a producer.


The Senate Finance Committee was very clear. All producers in the United States of the like-product are in the industry. I think the 6-factor test is an exception. What's happening here is a 6-factor test, it's swallowing the statutory language and the legislative history and I think there's a problem with that.

MR. BUTLER: HI, this is Tim Butler. I just wanted to add that the figures that I gave on value add did include material yield loss so they are accurate.
CHAIRMAN JOHANSON: Thank you for your responses. There's something the Petitioners raised in the brief that I just wanted to discuss, it's probably not the most pleasant subject. In its prehearing brief Petitioners allege coaching the fabricators on questionnaires.

Should the Commission discount fabricators responses to the questionnaire concerning issues such as the complexity of fabrication as they were allegedly coached to respond that it is indeed very complex?

MR. PERRY: This is William Perry from the Law Firm of Harris Bricken. There was no coaching. I didn't even look at any questionnaire before it was filed at the Commission. If there were any questions I referred them to Larry Jones. I did it so many times I can recite his phone number, 202-205-3358.

I made it very clear, I do not look at questionnaire responses before they are filed so there is no coaching. More than that, even our guys explained what we were doing. We were pleading with fabricators to respond to the questionnaire. If we were leading them how did we have only 15 responses? And we were trying to get these guys to respond because we know how important it is for your database and we always included links to the Commission's questionnaire and also to the phone number for Larry Jones.

MR. KECK: Commissioner, I'm Jeff Keck from
Marble Uniques. I can tell you I'm clearly the smallest fabricator in this room that's been giving any testimony and I was not coached whatsoever. I'm a small company. I'm the owner, I manage the process. I manage the sales, I do everything. Luckily enough I'm also a former CPA.

It took me hours of sifting through data, trying to go over everything and going back and forth to determine everything matched from question to question. It was extremely difficult and several industry events I talked to others who said it was overwhelming because they don't have my background but I can tell you I wasn't coached whatsoever on any of that so everything I've submitted is accurate based on my company and my efforts.

MR. BUTLER: Tim Butler again. I didn't know coaching was available. (Laughter)

I found it very complicated.

MR. VOTTAY: I have not been coordinated by anyone or coached but I want to put it plain up there, just like right now if I asked to Commission Johanson "Do you want drill on your sink, miter cuts?". You will ask me to explain what I mean so as a fabricator the question with regard is not our daily operation terminology so we needed to ask help -- what does that mean, what does this mean? So our accountant and our CPA then took an action how to field those.
Please take into consideration this is not our daily operation, that kind of questionry. In order to pass accurate information to you we had to ask questions and we got help for clarity, thank you.

MR. STOEL: Chairman Johanson, Jonathan Stoel for the record. I just wanted to take the opportunity to thank your staff. As Mr. Perry said, we all tried to get as many fabricators as we could to respond to the questionnaire. I think you've heard from the witnesses how many of them responded.

I just wanted to point out that there were certain exhibits that the Petitioner pointed to as allegations of coaching. None of those exhibits or documents were prepared by Hogan Lovells nor by anyone who's been working with us.

CHAIRMAN JOHANSON: Alright. Thank you for your response. I've got just one more question for fabricators if we can make it. If most fabricators oppose the petition, does this suggest that they are not members of the Domestic Industry?

MR. PERRY: No I think as Judge Carmen said, just the opposite. They are members of the Domestic Industry but they oppose the Petition. Judge Carmen who later became Chief Judge Carmen of the Court of International Trade made it very clear in Chun Ling. He said if not enough companies
respond who are members of the Domestic Industry respond to
the questionnaire then an adverse inference should be taken
against the Domestic Industry.

Cambria is here, think of this. This is a unique
case. Cambria is coming out saying "look at me alone.
Ignore ten, 15 thousand companies out there in the Domestic
Industry. I'm the only one. Oh by the way, also ignore the
glass industry". We put in exhibit one of our brief Evan
Kruger here who is an expert on glass. He started
exporting/importing in 2009. There are Domestic Producers
of glass in this industry and yet Cambria says "I represent
all of them".

I started at the ITC in 1980, the Atlantic Sugar
Case quoted in my brief was my case at the ITC. I have
never seen one company come in and say I represent this
gigantic industry. That's what Cambria is saying. So no,
that's an adverse inference. These companies by not
responding to the questionnaire, now why do you think --
maybe we're showing our opposition.

MR. STOEL: Chairman Johanson, Jonathan Stoel. I
just want to point out, it was pointed out by our witnesses.
Cambria brought out several fabricators with them today.
None of them apparently have responded to your
questionnaires.

We again have done everything we could to give
you as full of a record to rule upon and we firmly believe that whether you look at slabs or combined industry or fabrication there is no material injury but there appears to be their only disenfranchise as I said but also obstruction. They brought witnesses before you. They should know. Mr. Schagrin's been doing this a long time.

My mentor, Mr. McConnell surely knows Mr. Schagrin and we respect him and his team but to bring a bunch of witnesses before you who have not filled out questionnaires that none of us has been able to see. I really hope they are going to submit those questionnaires today because how are we supposed to argue for our clients and defend the fabricators who are many more workers than Cambria if they won't submit questionnaires?

I'm really, really surprised by this and frankly the allegations against us were frankly disappointing.

MR. CRAVEN: I just want to add one other point. One of the witnesses that -- I'm sorry -- Mr. Craven, Sandler Travis. One of the witnesses today in fact testified that she had done substantial upgrades of her equipment and had over a hundred employees. It is obviously a substantial participant in the fabrication industry as she testified this morning and that would be Bush products.

Yet, we're now being told that fabrication is
irrelevant. Their own witnesses disagree.

    MR. PERRY: Perry from Harris Bricken. Just one last point. The fear of Cambria is real. I saw it. I saw a huge production fabricator, the guy said I will not speak to the ITC. Larry Jones sent me an email, I forwarded it to them. They said do not give my name to the ITC. They were scared out of their wits of Cambria finding out.

    The point is, when you asked them about these lawsuits this morning they said well it's intellectual property. It's not, it's termination of fabrication with like a week notice. One company, Lakeshore, was literally using 98 percent Cambria and they terminated him. This is real fear. I have never seen so much fear.

    CHAIRMAN JOHANSON: Thank you for your responses. My time has expired. Commissioner Williamson?

    COMMISSIONER WILLIAMSON: Thank you, Mr. Chairman. I too want to thank all of the witnesses for coming today. I don't think I've ever seen so many witnesses at a hearing like this. Which also leaves me, I'm not sure where to start.

    Mr. Kruger, I think you said that you had been cut off by Cambria.

    MR. KRUGER: Yes.

    COMMISSIONER WILLIAMSON: Could you either now or posthearing go more into the explanation of that and how it
compares to what they said this morning about selecting partners?

MR. KRUGER: It is true but if you don't mind for proprietary reasons I would like to reply to that in confidence in the posthearing brief.

COMMISSIONER WILLIAMSON: I fully understand that. I would appreciate that very much. Mr. Stoel, your picture there, I just can't get it out of my head because we spent like 8 hours at the Cambria factory and I saw a wide variety of things but I never saw anything like that. So I just realized we saw a whole lot of a whole lot of different types of products so I just, that whole discussion about that just--

What I saw bothers me in terms of what I saw, but I don't know whether it's worth going into a debate about that since I think Commissioner Kearns has already asked to give details about SKUs and all that kind of stuff, and that may help address some of this question.

MR. STOEL: Well, Commissioner Williamson, I just want to point out, this came straight off their website. This is the first thing that appears when you click on Cambria, and they have beautiful products. But this is what they themselves, the luxury brand that they are, are trying to sell. I mean, look at how--again, it's a beautiful product. But I would invite some of the industry
witnesses just to weigh in, because I think it's a really
important question and I want to make sure--

COMMISSIONER WILLIAMSON: I mean you can
contend, yes, there's this, but I also heard from different
people, the Chinese do this, they do that. Maybe these
companies do all of these things.

MR. KECK: Commissioner Williamson?

COMMISSIONER WILLIAMSON: And I--yes?

MR. KECK: Jeff Keck, Marble Uniques. I would
like to respond to what Mr. Kruger said in this, as well.
It's completely different in Indianapolis for us. The
characterization that Cambria is right next to every other
product, I can't buy Cambria slabs. I can't fabricate
Cambria slabs for individual residential customers. They're
sold through cabinet shops, and designers, as they talk
about, they have their own fabrication facility there.

The people who come to my office, they come to
see what we have, it's very rare that they've ever talked to
Cambria. They don't know about Cambria. They come in and
they look at my offerings. If they want tiger stripe, which
is what I would call that, they're going to buy granite from
me. They're not going to buy quartz.

And there's something that I think that's been
missing is that there is another competitor in this market.
There is granite. And in my market, right in the middle of
the United States, I'm just south of Kokomo, okay? The average price of a house in Kokomo is $120,000. They can't afford this.

And so that's a portion of a mass market that my customers come and they do want quartz, and they do look at this other monochromatic product because they can get quartz. It's exactly what Mr. Shah said, that they're living the American Dream but they're not going to buy a Ferrari. They can't afford a Ferrari. And they're not even there looking for it. So the hint that I'm selling them something different at a lesser price is not true.

And the last aspect of that is, for us, is that we take every job individually. We look at the components of the complexity of the job, the installation requirements, the cost of the raw material slabs. That all goes into an equation for us. And in certain instances if I judge a job and my overhead and sales need is more expensive than a competitor, I may price it higher. If my operation of my business and the efficiency of my equipment to cut that slab allows me to have higher utilization, my costs may be less. But I'm not cutting my price to take jobs away from Cambria or any other quartz manufacturer, and I offer LG Hausys, Caesarstone, and a number of other lines from importers such as Marissa.

COMMISSIONER WILLIAMSON: Okay. Let me ask LG
this question, because I agree Cambria is only one of the
producers in the domestic industry, of the domestic
producers.

Your Table 3, which I know is proprietary, but
the way I look at it, and tell me if this is correct, it
looks like you are making domestically produced product in
each of the different categories that you've listed here.
Is that a fair statement? There may be one I don't see, but
that's sort of in the middle.

MR. MORICI: This is Mike Morici. Are you
referring to this chart here, Congressman Williamson? Or
the price--

COMMISSIONER WILLIAMSON: I guess on the
nonclassified version, the chart, Table 3.

MR. MORICI: And, I'm sorry, can you repeat the
question again?

COMMISSIONER WILLIAMSON: I guess the question
is: Are you--it says the JUMBO 2 colors are manufactured in
the USA. So I see that in almost every category--

MR. MORICI: Yes, that's correct.

COMMISSIONER WILLIAMSON: --of the groups. So
you're basically in all of the different, I guess you might
say, whatever you want to call them, price points, market
levels, you're making domestically produced product in
those?
MR. MORICI: Yes, we are, except for Group B, and they are in different volumes. Not all the volumes of what we produce is the same in each grouping. So, for instance, we produce higher volumes in certain groups other than others.

COMMISSIONER WILLIAMSON: What can you say that's not business proprietary about either your philosophy or approach to what you're producing at the different price points that you're trying to sell at?

MR. MORICI: So--this is Mike Morici--so I just wanted to make clear that for us our Group C and D, which is our marble-looking, vein-looking product represents 80 percent of what we produce out of our Adairsville factory in Georgia.

COMMISSIONER WILLIAMSON: Okay, I'm just--go ahead.

MR. PORTER: Dan Porter. Yes, Commissioner Williamson, you can kind of see that also from this very chart. If you look at the number of--the way they describe it, they use the term "colors." Colors is a term of art for them that encompasses both color and design. So "colors" is like their product, right?

And you look, first, there's no U.S. produced in B at all. And in A, there's only a few that are produced in Adairsville, something that is sort of a legacy that they
did when they first started, but there's a whole lot more
imported in JUMBO 1. So you can see just visually here that
they produce a lot more of C and D in the United States than
they do in A and B.

COMMISSIONER WILLIAMSON: Okay.

MR. PORTER: So you can just look at that
visually, just by looking at the colors.

COMMISSIONER WILLIAMSON: Okay. Fair enough.

Any knowledge about Caesarstone? Of course they've also
talked that they wanted to be a high-end producer, too, I
guess. What about the new companies that are coming into
the U.S. market?

If you don't know, that's okay, but I just--

MR. MORICI: I'm sorry, this is Mike Morici, I
don't want to speculate, and I really don't know how to
answer that.

COMMISSIONER WILLIAMSON: Okay, fine.

MR. WESSEL: Jared Wessel. I'll just offer a
comment. They are a Breton producer, so they are capable of
producing that higher gloss look that's characteristic of
the Breton system.

COMMISSIONER WILLIAMSON: Is the non-
product
that's made with the non-Breton method, is that always—is
that a lower cost product because it costs less to produce,
or not? Or is, does that production, when they use that
patented technology, does that make a big different to the
cost of production?

MR. STOEL: Commissioner Williamson, I think the
exact answer is proprietary, but clearly the U.S. industry
believes that it makes a difference. They're investing a
lot of money in the technology, and in also the IP that's
related to that. And so they believe it makes a difference.
It's a differentiating factor between what's going on in the
U.S. produced products and what's going on with China, as I
was discussing with Commissioner Kearns.

In terms of DalTile, I think the important thing
to note here is they decided to proceed with the opening of
their plant. They invested a lot of money in Tennessee, and
they started operation. And this, you know, change in
having Chinese imports going into the mass market, that
hasn't impacted them. They believe this is successful.
LG, as they testified, has expanded their operations. They
believe they're successful. LG has expanded its operations.
They're doing well.

And I heard a lot this morning, you know, from
some of the Petitioners' lawyers about, you know, how badly
Caesarstone is doing. Well I would encourage you to look at
their confidential questionnaire. I think it tells you a
lot, particularly about 2018.

And I think, again, if you look at Caesarstone,
they are another example of this, to use Mr. Davis's words, selective; to use Mr. Marchese's word, exclusivity, they say they're positioning themselves in the medium and the high end market. And they explicitly say that that's not where the Chinese product is. They explicitly say the Chinese product is in the low end. So they also believe that the market is segmented, and they've been doing increasingly well over the period by capturing that high end of the market.

MR. PORTER: I'm sorry, Commissioner, about your--sorry, Dan Porter--

COMMISSIONER WILLIAMSON: Let me ask a question. Who was the company that you mentioned in your last two sentences?

MR. STOEL: That was Caesarstone. Their CEO is the one who said that they're in the medium and high end, Commissioner.

COMMISSIONER WILLIAMSON: Okay, thank you.

MR. PORTER: Dan Porter, Commissioner Williamson, just to answer your specific question. All of LG's production lines, their first, their second, and their third, all use extensive Breton technology. They chose to do that when they expanded from the first to the second, and their second to the third, for a reason, because they believed that the technology offers the product at the
price point that they think they can make the most money. If in fact they could make the same money with much less technology, they wouldn't have done it. They chose to install very expensive Breton technology for a reason, because they felt they could make the product that got them the best return.

