UNITED STATES OF AMERICA
BEFORE THE
INTERNATIONAL TRADE COMMISSION

IN THE MATTER OF: ) Investigation Nos.:
WOODEN CABINETS AND VANITIES ) 701-TA-620 AND 731-TA-1445
FROM CHINA ) (PRELIMINARY)

Main Hearing Room (Room 101)
U.S. International Trade Commission
500 E Street, SW
Washington, DC
Wednesday, March 27, 2019

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

Staff:

William R. Bishop, Supervisory Hearings and Information Officer

Tyrell T. Burch, Program Support Specialist

Nannette Christ, Director of Investigations

Elizabeth Haines, Supervisory Investigator

Calvin Chang, Investigator

Celia Feldpausch, Investigator

Robert Ireland, International Trade Analyst

Tana Von Kessler, International Economist

Brian Soiset, Attorney/Advisor
APPEARANCES:  Opening Remarks:

In Support of Imposition (Laura El-Sabaawi, Wiley Rein LLP)

In Opposition to Imposition (Matthew R. Nicely, Hughes Hubbard & Reed LLP)

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

Wiley Rein LLP

Washington, DC

on behalf of

American Kitchen Cabinet Alliance ("AKCA")

Bill Allen, Vice President and Chief Operating Officer, Showplace Cabinetry

Stephen Wellborn, Director, Product and Research Development, Wellborn Cabinet, Inc.

Perry Miller, President, Kountry Wood Products, LLC

Mark Trexler, President and Chief Executive Officer, Master WoodCraft Cabinetry, LLC

John Gahm, Vice President, Manufacturing, Kitchen Kompact, Inc.

Edwin Underwood, Chief Operating Officer, Marsh Furniture

Todd Sabine, Vice President, Sales and Marketing, American Woodmark Corporation

Dr. Seth T. Kaplan, President, International Economic Research LLC
APPEARANCES (Continued):

Timothy C. Brightbill and Laura El-Sabaawi - Of Counsel
In Opposition to the Imposition of Antidumping and
Countervailing Duty Orders:
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Washington, DC
on behalf of
Ad Hoc Coalition of Cabinet Importers ("ACCI")
Chris Graff, Executive Vice President, JS International
Inc.
Robert Hunter, Chief Operating Officer, CNC Associates
Michael Weiner, Managing Partner, Chairman of Kitchen
Cabinet Distributors and Ninth Street Capital Partners
Randy Goldstein, Chief Executive Officer, Kitchen
Cabinet Distributors
Mike Tudor, Owner and Chief Executive Officer, Builder
Supply Source
Luke Kinser, Managing Member, East Front
Cabinets/Summit Construction
James P. Dougan, Vice President, Economic Consulting
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APPEARANCES (Continued):

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- Of Counsel

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Chris Graff, Executive Vice President, JSI Cabinetry
Martin Schaefermeier - Of Counsel

Mowry & Grimson, PLLC
Washington, DC
on behalf of
Kimball Hospitality
Charles Bastien, Vice President, Sales and Marketing,
Kimball Hospitality
Chad Wilkey, Director, Product Development, Kimball Hospitality
Kristin Mowry - Of Counsel
APPEARANCES (Continued):

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Washington, DC
on behalf of
China National Forest Products Industry Association
Wu Shengfu, Vice Chairman, China National Forest Products Industry Association
Jeffrey S. Neeley and Stephen W. Brophy - Of Counsel

FisherBroyles LLP
Washington, DC
on behalf of
Cabinetry 1 Inc.
Affordable Home Products LLC
Robin Liu, President, Cabinetry 1 Inc. and Affordable Home Products LLC
Philip S. Gallas and Geoff Goodale - Of Counsel
APPEARANCES (Continued):

CKR Law LLP
Washington, DC
on behalf of
Coalition of Vanity Importers

   Lucas Liu, Chief Executive Officer, Design Element USA
   Martin Symes, Chief Executive Officer, Modern Bathroom
   Eric Dormoy, Chief Executive Officer, Madeli
   Bart S. Fisher - Of Counsel

Interested Party in Opposition:

   Casa Cabinets, Inc.
   Craftmart Cabinets LLC
   Nathan Gordon, Associate
   New Century Building Supplies Inc.
   Charles M. Cai, Cabinet Retailer and Importer

Rebuttal/Closing Remarks:

   In Support of Imposition (Timothy C. Brightbill, Wiley Rein LLP)

   In Opposition to Imposition (Dean A. Pinkert Hughes Hubbard & Reed LLP; Jeffrey S. Neeley, Husch Blackwell LLP; and Bart S. Fisher, CKR Law LLP)
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PROCEEDINGS

(9:30 a.m.)

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


My name is Nannette Christ. I am the Director of the Office of Investigations, and I will preside at this conference. Among those present from the Commission staff are, from my far right, Betsy Haines, the Supervisory Investigator; Calvin Chang, the Investigator; Celia Feldspausch, the Investigator; Brian Soiset, the Attorney Advisor; Tana Von Kessler; and Robert Ireland, the Industry Analyst.

I understand that parties are aware of the time allocations. Any questions regarding the time allocations should be addressed with the Secretary. I would remind speakers not to refer in your remarks to Business Proprietary Information, and to speak directly into the microphones. We also ask that you state your name and affiliation for the record before beginning your
presentation or answering questions for the benefit of the court reporter.

All witnesses must be sworn in before presenting testimony. I would note that we will be breaking at approximately 10:45 for a Commission vote. Are there any questions?

(No response.)

MS. CHRIST: Mr. Secretary, are there any preliminary matters?

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

MS. CHRIST: Thank you, Mr. Secretary. Very well. Let us begin with opening remarks.

MR. BISHOP: Opening remarks on behalf of those in support of imposition will be given by Laura El-Sabaawi of Wiley Rein. Ms. El-Sabaawi, you have five minutes.

OPENING STATEMENT OF LAURA EL-SABAAWI

MS. EL-SABAAWI: Good morning Ms. Christ and the Commission staff. I am Laura --

MR. BISHOP: Pull your mic a little closer for us please.

MS. EL-SABAAWI: I am Laura El-Sabaawi, counsel for the American Kitchen Cabinet Alliance. On
behalf of the petitioning U.S. producers of wooden cabinets and vanities and their workers, we greatly appreciated your work on this important new investigation. We are here today in an effort to restore fair trade to the wooden cabinet and vanity market in the United States.

While new information is still being added to the record, the evidence collected thus far already shows the fact pattern that you have seen in countless other investigations of Chinese industries. Steel products, furniture, hardwood/plywood, and now wooden cabinets and vanities, and you are seeing the same unmistakable signs of material injury to this fundamentally important American industry.

Dumped and subsidized imports from China are damaging the market share, prices and profits of U.S. producers. The volumes of these subject imports have been high and injurious throughout the Period of Investigation, and they increased significantly. In 2016, Chinese imports under the HTS number most specific to kitchen cabinets already total more than $900 million.

By last year, they reached more than $1.4 billion, for an increase of 57 percent during the POI. While demand was strong and growing during the period, the increase in subject imports far exceeded the growth in apparent domestic consumption. As a result, subject imports
took market share from the domestic industry, with subject import market share reaching its peak in 2018.

By value, subject imports took more than five percentage points of market share directly and completely from the domestic industry. While the data is still being compiled, we strongly believe that the market share shift by volume was much greater. Subject imports took more than $111 million of sales and revenues from domestic producers during the period, and they did so using dumped and subsidized pricing.

Data we submitted in the petition showed substantial underselling by subject imports, and the pricing product data the Commission is compiling appears to show the same. These imports have suppressed U.S. prices. Numerous domestic producers have told you that despite increasing raw material costs and growing demand, they have been unable to raise prices because of competition with unfairly traded Chinese imports.

These effects have been particularly pronounced because competition in this industry is based on price. It is the major factor that meaningfully distinguishes domestic and subject cabinets. The sales, market share and pricing that the domestic industry lost to subject imports directly harmed its financial performance. U.S. producers operating income margin dropped from 2016 to
2018, and capacity utilization remained low, all while demand was growing.

This is simply not what you would expect to see in a strong market, and it is a direct effect of unfair Chinese imports. In fact, subject imports are even driving U.S. cabinet manufacturers out of the industry. At least two U.S. producers went out of business thus far this year. Hundreds of workers lost their jobs when Master Brand Cabinets had to close two plants in Alabama and Minnesota in 2018.

One of the largest U.S. producers, Masco Corporation, recently announced its intention to explore strategic alternatives to its cabinetry business, indicating that it may soon be forced to exit the industry in the United States as well. Multiple other U.S. producers have reported that their facilities are threatened, and that they have been unable to complete planned expansions and equipment upgrades due to the market conditions caused by subject imports.

These should be boom times for the domestic cabinet industry. Instead, because of subject imports, sales and revenues are being lost, profits are dropping and facilities are closing. Finally, the Commission should define in a single like product in a single domestic industry coextensive with the scope in this investigation.
Components of wooden cabinets and vanities are dedicated for use in the production of full units. They have the same general market, characteristics and functions, and the price of all the wooden components account for the majority of the price of the full units.

We look forward to providing you with additional information today which along with the evidence already on the record will show the Commission that dumped and subsidized imports of wooden cabinet and vanities from China are injuring and threaten to injure the domestic industry. We ask the Commission to make an affirmative determination, and to restore a level playing field to the U.S. wooden cabinet and vanity market. Thank you.

MR. BISHOP: Thank you Ms. El-Sabaawi.

Opening remarks on behalf of those in opposition to imposition will be given by Matthew R. Nicely of Hughes Hubbard and Reed. Mr. Nicely, you have five minutes.

OPENING STATEMENT OF MATTHEW NICELY

MR. NICELY: Good morning, Ms. Christ. Good morning members of the staff. I'm Matt Nicely of Hughes, Hubbard and Reed, and I'm appearing today on behalf of the Ad Hoc Coalition of Cabinet Importers, and providing this opening statement on behalf of all respondents.

This is not your typical China case. The domestic industry dominates the cabinet and vanity market
with a share well over 80 percent, if not over 90 percent. The companies with scale to supply large projects and customers are not Chinese, but the large publicly-traded domestic suppliers with the ability to produce made-to-order product within two to four weeks.

On the other hand, the Chinese created a niche market in the United States that the domestic industry has chosen not to supply. That segment of the market is a ready-to-assemble or RTA flat packed product that is sold from inventory, much of it still in unassembled form, to dealers and builders who have limited storage space and are often required to assemble cabinets on site.

RTA flat pack suppliers offer far fewer SKUs than the suppliers of domestically sourced product, but they sell on quality and speed, not design variety or a wide array of color options. They fill a void in the market that the domestic producers were not and are not filling. The complementary role of imports is widely recognized in the industry, and is reflected in exclusivity commitments made by U.S. sales representatives.

This complementary role explains why several members of the petitioning alliance continue to import product from China or elsewhere, despite their supposed defense of U.S. manufacturing. Imports serve a different market from the domestic product, which helps to explain why
many members of this domestic industry, including members of
the petitioning alliance, are performing quite well.

Indeed, various members of the industry are
expanding their shipments and making better profits today
than they were a few years ago, when imports were a smaller
percentage of the market. Of course there are both winners
and losers in the industry. But the Chinese should not be
made scapegoats for the impact of home grown competition in
which they do not participate, competition that enables that
large, successful U.S. companies to displace some of their
fellow domestic producers, who cannot match the large
companies scale favored by designers in the most lucrative
segments of the market.

As usual, we do not have a complete record for
this preliminary investigation. Questionnaire response are
still being aggregated, but so far the responses we've seen
support issuing a negative determination. Yes, import
volumes are up. But when looked at relative to a properly
sized market and taking into consideration the growth in
demand, subject import penetration is modest at best.

Pricing data show that prices are steady or
increasing, and there's no evidence that imports are
depressing or suppressing U.S. prices. Any attempt to
conduct an underselling analysis between imported and
domestic producer prices is suspect because of the inability
to distinguish RTA from assembled product in the pricing
products chosen by the Petitioners.

Furthermore, there's no cost-price squeeze
apparent in the data so far. These products, despite what
Petitioners tell you, do not sell solely on the basis of
price. And in accordance with all of this, the industry is
doing very well, with high profits and significant capital
expenditures.

Look carefully at what the data say about any
decline in profits in 2018. Rather than being caused by
imports, they're caused by non-recurring expense items.
Finally, be wary of what the Petitioners say about their
capacity and capacity utilization. This is an industry that
generally runs one shift and has a hard time finding a
sufficient number of employees.

Yet the capacity figures were calculated based
on a fictitious world in which the industry operates
multiple shifts with employees that don't exist. We will
put in front of you several witnesses today who will explain
how imports complement rather than compete directly with
domestic product, including some industry experts who once
worked for domestic producers.

Jim Dougan of ECS will also provide his
economic analysis of the market and the questionnaire data
so far. You'll also hear from members of the vanity and
hospitality segments of the market, who will explain how the scope is overbroad and demands division into separate like products.

Finally with respect to the threat, you will hear how the Chinese cabinet market remains a vibrant source of sales for the Chinese industry, and why there is no reason for fear, to fear that imports pose a threat to the industry in the imminent future, when they haven't done the industry any harm so far and when their custom and semi-custom segments of the market are the ones seeing the most growth.

We look forward to a vigorous debate today.

Thank you.

MR. BISHOP: Would the panel in support of the imposition of the anti-dumping and countervailing duty orders please come forward and be seated. Madam Chairman, this panel has 60 minutes for their direct testimony.

(Pause.)

MS. CHRIST: Welcome to all panel members and thank you. Please begin when ready.

STATEMENT OF TIMOTHY C. BRIGHTBILL

MR. BRIGHTBILL: Good morning. I'm Tim Brightbill from Wiley Rein on behalf of Petitioners. Thanks again for the Commission staff for your hard work already on these very important investigations. If one picture could
sum up why we're here today, for me this is it.

A couple of weeks ago I was driving back from
Williamsburg to Alexandria on 95 south. As I passed through
Lorton, I looked off to the east side of the road, and this
is what I saw: a former steel fabricator, now the home of
Same Day Cabinets, and importer of Chinese ready to assemble
flat pack cabinets. More on this in just a few minutes, but
first let's go through the data and the statutory injury and
threat factors.

There is a reasonable indication that imports of
wooden cabinets and vanities from China are materially
injuring and threaten the domestic industry. Subject
imports increased by 57 percent during the period, reaching
about 18 million cabinets and $1.4 billion in 2018. U.S.
demand is strong and growing, but Chinese imports are taking
market share at the direct expense of this domestic
industry. Chinese imports consistently undersell the
domestic products, and the domestic industry's financial
performance has declined significantly and substantially.

From the petitions, Petitioners represent a
substantial majority of the domestic industry, and there are
many more U.S. cabinet and vanity makers and component
makers who are not petitioners but who support these trade
cases. The anti-dumping petition alleges dumping margins of
more than 175 percent. The CVD petition identifies more
than 35 subsidy programs that have benefitted the Chinese industry.

As Laura mentioned, there is a single domestic like product co-extensive with the scope. Cabinet and vanity components are dedicated for use in a full unit. They have no other purpose, and cabinets and vanities are also a single like product.

With regard to volume of imports, this is data for the single HTS category that covers only wooden kitchen cabinets, so this is 100 percent subject merchandise. The other HTS category shows similar trends, and we think your data from foreign producers and importers will also show very substantial increases in imports over the period.

With regard to head to head competition, there is a single continuum of products in the cabinet and vanity market. You'll hear a lot of discussion today about how the industry makes a variety of stock, semi-custom and custom cabinets and vanities.

In the end, this is a classic case of China moving up the value chain of a continuum of products and pushing U.S. producers out as they move up. With regard to underselling, the Chinese imports consistently undersell by 20 to 50 percent or more. Chinese producers have taken substantial market share, at least five percentage points from the U.S. industry.
We urge the Commission to report market share shifts based on volume, because the value data while compelling in and of itself is substantially understated. And then with regard to the lost sales, the documented lost sales since 2016 are $110 million. The actual lost sales we think are several times higher than this amount.

Chinese producers and U.S. importers of Chinese product are targeting the U.S. market. This is Panda. The same could be said of the respondent companies here today, including JSI, CNC, Procraft, U.S. Cabinet Depot, just to name a few and we'll come back to some of them.

The domestic industry's financial performance has been harmed. Demand for wooden cabinets and vanities increased 15 percent during the period. But despite this demand, the Chinese imports deprived the domestic industry of increased shipments. The financial performance has suffered, capacity utilization is down. It was already low and it's down. Operating and net profits are down. U.S. producers have closed facilities. They've laid off employees. There are reduced shifts and reduced hours, and the harm has intensified last year.

So you do have -- sorry. An affirmative preliminary determination is required if there's a reasonable indication that the imports cause material injury and you have that. You already have that from the
questionnaire responses and the record information that's still coming in. Rising import volumes increased import share, underselling and lost sales and declining financial performance for this industry. Again, the data we've already compiled strongly supports these findings. You also have threat. The declining profitability and the loss of market share have made this domestic industry vulnerable. The nature of the countervailable subsidies received by the Chinese industry also demonstrates threat. The Chinese industry has very large amounts of available capacity and is adding more capacity. The underselling is significant and it expanded during the period, and competition with the Chinese imports has harmed and discouraged U.S. investment. So the threat factors are met.

Now the rest of these photos were taken by yours truly at the 2019 Kitchen and Bath Industry Show, KBIS, which took place in Las Vegas just last month. So I want to go through a couple of the companies. No company had a more dominant presence than Fabuwood. On the left you see the floor signs that were scattered around all three exhibit halls. Literally all roads at KBIS led to Fabuwood, and its opulent booth shown on the right.

All the latest trends, all the latest styles. Fabuwood's slogan on its website is "Quality Redefined." It
advertisers its premium cabinets according to a program known
as Q-12, which features dovetail construction, anti-warp
structures, solid half inch plywood backs, soft-closing
hinges and drawers and a host of other high quality
features.

Indeed, at KBIS Fabuwood showed multiple product
lines, from entry level to premium, all with different
features and styles. I heard Mr. Nicely talk about how the
imports do not display design variety or a variety of
colors. The evidence from the show indicates otherwise.

According to Fabuwood, thousands of exclusive
dealers across the nation all sell Fabuwood cabinets.
Fabuwood also has a new one million square foot
state-of-the-art assembly and warehouse facility, and
proudly boasts that it is destined for "exponential
growth," and that's a quote. The only thing it doesn't
mention on its website is where its cabinets are
manufactured.

Panda, front and center in one of the exhibit
halls was Panda. It was impossible to miss. Panda was
established in the 1980's in China, in the United States in
2000. In 2008, Panda franchised the Panda kitchen and bath
concept. They are all over the D.C. Metro area with at
least 27 store locations, 500,000 square feet of warehouse.

The Panda website has more than 100 photos of
various cabinet installations, different designs, different styles, different colors. There are a few from KBIS. Their website also features photos of their multiple integrated manufacturing operations in China, and claims that Panda is the world-wide leader in ready to assemble, in the ready-to-assemble category.

Not to be outdone Golden Home also is, as this sign says, "a world leading manufacturer in kitchen cabinetry industry." It began in 1999. It has more than 2,000 franchise stores and dealerships worldwide. In 2017, Golden Home had grand openings for its warehouses on both U.S. coasts, one in Los Angeles, one in Cranbury, New Jersey, warehouses to store and supply RTA cabinets.

Golden Homes says, and this is a quote "The North American market is a major international market. Golden Home has particularly focused on recent years. America is now a crucial country for the global strategic layout of Golden Home." It has two main production bases in China, an R&D Center in Italy. Note the various colors and door styles as well.

And now back to Same Day Cabinets. Here's a picture of the outside of the store, which also mentions Echowood Cabinetry, and here is the KBIS booth for Echowood. Again, a variety of styles and colors and a very large American flag prominently in its display. Here again, we
were very excited to see these signs, so we asked the Echowood people at the booth if the cabinets were made in America. Oh no, they answered. They're all made in China.