COMMISSIONER WILLIAMSON: Okay. My understanding was that the reason--the guy who invented the Breton technology was to get around the problems with granite. And I guess the question is, apparently there's other technology out there that also gets around the problems of granite. Is that correct?

And is that technology a whole lot less expensive than the--

MR. SHAH: This is Rupe from MS International. I can't speak to the technology, but I'll speak to the first part to get around the problems of granite. That's actually, I think most of the people in this room who were former distributors or are current distributors of granite but have seen this big shift in the market, that's not a true statement. That's a statement that's really been concocted by marketing from the quartz industry, which many of us are also a part of.

When you look at granite, it's a very strong performing material. Fifty percent of granites you don't
even need to seal, and they can't stain. The ones that can, a simple sealer that takes less than five minutes to apply and costs less than maybe $10 will prevent it from sealing. It actually structurally doesn't have some heat issues that quartz has.

Now the shift to marble is a very different story. Marble is an inferior material performance-wise. So as the design trend goes to marble, this performance difference of quartz starts to make a big impact on the market driven by the change in trend to marble. Marble will etch. It will stain, and it is very weak.

Okay, the inventors of Breton, who invented the machinery, I don't know, 20, 30 years ago, it had nothing, in my opinion, just looking at it, I don't know this first-hand, had nothing to do with trying to deal with the negative performance attributes of granite.

COMMISSIONER WILLIAMSON: Okay. Well thank you. My time has way expired. Thank you for those answers.

CHAIRMAN JOHANSON: Commissioner Broadbent?

COMMISSIONER BROADBENT: Thank you. I want to welcome the witnesses. I appreciate you being here today.

For Mr. Stoel and Mr. Dougan, the domestic industry's shipments increased in each year of the Period of Investigation, but the rate of growth slowed down even as apparent U.S. consumption continued to grow at around the
same pace every year. Meanwhile, subject import growth
outpaced apparent U.S. consumption growth in each year.

Can you address this trend, both in the context
of material injury and also in the context of a threat
analysis?

MR. DOUGAN: Commissioner, Jim Dougan. I can
speak to a little bit of that. Part of the reason that the
growth rate slowed is because you'd have a higher growth
rate over earlier parts of the POI because some of the
domestic operations were ramping up. They were startup
operations. So they were starting from a much lower base.

And as they cumulatively produced more, their
growth rate would reduce. I think that's the first answer
to that.

Part of it also is, you know, given the capacity
that they had and the structural deficit in the market, if
the demand, the sort of pie was growing beyond their ability
to supply it, so it wouldn't have been reasonable to expect,
even with the capacity additions that they've made, that
they would have grown at the same rate.

But the growth rate over the POI is very
substantial for the domestic industry. It is less than the
market as a whole, but that's because the market as a whole,
much of the growth is in segments of the market that they
either address less or hardly at all. And some of it is due
to capacity constraints.

And you have evidence in your Staff Report from purchasers and others who have expressed difficulty and supply constraints from domestic producers. So, you know, it's reasonable to understand why they might not have been growing as fast as demand overall.

COMMISSIONER BROADBENT: But capacity utilization declined, right?

MR. DOUGAN: Well, we addressed that specifically in our Economic Appendix, and I don't want to get too much into proprietary information, but that is driven. It's not true for all producers. And one thing that I wanted to get into--Suzanne, if you could put up that one slide--one thing to think about in terms of through-put, and I think this was hinted at a bit by the LG witnesses, is as you expand your product offerings, the efficiency and the through-put that you can manage in those operations is reduced because you have changeover time.

So the LG witnesses said it could take up to 12 hours to change over from one color to another. That is longer than some of the information we've got from other producers. We know that the Chinese producers have said that it ranges from 1 to 4 hours to change between colors. Let's take a mid-point of that. Let's say that's 2 hours.

If you run your whole shift making one color, you
get to produce for 8 hours. If you change it once, you lose
that 2 hours and you're only producing for 6. If you change
it twice, you only are actually up for 4 hours, so half the
time. And if you change your colors 3 times in the course
of a shift, which is probably not optimal, right, for
capacity utilization, but you're now running only 2 hours
out of that shift.

And I think what's important to keep in mind is,
and what's public, is that there are U.S. slab producers and
Chinese slab producers who offer much, much more limited
product offerings than Cambria. They offer let's say
somewhere in the neighborhood of 50 different colors and
does not--Cambria I think offers, I think it's over 150, 166
I think according to their website.

They started the POI at 125. So they increased
their product offerings by a third over the POI. And in
this article at Exhibit 1 to Chinese producers' brief that I
quoted, they also said we don't retire any designs. We just
add. Because as long as someone makes it--excuse me, as
long as someone demands it, we're going to make it.

So you have to figure, if you're--if you're
spreading your production time over 150, 160 different
products as opposed to 50, your through-put is going to be
affected by that. And even if you accept the fact that
there's an 80/20 rule where 20 percent of your SKUs cover 80
percent of your demand, that's--for someone who makes 50
varieties, that's 10 products. For someone who makes 150,
that's 30 products.

So again, that diversification can lead to a
difference in through-put and utilization. And if you're
measuring against a nameplate number as opposed to an actual
practical number, you're going to see utilization decline as
your product mix increases.

MR. PORTER: Commissioner Broadbent, I'd like to-
this is Dan Porter--I'd like to marry the explanation to
the data. If you could look at page 3-11 of the
Confidential Staff Report, and you see the capacity
utilization numbers at the bottom, you will see three
producers. Two have very similar capacity utilization
rates, and a third doesn't.

And what Mr. Dougan just described is the reason
for that. Okay? I think they said, what did Cambria offer,
120?

MR. DOUGAN: In 2015, their website said they
offered 125, 126 designs.

MR. PORTER: LG Hausys America in 2018 offered
about 30. So a significant difference in the things. And
therefore while LG Hausys America strives really hard to
deal with down time, their problem is much less than
Cambria's. And I think the chart here on 3-11 really gets
at that at issue. And Mr. Dougans explanation explains why
you're seeing the different numbers.

MR. PLANERT: Commissioner, Will Planert from
Morris, Manning. I think that this morning Mr. Ward of
Cambria actually testified about that; about how when they
added new offerings, that that affected their utilization.
So I don't think this is just an explanation that we've
concocted.

MR. STOEL: Commissioner Broadbent, Jonathan
Stoel for the record. You've heard my colleagues talk about
some of the other producers. I would also point you to
pages 70 through around 77 of our brief where we talk about
Caesarstone. And obviously it's important to note that,
notwithstanding some of the discussion this morning, they're
not a petitioner. They're not here before you urging you to
do anything, and that's very important. They haven't
decided to participate.

But I would commend you to the statements from
their various financial reporting. For example: We have
experienced certain inefficiencies due to challenges related
to the ramp-up of our plant.

Well, that would explain why capacity utilization
might be a problem. They also say, later on in the Period
of Investigation: The margin decrease was driven primarily
by, quote, "inefficiencies related to our production in our
Richmond Hill plant." And it goes on.

I mean, there are many more statements. Again, a higher proportion of total production from Richmond Hill.

So the point is primarily related to manufacturing challenges. All these things affect capacity utilization, and of course they have nothing to do with subject imports.

And again, I just want to point out, we're glad for this. We want the U.S. industry. We believe fabricators are part of the U.S. industry. Of course LG Hausys is a part of the U.S. industry. We want the U.S. industry to do very well. We want these problems to be resolved and for Caesarstone to do well. But this has nothing to do with subject imports.

And as they expanded, as their capacity grew, if they were having problems with their capacity—with their production that has nothing to do with subject imports, of course that brought down their capacity utilization. But that's not material injury due to subject imports.

MR. JORGENSEN: Commissioner, Alan with Bedrock Quartz. I'd just like to comment on that. In my local market—so I'm in Utah—there's a significant amount of churn as Cambria has adjusted their strategy over the last several years over the Period of Investigation. In Utah there had been a distributor in place since 2008, and that Cambria terminated their relationship with them in 2016, and
then added a distributor in Colorado that this distributor had been serving, and then added the Lexus dealer in Utah. And in my market, Cambria had been doing quite well from '08 to '16, but then with this transition it significantly dropped down the sales of Cambria in our market as things—the relationships changed dramatically. The people, the fabricators in my market loved the distributor, and it caused a lot of turmoil as this new Lexus distributor came in and started servicing the Cosco market.

And then as Cambria then had their distribution operations set up in Denver, it took some time for them to go about. And in addition to the different relationships that they have severed with Lexus fabricators, there's just a fair bit of churn that I think also adds into the information that you've heard. Thank you.

MR. WESSEL: Commissioner, Jerry Wessel. Just one point. And we put this on the record in our brief. In late 2016, Mr. Davis gave an interview where he basically said the inability to hire staff was costing the company $3.8 million a year.

So it's hard to reconcile that statement with any kind of argument that you're not using your capacity.

COMMISSIONER BROADBENT: Okay. Mr. Dougan, the domestic industry lost a slight amount of market share over the Period of Investigation within the context of this
rapidly increasing demand. Is it reasonable that the domestic industry, or any supplier, should have expected to increase its sales at the same pace as apparent consumption given the growth in this market?

MR. DOUGAN: Commissioner Broadbent, I would say no. Given--I mean, their growth rate was still very substantial. It's a lot bigger than you usually see in these cases. I mean, I can't say the number, but it's a very big number.

The market grew by more. The mass market where domestic producers play, grew by more. But the domestic producers grew by a very substantial amount. They added significant capacity. They increased their production. And as a consequence of some of this additional capacity and the ramp-up associated with that, they did experience some supply constraints. And you see that in your Staff Report. You see that on the record.

So the idea that they would have been able to grow at the same rate as the market, given the constraints that they had, and given how the pie as a whole was growing so substantially, I don't think it's a reasonable expectation and does not constitute material injury.

COMMISSIONER BROADBENT: Okay, thank you. My time has expired.

CHAIRMAN JOHANSON: Commissioner Schmidtlein.
COMMISSIONER SCHMIDTLEIN: Okay, thank you. I just had one question, going back to a topic Chairman Johanson raised, which was this argument with regard to coaching the fabricators on their questionnaire responses. And I think Mr. Perry—where is Mr. Perry?

MR. PERRY: This is Mr. Perry, yes.

COMMISSIONER SCHMIDTLEIN: Oh, there you are. Okay. Sorry. There's so many people, it's hard to find you.

So there's a document on the Quartz Coalition website that is public, right? And I think we checked. It was still up there. Did you draft this document?

MR. MALIK: I can speak to that. I'm Vineet Malik from Stone Showcase. No, Mr. Perry did not draft that document. We had done that.

COMMISSIONER SCHMIDTLEIN: You drafted the document? You didn't have any help from your counsel?

MR. MALIK: No.

COMMISSIONER SCHMIDTLEIN: So you were able to—because the document is quite detailed that takes you through every single page of the questionnaire with snapshots of that. And then it includes answers that you encourage the fabricators to provide.

MR. MALIK: Again, I mean--

COMMISSIONER SCHMIDTLEIN: And so I guess, now
hearing that you drafted this document, you were able to go
through that questionnaire and break it down page by page?
And even in the boxes? So, for instance, here's a couple
snapshots of the different pages of the questionnaire, that
you've actually filled in the boxes with suggested answers?
And then you say to fabricators, well, we want it all to be
unique, so don't, you know, don't just copy and paste that.
But here's--in fact, here's an answer, and we encourage you
to put--to check rating five. You did all that yourself?

MR. MALIK: Correct.

COMMISSIONER SCHMIDTLEIN: But none of the other-
--all these other fabricators that were asked to fill out
questionnaires couldn't--couldn't even bring themselves to--
I heard testimony earlier in the presentation that these
questionnaires were so difficult to understand, that, not
withstanding the fact that the argument's been made that
this is a complicated, sophisticated operation that
fabricators run, they couldn't understand how to read the
document and fill it out, even though they were furious and
their livelihoods were at stake. They couldn't take time,
and they didn't understand it, but you've gone through the
document and come up with suggested answers and put together
snapshots? Doesn't that seem a bit inconsistent? Or are
you just--

MR. PERRY: Can I respond? William Perry,
Harris, Bricken. Vineet is a importer. Alan did fill out the questionnaire. So, and he did--

COMMISSIONER SCHMIDTLEIN: So the importers know how to fill out the questionnaires but the fabricators don't?

MR. PERRY: Well, except when you're talking about data. That's when it gets very complicated. Go ahead.

MR. JORGENSEN: Alan, Bedrock Quartz. So from sitting as a fabricator, you know, I saw the Coalition website and saw the data and saw the emails that went through. And any, if you could call it coaching, or any effort to try to demystify it a little bit, was only with respect to like 2 percent of what's really going on. Because you cannot coach through the data. It's simply impossible. And there was no effort in that website or in the emails to coach through the data. You know, I think the extent of the coaching there was to say, if that's what it's called, is to like, hey, we believe that fabrication is a complex activity.

So, but--

COMMISSIONER SCHMIDTLEIN: Therefore we encourage you to respond with a rating of 5, and acknowledge that rating as a reflection of the knowledge and training necessary. I mean don't you think they would know that on
their own? Why did they need to—why would you need to suggest that to all these fabricators? Don't they understand the business they're in?

MR. JORGENSEN: Yes, ma'am, they do understand the business that they're in.

COMMISSIONER SCHMIDTLEIN: So I mean you don't call that coaching? I'll tell you what, we've never seen anything like this.

MR. JORGENSEN: Yeah. This was, again, an effort to, as we're trying to understand how important the questionnaire responses were, all of our Coalition group was sending so many emails, phone calls, trying to get data on the record. And you can see, sadly, we were so discouraged at how few people responded, because even with—I just—there's no value of anything if this is coaching, and that is so difficult for it to do.

COMMISSIONER SCHMIDTLEIN: I mean on page 8-10, 8 of 10, it says your answers to questions 2-21 are going to determine if you should be considered a part of the domestic market. It is important that you therefore answer yes to question 21AI and that you answer no—I mean, you're telling them what to answer.

MR. MALIK: Again, these were just—we had told everyone, and even on the website it is mentioned, that you should answer in your own unique words and what you feel is
correct.

COMMISSIONER SCHMIDTLEIN: Okay. I'm just--

MR. PERRY: Let me just add one thing--

COMMISSIONER SCHMIDTLEIN: --I'm amazed that no

attorney has helped you complete--no attorney helped you put

this document together, or review it.

MR. PERRY: I did not help--

COMMISSIONER SCHMIDTLEIN: Any other attorney?

Anybody?

MR. PERRY: No, that I know of. I was the only

one. And I refuse to do anything like that. And the other

side of this is to keep in mind that it certainly didn't

work. You got 15 responses, less than 1 percent of the

fabricators responded.