Sure enough, while the product lines and styles all have American names, Cambridge, Lexington, Alexandria, Williamsburg, Springfield, what they're really selling is ready-to-assemble cabinets dumped and subsidized from China.

This is not just happening in Lorton and D.C., but in hundreds of locations, large and small across America, from giant warehouses to small screwdriver operations in the back of strip malls, and all of their business model is built on a foundation of dumped and subsidized pricing.

So the harm is being documented in your record. Again, we have Chinese imports taking at least five percentage points of market share, and while demand increased, capacity utilization down, operating and net profits declining substantially, U.S. facilities closed, prolonged shutdowns, planned expansions cancelled, return on investment harmed.

This is more than a reasonable indication of material injury due to dumped and subsidized Chinese imports. With that in mind, I'd like you to now hear from the American manufacturers of wooden cabinets and vanities, starting with Bill Allen from Showplace.
STATEMENT OF BILL ALLEN

MR. ALLEN: Good morning. My name is Bill Allen. I'm the vice president and chief operating officer of Showplace Cabinetry. Thank you for giving me the opportunity to appear before you today.

Since our founding in 1999, Showplace has grown from a small operation producing 50 cabinets per day to a widely-known national brand that sells in all 50 states. Showplace has a national reach, but at its core it's a small town company. We are located in Harrisburg, South Dakota where I grew up, a small town of 6,300 people near Sioux Falls, South Dakota.

With close to 600 employees, we are one of the largest employers in our community. This is why this case is so critical both for our company, our employees and our community. Showplace more than cares about its employee; Showplace is its employees. Since 2006, we have been entirely employee-owned. Back then we had the opportunity to sell the company to private equity investors that were working to consolidate the cabinet industry.

But instead, we sold the company back to our employees. I am incredibly proud of the fact that we are 100 percent employee-owned. We have long tenured workers, and because we are employee-owned, the people who started making relatively low hourly wages now have a considerable
retirement savings built up in our company. Unfortunately, because of unfairly-priced Chinese imports, these jobs are now at risk.

The impact of Chinese imports on our company has been substantial. The effects of unfairly priced Chinese imports can be seen the moment you walk into a cabinet showroom. Showplace sells many cabinets and vanities to designers and dealers that display and sell our cabinets in their showrooms.

Over the past decade and especially the last few years, we have lost showroom space to Chinese cabinet lines. Ten years ago, very few of our dealers displayed or sold any Chinese cabinets. However, as the Chinese cabinets began entering the United States at strikingly low prices, our dealers felt they had no choice but to display and sell Chinese lines. If they did not, they would risk losing substantial business. Nowadays, the vast majority of our dealers display and sell Chinese cabinets.

These products compete head to head, and when Showplace Cabinets are in the same room as Chinese cabinets, the pricing pressure is enormous. The subsidized prices of dumped Chinese imports have fundamentally changed the pricing expectations of cabinet customers.

Our dealers used to be able to sell a value proposition of our cabinets. However, the Chinese cabinets
we see in the market today are priced so low that it is
difficult for our dealers to sell our products, which are
fairly priced and high value. For example, a cabinet
customer used to be willing to pay more for additional
features, but Chinese prices are now so low that customers
expect lower priced cabinets, regardless of the quality or
the features provided.

In today's market, our customers have become
less willing to pay for high quality features such as
improved fit, modified sizing and design. In fact, Chinese
imports now come with many of these features standard, at
extremely low prices.

To compete with Chinese imports, we now are
compelled to offer premium options as part of our standard
package. For example, customers used to be willing to pay
upcharges for higher end options, such as soft closing
cabinet doors and drawers. This is no longer the case. We
often have to include features like this as part of our
standard package.

This shift in customer perception has forced us
to heavily discount our products in order to compete. Prior
to 2016, we rarely discounted our products. But since then,
we have been forced to offer greater and greater price
discounts. We used to only offer such promotional pricing
at certain times of the year, but now we have to offer
discounts all year.

We have also had -- we have also had to begin offering bonuses to our dealers and our designers, in order to incentivize them to promote our product lines. This combination of heavy discounts and the lost ability to charge for premium features has significantly eroded our profitability. Our profit margin is also affected by the fact that we have not been able to raise prices to account for increased raw material costs.

Since 2016, the cost of our material inputs has increased considerably. However, because of Chinese imports, we have not been able to raise our prices accordingly. We have tried to raise our prices to match the increased costs, but such attempts have been negated by the increased price discounts we have to offer in order to compete with the Chinese imports.

The profit we lose to Chinese imports affects our ability to grow our business in a strong U.S. market. Were it not for unfairly priced Chinese imports, Showplace would be expanding its production capabilities. We have expanded in recent years, and done so with a lot of success. To build on that, in 2018 we developed plans for a significant expansion to our cabinet production facilities in Harrisburg.

We even paid $50,000 to develop the
architectural plans. However, by the end of 2018, due to slowing sales and significantly reduced profits, we decided not to proceed with that expansion project. To be clear, if not for Chinese imports, we would have continued with that project and significantly expanded our production operations. We cannot escape the pressure of Chinese imports. Showplace sells cabinets in all 50 states. That is the benefit of being located in the middle of the country.

We can sell to the west coast, we can sell to the east coast and we can sell at every point in between. We even sell in Hawaii and Alaska. However, it also means that we cannot escape the effects of unfairly priced Chinese imports, which are also sold throughout the country.

We have tried developing new products and entering different parts of the market. Each time though, as we enter a new market, the Chinese are close behind us. There are no new areas to move into. Even the high end custom cabinet business is less profitable because of Chinese imports.

The Chinese producers are rapidly moving up the value chain, and the problem is rapidly getting worse. Our performance in the second half of 2018 and so far this year has been terrible. We are being forced to work shorter weeks this month and next.
To conclude, I would like to once again stress the South Dakotans employed by Showplace are at the greatest risk in this case. Showplace is an 100 percent employee owned company. Those are the people that will be hurt if this industry cannot get relief from the surge of unfairly priced cabinet imports coming from China. Thank you for your time.

STATEMENT OF STEPHEN WELLBORN

MR. WELLBORN: Good morning. My name is Stephen Wellborn. I am the Director of Product and Research Development for Wellborn Cabinet. Thank you for the opportunity to appear before you today.

My family has been making cabinets for nearly 60 years. My father Paul founded Wellborn in 1961 in Ashland, Alabama. We started out with a 3,200 square foot building, manufacturing kitchen and bath cabinets. Today we are still in Ashland, but we have a 2 million square foot facility where we manufacture a wide range of cabinet products.

We are a completely vertically integrated operation. Timber enters our sawmill and then leaves Wellborn as finished cabinets. This allows us to control the entire cabinet-making process and ensure the quality craftsmanship that we are known for.

Wellborn is a family business. It was founded by the Wellborn family. It is owned by the Wellborn family,
and my entire family works in the business. We all take
great pride in producing high quality cabinets. We also
take great pride in the community we have created and all
the people that work with us. We have entire families that
work at Wellborn and have for several decades.

We currently employ 1,300 people. Before the
recession, we had over 2,000 employees. Since the
recession, we've been trying to grow back our business and
return to peak levels of employment. The surge of
low-priced Chinese imports in recent years have prevented us
from doing so.

Unfairly priced Chinese cabinets and vanities are
suppressing U.S. cabinet prices down, which means we have to
lower our prices if we want to compete. Since 2016, we have
seen increased volumes of Chinese imports, but the prices
actually keep getting lower. This has forced us to change
our product mix.

We now have to increasingly focus on lower-priced
cabinets because U.S. customers are less willing to pay
reasonable prices as a result of dumped Chinese imports. We
face pressure every day from our customers about cabinet
pricing. Our customers are demanding lower prices and more
features.

Our business is suffering because of these
unfairly priced Chinese cabinets. On one hand we lose sales
to Chinese imports. When we talk to our dealers, they are
simply selling more Chinese cabinets and less U.S. cabinets.
On the other hand, we have had to hold pricing in check to
compete with Chinese imports. This means that even the
sales we do make are less profitable. This means that our
profit margin is getting squeezed on both ends.

This should be a strong market for U.S. cabinet
producers. There is strong demand in the United States for
cabinets right now. New home construction has increased by
approximately 21 percent since 2016. At the same time,
remodeling expenditures have increased approximately 6
percent each year.

Simply put, the domestic industry should be doing
a lot better right now, but we're not. And I can tell you
that it is because of the Chinese imports. It is not clear
to me how Chinese cabinets can come into the United States
at such low prices.

We see imports of Chinese cabinets priced as low
as our costs for plywood to produce the same cabinet. It
makes no sense. For example, we purchase a one-half-inch
domestic plywood for $47 a sheet; the Chinese companies are
providing that whole finished cabinet at the same price.

The infiltration of Chinese producers into the
U.S. market is obvious. Our dealers are increasingly
selling Chinese product lines that we have to compete
against. We also see an increased Chinese presence at the
industry events.

Wellborn has been a part of the Kitchen & Bath
Industry Show, the largest North American trader show for
the kitchen and bath industry, for more than 35 years. I
was in our booth in 2019 show last month. It was striking
how the number of Chinese cabinet companies that attend the
show has increased in recent years.

There are now several more times more Chinese
cabinet producers than there are U.S. producers. And it is
not just that the Chinese companies are attending the show,
but they are hosting booths that have large central
displays. They are expanding their reach and their product
lines at a time when the U.S. industry is struggling.

As a final point, I want to highlight the
community we represent and the community that is at risk
here. The effects of the surge of Chinese imports in the
U.S. market extends past a loss of profit for Wellborn. It
is a direct hit for the community of Ashland, Alabama. We
are one of the largest employers in Ashland. These are
reliable and high-paying middle-class jobs, and this is a
small community with not many employment opportunities.
Wellborn workers are incredibly loyal and are proud of the
work they do. Many of our employees have worked here for
decades. Any loss of jobs at Wellborn would be devastating.
Thank you for your time.

STATEMENT OF PERRY MILLER

MR. MILLER: Good morning. My name is Perry Miller and I am the President of Kountry Wood Products. I appreciate the opportunity to speak with you today about what is happening to the American cabinet and vanity industry because of unfairly traded imports from China.

Kountry Wood was founded in 1998 by Ola Yoder. We started out producing picture and mirror frames before moving into the cabinetry business and marketing our own brand of cabinetry in 2001.

Since our founding, Kountry Wood's basic philosophy has been that building a quality product, selling at a reasonable price, and providing customers with good service as the key to building a successful business. And for a long time this proved to be true.

With our strong business practices, Kountry Wood experienced tremendous growth in its early years. For example, from 2004 to 2008 we saw 30 to 40 percent year-over-year growth. Indeed, the company has grown significantly in 20 years from building products in Yoder's barn to producing over 6,000 cabinets daily in our two facilities in Nappanee, Indiana.

Today, however, Kountry Wood's very existence is being threatened by dumped and subsidized imports of
cabinets and vanities from China. Chinese imports have been around for a long time, but we started really noticing the impact in 2016.

Seemingly all of a sudden, Chinese cabinets and vanities were present in all the U.S. markets in massive quantities. And the quality was improving. Chinese imports exist up and down the value chain. We now see them for both stock and semi-custom cabinets.

Kountry Wood's performance has been negatively impacted by unfairly priced Chinese imports, with the effects really hurting us in 2018. There has been continued growth in the U.S. market for cabinets and vanities. Kountry Wood should be doing very well, as should the rest of our industry. Unfortunately, it is the exact opposite. While the U.S. market is growing, Kountry Wood's growth is declining. This is a direct result of competition with dumped and subsidized Chinese imports.

Unsurprisingly, our dealers consistently report losing sale after sale to low-priced Chinese imports, or having to drop prices drastically to try to retain customers. These Chinese imports undersell us by huge margins—anywhere from 20 to 40 percent.

In fact, Chinese producers offer upgrade options like soft close hinges, soft close drawers, and painted finishes, with no additional charge as standard. In other
We have seen Chinese imports of cabinets with these upgrade options being offered at prices lower than even the production cost of a U.S. particle board cabinet with no options.

With such extreme pricing pressure, we simply cannot compete with dumped and subsidized Chinese imports. And the continued lost sales are having a devastating impact on Kountry Wood's performance. If nothing is done to limit the surge of unfairly traded Chinese imports, despite the company's success and growth over the past 20 years, our continued viability will be at stake.

As an illustration of how much market share Chinese imports have taken away from domestic producers, our sales in Chicago, one of the largest cabinet markets, has gone from 30 percent of our sales to 1 percent of our sales. This was all due to Chinese imports and obtaining business in other markets. While we have made competitive adjustments in order to maintain some sales and market share, our ability to continue to do so is very limited.

Because of the unfair competition from Chinese imports, we have been forced to hold off on the planned investments in facilities and equipment. Previously, because of the steady growth in the early years of the company, Kountry Wood was able to have major plant expansions in
2006, 2011, and 2016. In 2011, we opened a whole new plant. We made these investments because we want to continue to provide our customers with the best quality cabinets. We were planning for another expansion in 2018 based on historic growth, but we had to put this on hold because of market conditions resulting from Chinese imports.

We would like to continue to make investments to become even more efficient and provide further value to our customers. However, we simply cannot compete with Chinese producers that receive massive government subsidies and dump their product in the U.S. at prices far below market values, and even lower than the cost of production.

I was in Las Vegas in January for the Kitchen and Bath Industry Show, also known as KBIS, which is North America's largest trade show for kitchen and baths. KBIS hosts hundreds of exhibits and tens of thousands of attendees each year. We have had a booth at KBIS since 2005.

I am sad to say, however, that we were one of only a few U.S. cabinet manufacturers there this year. We have watched over time as Chinese import producers--several of whom are here today--have come to dominate this convention in a very short period of time. If nothing is done to limit the surge of unfairly traded Chinese imports, and quickly, what is happening at KBIS is what will happen to all
manufacturing of wooden cabinets and vanities in America.

Kountry Wood is a staunch American manufacturer and would like to continue to produce quality cabinets for our customers for many decades. However, our future is at risk from the surge of unfairly priced imports of cabinets and vanities from China. I urge you on behalf of Kountry Wood and its 500 employees to make an affirmative finding of material injury in this case.

Thank you.

STATEMENT OF MARK TREXLER

MR. TREXLER: Good morning. My name is Mark Trexler and I'm the President and CEO of Master Wood Craft Cabinetry. Also, speaking to you today is the Executive Vice President and Chief Operating Officer of ACPI, another Petitioner in the investigations. Thank you for giving me this opportunity to testify about the dire conditions of U.S. cabinet and vanity industry.

Master Wood Craft Cabinetry is an employee and customer focused family and community oriented company based in Texas that founded by Gene and Patsy Ponder (ph) in 2008. Master Wood Craft thrived as a family-owned company and grew further and faster in 10 years from a complete startup than any other cabinet company in American during the last 25 years.

All this was during the worst construction
downturn in America from 2009 to 2011, the time in which the U.S. market lost approximately 200 cabinet companies.

Today, Master Wood Craft Cabinetry employs approximately 500 workers in the state-of-the-art facilities in Marshall, Texas and Jefferson, Texas. Our Marshall and Jefferson manufacturing facilities have over 600,000 square feet of manufacturing space and over 300,000 feet of warehousing space. Our workers are very important to us and every member of our team participates in monthly profit-sharing.

Master Wood Craft is a vertically integrated company. We make all our own wood and components for the cabinets and vanities and produce the final completed cabinets and vanities. These components are dedicated solely to the production of finished cabinets and vanities. Much of the labor and capital equipment involved in the cabinet manufacturing processes occurs at the component manufacturing stage. We only have our own fleet of company trucks and we play a critical role in the economy of our communities.

In June of 2018, Master Wood Craft joined the ACPI family of companies. Now, we have five companies with over 4,000 employees total and ACPI has created a family of cabinet companies for synergy to share our best practices, to utilize the combined sales force to try to compete in an
ever-shrinking cabinet industry.

I worked in the furniture industry for 22 years before moving to the kitchen cabinet industry. I've been in kitchen cabinets the last 18 years. I watched the furniture industry, just like the textile industry collapse and disappear as a result of Chinese imports. I'm also here today because I do not want to see that happen as a result of the Chinese imports to the cabinet industry.

Unfortunately, dumped and subsidized imports of cabinets and vanities from China have surged into the U.S. market over the past several years and have devastated the domestic industry. For instance, from 2017 to '18, Master Wood Craft's business fell 7 percent and this year in January and February versus last year, same time period, Master Wood Craft's sales have dropped 12.6 percent compared to the same period in 2018.

For Cabinets 2000, another company within ACPI, the business is down 48.5 percent year-to-date, so I'm aware of a few U.S. cabinet manufacturers have been driven out of business completely, such as Wood Pro Cabinet out of Missouri, Custom Wood Products in Roanoke, Virginia. Other U.S. producers have had to shutter production facilities as well. Unfairly priced Chinese imports are the explanation.

In the last three years alone, Master Wood Craft has suffered a loss of $25 million in just the contractors
segment because of Chinese subsidized and dumped imports.

If we'd gotten that volume, we'd be a much healthier company today.

In preparing for this conference, we calculated the revenue and jobs that we've lost to low-priced Chinese imports. The numbers are abysmal. From 2014 to date, the total amount of revenue we've lost directly to Chinese imports is over $40 million and that's just for one of these five companies.

With the revenue loss, we've had to let go a total of 83 workers over the same period. In 2018 alone, we lost over ten million in revenue to 21 unfairly priced jobs. And just year-to-date in 2019, we've already lost nearly 2,700,000 in revenue to Chinese imports and we've had to let additional workers go and the remainder of the workers are working a 36-hour week.

These figures clearly show harm that the Chinese imports have caused the domestic industry by taking sale after sale from U.S. producers. This pattern is not sustainable and is simply unacceptable. As an example, we recently lost a job in Florida for 300 apartment units to unfairly traded Chinese imports. Anticipating the low price of the imports, we offered a price of $500,000 for the units.

The price for the Chinese imports came in at
approximately $400,000. Now, get this, our labor cost for the job would've been $50,000. So, even taking out all labor costs, the price of the Chinese imports was well below the price we could offer. This makes no economic sense. Chinese producers are buying lumber from the U.S., shipping it to China, building cabinets and vanities, shipping them back to the U.S. market. Chinese producers simply should not be able to offer these products at the prices we are seeing.

This pricing does not reflect market values and can be only the result of massive government subsidization and dumping. I would note that the domestic industry has not been sitting idle during this time. We've made numerous investments in facilities and equipment to continue to be competitive and to produce the best quality cabinets for our customers.

We want to make more investments. For example, Master Wood Craft Cabinetry expanded its production facilities in 2017; however, due to the unfairly priced Chinese imports we've been unable to fully utilize these assets. In particular, to the drop in our sales in 2018 to the Chinese imports which lead to a fall in the revenue and profits has directly prevented us for seeing a return on this big investment we made in 2017.

I believe we have one of the most productive
cabinet industries in the world. And if given the
opportunity, U.S. producers of cabinets and vanities can
absolutely compete in a fair market. However, we simply
cannot compete with Chinese imports that are surging into
the U.S. market at dumped and subsidized pricing.

Unless we can do something about the continuous
surge of unfairly priced Chinese imports, I'm certain that
the U.S. cabinet and vanity industry will follow the course
of the furniture and the textile industries. I've seen it
happen with my own eyes. So, on behalf of Master Wood Craft
and its approximately 500 employees and ACPIs, 4,000 plus
employees, I urge for you to make an affirmative finding and
grant our industry much needed relief. Thank you.

STATEMENT OF JOHN GAHM

MR. GAHM: Good morning. My name is John Gahm.
I am the Vice President of Manufacturing for Kitchen
Compact. I appreciate the opportunity to appear before you
today.

Kitchen Kompact is a cabinet manufacturer
located in Jeffersonville, Indiana, right across the Ohio
River from Louisville, Kentucky. We were founded in
Louisville in 1937 and have since become one of the largest
cabinet manufacturers in the United States. In fact,
Kitchen Kompact is one of the patriarchs of the U.S. cabinet
industry as we have been producing cabinets for over 80
years.