COMMISSIONER SCHMIDTLEIN: Yeah, but 25 percent

of the 60 that we asked.

MR. PERRY: What?

COMMISSIONER SCHMIDTLEIN: 25 percent of the 60

that were asked, right? 15 out of 60? There were 60--

MR. PERRY: I don't know how many of them of the

60 were there, but I know that only 15 responded. And when

you look at the many--we were trying to get--Larry Jones had

said he would take any fabricator response he could get. So

we--and he told that to many of us.

So we were trying as desperately as possible to
get as many fabricators as possible. They were trying to get as many fabricators as possible to respond to the questionnaire.

COMMISSIONER SCHMIDTLEIN: Yes. Well, as you can tell, I mean we are very concerned about the potential for coaching in the--

MR. PERRY: That is why--I understand that. That's why I am so careful. I do not even look at questionnaires before they're filed at the ITC, as I said before. I always tell, whenever there's a question, to call Larry Jones up and talk to the ITC. I refuse to look at one, because I'm worried about that allegation.

COMMISSIONER SCHMIDTLEIN: Okay. Alright. Alright, so I did have a few more questions on some of the arguments in the case, because I'm still not quite clear on a couple of things, just based on some of the answers that we've heard since the questioning began,

I want to understand exactly how you all are defining these segments. And so the reason I keep coming back to this is that during the testimony I've heard, and I believe just a few minutes ago, the witness from Indiana said something about, you know, the median price of homes in Indiana is $120,000 per home. And that at that price point they can't afford a Cambria countertop, and then referred to that as "in that mass market."
So that's obviously a single-family home. So again, I'd like to get a sense of where the Respondents stand. If you all agree, how are these segments defined? Is it by price point? Is it by type of user? Is it by design? You know, the all white and marble are in the mass market? Can somebody sort of give a clear--

MR. JORGENSEN: Alan with Bedrock Quartz. Alan Jorgensen with Bedrock Quartz. I'll speak to that in my market. And one of the things that I talked about a lot in my statement that I put in is how localized these things are.

So in other words, the situation in Indiana and Utah are quite diverse. And so it depends a lot on what the price level of the home is, for instance. It depends on whether you're talking about a builder is your customer, or whether the end user is your customer.

If a builder is your customer, over the last 10 years in my market granite has primarily been the choice because the builder's bottom-line concern is I need the lowest possible budget price, what I'm going to have into my home-building budget. And so they would have that entry level price. Most builders would go there.

The individual homeowner who's building like a second or third home, they're looking for a very broad spectrum of products. They might--you know, they're now
less concerned about any price differentiation, and they're
looking for what's the aesthetic.

The builder, though, is primarily looking for
something that's fairly consistent and stable and is going
to meet their budget. And then they'll have a couple of
different categories of upgrading. And it depends on
whether they're building in the lower end, like a starter
home, or whether they're building like high-end custom home.

COMMISSIONER SCHMIDTLEIN: Right. So I mean it
sounds to me like it's really defined by price point, right?
You have builders who are building, as you just said, high
end homes versus lower priced homes. There are builders
building apartment buildings or condo buildings where the
condos--I mean here in Washington, you know, down in
Georgetown, the condominium buildings down there are, those
condos go for over a million dollars.

MR. JORGENSEN: That is one of the factors--

COMMISSIONER SCHMIDTLEIN: Right. So--

MR. JORGENSEN: Aesthetics are a big part of it.

For some projects, brands are a part of their concerns. For
some, they're concerned about brands, and some are not
concerned about brands. Some of the projects are concerned
about an architectural spec, some are not.

Again, this is a localized thing. There is not a
tight buttoned-up answer for this because it varies so much
by region.

COMMISSIONER SCHMIDTLEIN: So, is that, I mean,

Mr. Porter, Mr. Perry, Mr. Stoel --

MR. PORTER: Commissioner Schmidtlein, this is

Dan Porter. I think you were out of the room. We had
somewhat of a discussion with Commissioner Kearns. I'd like
you to turn to Mr. Dougan's chart -- If you could turn to
Confidential Page 7 of Mr. Dougan's chart.

COMMISSIONER SCHMIDTLEIN: Yeah.

MR. PORTER: We are -- I think you were out of
the room -- we've had this discussion before. Segmentation
is the explanation for why you're seeing the hard data. You
have the hard data here. You actually brought this up
yourself in questioning this morning. Okay. If Cambria's
theory of the case were correct, why do you see increases in
Cambria pricing? Segmentation is the answer to that
question.

COMMISSIONER SCHMIDTLEIN: So, I guess, so you're
representing LG. What's your definition of the segments?

MR. PORTER: Okay, sure.

COMMISSIONER SCHMIDTLEIN: Is it by end user, is
it by price point? In other words, there can be low-price,
single-family homes that are considered to be mass market.
There could be high-price, multi-family condominium,
apartment buildings that can be --
MR. PORTER: Right.

COMMISSIONER SCHMIDTLEIN: -- high-end, you know, like, what's the --

MR. PORTER: Thanks again. Dan Porter. So there are two different things going on. One is just sort of the market segmentation. And LG Hausys America has provided what, you know, what they think the segmentation in the market is. They have sort of broad categories, residential, commercial, builder. They've actually given you what they perceive to the relative quantities of each. And they've given you the growth rates of each.

And then each of those is further, sort of, you know, in their mind, segmented some more. So they have actually given you what their view is of the segmentation of the market. But that's sort of the segmentation of the market. A very different question is, how they price their products for the market.

And in what we've shown you is, with the price list here, they price their products broadly with respect to how sophisticated the design is and therefore how expensive it is to make. Because they are focused on U.S. production. And so the more sophisticated design and that's gone into detail -- I just wanted to make before I forget, the statements today are just a summary of the very detailed, sworn declarations that what was given as part of the LG
Hausys American brief. So when you get a chance, if you
could do that.

But it gets to, you have Groups A and B with less
sophisticated design, and so they're for lower price, and
Groups C and D with more sophisticated design and higher
price.

COMMISSIONER SCHMIDTLEIN: So would you, for LG
then, would you say within each of those, roughly, builder,
residential, what did you call it, commercial?

MR. PORTER: If you look here -- I mean I was
talking -- I anticipated this very question. If you look
here, this kitchen, retail and bath. And ask Mike Morici to
explain it --

COMMISSIONER SCHMIDTLEIN: I know I'm beyond my
time, by the way.

MR. PORTER: Yeah, but this is the very highest
end. Okay.

COMMISSIONER SCHMIDTLEIN: So there's no low-end
kitchen retail and bath?

MR. PORTER: Go ahead.

COMMISSIONER SCHMIDTLEIN: So that was gonna be
my question. Within each of those, right, for residential,
like, is there a high-end and a low-end? For builders --

MR. MORICI: Right.

COMMISSIONER SCHMIDTLEIN: -- there's a high-end
and a low-end --

MR. MORICI: I'm sorry, this is -- sorry for cutting you off. This is Mike Morici -- we see the market, the residential market that the majority of the residential kitchen and bath market is high-end. That's the way that we view it and that's the way that we develop our products to target that high-end market.

COMMISSIONER SCHMIDTLEIN: But what about these homes in Indiana that are $120,000? Or, you know, I'm sure there's lots of communities across the country that are the median home price is around that.

MR. MORICI: Right. But the builders there do not go through kitchen and bath. Those are separate from what they're discussing. Those are homebuilders that are not going through the residential kitchen and bath market.

COMMISSIONER SCHMIDTLEIN: I see. And where do they buy, usually?

MR. MORICI: The homebuilders?

COMMISSIONER SCHMIDTLEIN: For a home at that price point?

MR. MORICI: Right. That would go through the fabricator.

COMMISSIONER SCHMIDTLEIN: Okay. Okay, my time is so --

MR. STOEL: Jonathan Stoel for the record. I know
you're over time. Clearly, we need to work on this and we will provide all the Commissioners with a better explanation post-hearing. I do wanna go back to -- you have the luxury segment and I go back to the hotel example, which Commissioner Kearns picked up on. In the lobby, you have a very expensive, beautiful countertop. And hopefully it might be a Cambria. And then upstairs, in the rooms, you have something different. And that's what we call the mass market.

And then similarly when you talk about the multi-family apartments, which have been exploding over the POI, I think you've heard from all the witnesses, particularly from the folks in the builders segment, you're not gonna find Cambria there. And why is that? Not only because of the pricing and everything else, but because Cambria itself doesn't wanna be there. They wanna be exclusive. They wanna be selective. So they themselves are staying in that luxury end of the market. But again, we'll give you more on this post-hearing.

COMMISSIONER SCHMIDTLEIN: Okay, thanks. My apologies.

MR. BUTLER: If I could -- this is Tim Butler again -- I have a very narrow focus. We're single-family new home builders in Texas. We operate design centers for those builders. So the builder sends his home buyer to our
facilities to pick all of the products for their houses. There're even products we don't supply, lighting, brick, paint, everything.

No matter what we think, we're in a fashion business. Fashion drives what consumers want. And most people have a budget. They have to live within their means. So they're building a new house, they come in with a certain amount of money to spend on the upgrades for their homes. They want the most fashion-conscious decision that they can afford.

And, look, we're in -- I'm in the major Texas markets, there's an end of that single-family home that we don't do that business. It's first-time homebuyer, it's that $120,000 house. They're not putting in granite, they're putting in Formica. There's an upper end of that market, custom home builders that quite frankly -- we do a lot of volume, and quite frankly, that's not our customer either. More of those customers probably buy Cambria.

But in our experience and in our design centers, day in, day out, when you move up the price volume curve, by the time you get to the price that Cambria has offered, most people choose natural stone. A high-end natural stone. So it's not, I don't think it's as simple as just price. I think it's price and style and how much style you can buy at the price. And so that's, when we talked about retail
kitchens, I agree with the gentleman, that's more high-end.

But builders are not retail. Builders, builder business, if that offers any clarification.

COMMISSIONER SCHMIDTLEIN: Okay, yeah, thank you.

CHAIRMAN JOHANSON: Commissioner Kearns.

COMMISSIONER KEARNS: Yes, thank you. Mr. Dougan, a minute ago Mr. Porter reminded us of a discussion we had this morning about pricing. And Commissioner Schmidtlein's questions about why you would see price increases on, if I remember right, it was Products 3 and 4, and if I heard the answer correctly, Ms. Drake and Mr. Davis gave three reasons.

One is, you know, the price is increased because demand was increasing, raw material costs were increasing, and there were increasing costs associated with the development of distribution centers for Cambria and kind of the levels of trade differences that you would then see and pricing there. How would you respond to those arguments?

MR. DOUGAN: I would respond--Jim Dougan, ECS, Commissioner--I would respond to those arguments as, and I believe after that response, Commissioner Schmidtlein said something like, "Yeah, but wouldn't you see pressure? Like, regardless, isn't that why you'd see a squeeze?"

And we understand that you'd perhaps be better, more able to raise prices in a time of increasing demand.
And we understand that raw material costs can go up, and we understand that maybe your, the cost of getting to market would go up.

But, you know, in cases that the Commission often sees are the ones that we're sort of trying to defend as respondents, you're not seeing the trends that you have here. You're not seeing them increasing their prices as much, even in these situations with increasing demand. And particularly in cases with increasing raw material costs, the industry is having a really difficult time passing on these increased costs.

But that's not what you're seeing here. And one thing that I would—and we do spend some time on this in the economic appendix—because I think you're saying, well, yeah, but we see a little bit of a cost squeeze here. Because if I look at the COGS-to-sales ratios, they're going the wrong way, right?

One part of that to keep in mind is, that there—and this is where it would benefit the Commission from looking at each of the slab producers individually. And we understand you take the industry as a whole, but to understand, is that a trend or is that just a consequence of arithmetic due to the differing weights of each producer over time?

And as you have producers who increased their
production and sales relative to the others, their margins, their results will have a great impact on the weighted average of the industry, even if their trend is going completely the opposite direction from what your weighted average gets you. And I really wanna be very careful about saying more than --

COMMISSIONER KEARNS: But your shortest answer is, look at the individual -- not that it was being long, but -- but no, that your main thing is you're asking us, just look at the individual producers and see what's going on with pricing and seeing what's going on with each individual and that will help clarify things.

MR. DOUGAN: I think it will help clarify, and if you look at, you know, the Slide 7, which is the example that I used. And then if you look at the suppression data for the producer that those data relate to, you're not seeing a squeeze. You're not seeing the price suppression in the statistic that the Commission usually uses for that determination.

COMMISSIONER KEARNS: Okay, now, but I think you've been focusing on--maybe not--but on raw material costs or costs of goods sold, not necessarily addressing issues of the level of trade that we heard Mr. Davis talk about this morning.

MR. DOUGAN: Sure. And that's, again, I have to
be really careful, because he can talk about it as much as
he wants. It's his business. And so we have to be very
careful about what we say here.

COMMISSIONER KEARNS: Yeah. Post-hearing is
fine.

MR. DOUGAN: We do discuss it, we can get into it
more. I think, you know -- I gotta leave it there, sorry.
I gotta be real careful.

COMMISSIONER KEARNS: Okay.

MR. DOUGAN: Sorry about that.

COMMISSIONER KEARNS: No worries. I'm probably
gonna come back to price, but let me first go to a related
party's question, pretty similar to what I had asked the
petitioner this morning. Assuming I find that fabricators
conduct sufficient production-related activities to be part
of the domestic industry, how should I assess whether to
exclude fabricators that are related parties because they
import semi-finished subject imports? On the one hand, it
would seem to have an interest in domestic production, but
how should the balance tip if they are heavily reliant on
upstream subject imports?

Another issue is, if a fabricator is performing
better than the rest of the industry, but it's because of
low-priced upstream import material, how should that affect
my analysis? Any thought on that would be helpful.
MR. STOEL: Commissioner Kearns, Jonathan Stoel.

I think we discussed this a little bit earlier, but I think there's some confusion between the related-party issue and, you know, whether a fabricator should be part of the domestic industry. Maybe I missed that. I don't think there's any allegation that fabricators are not U.S. companies, they're not related to Chinese manufacturers or Chinese producers.

They obviously get an input that some of which is from China, but I point out, as you heard from Mr. Yoltay, as you heard from others, they buy from Cambria, they buy from Caesarstone, they buy from LG. They also buy from imports from other countries. So their main interest is to manufacture in the United States of America. Their workers are production --

COMMISSIONER KEARNS: Right. But you understand, like, when we're looking at related parties, we're trying to figure out whether or not, you know, importation of subject imports will skew our data in some way. And I think, in a lot of cases, it seems like the answer is generally, unless the volumes are sky-high, maybe not so much, especially in cases where you have, like, parallel things going on.

You've got importation of a final product and you're producing the final product in the U.S. You know, the accounting is such that those are separate things. In a
situation where we have semi-finished products that you're importing, your performance might look much better because you're taking advantage of unfairly traded imports as your raw material, your semi-finished product. So how do I analyze those things, especially when, in other words, there's overlap between these issues, right?