Personally, I've worked at Kitchen Kompact for 25 years, but I have been a part of this company my entire life. We are a family-owned and operated company that was bought by my grandfather, Dwight Gahm, in 1955. It is now run by three generations of the Gahm family. We are proud to be a family-owned company, which has allowed Kitchen Compact to stay true to its core philosophy, to manufacture quality cabinets, to sell them at reasonable prices, and to do so with a dependable lead time.

Kitchen Kompact's Jeffersonville facility is one of the most efficient cabinet manufacturing facilities in the United States. We buy raw wood components from U.S. producers and perform all aspects of cabinet assembly and finishing in our single facility which covers 750,000 square feet. This single location allows us to streamline our production and produce low-cost, high-quality cabinets all under one roof with low overhead and a two-week lead time that we set as the industry standard.

Unlike other companies that are assemblers of RTA cabinets from China, we perform all finishing operations in house as opposed to the 10 minutes or so that it takes to assembly a Chinese RTA, finishing is a complex and labor intensive step in the production process. The fact that we assemble and finish our cabinets in a single facility means
that we can manufacture high quality, finished cabinets that
simple assemblers are not able to produce.

Our efficiency also comes from the experience,
dedication, and skill of our workers. We employ nearly 200
workers with an average tenure of 15 years. We only hire
based on recommendations from current employees. This
ensures that every one of our workers is committed to and
capable of producing quality cabinets. In fact, on average,
our workers produce four times the industry average number
of cabinets per shift. This gives us the capacity to
produce 10,000 cabinets per shift. In no uncertain terms,
we are as efficient and as streamline of a cabinet
production operation as there is today.

Today, however, we are currently producing less
than 3500 cabinets daily and that number has been decreasing
over the last several years due to Chinese imports.
Unfortunately, this business model, which has been
successful for over 80 years, has been challenged in recent
years by an unrelenting surge of unfairly priced imports
from China.

Due to pricing pressure from Chinese imports,
our sales have decreased. As a result, we've been forced to
reduce overtime pay, reduce hours, and slow production. In
February 2018, we had to reduce our head count by 30 people
due to declining sales. Likewise, the pressure caused by
Chinese imports has put us in a cash crunch, which has made it difficult for us to invest in new equipment and machinery. For the past three years, we have found a way to get by with our existing equipment and machinery and we have only made investments in capital when absolutely necessary.

Were it not for the extreme pricing pressure placed on us by Chinese imports we'd be able to invest much more significantly in our workforce and our infrastructure. However, because of Chinese imports, we have been forced to do the exact opposite. Kitchen Kompact's sells primarily to wholesale distributors. Over the past few years, many of those distributors have begun selling Chinese cabinet lines and in some cases have quit selling our lines.

It is difficult to quantify the amount of sales we lose to Chinese imports, but antedotically, I know that we do and the problem is getting worse. I know that our distributors are increasingly carrying Chinese cabinet lines and know that our sales through these distributors are decreasing. I have also been told by our sales reps throughout the country that we often lose out on jobs to dumped Chinese cabinets.

Despite our industry-leading efficiency, we simply cannot compete with imports of Chinese cabinets when they are priced so low. We are an innovative, dedicated,
and streamline company. It does not make sense how Chinese cabinets can be sold into the United States at prices so much lower than ours. These should be good years for Kitchen Kompact and for the U.S. cabinet industry as a whole. Demand in the U.S. cabinet market is strong and has been increasing in recent years. Strong, overall economic conditions and a stable housing market should be good signs for the U.S. cabinet industry.

However, instead of reaping the rewards of these good years, growth for domestic manufacturers, like ourselves, has slowed to a crawl while the growth of sales of Chinese cabinets has increased significantly.

Before I conclude, I would like to talk a bit about the stakes of these investigations. As the staff is aware, the U.S. furniture industry has all but disappeared. I fear the same fate for U.S. cabinet manufacturers. Imported Chinese cabinets have taken an increasing share of the U.S. market due to the unfair and low price of their products. If these trends continue, I don't just fear, but I also expect that the U.S. cabinet industry will disappear as well.

In short, Kitchen Kompact helped create the U.S. cabinet industry. That industry is now disappearing right before our eyes. We are committed to producing high quality cabinets on time and at reasonable prices and we do with
industry-leading efficiency. However, we simply cannot compete with the surge of unfairly priced Chinese imports that have entered the country in recent years. Thank you for your time.

DR. KAPLAN: Good morning. This is Seth Kaplan from IER. Bill, could you give me the time remaining?

MR. BISHOP: You have eighteen minutes remaining. We need you closer to the mic, please.

DR. KAPLAN: Thank you, Mr. Secretary. Does it make sense for me to start now and then -- or wait till the vote occurs?

MS. CHRIST: With the eighteen minutes, I think we can make it.

STATEMENT OF SETH T. KAPLAN

DR. KAPLAN: Okay, great. Okay. So I'm here on behalf of petitioners. I'm gonna discuss the conditions of competition, injury and threat in this industry. Let me begin with the conditions of competition.

There are five conditions of competition I'd wish you to focus on. The wooden cabinet and vanity industry is cyclical in nature. Domestic and subject WCVs compete head-to-head on product characteristics. They compete head-to-head across channels of distribution, regions and end users. And because they compete on the product and they compete in the same markets, they primarily compete on
price. Finally, the industry is labor-intensive and, in fact, there's more workers in this industry than almost any industry you've examined that makes a manufactured product.

First, demand is cyclical. You could see from this index of residential and remodeling that the use of cabinets is in housing and residential multi-family primarily, and that is cyclical, making the demand for cabinets cyclical.

Second, let me return to the product. Subject imports compete in all grades against domestic products in all grades. There is even one Chinese producer that advertises custom cabinets, but they are all over the stock and semi-custom cabinet segment. This is an advertisement from Costco advertising all-wood cabinetry. Notice how it says semi-custom, all-wood is a importer of Chinese cabinets.

With respect to quality, we've looked at the five biggest importers by value that we could identify and we see that all of them are ANSI-certified. Four out of five have environmental certifications. And all of them supply industry-standard warranties. You heard in the opening that the respondent has also said that their quality is high.

With respect to style, many current styles are for simpler style cabinets like Shaker-style cabinets. And white paint is very prominent. This is a U.S.-produced and
an imported cabinet, Shaker-style, painted white. It's important to know that, like in many industries, 20% of the product design accounts for 80% of the sales. So while the U.S. industry does have more SKUs, the sales are concentrated in these type of products, and these are exactly the type of products that are imported and sold in competition, head-to-head with the domestic industry.

Subject imports compete in all channels of distribution. J&K Cabinetry, which is one of the major importers of Chinese cabinets, or major appliance or distributors, independent dealers, retailers, builders, contractors, designers in home centers. And guess what? The major customers of the domestic industry are the exact same channels, the exact same end uses.

Subject imports compete in all channels of distribution. This is Cliq Studios, another importer of Chinese products. Take a look at their website. They have special pricing for contractors, evidence of competition in the contractor segment, there's contractors who are gonna be testifying this afternoon. They compete there. And they also advertise that customers save 40% or more over prices at "big box stores". This is direct evidence that they view, that Cliq Studio views its competitors as "big Box stores". This is how they go to market. They go to market with customers saying, "We have special segments for
contractors." They go to market with consumers saying, "We beat the price of 'big box stores'."

Competition across the board in products, competition across the board in channels and features. U.S. producer map of the 140 largest U.S. producers taken from the petition, notice that they're all over the United States, Midwest, East Coast, South, California, West Coast.

Subject imports are in all regions. We took a subset of subject importers and looked for their headquarters. Map of U.S. producers, map of importers. Warehouses, sales showrooms, dealerships, assembly plants. All over the United States, serving the United States, just like the domestic producers do. Panda advertises a map of the United States showing how fast they could get cabinets to you. The longest, the big way to get it to Canada is four to five days. One to two days on the East Coast and the West Coast. Two to three days in the Midwest. Three to four days in the Plains. And five up to Manitoba. That's the reach in the United States and in North America.

Importers have increased their presence in industry trade shows. I was also at the trade show almost 100,000 builders and cabinet designers were there. It is a big trade show in Las Vegas. It is now dominated by the importers who have increased both their presence in number and their presence in share.
Subject imports compete head-to-head within and across markets. J&K says, "We offer customers the highest industry grade cabinet at a third of the MSRP of the lowest grade from home centers." Once again, competition with the home center segment. J&K offers extensive discounts to accommodate multi-unit projects. They go to market in the construction and builders side.

Sales are made primarily on price. A recent association study found that consumers found price was the leading factor and I have quotes from the 10Ks of the three major companies. You could look at them later. I'm not gonna read them to you, but they basically say, despite all our brands, despite all our quality, despite all our colors, it's price, guys. That's our risk factor in our SEC document that is signed by the CEO that after Sarbanes they go to jail for if they don't tell the truth. SCC documents.

The industry employs tens of thousands of workers. And I want you -- this is just from the questionnaires. There are well over 50,000 workers. More than hot-rolled steel, more than cold-rolled steel, more than plate, more than corrosion-resistant steel, more than hardwood plywood. There are tens of thousands of jobs at stake across the country in this industry. The Commission should be aware of that.

Now let me quickly turn to injury. Imports from
China have increased dramatically. $1.4 billion of cabinets at $70 a cabinet means 20 million cabinets have entered the United States in 2018. I could assure you—and your economist will ask me a question—they are not complements to domestic production. They are substitutes to domestic production. And they are highly substitutable.

Share of production has risen and market share is approaching 30%. Not 10%. 30%, 20 million cabinets, your own data, and the government's data. This is the expansion since 2000. Have you seen this picture before? Get the picture from hardwood plywood. Get the picture from furniture. Chinese industry increasing geometrically over 20% compounded growth rate a year, taking over the industry. This has happened before, it's happening now. We're in early.

Underselling. Your data shows underselling in 75% of instances, the margins are high. There's loss revenues, there's lost sales and gross profits are down, indicating a cost-price squeeze.

Shipments remain flat in a growing market. The sales were taken away by the imports that are increasing 50% during the POI. Operating income is down. Operating margin is down. Net income down, net margin down. Operating return on assets down. Plant closings, consolidations, shutdowns, curtailments, revised labor -- . Postponement of
expansion, denial of investment, reduction of the size of
capital investments. Return on specific investments
negatively impacted. Every factor has been affected
negatively, especially when seen in the context of the
business cycle.

This is the time this industry should be making
money. They were all losing money during the last
recession. Over the cycle, they need to make money and now
it's been suppressed despite the continued rise in demand.
And people are predicting a slowdown in housing markets
starting next year, and potentially a recession before that.
But the indications of the housing slowdown have already
begun.

Employment in the market is flat. It should be
rising. Finally, with respect to threat, most of the
factors are checked. And the own websites of the
respondents call attention to the million square-foot
facility that Fabuwood is destined for exponential growth.
CNC has grown as a wholesaler into a national corporation
with three main sites in key locations around the country.
Cliq is currently increasing their team size, as well as
investing and installing new equipment.

There is significant investment and expansion of
assembly capacity. Expansion of presence in dealerships,
expansion and presence of contractors. Expansion geographic
relevance and statements saying they plan to grow at high
rates, which is consistent with their growth over the last
twenty years in the United States. Thank you very much. Be
happy to answer questions.

MR. BRIGHTBILL: That concludes our direct
presentation, so we'll hold the rest of the time for
rebuttal and happy to start answering questions.

MR. BISHOP: You do not get to hold time for
rebuttal. You get 10 minutes for rebuttal and close.

MR. BRIGHTBILL: Thank you for that
clarification, Mr. Bishop.

MR. BISHOP: Sure.

MR. BRIGHTBILL: We'd be happy to answer
questions.

MS. CHRIST: Thank you very much for coming in
for all witnesses. I really appreciate your presence and
taken the time. I know you've all taken long trips here to
come and answer our questions and I appreciate both your
testimony and being able to answer our questions.

We will start with Calvin Change, the
investigator, and then probably we'll be stopping pretty
soon, so let's consider this a first little break then.

MR. CHANG: Alright, good morning and thank you
again for taking the time to provide your testimony. It's
been quite an enlightening experience.
I guess the first question I have is a little bit more on the -- I think more for counsel, more of a housekeeping-related question.

So, the scope is pretty broad. It's pretty long. There's a lot to go through, so one aspect that I think we would like to get a little more clarification. So, the scope describes the product as wood cabinets and vanities that are designed for permanent installation, included floor mounted, wall mounted, ceiling hung, or by attachment of plumbing.

So, the permanent installation component of it so like as I've talked to some colleagues and people that own houses, have done remodeling, some people have like pieces of furniture that technically can be like installed permanently through like anti-tip mechanisms. And so, I guess my question is that technically included in the scope? If not, like how do you distinguish that between the types of cabinets you've been discussing in your testimony?

MR. BRIGHTBILL:  I do need to be cautious about addressing specific scope questions. Our scope language was very carefully crafted. We worked with both Commerce and Customs extensively on it. There are also a large number of companies in our Alliance and we've also closely coordinated on the scope language. And there will also be a scope comment period at Commerce where I fully expect some issues
may come up and we'll address them there, so I hesitate to
give sort of a quick answer on a particular product that I
may not know a lot about. So, we'd be happy to consult with
the group; if we can address it in the post-hearing brief
and if not, then in the scope process from Commerce.

I will note the important point. I think
broader point for the Commission and the staff is there were
some very small changes to the scope, very minor, so your
data is accurate for this investigation.

One of the changes was to take out the word
"designed for permanent installation" and to say "for
permanent installation" just to clarify that point. That is
not a substantive change. The term "designed for" was one
that Commerce encouraged us to just say "for permanent
installation."

MR. CHANG: Yes, to give context to the question
just moving forward. You know if we get questions from
companies regarding, oh, does my product fall under the
scope, we want to be in the best position that we can to
answer that question and to make sure that the data that we
have accurately reflects the scope of these investigations,
so, yes, if you can address it in post-conference that would
be very helpful.

MR. BRIGHTBILL: We'll take a look at it. Thank
you.
MS. CHRIST: We have just enough time for one important question and the only thing we needed to ask. Thank you.

We're going to take a quick break in preparation for the vote and then reconvene. Thanks.

MR. BISHOP: If the room will now come to order. Madam Chairman, we will now resume with our conference.

MS. CHRIST: Thank you, Mr. Secretary.

MR. CHANG: This is Calvin Chang from the Office of Investigations. So the next question that I have, you all talked about how demand for cabinets has been increasing. And you also discussed that the industry is more or less separated in sort of three components, I guess, custom, semi-custom and stock. So could you please provide a little bit more detail where the demand is increasing?

MR. BRIGHTBILL: Tim Brightbill, Wiley Rein. Just to start off, then the industry witnesses can present. As we mentioned, these distinctions of stock and semi-custom and custom have really sort of blended together in many ways. And it really is a continuum of products. And so I think we view demand as a whole rather than segregated into those components. But I'd like our domestic industry witnesses to address the demand issue.

MR. WELLBORN: We're in the semi-custom industry ourselves, or consider ourselves that. But 80% of what we
produce is considered a stock cabinet. There is not a lot of difference. Most companies will do modifications. And even the imports are offering. All you have to do is go to their spec books and they're offering some of the same modifications that we offer in the semi-custom industry.

Thank you.

MR. ALLEN: To address your question on demand, I do see demand increasing as housing and remodeling drive the industry. And both of those have been growing at a steady pace. I would say that is in all categories of cabinets.

MR. CHANG: Okay. So just to follow up, I know you mentioned that custom, semi-custom and stock are more or less a continuum of products, but I guess, what constitutes a stock cabinet? And then what constitutes a cabinet that's been more customized?

DR. KAPLAN: Let me give an overview and then let the industry witnesses speak. A long time ago, it was the case that a stock cabinet was produced in kind of three-inch increments. And typically they didn't have a lot of features. Today, all the witnesses talked about feature-creep. So all those special features that were an upgrade in semi-custom are no longer this upgrade, that are in stock. And that's really blurred the line.

One of the features, I think you could look at, is that there's a company called Blum, and they make
sliders, you know, the soft close drawers, and that was a
really high-end kind of element in a drawer. And now you
see them all over stock.

I would encourage you to look at the different
lines that are featured by Fabuwood on their website. And
you could drill down and they'll tell you what features the
cabinets have. And they have a value line at the bottom
that doesn't have, you know, the Blum-type of closure, you
know, sliders. The next one up is value-plus, where it's an
option, and then the ones above that are all come with it as
a standard feature. Those are stock cabinets in their
sizes. But they're semi-custom fab cabinets and their
features and finishes.

And so, in essence, this has blended together and
has put pressure all across the industry. I'll let the
industry witnesses speak to more detail. I just wanted to
give you a flavor from a 10,000 foot level.

MR. SABINE: Todd Sabine with American Woodmark.
I think maybe just to clarify your question a little bit
more, I think what traditionally segmented the different
segments was this kind of idea around the customization or
the ability to change the specification and the size of the
product and that's become less and less of things that
traditionally were upgrade—-that we, as domestic
manufacturers, would charge a premium for—-have become
commoditized, so these lines that traditionally meant cost, as well as capability and scope, have really become kind of one category, probably with the exception of the very, very high-end custom end of the industry, which is probably, at max, about 10% of the industry.

MR. CHANG: So is it safe to say that there really isn't like a custom cabinet anymore? I mean, that's the sense I've been getting from the explanation I've received.

MR. ALLEN: There is still a custom category Mr. Kaplan spoke to -- even the Chinese are in that custom category. I think it truly represents a very small portion in the very expensive homes. The numbers that are thrown around are between 5, maybe at a max of 10% of the industry.

The vast majority of the cabinets are sold in the stock and the semi-custom categories and 80% of those units that are sold in both those categories are the same cabinets that are produced in my factory and in all the factories that meet the majority of the demand for the industry. So the cabinets that are modified are such a small portion that that's why the lines between the categories have gotten blurred.

DR. KAPLAN: Just to add onto that -- when we're discussing this, we're discussing this in terms of units, and we believe cabinets are the units to collect the
information in. At the very high-end, the custom cabinets are much more expensive per cabinet. Those are kind of blue-printed out and built from scratch each time.

When you're in the stock and the semi-custom, there is much less of that as people discussed, even in the semi-custom, the dimensions of the cabinets, of 80% of the cabinets, are stock dimensions. So yes, there is a small high-end of the market. You could probably figure out what communities and houses in Washington they're in. And they're so expensive, they're matched up to the value of the house or the apartment. And you could think of it that way as well.

And what you're seeing now is that stock cabinets that contain all these features are winding up in houses that are more expensive than the match was in the day because someone could look at it and say, man, this is beautiful, I'll spend the extra couple of thousand dollars and get a built-in freezer or refrigerator in my kitchen because I could get semi-custom look and features with stock dimensions and it's blended away everything but the super high-end design and stuff in very expensive homes and condos.

MR. GAHM: I think it's safe to say that the basic cabinet is a stock cabinet. Now, if you want to cut down the depth or cut the width down a little bit or add
soft-close hinges, then you're getting into the semi-custom part of the cabinetry industry. But every cabinet basically -- the base model of that particular SKU is a stock cabinet. It's when you put the add-ons in and cut the depth or the height or whatever. It gets you into the semi-custom range.

MR. BRIGHTBILL: Just to confirm, the Chinese imports are all throughout the stock and semi-custom portions of the market. And you had mentioned demand a little bit. Well, demand has been strong. I think what the witnesses have also said is that, you know, there is possible downturn recession in the near future. So the strength we've seen during the period is not anywhere near assured to continue.

MR. CHANG: Yeah, so going back to the demand question. I think in one of the slides, you presented data based on residential housing. So is that mostly single-family homes? Is that apartments? Like, could you give me a little bit of a breakdown on that as well?