MR. DOUGAN: No, I agree, but again, I think your primary question, right, is where does the domestic producers' primary interest lie? Right? That's usually how you more broadly put out the test? I think there's no question here that U.S. fabricators are focused on their manufacturing. Yeah, some of them are importers, some of them buy product that might be imported, but their main focus is on production. And I actually would invite Mr. Yoltay to talk a little bit about, you know, how he views about wanting to fabricate more Cambria if he could.

MR. STOEL: Similar to your testimony. -- the fact that you also fabricate from domestic producers. And how you feel about, if you could, where you would fabricate the most from.

MR. YOLTAY: Josh Yoltay. The profit margin and markup on the Cambria, we make the most money. And I would really prefer, it takes longer time. The waste factor is higher on the raw material, which is slab from Cambria, but with their beautiful product, realistically we make the most
margin from Cambria. Is it applicable to all markets? No.

Like builders, we do not determine what they want. They tell us. And they want usually steady color.
If you look at these two columns on the both sides of your desk, you will see a scene, two pieces are getting together just like that. If you move up, down, left, right, you will not have any major effect on the look of the end product because it's very uniform.

The challenge with the builder, not for me, for the builder, they do not want the exotic colors to be installed in their kitchens because the perfection is very, very difficult, compared to again, these two columns on your desk on the left and right. When this is the case, they have to pay more for the time left over and they also have to, you know, deal with the customers' concerns. "Why is it like that?" I was not expecting -- They don't want headache. They want to give a good, steady, you don't need to seal, easy maintenance product and move on.

COMMISSIONER KEARNS: So in essence what you're saying is, your customer determines essentially who you purchase from? You know, it just depends on what kind of product they want.

MR. YOLTAY: You're absolutely right, sir.
Commissioner, they say, "I want quartz." Please go to Silestone and the other, you know, U.S. manufacturer,
whoever they want. I want light colors. We supply, like, ten, fifteen colors, all of them are steady and they pick from there. And one of the things they are trying to avoid, again, the dominant and dramatic look stones not to be in trouble later on.

And also the price point is important. And from the beginning we keep saying, "Oh, my God, it tripled, the quartz sales." I mean, did they start to build more houses because quartz is cheap now? We invented something? No. This triple sale we took from granite and we gave it to quartz. You know who we affected? We affected India with the granite. We affected Brazil with the granite.

After four years ago, I've been doing it for twenty-four years, after four years ago or five, there was no quartz in the market. All I was cutting was granite. And then meet the affordability and more U.S. manufacturers. The builders discovered that, hey, I have four groups for you with a different price with the granite. Now it's affordable and more supply I can add quartz for my customer to benefit them because I can afford it.

That is how the switch is coming, the preference from granite to the quartz. Believe me, if you look at the data from the construction industry, you will see that it's not increased three times, the total houses built on the East Coast. So what is changing? Switching to material to
more benefit -- but there's a limit.

You can give the consumer the Honda, but you
cannot give the Ferrari because the builder will be out of
business. Rather we use Ferrari like -- that was a great
question. Commercial, and we are confusing ourself and you.
No, in fabricator world, commercial, Commissioner
Schmidtlein, when you exit this building, you will see a
clock across the street. For us, this is commercial
building.

COMMISSIONER SCHMIDTLEIN: Mm-hmm.

MR. YOLTAY: And the builder is, like, I'm sorry,
I don't know if you can use the name, like K.Hov,
D.R.Horton, these are builder for us. And you, if you walk
into our warehouse, you're residential. This is how is the
classification and this is how we use. And we really like
Cambria. There is no better looking exotic color than
theirs. They're entrepreneur. Awesome. I did the Ritz
Carlton with them. I use it at, I think, Fannie Mae. We do
many, you know, commercial projects just like across the
street. They come number one. The seam, when you do the
seam miter, phenomenal. But is just for showcase, like a
Galleria at the front.

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

MR. DOUGAN: Commissioner, can I just add one
very quick thing. When you are -- the typical situation
where you're excluding, you know, importers or fabricators
who rely on supposedly, you know, unfairly traded imports to
their benefit, you're gonna expect them to be benefiting
from that financially.

And as I mentioned in my testimony, and you look
at the financial results of the fabricators, at least the
data you have, they don't appear to be really doing that
well compared to the slab producers. Now, that might be a
consequence of the data set you have, and we might see
different results from Cambria's fabricators when they give
us, if they give us their questionnaires.

But what you have in the data in front of you
certainly doesn't suggest that those who rely to at least
some degree on imported slab or benefiting to some
tremendous degree.

COMMISSIONER KEARNS: Okay, thank you.

CHAIRMAN JOHANSON: Several respondents'
prehearing briefs contend that there is attenuated
competition in the U.S. market. Respondents argue that
domestic quartz surface products had different aesthetics
than imported products. And purchasers ranked availability,
product consistency, colors, design aesthetics, quality and
product ranges as very important purchasing factors, as seen
at Table 2-7 of the Staff Report.
Notably, however, purchasers ranked domestic and imported quartz surface products from China as comparable on all these factors as seen in Table 2-9. The majority of purchasers also reported that they never make purchasing factors based on the manufacturer or the country of origin, as shown in Table 2-5. Additionally, most purchasers reported that domestic and Chinese product was always or frequently interchangeable, as shown in Table 2-10. How do all these data from purchasers reflect attenuated competition in the U.S. market?

MR. DOUGAN: Mr. Johanson, Jim Dougan. Let me make sure I just have the tables in front of me.

CHAIRMAN JOHANSON: You want me to read those out again?

MR. DOUGAN: No-no, I think I got it.

CHAIRMAN JOHANSON: Okay, thank you.

MR. DOUGAN: You got Table 2-7 and 2-9, I'm guessing, right?

CHAIRMAN JOHANSON: 2-7, 2-9 and also 2-5 and 2-10.

MR. DOUGAN: Hang on one moment.

CHAIRMAN JOHANSON: Okay.

MR. DOUGAN: I think that some of this has to do with the purchases within and across segments and so if you are -- for example, there was one of the witnesses earlier
today who said that, you know, when the builder comes to
them and says, "I want you to go quote me prices for quartz
from XY&Z," they're not mentioning Cambria. They're not
even in the hunt for that particular comparison.

When you have someone who is in the luxury
segment of the market and they're interested in the brand or
the design or the differentiated products that Cambria has,
you know, you're not going to another source for that. So
the comparisons, if you're a builder and you have an array
of products that you want to be quoted to you, you might be
interested in making price comparisons of things there, but
you're not making price comparisons across segments for
different end uses.

So the segmentation of the market is sort of
inherent in the comparisons that are made and the responses
that you get are from the perspective of someone who is
essentially within a segment or market that they're playing.
They're not thinking beyond that.

CHAIRMAN JOHANSON: Okay, thank you, Mr. Dougan.
I know that was kind of a long question. Feel free to--
MR. PLANERT: Commissioner, Will Planert here.
CHAIRMAN JOHANSON: Okay, I'm sorry, I'm looking
at another part of the room.
MR. PLANERT: All the way over here. I just
wanted to come back to the point that Dan made earlier,
because I think it's an important one. You know, the
evidence in this record for market segmentation is not what
you see in those tables from the questionnaires. The
evidence of the record on market segmentation is what you
see in the pricing data and something has to explain why
imports in these products, you know, particularly 3 and 4,
where there's a lot of sales of both imports and domestic
merchandise, why domestic prices keep going up, even in the
face of this very, very large underselling.

And market segmentation is the answer. And it
doesn't necessarily jump out at you from the survey answers,
and I don't know why that is. But we think that the
evidence in this record of market segmentation is in the
pricing and in what's happened with the domestic industry,
even in the face of big increases in import volumes and very
large underselling.

CHAIRMAN JOHANSON: Okay, thanks for your
responses. How would you respond to Cambria's argument that
Chinese producers are engaged in aggressive copying of
Cambria's designs and marketing materials as seen -- this is
discussed in the petitioners brief at Page 40 to 41.

MR. JORGENSON: Alan Jorgensen, Bedrock Quartz.
Speaking from my market, the Chinese materials that compete
in my market do not resemble Cambria at all.

CHAIRMAN JOHANSON: But if there is indeed
aggressive copying of Cambria's designs and marketing material, so say that's happening, does this copying impact any brand advantage? Does it also imply head-to-head competition between the parties based on price?

MR. STOEL: Chairman Johanson, this is Jonathan Stoel for the record. I think we'll address this more post-hearing. But I guess I would go back to something I said earlier, which I think it's very important to point out, and I think Mr. Davis said this this morning as well. There's a different manufacturing process involved. The manufacturers here in the U.S. are using technology that is different. The Chinese product is different.

I think the parties have laid out in their briefs how Chinese manufacturing involves more workers, more handcrafted materials. Some would argue that it provides a more artistic look. So it's a very different way of manufacturing than here in the United States. I guess I'd also point out that I think everybody in this room is in favor of strong intellectual property rights. But there are other places to deal with that. There's the FTC. There's the ITC's 337 case which Ms. Shult referred to this morning. There's a lot of places you can deal with that. I think the application of that trade remedy proceedings is pretty limited.

MS. MENDOZA: Chairman Johanson, this is Julie
Mendoza. I just have another comment on that actually, which is that I think what we're not taking into account here is, in addition to appearance, right, and the comparability, is the fact that we're dealing with one company here who has a very effective marketing strategy for selling their product.

And I think that, as we've heard from everyone else, there really isn't any of that going on with the Chinese product itself, so you know, if this copying, as they say, is so good, right, why is it then that Cambria can maintain over an extended period of time such a big distinction in the prices between its products and the Chinese product? I mean that question just has to be answered.

And I think that the way of understanding and then explaining it is to say that, sure, everybody comes into a market and people look at what other people are doing and what's popular, and they try to develop things that are gonna be more popular than other people and they've talked about some of these marble-look type stones.

But the reality is, there's something else going on, which is, and it's true of almost every home product you can think of in residential consumers, that, you know, some products just have a certain degree of marketing associated with them, so people want to pay more for those products
because they see value in the product which far exceeds what
one might just look at in appearance. And I think we have
to consider that as well.

And I think when some of these people were
responding to these questionnaires and they were being
asked, you know, to compare products of all the domestic
producers and all the Chinese producers, I think you got
some of those kinds of questions. The people that said
specifically -- you know, if the question had been there, do
you specifically believe that the Cambria product has some
independent value in branding that sets it apart? I think
everybody in this room would say yes.

MR. HUARTE: Commission Johanson? Matt Huarte,
Arizona Tile. Originally, we were in the stone business.
That's our strength, this natural stone. So when Mr. Davis
started off in quartz, what he was doing was copying what we
did, granite. Most of his original looks were just copies
of natural stone.

And then it progressed and, you know, we were
selling lots of Calacattas and Carraras and that's our
specialty. And so he started to copy those, too. When
you're copying natural stone, you're copying nature, we
think of it as Mother Nature, but that's our point. I don't
think he can claim, you know, to be in charge of all natural
stone and marble.
CHAIRMAN JOHANSON: Thank you, Mr. Huarte.

MS. PETERSON: Emma Peterson, Morris, Manning. I just wanna direct you to Exhibit 3 of the Chinese respondents' prehearing brief. Because in that exhibit, we're looking at each of the pricing products for Cambria and for subject imports. And all the data within there are APO so I don't wanna get into too much detail.

But I think this goes to your question, right, of whether or not, you know, if there are copies, as people are saying, or products that are similar, look similar, the real question is, is that affecting the domestic industry? Is that adversely affecting petitioner? And I think that the data in our Exhibit 3 very clearly demonstrate that they're not.

CHAIRMAN JOHANSON: Thank you.

MR. PERRY: William Perry from Harris, Bricken. Just one quick comment. In addition to 337, if this is truly an intellectual property like a copyright or something or trademark, they can go directly to customs and customs will stop that at the border.

CHAIRMAN JOHANSON: Thank you. Thank you for your responses. My time has expired. Commissioner Williamson.

COMMISSIONER WILLIAMSON: Thank you, Mr. Chairman.
Chairman Johanson already kind of addressed this, but let me pose it slightly differently. In its Preliminary Determination the Commission found a high degree of substitutability between subject imports and the domestic like product. Do you agree with this finding? And why, or why not? And what record evidence supports your opinion? And if you've already told me that, just tell me.

MR. DOUGAN: Jim Dougan from ECS. I think when you're--we would disagree that there's a high degree of substitutability. But when you're thinking about this question and how to analyze it, you have to think about what kind of--what do you really mean by substitutability?

If you're talking about purely functional substitutability, can these things be used interchangeably as countertops is a very different question as to whether they're actually substitutable in the marketplace and whether they're viewed as substitutable by customers.

And, you know, this whole discussion that we've just had about this pricing premium that Cambria, among others, has not only maintained but increased. I mean, you know, you heard the Petitioners this morning talking about you saw under-selling margins increase over the POI. Yes, because the domestics raised their prices.

And so if things were truly purely substitutable, you know, that's not something that you would see. The
other thing is, if you're talking about pure substitutability, you have to keep in mind that there's substitutability between quartz and other surface products like granite and marble and natural stone.

So to the degree that there is sort of an elasticity of demand for quartz and how that works with respect to price, you've heard testimony of several of the witnesses today that there's been substitution away from quartz to other natural stone recently.

So, you know, if you're talking about--

COMMISSIONER WILLIAMSON: So, no, you don't agree. They're not substitutable.

MT. DOUGAN: The answer is no.

COMMISSIONER WILLIAMSON: Okay, thank you.

MR. DOUGAN: I could have just said "no."

(Laughter.)

COMMISSIONER WILLIAMSON: I did give you the opening to say why, so that's alright.

The Commission found price to be at least of moderate importance in pricing decisions. Do you agree with this finding? And if not, what record evidence supports your position?

MR. DOUGAN: Jim Dougan from ECS. I would again go to sort of the response that I had earlier to Commissioner Johanson, which is, you know, within a certain
segment, you know, does price play no role at all? I mean I don't think anybody would argue that.

But you have to keep in mind how the segments are being addressed, and to what degree, by the different players in that market. And what the customer is thinking.

COMMISSIONER WILLIAMSON: Is it of at least moderate importance? Less than moderate?

MR. DOUGAN: Less than moderate. It depends on the segment. I think it depends on the segment.

COMMISSIONER WILLIAMSON: Okay. I was--below that table on 2-20 on which 23 out of the 38 Respondents--purchasers, responding purchasers, reported that there was not any distinguishing characteristics--i.e., price, quality, design--between your Breton-made quartz surfaces and non-Breton-made quartz surface.

Now 15 purchasers indicated there was difference, and some 7 stated quartz surface products with Breton technology were higher quality and more consistent.

But 23 of the 38. What are we to make of that in terms of this question of comparability?