DR. KAPLAN: We'll send you the series, but what you should be looking at is primarily residential single- and multi-family and remodeling. Speaking to the members of the Alliance, it's our understanding that about 30% of the cabinets are in new construction and about 70% in remodel, although that shifts around, depending on, you know, the economy.

So in times of a big housing downturn, the ratio
to renovation increases. That's a little steadier business
because you're building, you know, you're doing a room
rather than a whole building. And so it's less affected.
But I think that's another useful piece of information.

So we took the residential single- and
multi-family numbers, we took some sales numbers that were
the types of things that would reflect remodeling demand,
and we created an index and weighted it. And it follows,
you know, generally, the GDP and the housing industry. The
heights might differ a little bit than if you look at just
residential alone.

But, as you could see, it's been on a continual
increase since about 2010. And in those early years before
going out of business and losing money, and now they're
making money, but over the whole cycle, they're not doing
nearly as well as they would have done, but for this
significant surge of imports that is now close to 30% of the
market by units.

MR. WELLBORN: To your question about the
different channels, we sell to the independent kitchen and
bath dealer. And they tell us that they see the Chinese in
all channels of the market, whether it be new construction
or remodel or the multi-family. And they face it every day.

MR. CHANG: Okay. So I want to shift gears a
little bit. So in his opening statement, Mr. Nicely was
discussing how the Chinese are essentially operating in a
more niche market, sort of oriented around the RTAs.

And so as you're well aware, the data that we
collected, part of it was comparing shipments of
fully-assembled cabinets versus RTAs, ready-to-assemble
cabinets. And the data that we've collected thus
far--obviously can't go into specific numbers--but from a
general trend perspective, you know, in the case from the
U.S. industry perspective, the majority of the shipments are
of fully-assembled cabinets, and it doesn't seem like, at
least based on the information we have on the record, that
RTAs are a big part of your business. So I guess my
question is, why aren't they a big part of their business?
And is it something that you have explored in the past and
getting more involved in?

MR. BRIGHTBILL: I'm glad you asked that, because
our witnesses really wanted to address that issue. The
issue is, there's not a niche. These products compete
head-to-head and, in fact, the customers of all of these
companies wanna have assembled product, and so they do
compete head-to-head with the RTAs. But if you all could
talk about that.

MR. WELLBORN: Just as Tim said, we sell to the
kitchen and bath market. And we have not been requested to
do that, but I can tell you, even if we were, we would not
be able to compete with the prices. Our customers are asking us to do more. They do not want unassembled products. And I can tell you every time one of these Chinese cabinets are sold, it is displacing a domestic-made kitchen cabinet. There is no question about that.

MR. TREXLER: Really, the difference is, why they ship them in as an RTA is a freight advantage. They can put many more cabinets on a container and they get here and assemble. And what these companies do to produce in America, we actually start from the beginning. We buy raw materials and then we laminate, we cut lumber, we machine these parts, assemble the cabinets and finish them.

So the Chinese product, all of that labor, which is the majority of the work in the cabinet, is done in China. So they're able to use that labor and do the majority of the work and then when they come here, you've got the assembly, which is a very little part of the whole process that they're doing in a garage or in an apartment or something. So our customers want the cabinets assembled.

And in our case, we make a lot of multi-family cabinets. They also want us to install them in the kitchen. So RTA is not something the average GC or a dealer wants. They want the cabinet fully assembled, so when the Chinese product gets here, someone's got to do that. Bad thing is, it is not a tested cabinet. It's not an ANSI-certified type
MR. MILLER: Perry Miller with Kountry Wood.

Basically, the deciding factor for the flat-packed cabinets versus assembled cabinets is all based on price. I don't feel like there's a lot of customers that are -- we've never been asked for a flat-packed cabinets. There's not a lot of customers that are look for a flat-packed cabinet.

They do that because based on price. If it wasn't for the price, nobody would buy a flat-packed cabinet. You know, it's one of those things where it's all about price.

MR. UNDERWOOD: Edwin Underwood, Marsh Furniture. I would that the differentiation in cost to assemble that product, to Mr. Trexler's point a moment ago, is very minimal in the totality of the cost of the product. So the advantage that one gets by buying it unassembled and assembling it themselves is done in spite of, in spite of the challenges that that creates.

They do that exclusively to gain access to product that it sold at prices that are well below market, well below what's achievable.

MR. WELLBORN: Stephen Wellborn, Wellborn Cabinet. What our dealers tell us too is that some of the opposing side, they all ship their cabinets out predominantly already assembled to the market. It's very
few of them actually are going there in the flat pack scenario. So they're head to head with our same type of product, and if I had two sitting here side by side, you could not tell them apart.

DR. KAPLAN: So to summarize, the reasons the Chinese send flat-packed cabinets here is because they could do the major work of production in China, and an assembled cabinet would have a lot of air in it. So it would be very expensive. The flat pack is all dense and less expensive to ship. So that's the reason these cabinets that are the same as U.S. cabinets are sent unassembled, to save on shipping.

When they get to the United States, certain companies then operate like a classic company here. So if you go to Fabuwood or CNC, they're shipping the vast majority of their cabinets assembled. They have, they just put in a -- and go to their website, a million square foot facility. There's other companies that operate the same way.

The second thing is sometimes they come from the importer as flat-pack and they ship them out the flat pack, but to a distributor. That distributor will hire basically minimum wage folks to assemble those cabinets, and then when a consumer goes to buy the cabinets they're already assembled. They would show up as a flat pack shipment because they went to the distributor that way, but
the end user is getting a fully assembled cabinet.

So you're -- the share that is going out as flat pack to be assembled on site is less than you see, and then when it's being assembled there, it's being assembled without a lot of skill and craftsmanship. You're getting folks, there's stuff that we could show you in the back of a strip mall, when some guys with screwdrivers are putting them together.

The real, the real quality, the real workmanship and craftsmanship is putting the cabinet together, the design, the staining, the routing, the cut, all these things that people can talk about, where skilled craftsmen are making those. Those are -- all the work done in China. If you also -- finally you could call up some of the places that sell RTA, which I did that are locally, and just pick up the phone and say well, you know, could you assemble it for me, and it's like ten bucks, you know. Just that's that per cabinet.

It's clearly done in the back of their shop. It's not a real production high process, and the value added to a domestic cabinet from assembly is my understanding somewhere around five percent. So I just wanted to summarize this. Anyone want to add to that, please do.

MR. GAHM: John Gahm, Kitchen Kompact. Just like Seth said, that you know, at the distributor level they
are bringing in flat packs themselves, and then they'll have
a little two man crew in there, in the back of the warehouse
that will assemble those cabinets. Those cabinets will be
put in inventory right next to our cabinets, and then
they're selling them as-is fully assembled.

So while they all come over flat pack, they
are for the most part, as I understand it, getting assembled
and then it's being shipped out to the home builder or the
consumer or whoever it goes to. It's fully assembled when
it gets to the end user is my understanding, and we are
hearing that more and more and more through our distributors
that are now carrying an imported line of some kind.

MR. CHANG: Okay. So earlier in the
testimony, and Mr. Allen I think you had a small anecdote
about how your company did not sell to private equity firms
that were looking to consolidate the cabinet industry. So I
guess my question related to that is there's a lot of
producers in this industry, as we're learning very quickly,
and I guess I've got a couple of questions.

One, is there a sense that the industry's
being consolidated in any way, and then two, given that
there's so many producers, isn't that -- isn't the nature of
the industry kind of -- these must be intense competition,
right. So doesn't, doesn't that in some way have an impact
on your individual company's operations? Have any changes
in your operations been in reaction to domestic competition, you know, because there's regional producers and then there's more national producers. So I was wondering if you could shed light on those dynamics.

MR. BRIGHTBILL: Tim Brightbill, Wiley Rein. I'll just put it out to our domestic witnesses. In terms of consolidation, I think you heard in the testimony there was a fair amount of consolidation during the recession, in which a couple of hundred cabinet companies were eliminated. But it is a big industry. It has a lot of workers, a very important industry.

And then in terms of competition, I think what our group would say is that the competition between domestic companies has always been there, and they're fully able to do that. What they're not able to compete with is this surge of Chinese imports, which is the new factor that you see particularly during the POI. But I do want all of our guys to comment on those points.

MR. ALLEN: Bill Allen with Showplace Cabinetry. You know, I can only speak to, you know, you asked me about consolidation, and I can only speak to what our company's decision was in 2006, and that was to sell to our employees because that means a lot to us and we didn't want to see that dynamic change.

I can't speak to the consolidation, other than
what Mr. Brightbill said about consolidation early on. What I, you know, at the root of this is RTAs and whatever it is, is it's a cabinet that's built and sold, and the end user wants the cabinet assembled, and that is what we're here to talk about today and what we do at Showplace and what everybody does here.

The American companies have competed in this industry since the beginning, and we're very willing to compete against each other. We sit here today all being competitors. But at the prices that the Chinese cabinets are entering the market, we can't compete. So if it's fair trade and they were forced to produce their components and their parts here in the U.S. with U.S. labor like we all do, then the competition would be fair.

But when they can produce 80 percent of the labor that goes in or more to the building of the cabinet in China, then it's hard for us to compete. So you heard about the history of our companies. We've all competed for 80 years, 20 years, 50 years. The dynamic has changed in the last ten, and that's because of the Chinese.

MR. TREXLER: Mark Trexler, Master Woodcraft Cabinetry, ACPI Products. Like he was mentioning, my friend Ed when their company's probably been in business 120 years at High Point, and he got to witness what happened with the furniture industry. But we compete with these guys all day
long. I mean we all invest many millions of dollars in state-of-the-art equipment in these factories, we buy raw materials, we employ a lot of local people, and the one thing the cabinet industry's located in rural towns in America.

So those workers are what this group has got to fight for and protect, those jobs. When the Chinese can send a cabinet in lower than your variable cost, there's only one way you can do that and you're -- you know, it's just like you're destroying the industry by sending the stuff over, and you know, it affects the country, it affects our sovereignty, it affects everything when lose industries like this.

If you cannot cover your variable cost because they've shipped U.S. lumber to China and machined it and sent it back, it makes no sense. That's a lot of freight. Back to the RTA question, why they're doing the RTAs, they're advantaged because you can put probably 75 percent more cabinets on a container if they're flat-packed in a little box, versus having the cabinet fully assembled.

So they do all the work in China and a minimal part, the five percent you're talking about is of the labor. So let's just say the labor is 12 percent of the selling price of a cabinet. We're talking five percent to 12 percent. You do the math on it, it's not very big numbers.
So what you're doing in the country is very small.

And what we're doing is lots of the machining and the work and the product is done here. So that is the difference. But I compete with these guys and we compete from the custom all the way down from the stock, and sometimes we win, sometimes we lose against them.

But it's a few percentage points. But when we do it against China, and like I said earlier, I've been keeping up with this since 2014, because I had the first 18 years or 22 years in the furniture business and saw what happened. You can't compete with 40 percent of whatever, you know. Those prices make no sense when they're lower than our variable costs. It's just not possible so --

MR. GAHM: John Gahm, Kitchen Kompact. You know, our domestic industry has a very rich history, you know. We've been around for, you know, Marsh has been around for over 100 years. Our company's been around for 80. There's a lot of years of building cabinets in our industry.

And we all compete. I compete against every one of these guys in this room. I've had their cabinets in my office to look at them, to see what they're building and I knew what their price on it was. But we all competed on a level playing field. It was fair. It was fair competition.

We have brought in an import to look at,
looked at that cabinet. That cabinet's no different than
what we build. But when you see the price of it, there's no
way that we can come close to it because it's subsidized and
it's dumped into this country, and that's unfair
competition.

But I can compete against all these guys on a
level playing field. There's no way that any of us can
compete with an import on a level playing field, on the
playing field that exists today. There's not a chance we're
going to make it, and the tens of thousands of jobs of
employees that we have, they're at risk and our companies
are at risk because of this unfair imports coming over.

MR. WELLBORN: Stephen Wellborn, Wellborn
Cabinet. As has been stated already, this is a very
competitive industry domestically, we have -- we've competed
down through the years. Our dealers look at us when you
come in now and they say -- we've even been told I can
almost buy two Chinese cabinets to your one. It looks
exactly the same with the exact same features.

You don't even get invited to the dance when
that happens. You can't compete. That is not fair
competition, and I don't care what you've been told. It is
not a niche market. They are supplanting our products with
the import products. They're exactly the same and we love
competition. Competition has made us better. It has helped
us improve.

But competition is not what's going on right now. It is unfair Chinese dumping of product into this country. Labor is a significant factor. If that was all it was, it would be something we could deal with. It's not. They go way -- we can carry out labor cost to zero and they'd still beat us hands down. It's that bad.

MR. CHANG: So I think earlier in the testimony you mentioned some planned expansions that you had I think in terms of more facilities or investment in technologies for production, and also you talked about some of the adjustments you've tried to make to stay competitive with the Chinese imports. If you could just go into a little bit more detail, either here or in post-conference, in regards to some of the adjustments you've attempted to make over the years to try and stay competitive.

MR. TREXLER: Mark Trexler, Master Woodcraft Cabinetry and ACPI Products. We actually went through an expansion at Master Woodcraft in 2017 and added our fifth production line, and we thought the business would be coming and we could produce 25 percent more cabinets.

That business never came. It actually dropped in '18, it's dropped this year. But across all the ACPI companies, we make lots of stock cabinets, lots of semi-custom and some custom, and all of our lines have been
affected very similarly. But we've got plenty of capacity at the plants. We've got some facilities that do run three shifts, we've got some that run two and some that run one. But we could add people to run the equipment. But what we've done is invested a lot of money in more high production equipment to help at least offset some of the differences in the labor costs, so we can do it very efficiently, very quickly in the factories. But still a cabinet is like furniture. It's a lot of hand work on it. The finishing takes a lot of time, you know. When you buy a cabinet, you want it to look nice, you want the finish consistent, and that's where all the work is that we do with a lot of automated machinery now. Like I told someone earlier, I could be putting it together with robots and have no labor cost and they're still beating me 40-50 thousand dollars. That's not possible. Thank you. MR. ALLEN: Bill Allen, Showplace Cabinetry. I was one of the companies that spoke of expansion. We've tried to add features, cabinet construction types. We also expanded and built a new facility in 2015 to build frameless cabinetry. And as this goes on, you'll learn these cabinet types and you'll understand that that's a different market. But as we've said in our testimony and as you've heard, no matter what option we add or where we go, the Chinese are right behind us in adding those options.
So as we do that and we try to expand, sometimes you look at that, we were ready because of some increasing sales opportunities that we had with Full Access Cabinetry to expand our facilities. We purchased the architectural plans to add on to our two buildings and actually bring those two buildings together to give us more assembly space.

But by the time those plans came into where we would go on them in 2018, our sales and our profitability were at a point where we couldn't do it. So we compete in a semi-custom, and believe me, the Chinese do as well. I have 700 dealers nationwide, and almost all of them are carrying a Chinese line competing head to head with semi-customs no matter what features I try to add.

So expansion plans are put on hold because, you know, at this time it's uncertain whether the return on investment is there for that expansion.

MR. GAHM: John Gahm, Kitchen Kompact. When you talk about capacity, back in the '70s we were one of the two or three largest cabinet manufacturing plants in the country. We produced 10,000 cabinets in a single shift, so we could go two shifts and theoretically produce 20,000. Back before the recession, we were at about 6,000. He held at 6,000 cabinets a day for quite some time. So right now we're at 3,500, or maybe a little bit less. So the ability for us to increase our capacity, it's already there. There
is no expansion of building buildings. The conveyor lines are there. All the equipment is there. We just have to get the people there.

So, you know, capacity is not an issue as far as Kitchen Kompact is concerned. And I think, you know, everyone here would expand if the demand was there. The simple fact is it's not there. The demand is decreasing because of the imports coming in.

MR. SABINE: Todd Sabine with American Woodmark. I would echo John's sentiments. We've seen our capacity increase because of obviously the build we have done over the years to expand our capacities, improve technology to get us more efficient within the plants, and we have actually had to have down days over the last three months where we've taken full production days out of our actual system, which obviously cuts jobs, cuts wages, cuts production, because we've seen the declines coming out of 2017 into 2018 and then on into 2019 here.

So certainly capacity is not an issue on the domestic side. It simply seems to be in a market that is continuing to grow overall. We are not seeing the percentage of growth that obviously our competitors on the Chinese side are seeing. And you can only put that at one thing, which is obviously the price equation in the marketplace and the choices that folks are making around
those products as a result.

MR. WELLBORN: Stephen Wellborn, Wellborn Cabinet. The question on capacity and growth, before the recession we were working two full shifts in our organization, and now we're a single shift plus what we call a skeleton crew on the second shift. So if we need to ramp up capacity, we've got tremendous capacity on our second shift.

As far as expansion goes, and projects, part of my responsibility is to make sure we've got the most up-to-date equipment that's out there. And we do that. But I can tell you, there's not a machine, there's not anything out there available to make you efficient enough to get to the prices that we would have to meet to compete with the Chinese product. It's not there.

I mean, we feel a success if we do something and become 2 percent more efficient. We're talking about having to get something that would cut our prices in half, and we just can't do that.

MR. MILLER: Perry Miller, Kountry Wood. We were one of the companies, too, that had talked about an expansion. You know, we've done a lot of different things to try to be more efficient, and a lot of it through automation, but then in 2016 we had an expansion, and that obviously didn't fill capacities. But then you have design
changes and things like that. So our expansion was planned for more painting. I mean, you heard from everybody here today, paints, you know, your opaque colors are definitely prominent today. And with our equipment, you know, we were doing a lot more manual. So we were just trying to do some automation.

So we had, like Mr. Allen stated, you know, we had the plans done, had everything ready to go, but with some of the lost sales and what we experienced in 2018, decided to hold off on that expansion.

MR. CHANG: Alright, so I just have a couple more data-related questions. So the record that we've collected thus far--and I think you guys have touched on this a little bit, so forgive me if it's sort of a redundant question, but bear with me--so the U.S. shipment volumes and production volumes have gone up based on the data that we've collected thus far. And I was just wondering if you could just elaborate on that.

I know you guys have covered it a bit in my earlier questions, but is there a certain type of cabinet, or a certain segment that is kind of driving that increase in production? Because, yes, I know you guys have talked at length about some of the challenges that you're facing, but, you know, production still has gone up and shipments still have increased. So I'm just wondering where that's
Production and shipments are up, but not in relation to the demand that we've seen. And certainly you see during the period, the market share shift of 5 percentage points, which is a huge amount in this industry, going to China.

And I think in terms of production and shipments, I don't think it would be broken—we'll hear from our industry witnesses—I don't think it's broken out by particular products or things, just all across your operations, but maybe you all could speak to that in terms of what accounts—

MR. GAHM: John Gahm, Kitchen Kompact. I think one thing that we have to keep in mind—and I know it's outside of our three-month time period that we're looking at—but when the recession hit and ended in, whenever it was, 2014 or '13, our industry got cut in half.

So when we came out of the recession, those first couple of years we actually—you know, we were basically starting from the ground again, because our industry got cut in half. So we did see some steady growth. It wasn't near the growth that the imports had seen.

I think we'll all argue that the import—since we came out of the recession, that's when the imports really started taking off. So, yes, we did see some growth, but it...
has certainly leveled off and flattened, if not gone down for some of us, but any growth, you know, the growth in the cabinet market right now is going to the imports. It's not going to the domestic manufacturers. They're taking that increased growth.

MR. KAPLAN: With respect to your shipments--

MS. CHRIST: Could you state your name for the record?

MR. KAPLAN: Seth Kaplan, IER, let's do this each time. I'll forget and you'll remind me. I'm sorry. Maybe the last one. I've just never done this before. I keep doing this--

(Laughter.)

MR. KAPLAN: Our data, based on, you know, trying to get the aggregate of the industry because there's going to be some missing data given, and the data you've collected, all show first that the domestic shipments have not increased relative to the growth of the market.

And secondly, that at least our data shows that in the biggest increased year, the biggest surge, which was the last year of imports, while the economy has still been growing and the end markets are growing, that actually production and shipments may be down from '17 to '18 are certainly flat. That's kind of about, you know, what we're showing and adding up the data as well.
So over the POI, there's been some increase. But over the last year, we haven't seen that. And the market's been growing, and imports have been surging at the higher levels and with larger increases. I mean, this is the old grain of rice on the chess board. You know, you put two on the second one and four on the third one, and you have a significant compound growth rate of the imports. And it's over 20 percent over the POI. The value has increased by over 50 percent.

And now you're seeing that 20 percent growth rate, 25 percent growth rate, being applied to $1.4 billion of imports that accounts for 20 million cabinets. And so that's why you're seeing flat production, flat shipments despite growth, and that's why given the statements of the major importers into the United States and the fact that these products are the same variety and flavor, that you could have another 30 or 40 percent of the market disappear.

These products are substitutes. They are not complements. A complement means if you lower the price of the import, demand for the domestic product goes up. That's insane. They're carried side by side at thousands of dealerships in the United States. Selling these cabinets, when you go up on Rockville Pike, or go up on 50 or somewhere and walk in, they'll have 5 different cabinet companies selling there. And one of them will be Chinese
now. And you don't go, oh, the Chinese lowered its price, I'll get some of that and I'll get some extra U.S. ones? No. They're substitutes. You substitute away from the domestic product because of the cheap import, and that's what's happened in market share where there's been 7 percent gained by the subject imports. And that is obvious to anyone who's ever renovated kitchen that you look and you say: They're the same, and this one's cheaper? I think that's the one I'll get.

So demand has been increasing. Shipments over the last year has been constant. And the growth in market share has been extraordinary, and your data reflects that.

MR. WELLBORN: Stephen Wellborn--

MR. UNDERWOOD: Beg your pardon. Excuse me, Dr. Wellborn. Edwin Underwood with Marsh Furniture Company. To tag on to what some of our colleagues here have said today, we have seen some growth in the recovery from the recession. In the most recent period of interest, the growth has been significantly muted, and that's evident in the data, particularly for 2018.

Our performance, particularly in relation to units shipped, is flat at best. And in the same period, competitors trading in products that are at below our costs, significantly below our variable costs, have taken share of the market.
Now let me take you back to 2009, 2008, when we saw a significant recession. In that period, and in those periods, legacy, relationship, and performance often take a back seat, even more so than they are already, to price. There is a flight to price.

And when you look at projections for '19 and you look at projections particularly for '20, we see evidence of a contraction coming. So we are here today with concern, to say the least, for an industry that employs tens of thousands of people, and that is really a part of the bedrock of U.S. manufacturing in so many ways, looking to protect a viable industry that has taken steps to be competitive with one another—I compete with every one of these folks. A competition begs for rules and for fairness, and that is not the case in this situation. So my concern, and our concern collectively, is for what will happen over the next two to four years.

MR. WELLBORN: Stephen Wellborn, Wellborn Cabinet. One thing that we have seen, just to try to maintain our current, and maybe some growth, is extreme price cutting that we're faced with on almost a daily basis, if not a weekly basis. We're faced by customers, if you want to keep this business you'll have to lower your prices, something that we did not do pre-recession. But due to the Chinese dumping of cabinets in this industry, we're
continuously having to do that. And it is absolutely
because of the low price of a Chinese cabinet that we're
having to be faced with that. Thank you.

MR. BRIGHTBILL: Hi. Tim Brightbill, Wiley Rein.
If we could just put up slide 23, that just shows the
flatness of the market. And I think as Mr. Allen testified,
you know, there's really no more rabbits to pull out of the
hat anymore. And this is from the U.S. producer
questionnaires.

MR. CHANG: Okay, so those are all the questions
I have for now.

MS. CHRIST: Thank you. We will now turn to
Investigator Celia Feldpausch.
(No response.)

MS. CHRIST: We will move on to Brian Soiset, the
attorney adviser.

MR. SOISET: Good morning, and thank you all for
your attendance. I don't have many questions.
The first quick one, just for Mr. Brightbill, did
Commerce initiate yesterday?

MR. BRIGHTBILL: Tim Brightbill, Wiley Rein. I
haven't heard yet. I have assumed that they have, and I'll
cover it in my closing remarks, but I have not heard yet.

MR. SOISET: I thought you might have a quick
answer. That's the only reason I asked. So I did want to
ask a little bit about the domestic like product. I understand from your opening remarks that you're asking for a single product co-extensive with your proposed scope. And so obviously, if you would cover that in your postconference briefs, with each of our factors and providing evidence about that, that would be appreciated. But I also wanted to give a chance to some of the industry experts while you're here if you wanted to speak on this, just for background, domestic like product is simply how we at the Commission define the equivalent to imports is made here in the United States.

And so I think Mr. Brightbill plans to argue the scope that you have defined, that we should use that same definition when we're looking here at the United States, combining kitchen, bathroom vanities, everything that's covered in the scope of the investigation.

And to do that, we look at production processes, manufacturing facilities, employees, price, producer and customer perceptions of these products, and just asking is there a different breakdown we should be looking at. Is there a clear dividing line when we look at some of these criteria. So if any of you have any comments about why you think that what's in the scope is a single product that we should look at together, I would appreciate that. You don't have to. I think Mr. Brightbill will be covering this, but
I just wanted to give you an opportunity while you're here.

MR. WELLBORN: I can speak to that for our company. We produce both kitchen and bath and vanities in the same factory by the same people and they use the same equipment, same finishing lines, same people assemble the product going out. There's a small exception of a furniture vanity that we make that is kind of made offline, but 85 to 90 percent of the vanities that we produced are made in the same assembly lines as our finished kitchen cabinets.

MR. MILLER: Same with us. We manufacture both vanities and kitchens and everything is produced in the same production area. You know there may be a base cabinet going down the line immediately following a vanity and followed by another base cabinet, so it's all -- but the core of it -- I guess the base on the scope is that components and a processing before assembly is the main labor or the main expense and everything going into the cabinet. That's why we felt like it needed to be components and everything included in the scope.

MR. SABINE: And I think it's important to know the way in which those products, the components are built, finished, assembled is very much the same process regardless of whether you call it a kitchen cabinet, a bathroom vanity, it's the same process.

MR. UNDERWOOD: It's a complement that I would
add that in many cases the components associated with that
vanity cabinet are interchangeable with those cabinets that
would go into the kitchen or other rooms of a residence,
which is really the crux of our point is, so very
interchangeable.

MR. ALLEN: I'm not going to repeat all that,
but we make them the same way all these guys do. They're
the same cabinet and they're sold in the same place. Our
dealers will sell a vanity on a remodel for a bathroom or
they'll sell a full kitchen. It's the same dealer. It's
cabinets and nuts is what they're buying.

MR. SOISET: Alright, thank you very much.
That's appreciated. It does sound like Respondents will be
proposing something different, if I understand their opening
statement. And so, obviously, in post-conference briefs I
mean additional information you may have and a proposed
breakout that they have different from yours would be
appreciated.

I think this might just be a follow up, again,
for the post-conference briefs, but several of you have
mentioned that with some of the importers there's also an
assembly going on in the United States and you've already
spoken to that, I think, so I'm not necessarily asking
industry witnesses to speak further, but for Mr. Brightbill
if you would sort of focus that on sufficient production
activities and the criteria that we at the Commission look at for that.

I think your position clearly is that it's not U.S. production. It just would be appreciated if it's in that framework in your post-conference briefs and any information supporting that as well would be greatly appreciated.

MR. BRIGHTBILL: We'll do that. And yes, the assembly operations for Chinese RTAs are far, far less in scope than what you see from these producers and from the U.S. industry and if they want to talk briefly on that now, but we're happy to it in the brief as well.

MR. GAHM: As I mentioned earlier, we have distributors that do bring in a flat pack. Sometimes it direct from China. Sometimes it's from a local importer, but they'll set up two guys in the back of the shop that'll assemble these cabinets and they can be put together in five minutes. So, they just take the parts and pieces out of the box, put them together, they've got a finished cabinet. It takes five minutes.

MR. WELLBORN: I could save about 1300 employees that are manufacturing kitchen cabinets. We're vertically integrated and if we -- what we were look like if we were an assembler of kitchen cabinets and importing Chinese products we would from 1300 to about less than 200 people, so that is
the amount of jobs that are at stake when you become just an assembler of Chinese product. And yes, most of them want it assembled before it ever gets to the job site anyway, so that's the reason we assemble all of our products. But just remember that 1300 to less than 200 people is what it would look like. Thank you.

MR. SOISET: Alright, thank you very much and no further questions from me.

MS. CHRIST: Thank you. We'll now turn to the economist, Tana Von Kessler.

MS. VON KESSLER: I get the pleasure of saying good afternoon because the bell has just run. Thank you all for being here. I am going to ask some questions. Hopefully, there's not a whole lot of overlap with what we've already talked about.

First, I want to get at the pricing data. How much of the market is accounted for by importers who sell at retail and how much of the market is made up of importers who then sell the cabinets to distributors or dealers; are you aware of this?

MR. BRIGHTBILL: Could you say that again? How much is account for?

MS. VON KESSLER: By importers who sell at retail, so such as the Big Box stores -- Costco was up there. I don't know if Costco imported themselves, but if
they did. And how much is made up by importers who then
sell cabinets to dealers and distributors and those
retailers?

MR. BRIGHTBILL: I'm not sure if we have all the
percentages on that, other than to say the Chinese imports
are present in all of these channels, including Big Box, as
we've heard, including dealers, including distributors, and
including sales-to-end users, homebuilders and apartment
complexes and so forth.

MR. KAPLAN: I might add that when I was
discussing semi-custom and gave the Costco example that the
imports are my understanding predominant in vanities in the
Big Box store. So, the domestic industry faces competition
in the Big Box from cabinets, but also overwhelming from
vanities. We've already shown websites where the Chinese
importer assemblers have a dealer section and almost every
page is inviting new kitchen dealers.

And I discussed earlier -- I don't know how many
of you have yet to have the pleasure of a remodel in your
kitchen. It will happen, one way or another, trust me if
you stay in a house long enough. And if you go to a dealer,
they will show multiple lines and Chinese imports are now
one of the lines at many of the dealers. In fact, you might
want to ask this afternoon how many dealers each of the
major companies have and the answer is often thousands
across the country, so that there's head-to-head
competition there.

They often have a contractor section. They have
witnesses testifying that want to bring in cabinets as
contractors. The representatives here all sell to
contractors. I might add before the Chinese were here they
sold a lot more to contractors. It wasn't as though they
invented a niche and it's like we have a multi-family house.
You know for the last 200 years we've had no kitchen in
them. Now, the Chinese are here. Oh, my God. No, all of
those were supplied by the domestic industry. That was just
one segment that has seen a significant increase of the
imports, but there's head-to-head competition there. So,
there's kind of head-to-head competition across the board in
the Big Box channels, in the distributor channels, in the
dealer channels, in the builder channels, in the contractor
channels. You know the difference between a remodel or from
a contractor or someone who's throwing up hundreds of units.

Imports are in each of those. Sometimes more --
to a more less degree and we're in each of those as well.

And they substitute directly. If you're building an
apartment building, the cost of cabinets is not going to
have you build or not build that building. You know it's
not going to affect the total demand for the market, but the
relative price of the domestic product and the import
product will determine who gets that job and Mr. Trexler's spoken to that. We've spoken to that in the context of dealerships where the line is there and the sales are lost customer-by-customer, kitchen-by-kitchen.

And we've gone the Big Box stores where sometimes it's contractors, sometimes it's builders, sometimes it's Do-It-Yourselefs. Sometimes people come in there for design. Sometimes people come in there because they've figured out the kitchen themselves and they come in for a cabinet or a vanity. Imports are everywhere. We're everywhere. And since the made-style elements now are painted -- you know we might have more colors of white, but they have white cabinets and those account for 80 percent of the market these days is these small number of SKUs with a certain style and a certain paint.

I don't know if anyone wants to add to that with respect to the channels.

MR. GAHM: There was a reference earlier to 20 million imported units that came into this country. What was the time period on that -- okay, just last year alone. Those cabinets are not getting to the market any different channel than what we all go through. The domestic industry some of us go through all channels. Some of us just pick one. Some of us pick two. But the imports are not going -- they haven't found a new channel to the market, so we're
competing for those at 20 million units in sales -- us domestic guys. But when you see the price on it, the ability to compete becomes extremely minimal, at best, for us.

But we want those $20 million sales. We, at least, want to have a chance -- a fair chance to sell those 20 million cabinets, but we don't today. We have no shot at it.

MS. VON KESSLER: Okay, I think my next question will be more kind of a general contractor segment of the market. I'm trying to figure out how to make sure our price data is apples-to-apples comparisons and our contractors -- Mr. Brightbill and Seth, this might be for you.

The first arms-length transaction for us where they reported those commercial shipments -- this can totally be post-hearing -- or are they considered a retail sale for you and it's a different point of -- level of trade.

MR. KAPLAN: We'll go through each of the levels or each of the channels in the post-hearing. And I do want to point out, though, as I mentioned earlier on the import side. Sometimes you'll have a sale through a distributor, sometimes through a dealer, sometimes directly from the website and they all could go to the same type of customer.

And then on the pricing, I would add that
sometimes there are -- you know on the contractor side
people advertise for special pricing because if someone's
building 500 units and they have four styles of apartments
and four different kitchens you get a volume discount, but
we'll discuss the channels and the levels in the
post-hearing.

MS. VON KESSLER: Okay, great. How do I
reconcile the argument that there's product mix in the price
data between the RTA flat packs that are imported and the
assembled, U.S. produced?

MR. BRIGHTBILL: First of all, your data it is
apples-to-apples comparison. They're very narrow products
that are defined. In fact, we probably should be a little
broader. It's always difficult to pick which pricing
product at the start of an investigation, but still, for
these products you're looking at thousands of comparisons or
in some tens of thousands, so there's a lot of data going
into those.

And the disparity you see and the levels of
underselling you see are far beyond any difference between
an RTA and the small assembly cost it would take to put that
together versus the domestic product.

MS. VON KESSLER: Great, thank you.

Are there different selling techniques between
large, multi-family projects and small, single-family
MR. TREXLER: On the large, multi-family contracts, and it sort of speaks to what you were talking about a little bit ago. The average price of these big units -- and we go in about 35 of the states -- you know there's 300 units. There's probable 17/18 cabinets, including the bathroom vanities in the unit.

We go straight to the general contractor and we bid to the general contractor and we really will give him two prices. We'll give him a price for the cabinets and then we'll give him a price for the labor to install the cabinets. So, we're sort of like a subcontractor to them. We'll measure the units. We ship the cabinets, we stock the units, and then we hang them on the wall. So, we bid directly with those guys.

So, single-family you may be a big development and you'll go in and you'll price a hundred homes or something, but you know multi-family it's a lower price point cabinet, obviously, but the numbers are bigger because you're doing 300 kitchens at a time, so I think that's probably the difference.

And the nice thing about the way we do business I know every job I lose because it's all bid work and I've been able to keep up with whether it's one of my direct competitors that's close or to a Chinese importer. And a
lot of time they'll give me the exact pricing of who bid
what, so it's real easy to see the difference.

MS. VON KESSLER: Thank you for that.

Mr. Kaplan, at Slide 8 of your presentation, you
had some quality classifications that the importers checked
off. Where do the U.S. producers stand on all those?

MR. KAPLAN: U.S. producers -- and I'll hand it
off, but ANSI is a certification, so it'll measure how much
weight a cabinet can hold, whether the hinges and drawers
will operate for a long period of time. And so, the U.S.
producers are members of ANSI and I'll let them speak for
themselves.

Many of them have environmental certifications.

And when I said standard industry warranty, this is the
industry and basically the warranty has been adopted by the
importers. So, once again, it's head-to-head competition.

You're getting a product that's passed the same tests. If
you have environment concerns, both from the health
perspective and the source of the materials, different firms
advertise their affiliations with associations that certify
that and it's become part of the industry as a whole and
there's generally no difference between the imports and the
domestic.

I think I'll let the domestic producers speak to
that themselves.
MR. TREXLER: Mark Trexler from Master WoodCraft Cabinetry again. The ANSI 161.1 standard, it's a performance standard. So our cabinets with the producers here, my companies produce about 20,000 cabinets a day. They randomly come in to each of these facilities and they'll select a couple of cabinets -- we have to send them off and they get tested. So they're gonna put weight in them to see if a wall cabinet will do 600 pounds, will be able to be supported on a certain wall cabinet.

We'll open and close the drawer 25,000 times. We'll open and close the door of the same thing. We check sagging on hinges. They test the finish. So it's not one to just looking at the finish, that this color is such-and-such or whatever, but it's a performance of the cabinet. And we all spend money to have certified cabinets to be where we can say our stuff's third-party tested, so the consumer -- sort of like when you, for electrical, you always look for the UL label. You don't wanna buy it and have a problem.

So same thing with cabinets. You want cabinets that are gonna last. You want them to actually stay on the wall and not come loose and that's why they have the ANSI 161.1 standard that everyone in the industry pretty well, in the U.S. makes and complies with and pays for this certification.
MS. VON KESSLER: Great, thank you. And thank you for stating which exact standard that was. I was gonna follow up with that. I'll move on to some demand questions. This may go into your discussion in the post-conference brief about domestic like product. But is there any difference in demand drivers between kitchen cabinets and bath vanities?

DR. KAPLAN: In a new home, if you're building, you know, you have kitchens and baths and you need, the demand is driven by the fact that you need cabinets in both, it was earlier talked about that even for multi-family, they'll supply both from one supplier, that the dealer will carry both if they go through a dealership.

And so demands, similarly with the remodel, it typically, there is a high demand for both kitchen and bath remodeling, and you could kind see that in the names of half the contractors and half the suppliers. It's kitchen and bath design, kitchen, so I would say that, in general, the same demand drivers occur on the remodeling side as well.

So the answer is yes.

MS. VON KESSLER: Okay. How have the Section 301 tariffs impacted the market? Impacted demand or prices?

MR. WELLBORN: What we've seen from the initial 301 is around, I think, a 10% tariff, and as you gotta remember, the tariffs only go on the imported price of a
product. If the price is that these cabinets are coming in
to our domestic market is extremely low, so the 10% does not
move the needle. Most of what we see has been very little
price movement on the imported price.

We've seen some -- sometimes it may've been just
ability to take advantage of the market because of -- as an
example -- because they could. They were so far out of the
market to begin with. But it has not really at all affected
the market. As far as us getting back our market share like
we should have had and desire.

MR. SABINE: Just to validate what Stephen just
said, you know, we see price deltas in the 40 to 50 -- we
directly compete in the stock segment of the industry at
American Woodmark. And you're looking at price deltas at
the cost level, at 40 to 50% variance to what we build and
sell to the same customer every day. So a 10% tariff is
insignificant in the big scheme of things.

MR. GAHM: I'll add to that that I have seen
some, after the tariffs, some price increase announcements
from some of the importers that were, you know, 3 or 4% and
I've been made aware that some of the imports just absorbed
that cost. They didn't pass that cost along. So it was
really--it really had no affect on the demand in our
industry.

MR. ALLEN: I also understand -- I don't have a
vast knowledge in all trade that you all do, but the 301 could be a temporary thing. There was talk about being more and that's now off the table, at least temporarily. And, you know, we're not looking for a temporary solution, because that won't keep the importers at bay. So I think that's another thing to mention about the 301s. I don't think the 10% made a difference and I think it could be temporary.

MR. MILLER: I'm of the same opinion as the other two -- no real effect to it. You know, the 10% was basically insignificant. A source, obviously, when I was at KBIS, I stated that most of the importers are absorbing and not even passing it on to the dealers or distributors, or if they are, they're splitting in half of some kind of arrangement. So as far as we're concerned, I have not seen any effect whatsoever with the 301.

MS. VON KESSLER: Great, thank you. This is one of the few cases where that came into play before the case started. So we were able to kind of see what effects are, if there have been any. Where do you source your raw materials from?