MR. STOEL: Commissioner Williamson, Jonathan Stoel again. I actually think you heard this morning from Mr. Davis who, again, he has a long time of experience in this industry. He believes that Breton gives his product a difference. His company has invested millions and millions
of dollars in Breton-related IP.

You heard from LG. They also have done the same thing. So I think, honestly, people don't invest--

COMMISSIONER WILLIAMSON: But that's back in 2000, and that was compared to a different situation as to what was available.

MR. STOEL: Commissioner Williamson, I point out that DalTile also is using Breton technology. Their factory just opened in December of 2018. They believe, clearly, that there's some reason why Breton gives you an advantage. And I'll leave it to the LG witnesses, but I think they've already said that they believe Breton gives them advantages as well.

So clearly these are smart people. They're doing very well. They're investing millions and millions of dollars in this technology. It's a very different type of technology than the Chinese producers are using. And, yes, we believe that does create a difference in the market.

It's one of the reasons why you have this market segmentation that you've heard about today, and that clearly we need to do a better job of explaining to you in the posthearing, and we will.

COMMISSIONER WILLIAMSON: Even though 23 out of the 38 didn't see any difference?

MR. WESSEL: Commissioner, Jerry Wessel. I think
one way you can definitely see it is the slide we have with
the Calacatta vein making process. That's unique to the
Chinese producers. Because you see they're clearly making
those veins by hand. That's something you simply wouldn't
see in a Breton technology because of the highly automated
nature of it.

And I also think, too, I--

COMMISSIONER WILLIAMSON: Yeah, but how
significant is it, of what they're selling, is that?

MR. WESSEL: That's --

COMMISSIONER WILLIAMSON: I mean, exactly.
They're selling all across the board, all of the different
things. Because I think Cambria says they're copying their
designs, too.

MR. WESSEL: But I think as some have mentioned,
one of the big booms in the mass market was this Calacatta
vein-making process, which again is a specialty in some ways
of this--of the non-Breton technology, because of the
ability to get into the production process and use it by
hand.

And I also think, too, there were some people who
said, yes, Breton is important. But the others said quality
was one of the most important purchasing factors.

COMMISSIONER WILLIAMSON: Yes, there's that.

MR. WESSEL: And I think you're capturing in a
lot of ways the better quality of the Breton system through
that quality variable. Some may not know. A purchaser may
not know I'm getting a better quality product because I'm
buying Breton, but it's a higher quality product and that's
important to me.

So you see it in the quality variable, and you
also see it in this kind of Calacatta which boomed to a
significant degree in the mass market.

COMMISSIONER WILLIAMSON: Given what people said
about comparability, is that a--are you arguing that that is
sufficient to justify the pricing gap, the underselling that
we've seen here?

MS. BEDROSIAN: This is Marisa Bedrosian. So
there are some differences in the quality of the product
when Breton is used. So like others have mentioned, Breton
is a much more automated, mechanized form of technology.
There is a press that vibrates and compresses the slab, and
it creates a more dense product.

There's also different qualities of quartz that
are available. So a quartz--there's quartz and there's
others, right--so quartz is, a higher level quartz is whiter
in nature, and it's also more transparent. So, for example,
it's our understanding that Cambria's quartz comes from
northern Canada. The most expensive quartz comes from
Belgium.
And so again if the quartz is more white and it's more transparent, then it's a higher quality quartz. And so if Cambria is using the more expensive quartz, it's going to cost them more.

COMMISSIONER WILLIAMSON: But our data, what we're getting from purchasers, doesn't indicate that that's a big difference between the Chinese product and the domestic product.

MS. BEDROSIAN: You're saying that the consumer doesn't perceive the difference?

COMMISSIONER WILLIAMSON: It doesn't seem—that doesn't seem to be the case.

MS. BEDROSIAN: What were the consumers looking at, our of curiosity?

COMMISSIONER WILLIAMSON: No, I'm talking about the data we have in our Staff Report. Mr. Porter, you may wish--

MR. PORTER: Thank you, Commissioner. Again, you have a whole bunch of information, okay? And we're sort of suggesting that the nature of the purchaser questionnaire makes it a little more limiting in drawing inferences from what they're saying.

We're not saying—we're not saying that the purchaser answer wasn't being truthful. What we're saying is, what the purchaser is saying, does he perceive a
difference? Well, LG Hausys America colleagues are saying they don't know whether it's Breton or not. That's a manufacturer.

COMMISSIONER WILLIAMSON: Yeah.

MR. PORTER: Okay? But again, so there is what's called purchaser responses, and that is some evidence of this idea of comparability. But I keep wanting to go back to: Is the evidence reflected in the pricing? And on the sort of health of the U.S. producers?

And if I may, I'd like you to look at page 14 of our prehearing brief, okay? You may not have it because there's so many briefs, but what we do here is we put LG Hausys America's price of their Georgia-produced product, first quarter 2015, and the price of their pricing product three and pricing product four in the third quarter of 2018. And we put right next to it, which is confidential, the Chinese underselling.

This is pricing product. This is your data pricing product. And you see—I can't be specific, but large underselling. Yet, LG Hausys America was able to increase their prices for this pricing product in the face of huge underselling.

So how do you square that with what the purchasers are saying? And that's kind of the, I think the difficulty that, you know, you're going to have. Yes, the
purchasers did say something, but then, as Commissioner Schmidtlein is saying, I want to see it in the data. And we're saying that Cambria's theory of the market doesn't explain this data here.

COMMISSIONER WILLIAMSON: And what does?

MR. PORTER: Segmentation. Okay? That Cambria has chosen to operate in the segment--

COMMISSIONER WILLIAMSON: What about LG? Have they chosen to do the same thing?

MR. PORTER: Dan Porter. Good question. So as Mike Morici, both Dan and Mike Morici have said, is they have actually approached segmentation versus imports. And by the way, China is just one of many countries that they import from. But they are choosing to concentrate their U.S. production in the more high end, and then import the low end, and be able to go to--they want--they have a different business strategy than Cambria. Okay?

COMMISSIONER WILLIAMSON: Okay.

MR. PORTER: Cambria says I'm luxury. You hear a lot of statements, I just want to be here, fine. That's their business strategy. LG approached it, I kind of want to be able to offer something for a lot of people, so I'm going to make--and they've added--they're adding their third production line that's going to be completed at the end of this year, and they're thinking about a fourth. That's how
strong their demand is for their high-end products. But
they also import so they can round out their product line.
That's their approach.

COMMISSIONER WILLIAMSON: Okay--

MR. STOEL: And Commissioner Williamson, Jonathan
Stoel, just again, Caesarstone again, as they said last
week, they're playing in the medium and the premium end.
And they also said China is not. I mean, this is the
market differentiation. This is the luxury end. This is
the selective end. This is, you know, the exclusive end
versus mass market.

COMMISSIONER WILLIAMSON: My time has expired,
but if you look at advertising, the American way is the high
end, practically when you see everything. But, anyway,
thank you for those answers.

COMMISSIONER SCHMIDTLEIN: Okay, alright, I have
a few more questions. Hopefully we can get them all in in
this round.

A question about--I know there's been a lot of
discussion about the types and the look, right? And so
again I just want to make sure I understand what your all's
position is on whether or not Cambria can produce and is
producing the white marble-style look with the long veining.
Because I've looked at some of the quotes from the briefs,
and in the briefs at least some of the Respondents take the
position that Cambria doesn't produce that.

And then we saw the samples that came around
today that we looked at, and I know you all have looked at
them. I was one of the participants in the field trip where
we visited the factory and saw the inventory there on the
factory floor, and there were hundreds if not thousands of
slabs that were white with veining going through them.

So is the distinction you're drawing that it's a
different type of veining? And that makes the difference?
Is that what it's coming down to? Because of course as well
we have the pricing products. And when you look at pricing
products three and four--this is really for the lawyers--
when you look at those two pricing products, which are the
marble-style pricing products, you see a lot of volume from
the U.S. and a lot of volume from China.

MR. KECK: Commissioner Schmidtlein, that doesn't
look like Calacatta, okay? That's not what my customers--

COMMISSIONER SCHMIDTLEIN: Yeah, but the samples
we sent around that they brought today--I don't know if you
all have looked at those--

MR. KECK: They were Cambria.

COMMISSIONER SCHMIDTLEIN: Those were Cambria,
right. That's what I mean. So they were different than
that.

MR. KECK: Correct. And I've seen those. But
there's--I shouldn't say thousands, I don't know--there are many, many versions naturally that look completely different. And this product from my end users is highly personal and a unique design element.

My customers walk in that are on the residential side with a cabinet door, a paint swatch, and their tile backsplash ready to look at things, and they're walking by-- and I disagree with the assumption that everyone else is copying Cambria. Cambria is copying the natural stone, and there's die lots of natural stone, what Josh pointed out on the sides of your podium there, would be different a hundred yards down the quarry. It'll have bigger veins. It might be more pink. It might be more, you know, grey in it. It completely changes.

So from our perspective, we offer a number of different products that are all deemed Calacatta or marble. Now my clients have shown a preference for the Chinese design which to my clients looks the most realistic. But they also have selected LG products and Caesarstone products. I don't offer Cambria. Cambria will not sell to me. So there's no--I don't compete with Cambria in my market, and people don't come in and say anything about price with respect to them. So I'd just like to point out that there are hundreds of different choices, and just because they make one it's the highly aesthetic nature of
the consumer's choice in the end of what they want. You know, they can oh, look, I've got this, I should have sold it. But if it doesn't go with your design plan in your house, I don't care what. If you don't want to paint your room blue, nobody is going to tell you to paint it blue. They're not going to be able to make you do it. And so Cambria cannot force that buyer--

COMMISSIONER SCHMIDTLEIN: So but you're saying-- I mean, you've had that experience. Are you saying that's true across the entire market? That, by and large buyers, purchasers, don't like the white marble look that Cambria offers? They passed around several of them, right. I didn't count them, I think there were twelve names in there --

MR. KECK: I would not say -- what I'm telling you is that in my market. Which I don't compete with Cambria because I'm not able to offer. In most markets it's going to be an individual choice. My personal taste would say that, that is not as attractive as what I offer to my clients. And I think there are a lot of people that would agree with that. I'm sure that Cambria sells plenty of it, and they do sell to those people that want the Ferrari in the garage. I personally think the Camaro is a sexier car than a Mustang, but I'd like to drive it, but I can't see out of
the windshield.

COMMISSIONER SCHMIDTLEIN: Now you're talking price.

MR. KECK: The Camaro and Mustang are very similar cars in terms of the sexiness, but it's a personal choice for me and I think that's a lot of what has to happen out there and my personal view is that for my customers and what they report to me, is that the products I offer look fantastic, one of which being LG and one of which being Caesarstone.

But I will sell more of the Chinese Calacatta, than I do LG's. I do sell LGs. So --

COMMISSIONER SCHMIDTLEIN: Anybody else want to --

MR. SHAH: Yea. This is Rupesh Shah, MSI. There's something -- I if you were to go out to a designers in this market, there's something that's referred to as the "Cambria look." I can't define it literally in one sentence. But as we've heard this is a lot about aesthetics. But if you go to designers -- the "Cambria look," not to be mistaken for a "marble-look." This is an example of a "Cambria look" or I love that "Cambria-look," right. Now we're saying, "do people like it?" I'll be honest, you'll find some people who love this, you'll find a lot of people who hate it.

You start moving into mass-market looks of marble, you'll
probably find less people who feel this is the best thing I ever saw, but you're going to find a whole lot more people who don't hate it either.

It's much less polarizing. And when you go through the "Cambria look," if you ask designers, the vast majority of our colors, that they've branded, that they show on the front of their website, someone is going to love no different than you like beautiful art. But I don't think the five of you, or anyone in this room, will agree on what their favorite piece of art is.

COMMISSIONER SCHMIDTLEIN: Right. So here's a questions for the lawyers. Okay, so based on that, what is your position on these products 3 and 4? Right, so we have product 3 which is a 2 centimeter white port surface product marble-look, vein or movement, minimal to no visible particles. Particulates, specks, chips, crystals. Same thing 3 centimeter.

Is it you all's position that the volumes being shipped to the US, aren't really competing? That the people buying the volumes from China under these pricing products. These are not competing, based on I'm hearing from the witness testimony. Because even though these are both marble-looks, the vein or movement, you know, specifying no visible and other things. They are really not the same? They
are really
not the same type of product?

MR. DOUGAN: So Commissioner Schmidtlein, a
couple of
things. I don't think it's -- to your broader question, It's
not our position that Cambria doesn't make certain things.
They make more colors than anybody else, they make 166,
right. So they have a broader product mix than virtually
anyone. But in terms of their emphasis, and things of that
nature and their ability to command a premium in every
single product that they --

COMMISSIONER SCHMIDTLEIN: Is it still your
position that the Respondents, I know we have many of them
here, represented by different Counsel, that Cambria doesn't
produce the marble-look?

That's what -- I was looking at the brief a few
minutes ago, here from Quartzmaster, on page 11.

MR. DOUGAN: So in terms of the look, that is a
product that Cambria has responded to the Commission by
saying, "this is our marble-look," right. Now it might be a
different "marble-look" than what the importers are selling.

There is clearly a demand for that product.

People have looked at Cambria's "marble-look," versus
someone else's "marble-look," and -- there is a choice there
that is made based on aesthetics and taste clearly that
supports both a large increase in price and volume, and they might be, have different looks slightly, but they might fall broadly under the idea of marble look. But that's Cambria marble look product, because they've defined -- they've reported data for what they understand marble look to be. The importers have reported data for what they understand marble look to be.

And it may not be identical, right, but for their product that is they view to be competitive with the imported marble look, they're selling a lot more of it at higher prices. That tells me that there is a preference for that that cannot be based purely on an idea of competition based on price.

MR. KECK: Commissioner Schmidtlein, if I may. Just I think we need to always go back to say what's the position. It's not the position of LG Hausys America that can we or can't we make a white marble look. It's not their position that they don't offer a white marble look. Rather, the position, at least the position of the lawyer is what is the effect of the importation of Chinese product in price with respect to Pricing Products 3 and 4?

You actually have two U.S. producers' data right in front of you. You have 7, Confidential Exhibit 7 of Mr. Dougan, which is showing Cambria's Pricing Product 3 and 4, and you have LG Houses America in their brief on page
14, and you have their Pricing Product 3 and 4. Both U.S. producers were able to increase prices of Pricing Products 3 and 4 in the face of massive Chinese underselling.

It gets to the heart of what you're required to do, the causal nexus between the imports and any of the domestic industry condition. If two U.S. producers can increase their pricing in the face of massive Chinese underselling, we think that says something.

Now we're struggling with quite honestly about trying to explain that, but we submit the hard data is really the evidence that we're relying on, even though admittedly we've fumbled with the explanation in describing the market segmentation. It's the hard data that's the evidence here.