MR. TREXLER: We source 91% of our raw materials come from the United States. I mean we buy lumber regionally. A lot of it comes either, you know, out of the Southeast, up through the Appalachian Mountains and stuff.
We're located in, pretty well all across the country with eleven plants with ACPI products, but everything that we can buy, Made in America, we do. The only thing we really import are some hinges and stuff. Hardware we just can't get manufactured in this country. We buy the plywood here and everything.

MR. GAHM: We're pretty much the same way. We source everything domestically. About 95% of our inputs and our cabinets are U.S. sourced. About 5% comes from somewhere overseas. Actually, I can't tell you where because I don't know. But about 95% of it is sourced in the United States.

MR. WELLBORN: I'm glad you asked that question because we are so vertically integrated, we do have a sawmill on our site and, you know, we actually go to the market and to the sawmills across the Eastern Seaboard and bought green lumber from them. What we're finding right now is the Chinese are there buying the logs and the woods, shipping them back to China and sending them back in kitchen cabinets. So we're getting squeezed on both ends. And yes, we do buy domestic plywood, domestic hardwoods, but we are seeing even on the other side of our raw materials being squeezed because they're buying that up also. But we do everything domestically. Thank you.

MR. ALLEN: This is gonna be a repeat story here.
It's 90%-plus domestically sourced. Being located in the middle of the country, the Appalachians were mentioned. And you know, the U.S. is very fortunate to have the Appalachian wood basket. There's nothing like it in the world, so for us, it's a no-brainer to do that.

And we take full advantage of that. Most of our panel products are sourced in the Northwest part of the U.S. for domestic suppliers as well. The hardware and some of the things -- some of it's made in Austria and those kind of places and assembled here in the U.S. But that's where the best hardware manufacturers are, and a lot of us take advantage of that particular thing.

MR. MILLER: We're about 90% U.S. and there again, there's just items, hardware, finishes and fasteners, some things like that, that are just, that do this through distribution, we do get imported, but we focus to buy as much from U.S. as we possibly can.

DR. KAPLAN: I would like to compare that to the Chinese and a little bit about costs. So, for example, on the plywood front, it used to be a U.S. veneer that was shipped over there. Now the log is shipped over and all the U.S. veneer companies are out of business. So the U.S. log goes to China, it's turned into a veneer in China. The inside of the box is made from Russian birch or rotty pine that comes from New Zealand.
So a lot of the materials that the Chinese use are imported from abroad, even from the United States, then put together and then sent back to the United States in a flat pack to be assembled by a minimum-wage worker that are taking jobs from --

This is the most diverse panel, I'm always the guy with the Chicago accent that's like far out, but I love this panel. We got guys from Indiana, South Dakota, Alabama, Texas and if you look at your producer locations, they are everywhere. This is one of the largest remaining employers of manufacturing, especially in rural areas in the United States.

And I'm sure you're all aware of the studies of the decline in manufacturing from 2000 to 2008. These guys were seeing some of it. Their suppliers got crushed. They've all been here, the hardwood guys, the flooring guys, the furniture guys. And since they're a little bit downstream, this is a little bit later. But this is what's left now.

These many people in these many locations, tens of thousands of workers. And they all use U.S. supply chain as you've just heard to make their products. So it's supporting other domestic industries and, of course, all the induced employment, you know, from the workers who are paid.

On the other hand, you're seeing U.S., New
Zealand, Russian product go into China, taking away the high-value-added part of the industry, the skilled part of the industry, the woodworker, finisher part of the industry, and sending it back to the United States to assemble it. Now think about that. We're assembling Chinese-manufactured products. Not them assembling U.S.-manufactured products like in semi-conductors or something like that.

It's flipped. And it's through dumping, it's through subsidization, it's through an industrial policy in China. It's through a policy that creates employment in China. And I understand it. But the negative effects are being felt here countrywide, every state through the supply chain and affecting employment and profitability at a time that should be very profitable for the industry as housing starts are slowing down and a potential downturn is potentially in the works. So I just wanted to make that comparison. You saw the U.S. supply chain, and I want you to compare it to the Chinese supply chain. Thank you.

MS. VON KESSLER: I think that's all the questions I have for now. Thank you.

MS. CHRIST: Thank you. We'll now turn to the industry analyst, Robert Ireland.

MR. IRELAND: Good afternoon and thank you very much for your testimony today. My first question is for counsel, and I know you addressed this already in your
petition, but are you aware of any current anti-dumping or
countervailing duty orders in third-country markets in
wooden cabinets or vanities imported from the subject
country, China?

MR. BRIGHTBILL: Beyond what we put in the
petition, why don't we check and we'll put that in our
post-conference brief if that's all right?

MR. IRELAND: Thank you. Then I just had a few
questions about the product itself and the manufacturing
process. First of all, I wanted to ask about -- if you
could describe briefly the process for reducing the moisture
content of lumber that is used for cabinet making, which I
gather generally includes predrying and drying.

And are you yourselves the primary business that
engages in drying or predrying? Or is this done by
affiliated or unaffiliated businesses? And could you also
describe briefly, if you could, some of the technology or
machines that are used, such as predrying facilities and
kilns.

MR. TREXLER: Some of our companies buy what we
call kiln-dried lumber, where the lumber is purchased and
taken to a guy that deals in the lumber, he'll dry it and
typically our lumber is gonna come in at like a 6 to 8%
moisture content. We have facilities where we actually dry
some of the lumber ourselves. Is the value added for our
companies, but all of the lumber is sourced in the U.S., whether it's Appalachian Mountains or somewhere, maybe Pacific Northwest.

But the drying -- and some of us that are vertically integrated, we do the drying -- some people buy the kiln-dried and process it from there. But if you go into these drying operations, I mean, now the kilns are computer-controlled. You know, they have lots of options on them to reduce the degrade in the lumber so you get better yields, helps you compete on price and stuff. So the predrying and the kilns and all these operations are very technical now versus what they were probably forty years ago.

MR. SABINE: Todd Sabine, American Woodmark. A very similar scenario for American Woodmark, with 15 manufacturing facilities across the U.S., employing 8,000 U.S. employees roughly across those 15 manufacturing facilities. We buy raw lumber in the marketplace, kiln dry it much like Mark described and dimensionalize that, and then turn it into component parts that we then build, finish, build and assemble in our U.S. plants.

So high level of vertical integration. It's absolutely what we always thought was a competitive advantage, and obviously as the scenario that Seth Kaplan just outlined for you guys, that is created a ton of pricing
pressure relative to our ability to manufacture in that way and compete against these component parts that are coming into the United States and being assembled.

That's a very tough business proposition these days for having to try to overcome that with technology, as Mr. Trexler, you know, just kind of noted. But you can only keep up with that so much. Obviously, when you have the labor differential and the cost differential through the sourcing solutions that our folks in the Chinese cabinet manufacturing side of the equation bring to the marketplace. So hopefully kind of sheds a little light on it for you.

MR. WELLBORN: Stephen Wellborn, Wellborn Cabinet. We, like them, we buy our lumber green. We source it from the local mills and then also mills outside of our state. We also invested highly in the dry kiln process that it takes to control the moisture content or bring it down to a workable solution.

We also invested highly in some boilers for our dry waste, which we in turn burn. Instead of landfilling it, we also burn it and create the stain that is taken to dry the lumber to use in the heat off of that. So we do everything we can to try to be as productive and as efficient as we possibly can.

And has been stated already, buying green
lumber and drying it, you can be more efficient. It doesn't get you to the point we need to be to compete with China with these cabinets by a long shot.

MR. ALLEN: Bill Allen, and I'll just speak because I don't own a kiln. The capital investment in kilns is extensive. So we buy our components from American domestic component manufacturers. Ours happens to be located in Minnesota, very close to where I live in South Dakota.

But it's under the same strict moisture guidelines, and we will test those components. We would buy lumber in what we call S4S. So it's surfaced on four sides and it's random lengths so that I can create whatever component that I need to create from that.

But it's wood that's gone through the same processes in domestic plants in the U.S., and the value's been added there. And then I pay for that, instead of owning the kilns. So that's another way to get it to market, but I think relevant to your question.

MR. IRELAND: Thank you for those answers. My next question relates to if you comment on the popularity of framed cabinets versus frameless cabinets? I understand that it's probably still the case that framed cabinets are much more popular in the United States, probably perhaps exclusively so, while frameless cabinets are more popular in
Europe and Asia.

Having said that, can I assume that it's easy for a manufacturer to produce both styles, and in terms of the proportions of the two styles, is there a difference between U.S. producers on the one hand and imports from China on the other hand?

MR. WELLBORN:  Steven Wellborn, Wellborn Cabinet. As I stated earlier, we watch the market and if there's a need in the market we do it. We did see an increase requested for a frameless product a few years ago, and we started a frameless line. It's probably something right now less than five percent of our total business.

China does both. We see them at both the framed and the frameless market. So it's not something that we could carve out into a frameless market and start doing it where China can. In fact, it may even be easier for them to do the frameless product. Thank you.

MR. TREXLER:  Mark Trexler, Master Woodcraft Cabinetry/ACPI. We actually produce both. About -- the trend is about 80 percent of our cabinets are a framed cabinet. The other 20 percent are frameless. Some people are going to come with a full access cabinet or European style.

The difference mainly is the frameless cabinet has probably about 18, 20 percent more usable space in it,
more modern cleaner lines and it's a different construction. It's a boren dial construction, whereas a framed cabinet, which the difference you've got a piece of lumber on the front of the cabinet were the hinges are mounted.

But it's a lot more popular in the United States, the framed. But we do both, they do both.

MR. ALLEN: Bill Allen, Showplace. Mark just said a lot of what I was going to say. It has to do with more open access and cleaner lines. We just entered the frameless market in that game of trying to stay ahead of the Chinese and offer things. But they're right behind us and they offer frameless as well as framed cabinetry.

The U.S. market has traditionally been framed cabinetry. The traditional look of framed cabinetry lends itself to the American market. But these cleaner lines, the white shaker cabinetry and some of those more current fashion trends may lend themselves to the frameless cabinetry style. Therefore, dealers across the country began asking for it. I think if you had put a number on it, I think nationally maybe it is 15 to 20 percent of the U.S. market if you had to put a number on it, and that became a relevant factor, a more relevant factor I would say in the last five years, that we moved towards that construction type.

MR. IRELAND: Thank you for that. My next
question relates to the relationship between wood and ergo
wooden cabinets and formaldehyde. In particular, are wooden
cabinets with lower formaldehyde levels? Are they generally
more expensive and to what extent? And is this relevant to
cost differentials between U.S.-produced wooden cabinets and
imports of wooden cabinets?

MR. TREXLER: Mark Trexler, Master Woodcraft
Cabinetry/ACPI Products again. Our companies in the U.S.,
you have EPA guidelines. I think it's TOSCA Title VI, where
we've reduced the added formaldehyde that's low fuming. It
has to hit very, very tight parameters. Solid wood,
obviously the only thing there's some natural formaldehyde.

So composite board does contain some of the
formaldehydes, but we have very strict rules. Most of the
people that are members of this group here, KCMA offers an
environmental stewardship program. The majority of us are
members of that, where we get points for, you know,
recycling, buying green products, you know, very low
formaldehyde water-based finishes, that type of thing.

So we've all spent lots of time on it. Like
at Master Woodcraft, we don't spray solvent paints and
stains anymore. It's all UV water-based. I would guess
that a lot of the stuff that will come from China is still
the solvent-based product, which is putting BOCs in the
homes and apartments when they get here.
And you know, we undergo strenuous tests on all the plywood and particle board MDF made in this country, to make sure it hits these formaldehyde levels. So we go the extra step to ensure the products we're sourcing in the U.S. meets all these regulations and that we're giving the public what they're asking for as EPA-approved type products.

MR. ALLEN: Bill Allen again with Showplace Cabinetry. I think you're familiar with this topic so you're asking, but the formaldehyde control on composite panels was introduced to the country through CARB carb regulation, which is the California Air Resources Board Program.

All of the cabinet manufacturers in the U.S. came in compliance with that. And then we went through a process where that became a national law through the Toxic Substance Control Act, the TOSCA. So the domestic manufacturers and formaldehyde control on composite panels is nothing that's new to any of us on this board.

We've went through that process over the last eight to ten years, and we certify all of our products and our suppliers, panel suppliers as well have all come into the compliance, when the California regulation went through, and then followed by the EPA.

MR. GAHM: John Gahm at Kitchen Kompact. You
know, formaldehyde has been a topic of discussion in the wood industry for probably ever, and it probably always will be. I can say that I'm going to kind of tie what Mark and Bill said together, you know. With the introduction of CARB rule out in California, a lot of manufacturers -- that rule, any composite panels going into California had to be CARB compliant.

I think most manufacturers, it was in our case, we just went nationwide with it right away, because we couldn't, we couldn't figure out what was going to California and what was not. So we just did it nationwide. So we were kind of ahead of the rule. Then TOSCA Title VI came around, I think we can say now that it's federal law that all, all the major companies adhere to that strict law.

We do get our products tested. We do through the environmental stewardship program. We do verify that our board is, meets the formaldehyde. So while it has been an issue in our industry forever, I think our industry has taken great steps to make sure that we abide by what the law says and try to come in at or below the existing levels that are acceptable.

DR. KAPLAN: There was information -- Seth Kaplan, IER. And there was information in the hardwood/plywood case with significant evidence put in about how many Chinese panel producers the CARB standards. They
are, they are tested the same way under the same standards
in the United States to achieve it, get certificates.

There is a public list of Chinese panel
producers that are CARB-compliant. So this has not been a
problem either in that case or for the panels that are used
in the imported product that I'm aware of now. We'll look
into it further for our post-hearing.

MR. IRELAND: Thank you. That concludes my
questions.

MS. CHRIST: Thank you. We'll now turn to the
Supervisory Investigator, Elizabeth Haines.

MS. HAINES: Thank you for the testimony, very
helpful. I have just one question. In your brief, in your
opening statement you made reference to a primary HTS
number. So in your brief could you, once you get a chance
to crunch all the questionnaires, let us know what you feel
is the best source for import data? Thank you.

MS. EL-SABAAWI: Laura El-Sabaawi from Wiley
Rein. Yes, we'll do that.

MS. HAINES: Okay, thanks.

MS. CHRIST: Thank you. I will just check and
see if there are any follow-up questions. Thank you all.
The good thing is by the time it gets to me, all the
questions have been asked and answered. I did have one
question. I believe Bill Allen in your opening statement,
you mentioned that you tried to enter new markets, if those were the words.

Could you just identify a little bit what you meant by that in terms of was it new market segments, new geographic markets, framed/frameless? What was the -- what were you discussing that your company was trying to enter?

MR. ALLEN: Bill Allen, Showplace. Specifically what I was mentioned, and we discussed it in further questions was the move into frameless cabinetry as another sales market for us to look at entering. From when we were started in 1999 until 2015, we sold just framed cabinets.

Another variety of framed cabinets is inset cabinetry as well. That's where the door is inset into the frame, but it's still a frame type. So over our evolution as a company, we've went into those different construction types, to try to distinguish our cabinet lines from other cabinet lines, only to be, you know, all those cabinet varieties are offered domestically for the most part, and all of them are offered by the Chinese. So it was in reference to those construction types.

MS. CHRIST: Thank you. Thank you very much. I just had that one follow-up question. I do appreciate all the panel, and since I do enjoy hearing the history of the companies as well. So I thank you for putting that in. It
puts a lot of context to what we hear, much more than just
the words that are in the questionnaire.

So thank you for taking the time to provide
the context, as well as letting us know how complex the
industry is, as we -- as we look at the data and we can take
that and look through that lens.

Before moving on to the next panel, I think
we'll take a break to stretch the legs and maybe get a quick
bite to eat. It's just a little before quarter til. So
let's reconvene at 1:15 please. Thank you.

(Whereupon, a luncheon recess was taken. To
reconvene this same day at 1:15 p.m.)
MR. BURCH: Would the room please come to order.

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

MR. BURCH: Madam Chairman, there's no other preliminary matters. The panel in opposition of imposition of the antidumping and countervailing duty orders all have been sworn in and are seated. And I would like to note that this panel will have 60 minutes for their direct testimony. You may begin when you're ready.

MS. CHRIST: Thank you very much. Begin when ready.

MR. NICELY: Very good. Good afternoon. This is Matt Nicely from Hughes Hubbard & Reed. I am here with my partner and former Commissioner Dean Pinkert and Julie Eppard who is here with us as well, as counsel to the ACCI. We're not going to spend much time talking during this initial part of the conference, but want to point out just a couple of minor things--important, but quick things.

It is interesting that Mr. Brightbill decided to start this morning by talking about the high-quality product being shown at KBIS. It's interesting that he's talking about how the imports are in fact high quality, not in that comparison talking about price but the fact that the imports are in fact being sold at--and offering significant quality.
And you're going to hear that from our witnesses today. It is also significant that--telling, I think, that we have not seen or heard from Master Brand. And you've heard--and I can't stress enough how important it is that this is a very large company, one of the Petitioners, and is a driver of this market. So we want to make sure that you're aware that that is in fact what's driving a significant aspect of the competition in the market.

With those very brief things, let me turn it over to our first witness.

STATEMENT OF CHRIS GRAFF

MR. GRAFF: Good afternoon. I'm Chris Graff, Executive Vice President of JSI Cabinetry, a U.S. importer from China. I have extensive experience in production, marketing, sales of cabinets. Previously I worked for a leading U.S. producer of cabinets. I have a Masters in Business Administration.

There are three distinct U.S. market segments: stock, semi-custom, and custom. Stock cabinets are limited to sizes that are standard with little customization. They represent the lowest price point.

Semi-custom products are made to order from a broad set of options and higher priced than stock cabinets.

Full custom cabinets are made to order with the widest variety of materials, finishes, and options. They
are the highest priced cabinets in the market.

Stock, semi-custom, and custom cabinets account for approximately 60, 20, and 20 percent of the U.S. market, respectively, based on value. The U.S. industry dominates the custom and semi-custom segments of the market. In contrast, imports are sold almost exclusively in the stock segment.

Let me highlight an important point regarding stock segment of the market. The product sold by U.S. producers into the stock segment are generally not sold from existing inventory. This enables the U.S. producers to offer customers a wide range of choices in making their cabinets. It's something like a made-to-order product with corresponding lead times. Because imported cabinets are sold from existing inventory, they enjoy much shorter lead times.

Imported cabinets are only sold in increments of three inches. Semi-custom cabinets are typically sold in one-inch increments, while custom cabinets are sold in unlimited increments of width.

In addition, importers only offer a limited number of styles, colors, and finishes. While U.S. manufacturers, even in the stock segment, offer far more options and variety. Finally, imported cabinets are typically shipped to the U.S. in the form of
ready-to-assemble, or RTA flat packs which contain all the
components of a cabinet for the stock segment of the market.

We then either assemble those cabinets as a
service to the customer, or the customer arranges for
assembly by the installer at the job site. Imported
cabinets are not an undifferentiated commodity product that
competes head-to-head with U.S. cabinets based on price.

First, imported cabinets do not compete in the
same semi-custom and custom market segments that are
dominated by U.S. producers.

Second, even within the stock segment of the
market, imported cabinets fulfill a niche demand. We as
importers offer very limited options which allow us to
deliver high-quality products with a consistent finish.

Moreover, we maintain a large inventory to allow
for quick delivery. By comparison, U.S. producers offer far
more options in their stock product which requires far
longer lead times as they hold little inventory, if any.

For stock cabinets, U.S. producers have lead
times of two to four weeks. By comparison, my company can
deliver within one to five days. With respect to quality,
U.S. producers have aging plants in which they have
typically finished cabinets through spraying by hand. In
contrast, many Chinese cabinets are finished on automated
flatline systems that produce a thicker, more durable and
more consistent finish quality.

For these reasons, the quality and consistency of the finishes for U.S. produced cabinets is often inferior to that of imported cabinets. In addition, U.S. producers use particle board in many of their stock cabinets, while our products are exclusively made of hardwood plywood.