COMMISSIONER SCHMIDTLEIN: Okay, all right.

Unfortunately, we only got to one of my questions so --

MR. YOLTAY: Josh Yoltay if I may ma'am.

COMMISSIONER SCHMIDTLEIN: Yes.

MR. YOLTAY: Josh Yoltay. I think I understand your question and I agree with you. Yes, they have marble and as of today I do cut, manufacture and install Cambria successfully. But I would say 90 percent of the line, their color line, my customers do not pick the marble look. Instead, they do pick vibrant and unicols for their kitchen.
When it comes to marble look, even though they
do carry it, somehow it's limited because their specialty is
vibrant. It unfortunately for the customer taste, it's not
competing with the LG or other suppliers. It's not price,
it's the look because the same customer instead of colored
counter will buy another vibrant color.

So they're okay to spend the money. But I
think, and I don't know why we are very upset about the
white color cutter we keep talking. But their white color
cutter I feel and find less appealing. Their strength is
the vibrant color. If you put LG, MSI or four colors there
next to your chair, I will not be able to differentiate. I
can't tell which one is which one.

Put over there Cambria, I will tell you 90
percent of their product right away and not only me, you
will be able to say it too because it really differs and
stands out.

COMMISSIONER SCHMIDTLEIN: Okay. Let me just
follow up. Commissioner Kearns is going to indulge me. I
had one question for you. You had been talking about the
difficulty in seaming, right.

And so my question is given that the Chinese
product is done by hand, right, you were saying, and I
understood you to mean it's difficult to seam because
there's more veins, there's more movement so you see, you
know, thicker, thinner lines and so forth, why would it be
easier to seam slabs that are being done by hand, because
they're all going to be unique?

Is it because they just have less veining? Is
that the issue? No.

MR. YOLTAY: Maybe yeah, a little less veining.
It's excellent question. You will face the same difficulty
with the Chinese color cutter or LG color cutter or any
other. But when you look at the product pallet, like LG has
color cutter here, but they have many, many steady colors as
well, which we use in the builder industry.

COMMISSIONER SCHMIDTLEIN: When you say "steady
colors," you mean solid colors?

MR. YOLTAY: Just like the ones on the ends of
your desk.

COMMISSIONER SCHMIDTLEIN: Oh okay.

MR. YOLTAY: Yes, consistent.

COMMISSIONER SCHMIDTLEIN: I see. So it
doesn't matter where you seam it because it's just --

MR. YOLTAY: You're absolutely right.

COMMISSIONER SCHMIDTLEIN: Okay.

MR. YOLTAY: So if I go to builder with LG's
pallet, I put six steady colors or you want color cutter.
We also put color cutter as, you know, one very, very
highest upgrade. Yes, we will face and every fabricator
here will confirm the seaming problem. But I have another
eight, nine, ten colors uniform that I can put into builder
programs, and for any fabricator here builder is 80 percent
of our business.

COMMISSIONER SCHMIDTLEIN: But I mean given
that Cambria offers 150 or 160 different designs, don't they
have the steady colors as well that are easier to seam? No.

MR. YOLTAY: I have never in that many years
received a call or request from homebuilder, and again we do
not determine what they want; they choose it. Like bring
the Cambria, I want to price it and I want to see it. They
have their designers looking at different manufacturers.
They go and look what is Silestone manufacturing, what is LG
manufacturing and they pick their pallets from there.

So probably because it's very vibrant and maybe
the price point, the builders do not request me, I'm talking
about my behalf, for this product.

COMMISSIONER SCHMIDTLEIN: You're not sure why
though, if it's price or if it's aesthetics or what?

MR. YOLTAY: Oh, my opinion?

COMMISSIONER SCHMIDTLEIN: Yeah.

MR. YOLTAY: I think aesthetics, it is so
beautiful. Price, let's put it on aside, because tomorrow
they can say okay, I'm lowering the price and I'll buy it.
No. They are trying to keep away because of this seeming
problem. They want uniform house so your neighbor is not
going to complain yours is look better. It should be as
uniform as possible. That is what builder wants with the
added value of maintenance-free product, which is quartz.
You don't need to seal. Rare is it to scratch. That is my
opinion.

COMMISSIONER SCHMIDTLEIN: Yeah, okay.

MR. YOLTAY: Thank you very much.

COMMISSIONER SCHMIDTLEIN: Thank you.

COMMISSIONER WILLIAMSON: Commissioner Kearns.

COMMISSIONER KEARNS: Thank you. I'm going to stay on the same subject, maybe go at it a different angle.
But I'm going to go back to what you said, Mr. Planert a while ago. You stated that market segmentation can be seen in our product pricing data. What's hard for me to accept is that what I'm hearing from Respondents generally is that Cambria makes the exotic products that just don't appeal to the mass market.

But when we look at Product 4, white quartz surface product with a marble look with veining or movement, that doesn't sound very exotic to me, and I think that's what I'm hearing. It's the same product. It seems to me at least, tell me if I'm wrong, but it seems to be the same product China and U.S.

What I would add is I don't know, and obviously
this is proprietary data so I have to be careful, but I
don't know who, which U.S. producer has produced most of
this product. But what I can tell you is there's a lot of
product from the U.S., a lot of overlap between the U.S. and
China here for Products 3 and 4.

So it seems to me like there isn't a lot of
segmented competition there. So I guess I'd like you all to
respond to that.

MR. PLANERT: Well Commissioner, I think you've
put your finger exactly on it though, when you say well, it
looks like the same product and in terms of those product
def, you know, the definitions of the pricing product, yeah
they are. They're, you know, whatever the thickness,
whatever the specs are. They're the same product.

And yet they're clearly not the same product,
because one of them is consistently selling at a huge
premium to the other.

COMMISSIONER KEARNS: Okay, right. So that
gets to what I think -- the only explanation for that that
I see in terms of segmentation of any kind or attenuation of
any kind is what Ms. Mendoza was saying this morning. Like
okay, well if it's a brand difference, you're going to have
the exact same price I think is exactly what Ms. Mendoza
said this morning.

MR. PLANERT: Right.
COMMISSIONER KEARNS: Could be exact same product and there is this difference. I hear you on that.
I'll tell you like if it were me I'm going to into the showroom and I'm seeing a huge price difference and someone has to tell me this is Cambria and this one's not. I'd be like yeah, you know what? I don't --

MR. PLANERT: I'm with you. I'd be the same way.

MS. MENDOZA: But he'd be the same way. I'm not saying I would, okay. But anyway, I mean I think --

COMMISSIONER KEARNS: We won't judge one another.

MS. MENDOZA: And what you'll have to keep in mind is that there is a certain segment of our population, our country that's growing, okay, that is willing to pay more for products because they are associated with Cambria.

COMMISSIONER KEARNS: I hear you, but answer this then though.

MS. MENDOZA: Okay.

COMMISSIONER KEARNS: If you look at the market shares for these two products, China is gaining pretty dramatically for these two products.

MS. MENDOZA: But I think it's the same issue. It's not where Cambria is focused, right? I mean we can --

COMMISSIONER KEARNS: I don't know. I don't
know who's making this because it's aggregated, but plenty of U.S. producers are making these two products, plenty, and yet there's -- and there's total underselling and the Chinese are gaining a whole lot of market share. That's what I'm seeing.

MR. PORTER: Commissioner Kearns, Dan Porter.
Okay. LG Houses America sold out, sold out virtually the entire period. They can't, they couldn't produce any more of their U.S.-produced Product 3 and Product 4, even though demand was exploding. That's why they're putting in an entire new production line that will become operational later this year. So a growing market, and you can't produce anymore, obviously the imports are going to increase their market share.

COMMISSIONER KEARNS: Uhh okay. That's a totally different issue that is not addressing market segmentation though. What I'm seeing here is you look at 3, you look at 4, I'm seeing a very similar product, and by the way so one question is, this is a few slides back that you all showed. I think this was something that Mr. Shah may have been pointing out, where there was a -- no, not that. Can you go back -- that. No, not -- that one.
That's not marble look, right? Okay. So it seems like we're talking about a very similar product.
We're talking about lots of volumes on both sides. We're
talking about underselling and we're talking about lots of
lost market share, and I think that that to me is where I'm
having a hard time seeing segmentation.

I do see how some price difference, I would
guess, is attributable to the brand of Cambria. But it
seems to me like that's not working so well, that they are
gaining market share.

MS. PETERSON: Commissioner Kearns?

COMMISSIONER KEARNS: Yeah.

MS. PETERSON: Emma Peterson, Morris Manning.

I hear you, and this is something that Jim addressed a
little bit earlier, talking about the entire market, not
just pricing products, that there was some shift in market
share. But that's not because U.S. producers' shipments or
sales are declining, and it's actually quite the contrary.
If you look at page nine of Chinese respondents' prehearing
brief, everything's bracketed in the table there.

But there are some very, very significant
increases in U.S. producers' shipments of those products,
and again this goes to what Dan mentioned about how, you
know, he said LG was sold out. There are other mentions of
supply constraints. So all I'm suggesting is that it wasn't
limiting U.S. producers from increasing their shipments or
sales.

That's actually happening, and to the extent
there is a market share shift, maybe some of these other factors are playing into that.

COMMISSIONER KEARNS: Right. So that's -- I mean it's worth us looking into that if this is really just capacity constraints.

MR. DOUGAN: Commissioner Kearns, Jim Dougan. If I can just add a little bit to that. In addition to what you've heard from Mr. Planert, Mendoza and Ms. Peterson, you know, there is -- by the way I thought I heard witnesses this morning talk about how Britannica was a marble look for Cambria.

I may have misheard that, but if that's their definition of a marble look or it falls under their umbrella, that would be quite different than maybe what you're getting from some of the importers or even other domestic producers. But you have a very, very large -- the increase that you see in those products for Product 3 and 4 actually not just of price but of volume, far outstrips the overall increase in domestic producers' volume. Which means that in these products, they were increasing at rates faster than their overall shipments.

That may say something about the demand for that look as opposed to some of the other looks, and what -- one thing to keep in mind is the emphasis of the domestic producers and where the plurality of the looks that their
products fall under. I have to be careful about getting into proprietary information, but this might be a relatively smaller --

It was chosen by Petitioners because it was deemed to show the most overlap in competition. But it might not be as important of a product for them relative to their entire product mix.

COMMISSIONER KEARNS: Okay. I'm going to shift for a minute, and I think you've given me a good way to do that, as you Ms. Peterson, because I think we do need -- I want to ask some questions about capacity utilization. But I will point out, I mean these are again proprietary, so you've got to be careful. But these are look to be very important products to the U.S. industry. You know, from my perspective both from a volume side of things and price side of things compared to other products.

So yeah. But I think we're now moving from market segmentation to capacity utilization, and that starting with Mr. Porter, and I want to get me back to something you had said earlier, Mr. Dougan.

If I heard you correctly, you pointed out that Cambria's number of offerings is increasing over time, and that would explain -- and this is probably going to be a question for both you and Petitioners, and that increase in product offerings might explain a drop in capacity
utilization.

I think that's an interesting hypothesis, but I guess it's based on the assumption that they are producing every product that's on their list of what they are able to put on the market, right?

The presence of women and minorities says nothing about his popularity in those voter groups.

MR. DOUGAN: Actually, it's not based on that assumption. It's based on just the sheer number of products that they produce, relative to anyone else. So I think what I mentioned was let's assume it's an 80-20 --

COMMISSIONER KEARNS: But you don't know what they're actually producing, right? You know what they are offering.

MR. DOUGAN: We know what they're offering.

COMMISSIONER KEARNS: Which they could have an inventory or they could say well, we don't -- we're not producing it right now, but if you want us to we can make it.

MR. DOUGAN: Sure.

COMMISSIONER KEARNS: But they might not be doing it, right?

MR. DOUGAN: Sure, absolutely.

COMMISSIONER KEARNS: That's my point.

MR. DOUGAN: No, totally 100 percent. But I say that even if you -- so publicly, LG and Cesar Stone make
about 50 different offerings, and Cambria makes 150-160.

COMMISSIONER KEARNS: Right.

MR. DOUGAN: But even if you apply like an 80-20 rule, right? You say that like okay, Cambria makes 100 and --

COMMISSIONER KEARNS: But this is what I think it would be. But rather than hypothesizing about it, it's an interesting point. I think it's an important point. I don't know how Respondents would be able to help us flesh it out. I think Petitioners could, right. I think for the Petitioners, I guess I'd like to know of your 166 different products, how many of those did you make in the POI, you know? Information like that would be helpful to get us to better understand whether the drop in capacity utilization be attributed to a growth in the product offerings.

MR. DOUGAN: And on that point, we can say and I think Mr. Porter pointed out, I mean LG can answer the question for themselves.

COMMISSIONER KEARNS: Okay sure, absolutely.

MR. DOUGAN: And I think -- and if you look at -- he referenced the data in the staff report. I think it's Table 3-7, where you look at the trends in utilization for the different, the U.S. slab producers, and you see very different trends and you see that -- I mean without getting into proprietary information, the producers that produce the
much more narrow product set have way higher capacity utilization.

So when you see differing trends from slab producers who are presumably affected all the same by these, this large volume of subject imports that are coming into the market, why do you see different trends?

COMMISSIONER KEARNS: Yeah.

MR. DOUGAN: And when one of the producers increased their product offering by a third, it might help to explain that. Obviously, we don't have access to their information. But when you see the information, you see them talking about it, there is -- there is a very marked difference in their product mix and it might help to explain different trends that you actually observe in the data.

COMMISSIONER KEARNS: Okay, that's helpful. Mr. Porter.

MR. PORTER: Yeah Commissioner Kearns, Dan Porter. Just LG Houses America is a U.S. producer of quartz, okay, and I ask you when you get the chance, look at our prehearing brief, Attachment 2, page four of Dan Prokop, who's next to me, his sort of sworn declaration.

He describes the complication and down time that you get with increasing sort of colors and designs and so forth. He just whispered to me it is an absolute fact when they made the business decision to increase their offerings
of what they call C&D, the more high-end, more sophisticated
patterns, his capacity utilization dropped.

COMMISSIONER KEARNS: Right.

MR. PORTER: But they made that business
decision because, you know, they analyzed all that and
that's what they wanted to do. So that's why in this
particular industry, capacity utilization is a little bit
harder to sort of make inferences from sort of broad shifts
in data.

MR. DOUGAN: And actually if I could just --
sorry, just to add on one point there. When you're also
looking at this, one would expect that if one's capacity
utilization fell precipitously, that that would have an
impact on one's unit cost and how your ability to absorb
those fixed costs, and you would expect that that would have
an impact on your gross margins, right, because that's
really where your production costs are absorbed. That's
where that's reflected.

COMMISSIONER KEARNS: Right.

MR. DOUGAN: I invite you to look at the gross
margins of the various domestic producers and see if there's
a correlation between those who report the precipitous
decreases in utilization and changes in their gross margins.

COMMISSIONER KEARNS: Okay, that's helpful.

Thank you. Just to wrap up on that, I think there's a
couple of things I want to add. No, I mean I think that's basically it. But I guess it would be helpful if LG can also, just as maybe a point of comparison to Cambria, how many products you produced over the POI and how that affected your capacity utilization, that would be helpful.

MR. DOUGAN: We'll be happy, they'll be happy to do that.

COMMISSIONER KEARNS: Great, thank you. My time's up. Thanks.

COMMISSIONER WILLIAMSON: Thank you. Just one question, and you can answer this post-hearing if you want. We haven't had any discussion about non-subject imports and their role. I'm thinking particularly Israel and Spain, given that they were some of the earlier producers of this product, and also taking a look at Appendix F, the pricing data there. I want to know -- just comment on that post-hearing as to what bearing, how we should take that into effect in terms of their impact compared to the Chinese impact.

MR. PORTER: We'll do that, Commissioner.

COMMISSIONER WILLIAMSON: Good, okay. Thank you. Commissioner Schmidtlein.

COMMISSIONER SCHMIDTLEIN: Yeah. I had a couple more questions. One was I don't think anyone else has asked this this afternoon, but how do you respond to the testimony

Ace-Federal Reporters, Inc.
202-347-3700
this morning from Cambria that they do participate in the
commercial segment, as they define it, and they have 50
sales people dedicated to just that?

MR. STOEL: Commissioner Schmidtlein, Jonathan
Stoel again. I think there was some discussion about it.
How the word "commercial" and all of the witnesses, to
emphasize my point briefly, may be misleading. Remember, as
I said, when you're in the lobby of the hotel, you'll see
Cambria in the lobby and that may be considered commercial.

But when you go upstairs to Floor 2 to use
Commissioner Kearns' point, you don't see Cambria because
that's the mass market. So I think the term is misleading.
Yes, there's certainly Cambria in the commercial segment,
but not I think as the witnesses were pointing out across
the street, where you see a basic office building being
built. That's a different kind of market. But again, Tim
or others might want to weigh in on that.

MR. WESSEL: Commissioner, Jared Wessel, just
very quickly. As far as information we currently have on
the record about how they deploy their sales force, they had
one individual in California dedicated to the builder
market, and he was let go. So they had nobody dedicated to
serve in the builder market in the biggest state in America.

COMMISSIONER SCHMIDTLEIN: So is that -- I guess
that's different than a "commercial" market?
MR. WESSEL: Correct. Different than commercial, but again this builder segment that they've consistently said that they do not serve, they literally had one guy in California that they let go.

MR. PORTER: Commissioner, again the LG House Americas guys were whispering in my ear. If you look at the chart that they did, if you look at his chart and the chart in terms of relative size, you see that the builder is actually -- of course their best estimate is twice the size of the commercial market, and it had the biggest growth.

So when they say they participate in commercial really is the builder market, which Mike's saying is a really distinct market, okay, and that's different than commercial. I believe, and I know there was a lot of testimony today, that most of the testimony says Cambria itself says we don't want to participate in the builder market or not as much, okay.

I think it's the builder market that really is the argument of I believe Respondents. Again, I'll allow others to --

COMMISSIONER SCHMIDTLEIN: Okay, and have -- do you all, you know, given that demand is going up over the POI, at least as a total number, has demand been going up in each of the segments?

MR. PORTER: Again, with the -- from data --
COMMISSIONER SCHMIDTLEIN: How would you define them?

MR. PORTER: Yeah, the data from LG House Americas, we have a chart that tells you the size of the market and the growth rate. So it's right here.

COMMISSIONER SCHMIDTLEIN: And every, every --

MR. PORTER: Yeah, every one of the segments.

COMMISSIONER SCHMIDTLEIN: Every one of them is going up, okay, okay.

MR. PORTER: The last question I had was back to the pricing products. I know we've been focused on 3 and 4. But when you look at the other ones, at least for the slabs, all of them, the price of Chinese product went down over the POI. And that's -- it's actually public what the price is, and the pricing products are for the subject imports.

So my question is given that demand was going up so much, why was the price of Chinese product actually going down? Does anyone want to take a shot at that?

MR. JORGENSEN: Alan with Bedrock Quartz. My experience is actually opposite. The last several years that I've been importing, my prices have crept up. So I don't know about the overall data set.

MR. DOUGAN: Commissioner Schmidtlein, Jim. Dougan. We'll look into getting some data, and maybe it varies based on what importers are reporting at different
times and maybe new ones entered the market. We'll take a look and try to find out what accounted for that trend. I think one thing to please keep in mind when you're looking at the domestic prices, because we've obviously emphasized 3 and 4, because that's where most of the subject imports are and because there's increasing prices.

But one thing I would like the Commission to keep in mind is, especially when you look at Confidential Slide 7 and those price trends, that even for the pricing products for which you see flat or declining domestic producer prices, that doesn't necessarily reflect actual declining prices by those producers, but rather different relative shares of U.S. producers' counted towards that weighted average.

COMMISSIONER SCHMIDTLEIN: Okay. Well if you could take a look, because even in the -- even with all 12 pricing products, right, for the six fabricated products that we collected pricing data on, which was that sort of subcategory of fabricated products, Chinese prices go down in all 6 of those products as well, in addition to the slab prices.

MR. DOUGAN: We'll look into more information on the Chinese prices. But I would just caution that if you -- if you're seeing the aggregate U.S. price decline, and that's inferred to be in response to a decline in Chinese
prices, it's not actually so because the individual U.S. producers aren't even necessarily having declining prices, but rather there's a weighted average.

COMMISSIONER SCHMIDTLEIN: Yeah, no. I was more inquiring about the trend, just given the strong demand, the overwhelming strong demand, strong and increasing demand, wouldn't it expect to see -- you wouldn't expect to see prices going down at all, right, in a typical market. So putting aside the comparison with U.S. prices, why are Chinese prices falling when demand is going up so much? So you can answer it --

MR. DOUGAN: We'll take a look at that in our post-hearing. thanks.

COMMISSIONER SCHMIDTLEIN: Okay, all right. I don't have any further questions.

COMMISSIONER WILLIAMSON: Commissioner Broadbent.

COMMISSIONER BROADBENT: Yeah. I had one question for the Chinese respondents. To what extent will importers and Chinese producers take advantage of a gap in provisional duty coverage that will take place in May through June as a result of the government shutdown, which Petitioners allege will happen? To what extent does this affect our critical circumstances considerations?

MS. MENDOZA: This is Julie Mendoza. I don't, I
don't understand at all how it could affect a critical
circumstances determination. I mean the law provides very
specifically for the factors that you're supposed to
consider there, and I would just say that given the fact
that Petitioners just filed a case against two other
countries and said in their petition that the only reason
they didn't enjoy the benefits of the case against China was
because of the imports from India and Turkey.

So I think that pretty much settles it on, you
know, what the reason was for them not being able to fully
gain the advantage of filing this case against China. In
terms of the gap period, you know, what I -- obviously I
haven't spoken to every single company in the United States
about what their intention is, but my expectation would be
that it logistically it's very complicated to get these
products in, and that unless people have had, you know, have
the ability to sort of move into that area quickly, I think
it's going to be very, very hard.

As far as I know on the importer side, a lot of
importers have already decided that they are, you know,
looking for other sources and going to other markets, and
hence I think this trade case that's just been filed and the
concern there. So in sum, I can't, you know, read people's
minds on what they're going to do during this gap period.

I'm skeptical that it's going to be some big
increase at all because of the logistics involved. But
finally and most importantly, it has absolutely nothing to
do with critical circumstances.

COMMISSIONER BROADBENT: Okay. Thank you very
much. For Mr. Shah --

MR. WAITE: Commissioner Broadbent?

COMMISSIONER BROADBENT: Yep, yep.

MR. WAITE: Jason Waite. We would submit that
the gap period has zero relevance to the critical
circumstances analysis under the statute, and Mr. Brown can
comment on ASG's plans.

MR. BROWN: Yes, and also from an actual product
side, we have pivoted outside of China afterwards. We
didn't want to circumvent any tariffs or any -- so we will
not be taking advantage of the gap period at all.

COMMISSIONER BROADBENT: Okay, thank you.
This is just a question for Mr. Shah, and maybe you can
supply this for the record. We'd be interested in any
additional information you have available regarding price
trends for substitute products, such as granite, marble,
laminate and quartzite.

That would be helpful to us. I think that
concludes my questions, and so I appreciate all the
witnesses' participation today. It's been a fairly long day
and we appreciate you being with us.
COMMISSIONER WILLIAMSON: Do any other Commissioners -- Commissioner Schmidtlein?

COMMISSIONER SCHMIDTLEIN: Yeah.


COMMISSIONER SCHMIDTLEIN: Okay, all right. I did have one more question. This has to do with domestic industry. So I know we have, I guess, 15 questionnaires from fabricators. My question is, and I guess for those of you, I assume that all the fabricators here have submitted questionnaires as far as you know. Okay. So maybe you know the answer off the top of your head.

Are the fabricators for whom information we have also cutting stone that is not quartz? So you're still cutting granite, you're still cutting -- okay. So the question I guess for the lawyers is how does that impact our analysis, and I haven't looked at the individual questionnaires in terms of the capital investments, the number of employees.

I don't know whether you all tried to separate that or whether you can because employees are cutting both, whether you estimate, you know. So how does that impact your analysis when you have companies that are I guess sort of participating in more than one industry arguably?

MR. STOEL: Commissioner Schmidtlein, given the
hour we'll address that post-hearing. I would just point out that what you've heard from the witnesses is just like there are new U.S. slab producers. A lot of fabricators have moved their operations toward quartz. They used to cut granite or they used to do things for granite, and now they're focused on quartz. But we'll address that more post-hearing.

COMMISSIONER SCHMIDTLEIN: Okay, and I would invite the Petitioners to do so as well.

MS. MENDOZA: I mean Commissioner Schmidtlein, this is Julie Mendoza again. Just very briefly, the only other thing I would say is that in terms of your analysis, one thing that's really important that all the witnesses, I think, have alluded to is that the real price cap on this sort of builder market level of mass market, wherever you want to call it, the real price, you know, the thing that holds the prices at a certain level is the competition, right, with granite and with marble, because if prices get to a certain level, customers will start to switch, particularly builders and people like that.

So you know, if you're looking for an explanation of why in the mass market prices are where they are, it probably has a lot to do with the competition from these other materials. Do you agree with that?

COMMISSIONER SCHMIDTLEIN: So you're saying that
the price of granite impacts the price of quartz?

MS. MENDOZA: I'm saying that it -- if prices of quartz get to a level at which they no longer -- the customers can no longer justify buying quartz as opposed to granite or marble, then that is going to act as a deterrent to increasing the prices of the mass market for quartz, which is being sold in direct competition.

MR. SHAH: This is Rupe from MSA. I mean let me help you understand that a little bit better. If you think about the builder market, take any of the top production builders, Olinar, a KB Homes, and NBR/Ryan Homes, they've been putting granite at a certain point.

I don't know how much how familiar with builders, it's a non-discussion if they want to swap out of the product for a substantially different price point. They're just going to keep it as granite, right. So obviously the price of granite affects the price of quartz.

MR. STOEL: Commissioner Schmidtlein, Jonathan Stoel for the record. You'll see declarations appended to our briefs from both Mr. Shah and Mr. Huarte, that talk about this correlation, and we did already provide some information about the prices of granite and explained a little bit more. But we'll address this further.

COMMISSIONER SCHMIDTLEIN: Okay. Well that's very interesting, because if you look at, and if you could
include this in your response, the staff report page II-16, Roman numeral II-16, this is public right? Where in the survey questions to producers, importers and purchasers, we have 12 of 15 U.S. producers, 46 of 62 importers and 37 of 41 purchasers indicated that changes in the price of granite do not affect the price for quartz surface products.

MR. STOEL: I actually -- Jonathan Stoel for the record. I actually looked at that quite a bit myself Commissioner Schmidtlein, and we'll address that post-hearing.

COMMISSIONER SCHMIDTLEIN: Okay, all right.

Thank you.

COMMISSIONER WILLIAMSON: Commissioner Kearns.

COMMISSIONER KEARNS: Yeah. Just real quick, and this can be in the post-hearing brief. But on critical circumstances, what is the appropriate length of the comparison periods, giving the timing of Commerce's preliminary CVD determination, and I think you all had talked about long term contracts and you have talked about it quite a bit I know here and in your briefs.

If you can help document, you know, what, to what extent -- to what extent the product that was coming in after, after the petitions, after the prelim, to what extent that is product that's covered by long-term contracts. So again, something that can help us kind of look at the data
in aggregated form better, that would be helpful.

COMMISSIONER KEARNS: Thank you. That's it.

COMMISSIONER WILLIAMSON: Okay. Any other Commissioner questions? There are no Commissioner questions. Staff have any questions for this panel?

MR. JONES: No questions from staff.

COMMISSIONER WILLIAMSON: Thank you. Do Petitioners have any questions for this panel?

MS. DRAKE: No, thank you.

COMMISSIONER WILLIAMSON: Good, okay. Thank you. Well I just want to thank this panel for their testimony and hanging in here this long. It's now time for closing statements and I'll dismiss you. But let me just give the time for closing statements. The Petitioners have 12 minutes direct and 5 minutes for closing for a total of 17, and Respondents have 1 minute direct and 5 from closing for a total of 6 minutes.

So as soon as this panel is settled, we will have closing statements, and thank you.

MR. BURCH: Will the room please come to order? Rebuttal and closing remarks on behalf of the Petitioner will be given by Roger B. Schagrin of Schagrin Associates. Mr. Schagrin, you have 17 minutes.

COMMISSIONER WILLIAMSON: When you're ready, thank you.
CLOSING STATEMENT OF ROGER B. SCHAGRIN

MR. SCHAGRIN: Thank you, Commissioners. I'd like to thank you for your patience today during a very long hearing, your excellent questions. I'd like to thank the staff for their exemplary work putting together a very comprehensive staff report.

I'd like to start first with everybody wearing the lovely red shirts, Save American Quartz Jobs. So that's what we're here to do today. I just want to assure them that I've spent 38 years trying to protect American jobs. I know there's obviously more jobs in fabricating quartz than there are in producing quartz slab.

The ITC has heard for years, usually from clients of originally Hogan and Hartson, Hogan Lovells, more jobs in metal fabrication than in steel production. But we analyze each of these cases based on their records, and trade cases are not just about lobbying exercises, thank goodness not who, you know, brings the most people and who gets the most signatures on petitions.

Luckily for all of us involved, particularly the smaller firms up against the goliaths, it's about the factual record that your staff puts together. And let me just tell you what will happen to your fabricator jobs if the Chinese importers win. As Mr. Brown testified today, all of the new dormitories at Syracuse University were
pre-fabricated in China.