Furthermore, many U.S. producers are struggling with their fulfillment rates, which is the ability to fulfill a customer order accurately, completely, and without defects. In contrast, my company has a 99.3 percent fill rate with almost zero defects.

In situations where we make offers in competition with U.S. manufacturers, it is the U.S. manufacturers that offer the lowest price. The customers then use that low price to pull down our offer. We try very hard to avoid those situations. Instead, we seek to compete by offering better quality, higher fill rates, and faster delivery.

Finally, our stock cabinets are sold at a price point above the stock cabinets offered by U.S. producers due to our superior quality and service. Because our cabinets are differentiated, they are sold alongside domestic producers, but not in competition with them. In many cases we share the same sales force that sells to the dealer channel.

Thank you.
STATEMENT OF ROBERT HUNTER

MR. HUNTER: Good afternoon. Thank you for the opportunity to speak with you today. I am Robert Hunter, Chief Operating Officer of CNC Cabinetry. We are headquartered in New Jersey, and have warehouses in Jersey and Florida where we employ over 400 people.

Our company imports RTA cabinets from China for assembly and sale in the North and Southeast United States. We assemble hand sell stock cabinets from inventory. I started my position at CNC Cabinetry over six months ago. Before that, I was the Vice President of Operations at Executive Cabinetry, a custom cabinet shop, for four years; and I worked at RSI for 10 years as the Vice President of Manufacturing, producing stock kitchen and vanity cabineties for big box stores like Home Depot and Lowe's.

I am familiar with their business model and followed most of the domestic producers involved in this market. You've heard from Chris about the categories of products offered by domestic and foreign suppliers.

Another important aspect of the U.S. market are the different channels of distribution. First, distributors inventory cabinets, as well as complementary products such as countertops, hardware, decorative pieces, and often carry more than one product line for more than one supplier.
Second, dealers do not have inventories but are typically small storefronts with a few locations that provide design services and organize installation of complete kitchens. Like distributors, dealers often carry multiple product lines from different suppliers.

Third, retail consists of large retailers, primarily Home Depot, Lowe's, and Minard's, that sell cabinets direct to consumers. A fourth channel is direct to retailers consumed basically through Internet sales.

As Chris mentioned, a significant distinguishing characteristic between imported and domestic cabinets is our lead time. At CNC, we inventory RTA cabinets that most sell assembled to our dealers. We inventory a narrow range of colors, sizes, finishes, and styles, but that allows us to ship within 24 to 48 hours on some products, and 5 days on the rest of our product line. Compare this to 4 to 12 week lead times from the domestic producers who manufacture cabinets to order from a much wider range of color and style options.

Domestic producers do not produce RTA or vanity products. They offer more variety to the customers and therefore have significantly longer lead times.

CNC imports RTA cabinets and then assembles them in our factory. This appeals to our customers that want a
quality, solid-wood product with delivery in a few days, as opposed to a few weeks.

A majority of our sales are to dealers who have customers that need delivery of cabinets in a few days. We basically sell to the new housing and remodeling and renovation market, and the multi-family industry that requires a quick turnover of apartments to allow them to start generating cash again for their owner after the resident moves out.

In terms of pricing, a large share of the domestic producers’ sale is to the retailers who then mark them up and sell to the end user. Domestic producers take this into account when they price their product. Retail represents about one-half of the sales to the largest domestic producers: Master Brand, RSI now a part of American Woodmark, and MASCO.

By comparison, retail sales are not a large market for most importers. We ask that the Commission should keep this in mind, the difference of channels and the distribution when comparing prices between U.S. and imported products.

A typical example of this is when RSI would sell cabinets. Our cost was X. We would mark it up almost 100 percent to sell it to Home Depot. Home Depot would then almost mark it up again 100 percent to sell it to the end
user. The question to you is: Which of these prices provides a valid benchmark for sale of imported product distributed in the U.S. market.

Thank you for your time.

STATEMENT OF MICHAEL WEINER

MR. WEINER: Good afternoon. My name is Michael Weiner and I am the Managing Partner of Ninth Street Capital Partners. We're an investment firm based in Cleveland, Ohio, that acquires small family-run businesses in different industries and markets throughout the United States, contributing both human and investment capital to help them grow and prosper. Our firm is 11 years old, and has supported thousands of jobs in that time period.

Six years ago, Ninth Street developed an investment thesis around the cabinet industry. We viewed the space as having great long-term fundamentals. Since then, Ninth Street has acquired multiple businesses in the sector in distinct market segments.

We own Kitchen Cabinet Distributors which imports RTA cabinets and four domestic custom cabinet and millwork manufacturers in various geographic markets around the U.S. Our thesis turned out to be correct. Ninth Street has visited around 25 domestic cabinet companies across the country and reviewed financial and other business documents for many more.
These businesses are diverse. Some manufacture domestically, while others import components or full cabinets. Some are located in rural communities, while others serve metropolitan markets.

The common thread, however, is that upwards of 90 percent of these companies are operating at peak performance, with all-time high levels of revenue, profitability, and employment. Moreover, the large domestic manufacturers are the price leaders, indicating their dominance and competitive advantage within the industry. Indeed, in the last three years alone, the three largest domestic manufacturers, two of which are members of the petitioning alliance, have distributed $1.5 billion to their shareholders in the form of dividends, and spent $2.8 billion on stock buybacks.

The combination of these mechanisms are used to increase stock price and company valuation metrics, and indicates these market leaders have been experiencing strong financial performance.

As an alternative use of the funds, MasterBrand and other domestic manufacturers that have invested hundreds of millions of dollars in China to help stimulate cabinet manufacturing and innovation, could have invested this capital into technology and process improvement for the domestic industry.
While the Petitioners have alleged that imports have unfairly damaged their businesses, I contend that anyone who understands the dynamics of the broader cabinet industry, both on the manufacturing and the distribution side, would say this is simply not the case.

Importer RTA cabinets serve a market segment in which domestic manufacturers do not compete. In other words, a just-in-time, ready-to-assemble cabinet that can be inventoried and shipped to a customer in the same day that the order is placed is not currently manufactured in the United States.

The differences in products are widely understood within the cabinet industry. Cabinet businesses use sales representatives to help fulfill their go-to-market strategy. Many cabinet companies put contractual restrictions on these sales reps so that they are not able to sell other cabinet lines within the same market segment. However, they place no restrictions on a sales rep's ability to sell cabinet lines in other market segments.

For example, a domestic custom-cabinet company will place no restrictions on a sales rep's ability to sell an imported RTA cabinet line, but will restrict the sale of another cabinet--of another custom cabinet line. Because RTA cabinet distributors do not compete directly with custom cabinet manufacturers, there is no need to place noncompete
contractual restrictions on their sales reps.

Given this lack of direct competition, as well as the lack of alternative sources of supply, if the Petitioners get their way, imported RTA distributors will simply cease to exist in the United States, and the market for a just-in-time quality cabinet that can be inventoried and ordered on demand will disappear.

Many projects that require RTA cabinets would be postponed or cancelled for lack of a suitable alternative. As the owner of domestic manufacturing businesses, I'm very sensitive to concerns about unfair trade practices that are adversely impacting domestic industries. However, the industry in this case is performing very well.

In fact, as the owner of four domestic manufacturers, the inability to find and retain skilled employees is a daily challenge and the largest hindrance to our growth.

Moreover, imposing trade relief won't help the industry, and it won't keep jobs in the United States. The Petition is simply an attempt to use current political sentiment against China to eradicate an entire market segment and thereby force consumers to conform to the business models of domestic manufacturers.

Conditions of fair trade should not allow products to be brought into our country without special
remedial duties when they serve a completely different
market segment and have a completely different business
model than the domestically sourced products otherwise
available to consumers.

Thank you, and I'm happy to answer any questions.

STATEMENT OF LUKE KINSER

MR. KINSER: Good afternoon. I'm Luke Kinser. I'm the Vice President of Summit Construction Corp., and the Managing Member of East Front Cabinets. I would like to show you a brief video from our facility in Norfolk, Virginia.

(Video is shown.)

MR. KINSER: I want to add that I also understand the perspective of the home builder. Over almost 30 years, Summit Construction has built more than 2,000 single-family homes throughout Hampton Roads. We bought domestic cabinets for years from Marsh, a Petitioner in this case. Marsh placed a great deal of emphasis on product variety, and this unfortunately came at the expense of quality and consistency.

As a result, we had a steady and increasing stream of problems with meeting customer expectations and delivering a finished, undamaged product, which had an adverse impact on our customer relations and satisfaction.

Often, Marsh delayed our building schedule in
closing on a new home. You cannot deliver a house if one or
two kitchen cabinets are missing. The customer wants a
finished home. That's what they paid for.

We were reluctant to switch suppliers,
particularly because of Marsh's very low prices and broad
range of product offerings, but we had to. We came upon R&W
Cabinetry, which sells imported RTA cabinets that are
superior in quality to Marsh's cabinet, but higher priced
and more limited in terms of variety.

We switched five years ago and are very
satisfied. The sad fact is that the domestic cabinet
manufacturing industry has chosen not to serve the niche for
RTA product. Their square peg and substandard product does
not fit into the round hole of our customer's needs. Our
experience tells us that the industry did not care enough to
keep our business.

Thank you for your time, and I'd be glad to
answer any questions.

STATEMENT OF MIKE TUDOR

MR. TUDOR: Thank you. My name is Mike Tudor and
I'm owner of Builder Supply Source in Nashville, Tennessee.
My experience with imported RTA cabinets began in
the early 2000s when I was a partner in a granite
fabrication company. At the time, we were importing
cut-to-size tops for multi-family projects which were
typically installed on domestically manufactured cabinets.

However, some of the cabinet problems we encountered on these projects included lack of on-time delivery, incorrect and/or incomplete installations of the cabinets versus the shop drawings, and finger pointing about warranty damage claims.

Over time, our developers requested that we explore providing both cabinets and tops and eliminate the installation and warranty conflicts. Because the American manufactured cabinet industry wanted to sell directly to the developers, we were left with no option but to consider importing RTA cabinets. So we did, and ultimately eliminated most cabinet conflicts for our developers.

Additionally, most multi-family contractors using American-manufactured cabinets were accustomed to having them delivered preassembled, which in and of itself presents a completely different set of complexities for the contractors. By retraining our contractors' mindsets, we were able to market the advantages of delivering RTA flat pack cabinets to the job site and assembling onsite as needed when the units were ready for cabinet installation.

We now have developers who recognize the value of the RTA cabinets and prefer they be delivered that way. It is also important to note that even in today's competitive climate, we still cannot compete on price against...
domestically manufactured products that are sold directly to
the developers. In fact, we routinely reject invitations to
bid on projects that specify domestically manufactured
products.

The only time we might consider bidding on those
projects is if the specs require a higher quality product
and if we have a relationship with the developer.

Thank you.

STATEMENT OF ROBIN LIU

MR. LIU: Good morning. I'm Robin Liu, President of Cabinetry 1 and Affordable Home Products.

Before this service, I was Vice President of Sourcing for major building material companies for 13 years.

Today, I would like to share insights from the perspective of both a U.S. producer and an importer of cabinets. It is my view that there is little, if any, competition between import products and the products that are sold by U.S. producer.

Cabinetry 1 based in Shawnee, Kansas, a rural area, offers made-to-order cabinets, custom designed and occasionally installation services since 2016, which increased capacity and expanded product line both frame and frameless cabinet the company sales have significantly increased largely due to higher sales to the multi-family new construction.
Affordable Home Products sells imported RTA flat packs to cabinet dealers who serve the remodeling market by cash-n-carry. Similarly, Jason Ford, president of Region Cabinet Source, who's in the audience and his company is a party of this proceeding, started his business in 2010 to serve dealers for similar reasons.

The cash-n-carry options available at DIY home centers like Home Depot is extremely limited in terms of cabinet sizes and colors. That is because few U.S. producers manufacture install cabinets. Many cabinet dealers are not satisfied by the long wait for U.S. producers and choose, instead, to promote good quality, install cabinet which can be available in a few days.

Following the great recession in 2008 and the collapse of the housing industry, many U.S. producers slashed capacity. Later, when the economy improved, the housing market rebounded, but in a different way with some markets shifting away from the single-family homes to multi-family dwellings.

According to the new home start released yesterday, single-family house which accounts for the largest share of the housing market fall 17 percent to 805,000 annualized units in February while starts for multi-family housing jumped 18 percent to 357,000 units.

Here's the good news. Residential remodeling
has increased 50 percent from 2010, reached 425 billion in 2017. According to Joint Center of Housing Study at Harvard University, more than 80 percent of the nation's 137,000 million houses are at least 20 years old and more than 40 percent of them are 50 years old. So, steady employment rate, raising housing value, uptick mortgage rate all motivated homeowners to renovate current homes.

With the remarkable growth of remodeling market, long wait for cabinet was superseded by quick product delivery. Inventory becomes a profound advantage. That service provided by importers. One interesting fact, Home Depot sells the soft core slide for $13.69. We offer that as a standard because the customer loves it. So, the growing residential remodeling market asked for inventory, RTA cabinet, online sales, and this $13 feature. Has the U.S. producers answered that? Thank you.

STATEMENT OF JAMES DOUGAN

MR. DOUGAN: Good afternoon. I'm Jim Dougan from ECS. As a threshold matter, I think it's important for the Commission to understand that Petitioners, both today and in their petition, have significantly understated the size of the U.S. market for wooden cabinets and vanities. And in doing so, have significantly overstated subject import market penetration.

Starting with the petition itself, how the data
are presented paints a misleading picture of subject imports market penetration. On Slide 1, the left-hand bar shows Table 3 from petition, page 22, which is confidential, so I just have the bar to show the relations. It uses only a subset of Petitioners' shipments, which is, in itself, a subset of all domestic producer shipments and then compares it to total imports from the one clean HTS code that we know about, which is we know to cover kitchen cabinets rather than the broader baskets of wooden furniture and furniture components.

The chart on the slide on the left shows the relative size of subject imports and domestic shipments in 2017, which is presented at Petitioner's Table 3, which is the only place in the petition that discusses subject import market share, so that is the market share that they want you to think about. But Petitioners' estimate of all domestic industry shipments represented by the second stack bar is much larger. Consequently, import market share would be only just over half of what's presented in Table 3 and this is all using data that exists in the petition.

Petitioners' analysis is not only misleading, but it's fundamentally inaccurate. The first bar here reproduces the chart from the previous page, which compares subject import volume to total market size estimated in the petition exhibit I-IV. Petitioners calculate this using an
old industry research report and then applied growth rate to reach a 2017 figure. But it's curious why they applied a growth rate to an older research report when more recent data from the same source are available, including for part of the POI.

So, either Petitioners weren't aware that it existed, which seems unlikely, or they elected not to use it because it didn't help their case.

As you can see from the second bar on this chart, that more recent report, again from the same source that underlies Petitioners' market size estimates in Exhibit I-IV, reports the U.S. market to be roughly 30 to 40 percent larger than the Petitioners' estimate. So, even by their own logic and methodology, Petitioners should have relied on this more recent report, but it pushes subject import market share even farther into the single digits which might explain why they didn't use it.

But even this low estimate of import penetration is likely overstated because the market size there is likely understated. According to market surveys prepared the National Kitchen Bath Association or NKBA, in the normal course of business and not for purposes of this litigation, the total wooden cabinet and vanity market is nearly three times the size estimated by Petitioners.

And the third bar in this chart provides
actually a more conservative figure than that, which uses only the market size for kitchen cabinets for a more appropriate comparison to the import statistics, which again, is based on the one clean HTS code for kitchen cabinets only. By this comparison too you can see how small imports are by comparison and that's market share in the single digits.

The Commission should keep this in mind when analyzing volume effect, but first let me state that contrary to Petitioners' position, the Commission should measure apparent consumption in terms of value. In the first place, from a conceptual standpoint, it doesn't make sense to measure by units when the cabinets come in different shapes and sizes and attributes. The Commission has recognized this in past cases like wooden bedroom furniture, tapered roller bearings, the list goes on and on. This is especially true because the scope contains components, units of which would not be comparable, obviously, to units of full cabinets.

Secondly, there are practical reasons for the Commission to rely on value rather than quantity as a metric. Even as Petitioners concede imports statistics are not measured by quantity and all the industry research sources, including those relied upon by Petitioners, report cabinet shipments in terms of value.
These external benchmarks are especially important in a very fragmented industry like this one where the Commission is likely to get less than complete coverage at the preliminary phase of the investigation. So, you have to understand how big the market is and you're not going to be able to do that based solely on questionnaire data.

Before I address the statutory injury criteria, let me first discuss conditions of competition. The most important is that as the industry witnesses have discussed the industry is not monolithic. All cabinets are not the same. They're not sold in the same manner. And an imported cabinet or vanity does not represent a displacement of a sale of domestically-produced cabinets.

The industry is broken into different product segments, each of which serves different types of markets through different channels and imports have an entirely different business model than domestic producers offering a value proposition based on speed and logistical efficiency rather than product variation and customization options and quality is also very important.

Imports value proposition, as you've heard, is not based on having the lowest prices. Slide 5 provides a summary of the important differentiating factors between the business models and let me just summarize them.

So, U.S. cabinets are produced to order with
lead times ranging from two to four weeks for stock products
to eight to twelve weeks or more for custom products.

Subject imports, as you've heard, not only from our
witnesses, but from Dr. Kaplan's Slide 14, shipped from
inventory from one to five days. I'd be curious to see what
that slide looked like with lead times from domestic
producers.

The number of design and product options for
domestic cabinets, as expressed in SKUs, and the ability to
make modifications increases as you progress from stock to
custom, which has essentially unlimited options. The
subject imports have the most limited number of product
variations in the market and very little, if any, options
for modification. This fits a business model of selling
from inventory.

This also means that importers have to forecast
demand three to five months ahead of time as it takes at
least 90 days to replenish their supply. This means that
importers cannot supply large projects involving 100 or more
kitchens unless they're forecasted far in advance and they
often aren't. U.S. stock and semi-customer producers do
have this ability as they can produce to order.

In short, imports occupy a niche of the market.
Their value proposition is to be able to ship a narrow range
of quality products quickly from inventory. This is
appealing to customers with short windows of time, such as building owners or managers, renovating apartment units in between tenants, or home flippers looking to get the house back on the house quickly.

These customers are not willing to wait even the two to four weeks to have cabinets built to order when they can receive imported cabinets in less than a week. A broad product selection isn't that important to them and price is not driving the purchasing decision as they can usually the less expensive stock cabinets from domestic producers, as you've heard. They purchase imported cabinets because they can get them quickly.

This difference in business models is supported by the inventory-to-shipment ratios in the questionnaire data which show the U.S. producers have a ratio of effectively zero and for the importers they're higher, which befits their business model and actually declined over the POI as well.

Another attribute that differentiates subject imports is they can be offered in ready to assembly or RTA flat packs. And as you've seen in Mr. Kinser's video, RTA cabinets are efficient to pack, store, and transport and reduce the chance of damage in transport. If you're a customer for whom time is of the essence, you can't afford to wait to replace a cabinet damaged in transit. It also
makes them easier to handle, which could be important in small spaces like apartment buildings or in townhomes where the cabinets have to be carried up the stairs.

The questionnaire data thus far collected show that U.S. producers ship very few RTA cabinets. So, for customers for whom this is an important differentiator, they must get them from subject import sources. This is the purchase decision based on speed, logistics, and quality, not price. There's no meaningful competitive overlap between the domestic industry and subject imports in the RTA segment of the market.

As we turn to statutory criteria, this lack of competition in the RTA segment is critical to the Commission's analysis of volume effects. When the U.S. market is properly sized I mentioned the subject import penetration you'd find would be in the single digits. With no competitive overlap in the RTA segments, which constitutes a substantial portion of import shipments, the market share of subject imports that could arguably cause injury to the U.S. industry is even smaller and the increase in that share smaller still and I would argue below the threshold of materiality and it's definitely less than the 5 percentage points you are hearing from Petitioners.