The record is replete with the fact that more and more of the imports from China now are being fabricated in China. As we all know about the Chinese Communist government, they want to subsidize more employment in China. On this issue, the Commission can look at importer questionnaires for what their plans are in the future.

So if we lose this case, first the U.S. slab producers will be shut down, but then I will guarantee a lot of fabrication jobs, where folks are fabricating Chinese slabs today, your jobs will be replaced by the importation of pre-fabricated products from China.

Instead, if we win this case, you should have the opportunity to buy from five U.S. producers and maybe even more given the growth in this segment, and that will be good for everyone.

Now let's get to the main issue that the Respondents raised today, which is attenuated competition. Hate to say this about Cambria but, you know, the Cambria brand has become almost worthless as a brand. As Mr. Davis talked about, the importations from China of all these products in the same patterns of design have flattened out the market. Nothing could show this more, and I'm not great at Internet searches, but I will guarantee for all of you, if you go and Google white quartz marble on your computer,
within 15 minutes you'll see 20 different offerings of different brands.

It's Cambria, it's Viatera, it's Silestone, it's Daltile. It's 20 different Chinese brands. As you can tell from this record, they're now all beginning to make the same looking quartz surface product. So it's becoming a commodity product, and that's why new cases were filed.

You heard importers say hey, we're switching from China to India and Turkey. That's why we had to file new cases. Now maybe I'm missing something here, you know. We had some new counsel at the final, but we had a lot of the same counsel and the same economic analysts at this final hearing that we did at the preliminary conference.

Now they will have the opportunity to comment on the draft questionnaires. We read those comments on the draft questionnaires. There was not one comment filed by all these folks who spent all their time in the prehearing briefs, who spent 50 minutes out of their one hour of testimony on attenuated competition saying Commission staff, why don't you gather information on the mass market products, the homebuilder product, the hotel product, the this product, the that product segmentation?

They could have -- instead, they wait until now and say let us tell you about all the product segments. You know, we had more discussions. We're going to do our best
to answer your questions, Commissioner Kearns, about where Cambria's product go. But the fact is a lot of their products go to fabricators and to distributors, and they don't know the end use of all their sales.

So I was just amazed that LG is able to say we can tell you, even though I'm sure they mostly sell through distributors and fabricators, we can tell you where every single ton of our product goes. I just think it's amazing. I mean maybe they're just making good estimates, or maybe they're really trying to win this case and ensure that they don't have to pay any duties on their Chinese products.

So and I think, and many of you Commissioners pointed out, the best place for information on the substitutability of these products is in your staff report. I mean the Commission staff did get excellent information from purchaser questionnaires on the substitutability of these products.

We just found out, you know, once again they all said oh Cambria can't sell it. Cambria is a Ferrari. Well, it's funny. Somebody, one of the Cambria people texted me and said, you know, the Hyatt Place Hotel, like what is it 100 yards from this Commission building, all of the rooms have Cambria surface products. Now you would think based on the testimony that Cambria would only be selling to Four Seasons Hotel or to Chanel stores.
But no. They sold to Hyatt Place and I'm, you know, maybe I've missed it. I don't think Hyatt Place is the Nieman Marcus of hotels. But it's a very nice hotel. So they sell to the mass market. So not just the clips we gave you in Ms. Drake's testimony, that was just part of it, but actually your own Hyatt Hotel has that.

So you know, the issue that the Respondents focused on attenuated competition at the preliminary conference wasn't these different market segments. They focused then, and they focused again today on the issue that the Chinese focused on white marble products, and the domestic industry didn't. So the staff very wisely, on their own, put together a chart and asked all the importers and domestic producers tell us about the different colors you sell.

I refer you to Table IV-5 in your confidential staff report. That gives you all the products. Now the actual data is BPI, but I know I can categorize it and I think the appropriate term, I'm not an economist like Mr. Dougan, is to say that the plurality of the domestic sales and the plurality of the Chinese sales are white marble. It's the biggest segment for everyone. It's clearly the biggest segment of the market.

Now I just can't believe that if counsel looked at that table, that they would actually allow witness after
witness after witness after witness to say well, the Chinese
are doing so well because they're in the white marble and
the domestic industry isn't. In fact, it's clearly the
biggest product for everybody. It's Cambria's biggest
product. It's everybody's biggest product.

The problem is pricing. And when you do look at
Products 3 and 4, which there was a lot of focus on today,
you can argue about what's new with pricing and we'll talk
about that later in our post-hearing brief. But look at the
difference in the rate of increase, from the first quarter
of '15 until the third quarter of '18 between the domestic
producers and the Chinese.

Their rate of increase is possibly more than 100
times our rate of increase. I mean that's just
mind-boggling. No wonder they're gaining so much market
share. They are gaining share in the biggest segment of the
market. So you know, I think most of your record and the
Respondents had the opportunity to fix that if they wanted
with questionnaires.

I know that Commissioner Schmidtlein in a case
maybe about 18 months ago, I made a mistake of not alerting
the Commission to domestic producers of drain products, and
it was my fault and I owned up to it, you know. It was me.
I'm the guy whose name was on it. It was our product, it
was our scope, we should have found out through Googling it
that there were these other folks. So I would say
Respondents share that responsibility.

It's not like they got Joe Schmoe. They got
Hogan Lovells. By the way, I wasn't even invited to their
Happy Hour. They advertise they have a big Happy Hour going
after this. So I'm actually keeping them from drinks, which
will not make me a popular person.

Let me alert you to Mr. Dougan's comments on,
you know, capacity and this capacity shortfall. So his
Chart 3 of structural deficit persists in US QSP market,
even with overstated domestic capacity. Well, as some of
you pointed out in questions, if there's a shortage in the
market, if the domestic industry can satisfy so little of it
and everybody's -- why aren't prices from China going up?

Simple economics says if the market's short,
prices go up for the newest supplier. They come in at an
even higher price, because there's a shortage of product.
So that argument flies in the face of economic logic.

Now let's get to the capacity argument, because
he says it's overstated domestic capacity, and he does an
analysis on capacity of Cambria, and an incredible chart
showing how, you know, changeovers have such an effect. Let
me tell, it's just noise. Cambria took into account all
their color changes when they gave the capacity, and this is
one of the areas that, based upon the fact that Cambria's
the largest U.S. producer, the ITC staff verified Cambria's questionnaire and it was one of the issues that the staff focused on. Tell us how you determine capacity, and they took all these changes into effect.

But even so, if they were adding more colors, if it was taking them more time, if they needed to utilize their capacity more and their capacity, why did they go after 15 years of operating seven days a week to operating four or five days if they needed more time to use their machinery, because they had more changeover time. Why did they do it? Because of a flood of dumped and subsidized imports, the same reason that Cesar Stone is shutting down an entire line next month.

Finally, let me just address critical circumstances. Basically every single respondent witness said hey, it couldn't have been us because we didn't increase our imports after the filing. It must have been somebody else. But imports went from four million square feet in April, the month the petition was filed, to 13 million feet in August.

So then they say well, you know, there's a lot of seasonality. But if you look at the chart, and I urge you, there was a question earlier, you know, that our chart on critical circumstances was different from the staff report. Well, I looked at that during the very long
afternoon session. The staff report is based on importer
responses, and it covers just a slight majority of imports.

So I'd urge you, as you're looking at critical
circumstance, use the actual import data, because otherwise
you don't have the real data. So if it's always seasonal
and there's more imports in the summer even if trade cases
haven't been filed, then why in 2017 were the two biggest
import months October and December?

Come on. You just can't make things up because
you're in the middle of a case, and there is real problems.
The inventories of Chinese product are massive. At the end
of September, 30 million square feet. That's twice
Cambria's annual production, and that's why Cesar Stone is
shutting down a line right now, is because of that inventory
overhang.

And that's why LG Houses, who didn't come here
at the preliminary conference, they admitted in their
testimony -- they said and "Third, if accepted, Cambria's
critical circumstances allegations will cause significant
harm to LG Houses America's ability to invest even more in
Georgia. That is why we're here today."

So they're here because of money. I can
understand that, but let's just tell it like it is. I think
you do, you can take into consideration the gap period, as
we pointed out in our brief. The statute says you can take
into account any other factors of importance, and that's a very unique factor. I'm offended. If in fact it takes place, we've seen a lot of emails saying that's what they're planning.

Obviously nobody here today is doing it or they would have fessed up to it. But it seems like a lot of people are planning on doing it, and I don't think it's appropriate and it's moral for anybody to advise their client that they ought to take advantage of the pain and suffering of the government shutdown.

So in summation, this case is clear. In a market of absolutely booming demand, which you can look at in the context of the business cycle for quartz-surfaced product, imports from China exploded. U.S. producers lost share. Their capacity utilization fell. Their production and shipments were flattening out, and their profit margins were falling. Everything for the domestic industry should have been skyrocketed in a period of booming demand.

Two out of three U.S. producers have had layoffs. This record established a clear causal nexus between the dumped and subsidized imports from China and the injury to the U.S. industry. We thank you for your time today, and look forward to seeing you again soon. Have a nice evening.

COMMISSIONER WILLIAMSON: Thank you.
MR. BURCH: Closing and rebuttal remarks on behalf of Respondents will be given by Julie C. Mendoza of Morris, Manning and Martin and Jonathan T. Stoel of Hogan Lovells. Ms. Mendoza and Mr. Stoel, you have six minutes.

COMMISSIONER WILLIAMSON: Ms. Mendoza and Mr. Stoel, you may begin when you're ready.

CLOSING STATEMENT OF JULIE MENDOZA

MS. MENDOZA: Thank you. Julie Mendoza. We won't take up much time. I know everybody's, it's been a long day. Just a couple of very important points on critical circumstances, because I think you all understand the amount of money involved in that.

And I point out that this morning, Ms. Brown from Busch Products pointed out that when she does commercial contracts, that they're done months and months in advance, right, and that that necessarily locks them into a certain product, okay.

Well the same is true here. I mean when people were placing orders for quartz in the segments like the builder segments, they were doing this months and months before the petition was filed. So I think that is a relevant factor to consider when you review the nature of the information.

Secondly, you know, regardless of what Mr. Schagrin says, the reality is that this is an industry
that's performed in a very, very strong manner and just had
an enormous amount of investment.

Finally, I think the most important thing to
consider is the new case he filed. I mean to me, if you're
going to say in a new petition that the reason that the
industry has not received the full benefit of the case
against China is because of imports from India and from
Turkey, then I think that kind of resolves the question of
whether China needs to have critical circumstances imposed
on it, because somehow the industry has failed to realize
the full benefit of these cases.

CLOSING STATEMENT OF JONATHAN STOEL

MR. STOEL: Good evening Commissioners, Jonathan
Stoel again for the record.

Just to add to Ms. Mendoza's point on critical
circumstances, I think if you look at the financial -- the
domestic industry's performance in the first three quarters
of the year, you can't have critical circumstances. It's
simply not warranted at a time when subject imports were
high admittedly, the domestic industry did very, very well.

There also hasn't been material injury, nor is
there a threat of material injury. This case is not about a
commodity product. It's about an aesthetic product that is
highly dependent on consumer choice. You heard today the
competition between subject imports and U.S. manufactured
product is very limited. To use Jim Dougan's term, highly attenuated.

This is because U.S. manufacture of quartz is manufactured with Breton. It targets the luxury end of the segment, not where Chinese product is. I think again, we used this slide several times. Look at what they're trying to sell. That's what they want you to buy, and it's a very, very high end, very luxury product.

Look where the white is. There were great questions from the Commission about producing white. We're not saying that they're not producing white marble looks. But look at what they're emphasizing in terms of what they're trying to sell, and the Cambria brand that so very, very strong.

Cambria is being sold in the lobby of the hotel. Chinese product is being sold upstairs. Cambria is being sold in Derek Jeter's house, perhaps you know, Chinese product is being sold in the average American's house. Also I think as Ms. Mendoza said, this industry is doing very, very well. We want them to do well.

You heard from many, many fabricators today who are part of the domestic industry. They want the industry to do well. You also heard from LG Houses, one of the slab producers, and you heard from Mr. Porter and his witnesses how remarkably well they are doing.
Again, this is not an industry that is suffering material injury, and that's partly because as I've said, look at that product. It's a high end luxury product manufactured right here in the United States. It's commanding very, very high prices. Now unfortunately you heard a few misstatements today from our friends. I would just like to go through a few of them.

The first was you had a panel of witnesses this morning. Only Cambria had filed their questionnaire responses. I think that's unfortunate. You don't have the data from their fabricators. We haven't had the data to look at them. Mr. Dougan hasn't had a chance to examine them, and your staff, which has worked so hard, doesn't have the data to analyze. I urge you to ask them to submit their questionnaires immediately.

Secondly, there was discussion about how there weren't any price increases over the POI. Cambria's own brief talks about price increases throughout the POI and in 2017. That's simply not true. There was some discussion that their product might not be protected by brand. But again, Mr. Marchese said that their product is designed to "promote exclusivity." Mr. Davis said that it was a selective product.

This is the sign of how a brand is successful. This is why he's been successful. He's done very, very
well. His company has done very, very well. They also, I think, have asserted to you that some of their problem was self-inflicted. We've put on the record lawsuit after lawsuit in which they've had some challenges with their business partners. They've had Lexus partners who they've fought with and then unfortunately they lost sales as a result of that.

The point of that is not to say that Mr. Davis or his company is not doing well. The point is to say that has nothing to do with subject imports. Flowform, who appeared before your staff at the preliminary conference, is not here today because apparently they were in a fight with Cambria. I'm assuming that cost them sales.

Also, I would like to submit that this case is about whether there's been injury to manufacturers. What I heard about this morning was injury to distribution. They talked about expanding to 16 new distribution centers. That's not injury to manufacturing. To the extent that they made mistakes in their business model, that's not at the hands of subject imports.

Lastly, words about our friends the fabricators. These are good Americans, good American companies. I don't think that you can discount them, okay. It's important for you to consider their views as you decide whether there's been injury in these investigations. We thank you for your
time and your attention.

COMMISIONER WILLIAMSON: Thank you. Now it's time for closing statement. Post-hearing briefs, statements responsive to questions and requests of the Commission and correction to the transcript must be filed by May 16, 2019. Closing of the record and final release of data to parties is June 5th, 2019. Final comments are due June 7th, 2019. So thank you to all those who participated in this hearing. This hearing is adjourned.

(Whereupon, at 6:21 p.m., the hearing was adjourned.)
CERTIFICATE OF REPORTER

TITLE: In The Matter Of: Quartz Surface Products from China

INVESTIGATION NOS.: 701-TA-606 and 731-TA-1416

HEARING DATE: 5-9-19

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: 5-9-19

SIGNED: Mark A. Jagan
Signature of the Contractor or the Authorized Contractor’s Representative

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

SIGNED: Duane Rice
Signature of Proofreader

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

SIGNED: Gaynell Catherine
Signature of Court Reporter

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