So, as to the industry's other volume indicia, capacity utilization was fairly steady over the POI despite
an increase in capacity, but these utilization figures are
understated because a number of producers reported capacity
based on theoretical assumptions, not normal operating
conditions as required by the questionnaire.

For example, numerous producers estimated
capacity based on running two or even three shifts when
they've only been running one shift during the POI. In
addition to ignoring the questionnaire instructions, this
fails to acknowledge the labor constraints in the market, as
you've heard from this witness, and is actually discussed in
questionnaires. And these labor constraints would preclude
automatically ramping up additional shifts. The Commission
should therefore reduce the weight given to any discussion
of capacity utilization.

On the price effects, first, the Commission
cannot use the pricing data as the basis for a finding of
underselling. The first problem is there's distinction
between which import sales are RTA versus assembled. And
this can't, unfortunately, be remedied with the data about
the percentage for each pricing product covering the full
POI, although the responses do indicate that a very large of
majority of reported pricing data for imports is RTA
compared to virtually zero of reported data for U.S.
producer. Comparing RTA flat pack cabinet to an assembled
cabinet is simply not an apples-to-apples comparison. I'm
The pricing product descriptions are also insufficiently detailed, specifying only that the cabinets be of wood construction, but this covers anything from particle board up through hardwood plywood and the hardwood species used in custom cabinets. There's other issues with the data which we can discuss post-conference, but even aside from the RTA versus assembled issue these data do not provide usable comparisons for the purposes of analyzing underselling.

There's no evidence of price depression. U.S. producers' prices generally increased over the POI where they're measured in the U.S. shipment AUVs, the net sales AUVs, or the AUVs of the pricing products. Those all trended upwards over the POI. The lost sales and revenue survey received to date also provide no evidence that domestic producers reduced their prices to compete with subject imports.

There's no price suppression. The industry's cost-to-sales ratio was steady from 2016 to 2017 and increased only slightly in 2018. The industry's net sales values increased by more than their raw material and labor costs, which indicates no price suppression. The questionnaires further indicate that the increased ratio in 2018 was due, in part, to non-recurring items which also
affected the industry's overall profitability.

And I'm just getting to that on impact.

Industry profitability also was steady in 2016 to 2017 when imports were also increasing in value and market share. There was a modest decline in the industry's operating margin in 2018, but most of this decline was attributable to non-recurring items, expenses having nothing to do with imports, so just look at the questionnaires. It's very striking. We'll discuss this analysis in detail in post-conference, but the Commission must take this into consideration for causation, especially in light of low import penetration and attenuated competition due to market segmentation.

Also, employment indicators, including the number of production-related workers and those workers wages increased over the POI, the industry's investment indicators also strong. Capital expenditures increased over the POI and the Cap Ex to depreciation ratio was well over 100 percent during the POI showing that the industry continued to make investments and thought that it was worthwhile to do so and that it had the capital available to do so. This increase investment is also shown by the industry's increase in assets over the POI.

In short, this industry is not experiencing material injury by reason of subject imports or otherwise.
Thank you.

STATEMENT OF CHARLES BASTIEN

MR. BASTIEN: Good afternoon. My name is Charles Bastien and I am the Vice-President of Sales and Marketing for Kimball Hospitality. I have exactly zero years of experience in the kitchen and bath industry, other than what I have experienced as a homeowner. And I can tell you next to nothing about residential cabinets and vanities. What I can tell you about is the hospitality market where I have been working in sales for the past ten years. I have never run across any of the companies appearing before you today in any hospitality trade show, nor have they ever come up in terms of possible competition for hospitality contracts.

Kimball produces hospitality furniture in Jasper, Indiana. I can confirm Kimball was never approached by any member of the American Kitchen Cabinet Alliance regarding its production numbers or its position on bringing this petition.

The customers in the hospitality industry are primarily the major hotel brands, such as Marriott, Hilton, Hyatt and IHG. There is little overlap between the physical characteristics and uses of residential cabinets and hotel furniture.

Hotel furniture puts a premium on defining the brand and on setting the mood that the hotel wants to invoke.
for its guests. We cater to this vision in each project. As a homeowner you want to keep the clutter out of sight. In a hotel setting, one goal is to limit the amount of storage because otherwise the guests will leave things behind.

The difference in physical characteristics between cabinets and hospitality furniture is confirmed by the fact that we have zero sales of any of the six pricing products suggested by the petitioner. What we build for the hotel industry is different; it is not for storage or convenience, it is for the "custom look". It is to define the brand.

With respect to machinery, the machinery in our factory could produce a wide range of wood products, including furniture for the bedroom, the dining room, the office or the patio. Of course, these same machines could also make baseball bats. The fact that the same machinery can produce multiple products is not an indicator that these products belong in the same industry.

The petitioner identified three channels of distribution: designer/dealers, retail big box stores and end users like homeowners or builders. These are irrelevant to us. Our customers are hotels. You would not be able to buy our product at any location or from any source.

The petition states that cabinets produced to the
same dimensions are generally interchangeable. This is completely false with respect to hospitality furniture. From one brand to the next, our products are not even interchangeable with each other, much less with a kitchen cabinet.

I take exception to the statement made by the petitioner where they said it was impossible for federal agencies to know where a cabinet would be installed. All hospitality products are built to order. Every shipment will have an identifiable hotel brand listed in the invoice and shipping documents.

With respect to customer perceptions, the hotels require that manufacturers are qualified by the brand for specific programs. The brands visit the manufacturing facilities to inspect and approve the factories. And each supplier must satisfy the customer's global supply chain requirements. Not only do we need to be pre-qualified, there is a significant after-sale quality control process from the brand liaison to the property.

With respect to price, because of the high-end custom nature of our products, I can only assume that the pricing would be greater than a residential kitchen cabinet, but we will defer our price analysis to the post-conference brief. Thank you so very much.

STATEMENT OF MARTIN SYMES
MR. SYMES: Good afternoon. My name is Martin Symes. I am the CEO of Modern Bathroom and I am here to provide testimony on behalf of the Coalition of Vanity Importers. As a group, we believe we have been inadvertently included in this investigation, as our products have a different domestic like product.

Our coalition represents a group of companies that imports bathroom furniture vanities, not bathroom cabinet vanities. Our products are distinguished from bathroom cabinets and have a separate domestic like product than that represented by the petitioners here. I would like to walk you through each of these six characteristics of our domestic like product to demonstrate the distinction.

Number one, physical characteristics. Our product typically is finished on three sides, as compared to cabinets, which are typically only finished on one side. Our bathroom furniture also typically has legs and contains ornamental and aesthetic design elements. In contrast, bathroom and kitchen cabinets typically do not have legs and have flat surfaces and squared edges. This comparison can be seen in the slides which will also be submitted with my testimony.

Our bathroom furniture is also typically made from a variety of materials to form a single product.
Vanity Importers include wood, marble, granite, glass and many different types of metal.

Our products are also imported as ready-to-go complete products, built as a single piece of furniture. Our products are never purchased unassembled. Consumers select our products because they can be purchased and shipped immediately.

Our products also do not require professional installation. A typical consumer can purchase our products from our showroom floors or from the internet and have that product in their home in days and place it themselves. As a result of this, our products are very popular with DIY remodelers. This pre-built, ready-to-go quality is a defining characteristic of our products and our domestic like products. In contrast, petitioners' products require professional installation and are not ready-to-go out of the box. Petitioners' products require a designer to measure and map out appropriate cabinets, order those cabinets and then an installer to install them.

On the whole, our products are characterized by their singular focus on design, fashion and an ornamental aesthetic. As such, our domestic like product is not represented by any of the petitioners' typical products.

Number two, interchangeability. While it is true that both our products and those of the petitioners could
both hold a sink and attach to plumbing, our products are not interchangeable. Just as one can drink from both a 5-gallon bucket and a teacup, no one would credibly argue they are the same.

For the reasons identified in the physical characteristics, consumer perception and price sections, our products are not interchangeable with those of the petitioners. Our products are only for consumers who desire a design and aesthetic far more than any other characteristic. And often for whom that design and aesthetic is the primary motivator for their purchase.

Consumers who purchase our products will almost certainly never purchase those of petitioners instead of one of our products.

Number three. Channels of distribution. Because the design aesthetic of our products is one of the defining factors, our products are typically selected directly by and distributed directly to consumers. Our customers typically purchase our products directly from showrooms or through online retailers on which our products are listed.

Number four, manufacturing facilities. The manufacturing facilities for our products are different from those of the petitioners. In general, the manufacturers of our products make other furniture, not cabinets. Our products require intensive labor at almost all stages of
construction. In contrast, the petitioners' products are
built through very automated factories that involve much
less labor.

Number five. Consumer perception. One of the
key distinguishing characteristics of our products, as
compared to our domestic like product, is that consumers
perceive our products to be artisanal centerpieces of
furniture that are focused on design and aesthetic. Because
consumers perceive our products to be furniture, not
cabinets. Online retailers categorize our products as
bathroom furniture.

Consumers also understand that our products are
fully built and not customizable. What you see is what you
get. Consequently, consumers know that our products are
available for immediate pickup or delivery.

In stark contrast, consumers know that the
petitioners' products are not ready to go, require
professional design, must be custom manufactured over four
to eight weeks often, and require professional installation.
Additionally, petitioners' products can be customized and
they're not maintained in inventory. As a result of this
different perception, our products are typically sold
through showrooms or online to individual consumers based on
their individual tastes.

Number six, price. Finally, our prices are
dramatically different from that of the petitioners. Our
products are typically at least three to four times more
expensive than those of the petitioners. And often
significantly more. For example, the Madeli Silhouette 24"
bathroom furniture vanity has a retail price of $1,758.00,
whereas that of petitioners American Woodmark
similarly-sized 24" vanity is $59.97.

Even as Mr. Wellborn said, our domestic like
products, the bathroom furniture vanity, is not represented
by the petitioners. It is an exception. Thank you for your
time.

MR. NEELEY: Can I ask how much time we have
left? Just to make sure that --

MR. BURCH: You have ten minutes.

MR. NEELEY: Two minutes.

MR. BURCH: Ten.

MR. NEELEY: Ten minutes. We're set then. Thank
you. I want to make a couple of very quick points on threat
and then I'm gonna turn it over to Mr. Wu from the
Association. In terms of attenuation and the issues that
we've been talking about today, we agree completely with
everybody who's discussed that today.

And really that alone should lead to a finding of
no threat. There's a low amount of import penetration as
was shown by Mr. Dougan. There's attenuation of competition
and we don't see any causation in terms of the present injury, between the imports and the effects particularly on the financial situations of the companies. So there's no reason to think any of that is going to change in the future, so that alone should really answer the threat issue.

What we're left with on the part of petitioners is simply some speculation that we're gonna move up market somehow. And, you know, we hear that in virtually every Chinese case, but they really haven't offered anything of substance with regard to that happening to any significant degree. So we put that in the realm of simply speculation. And I think what's going on in the market is what we've heard from these folks today.

The second point I'd like to make is in terms of our coverage of our foreign producers' questionnaires, which I think is extraordinarily good for the very short time that we've had in the preliminary part of this case. Depending on how you look at it, if you look at only the very clean HTS item that Mr. Dougan referred to, which is about $1.3 billion, we're at about 83% of that in terms of our coverage. Which is really excellent. Even if you add in the second category, where you get to about 1.4, you know, we're still at about 77%, so I think you have very good coverage from the people in China who participate in the
Mr. Shengfu: Good afternoon, members of Staff.

My name is Wu Shengfu. I am the Vice-Chairman for the China National Forest Products Industry Association. I have testified at other ITC hearings and have worked in the wood products industry for over thirty-five years.

Our association has been working hard to make sure that the Commission has a complete record on the industry of China just as we have done before. Members of our association provided questionnaire responses from about 100 companies that produced and exported their products to the U.S. This is a lot of work for companies in a short amount of time.

I want to talk today about the Chinese home market. The companies who have responded to the ITC questionnaires are naturally the companies that have an interest in the U.S. market, that is, the exporting companies. In this case, as in most cases, the companies which sell mostly in the Chinese domestic market will not fill out the questionnaires because they do not have any interest in this case or in the U.S. market.

In fact, the Chinese home market for wooden cabinets is far more important than the U.S. or any export
market. The amount of new housing in China has been growing significantly and so has the demand for renovation and upgraded cabinets in existing homes.

In China, in 2018, the demand for kitchen cabinets was about four times bigger than it was in 2010. Of course, production has increased also to keep up with demand in the Chinese home market. Over the next two years, demand in China is projected to increase by 15 to 20%.

The result of high demand within China is that the home market will remain the focus of the Chinese cabinet industry. Because the U.S. economy has been strong for the last couple of years, there has been demand for the Chinese product, and particularly for the flat packs that customers prefer. But the Chinese home market demand will remain the strongest market for Chinese companies for many years to come.

We will address other threat issues in our brief, but based on the relative importance of the Chinese and U.S. markets to the Chinese producers, there is no basis for a finding of threat of material injury in this case. Thank you.

STATEMENT OF NATHAN GORDON

MR. GORDON: My name is Nathan Gordon. I'm with Casa Cabinets and Craftmart Cabinets. We oppose the implementation of anti-dumping and countervailing duties in
kitchen cabinets originating from the People's Republic of China for the following reasons:

Number one, none of the petitioners have provided any proof that our factories in China have received subsidies from the Chinese government. There have been no government documents offered, no treaties offered. Their statements are based upon pure conjecture. They provide no proof.

Number two, many of the petitioners have come to the International Trade Commission with unclean hands by either ceasing business with China shortly after receiving substantial imports and then initiating countervailing duties and anti-dumping investigations under competitors.

Or in the alternate, a substantial percentage of these petitioners continue to do cabinet businesses with China or other nonmarket economies such as Vietnam while at the same time, complaining that Chinese cabinet imports hurt the American economy.

And number three, there are issues with respect to the International Trade Commission's questionnaire, such that an accurate statistical analysis of imports can be properly generated. The Maxim of Unclean Hands applies to federal proceedings, as well in court, as well as proceedings before the International Trade Commission. And the Federal Trade Commission versus Hope Now Modifications,
LLC, 2001, the Maxim of Unclean Hands was invoked; therefore, unclean hands applies to these proceedings.

A substantial number of these petitioners have come to these proceedings with unclean hands, specifically the following petitioners are currently doing cabinet business with China and Chinese companies, while at the same time complaining to the ITC about Chinese cabinets injuring American cabinet producers -- the Bills of Ladings are provided in my written testimony -- Smart Cabinetry, American Woodmark, MasterBrand, Lido Cabinetry, Jim Bishop Cabinets are all doing business with China. Why they're complaining to you?

Furthermore, a substantial percentage of the petitioners are doing business with other nonmarket economies like Vietnam. How does that help the American economy? It doesn't. The norm of tout de coup that's supposed to be Latin -- denies standing to attribute blame to one who has already committed the same wrong, regardless of the merits of their claim. These concealments are tantamount to a fraud on the ITC and are clear evidence that a substantial percentage of the petitioners continue to import for China.

Why do they have these proceedings against us? This taint is imputed onto all of the petitioners through the doctrine of vicarious liability; therefore, because
these petitioners have engaged in inequitable conduct before
the ITC, which is the braver of unclean hands, as such
the ITC should not entertain this petition and instead
should deny the petitioners' request.

Furthermore, there are issues with the Trade
Commission's questionnaire. Mr. James Dougan pointed out
many of these issues, specifically the mean, mode, standard
deviations cannot properly be ascertained from the
questionnaires because of various of his arguments and
problems in answering the questionnaires.

There are language barriers and other issues that
many of the Chinese companies, including our company, had
difficult answering, so therefore, accurate statistics could
not be generated. That's pretty much all I have to say at
this moment.

But I do want to say one thing in particular.
The International Trade Commission has a duty, you have a
duty to ask these petitioners, "Who of you are doing
business currently with China? Why are you complaining of
Chinese companies?" And you also need to understand that
this taint has been imputed onto all the petitioners. Thank
you.

MR. NICELY: That completes respondents'
presentation.

MS. CHRIST: Thank you. We will now turn to
Staff questions. And we will start with Celia Feldpausch, Investigator.

MS. FELDPAUSCH: I'm Celia Feldpausch. I'm one of the investigators here for this investigation. Thank you to all the parties who came to participate in this conference.

My first question relates to industry sources as far as China, if any of the respondents are aware of good Chinese sources that we can look into for more information on Chinese production, capacity, etcetera.

MR. NEELEY: We're taking a look at that. As in many cases, it's a little bit hard to, you know, to find that, and I'm sure you've had the same problems. But we'll try to get that for you by the time of the post-conference brief if at all possible.

MS. FELDPAUSCH: Okay. I have a few questions, so I'm just gonna continue. This next question is also related to Chinese industry and exports, particular to Mr. Shengfu. You mentioned the Chinese market is very important. What is China's largest foreign market for RTA flat packs? And also, what would you estimate the percentage the U.S. comprises, as far as the Chinese export market?

MR. SHENFU: Yes, China, as everybody knows here, it is a big market. -- my name is Wu Shenfu Wu from the
China National Forest Association, sorry. As all the people
know that China is a big market and those are the -- the
market is growing dramatically, especially for the young
generations. So, most of the manufacturers, they are
automated in China market, only small part of the companies
they have been exporting not only through the U.S. market
but also through other markets.

MR. NEELEY: And again, I think we go back to
your prior question is that that's something we're trying to
-- Jeff Neeley, we're trying to get you know, a sense of
more precise data on that.

MS. FELDPAUSCH: Thank you, we would appreciate
if that is addressed in the post-conference briefs. My next
question is actually regarding shipments. We collected data
on shipments by actually flat packs and assembled full
units. How should we look at this market segment as far as
what we would consider internal consumption, because I think
some of the conversations I've had with the industry may be
interpreted a little different, and although this is not my
section, I would be curious to see how you would also define
your channels of distribution versus what we -- the data
that we collected.

MR. DOUGAN: So, Jim Dougan, from ECS. The
information that you have is helpful, at least in breaking
that out, but of course there isn't a cross section of
platform and channel as you were saying.

I think there definitely is a segment of the market that desires things to be shipped in the RTA form, for the -- in Luke's testimony there's an advantage to those customers of getting it delivered on-site, unbroken or undamaged.

There are others -- there's other things represented in those RTA shipments which might be to a distributor who sells it on as RTA or maybe they do some assembly themselves, so it's not 100% clear from those data, and perhaps these folks could expand upon that, but I think regardless of all of that, the value proposition of RTA in terms of its -- the efficiency and logistics through which it can be transported and shipped, but also the speed are things that are a unique value proposition to it.

So, in fact the import shipments -- everything, as far as we know, most everything is coming in RTA flat packs and inventoried and even if the importer then ships it on as assembled, it arrived in RTA, and it can be shipped from inventory very quickly.

So, the value proposition of the quick shipments extends to most of these importers, whether or not it's shipped on as RTA or fully assembled, so that important part of their business model is the same regardless of the physical form.
But in terms of at what stage -- like where does
the RTA go to the job site and get built there, or does it
go to some intermediate party who then does it? We can't
tell that from the data here, perhaps some of the folks can
sell, but we don't have a cross section of that right now.

MS. FELDPAU SCH: Thank you, this is Celia
Feldpausch. You actually answered my next question which
was, the percentage of shipments of RTA flat packs versus
assembled cabinets.

The next question is something that's already
been addressed to a certain extent. Notice that the data we
collected showed large numbers of inventories and I'd like
for you to elaborate a little bit on why and I think I know
a little bit of why based on the discussions we've had so
far, but sometimes I've seen up to a third of importers per
calendar year, represented in inventory, so could you please
address that?

MR. DOUGAN: Yeah Jim Dougan from ECS. I can
start with that and allow -- because they obviously haven't
seen the questionnaire data right, except for their own.
And, so you do see that -- the, you know, we discussed the
difference in business model, right?

U.S. producers build to order, importers sell
from inventory and you can -- we're still compiling some of
the lead times and percentages of shipments, but you can see
in terms of the inventories to shipments ratios, it's very clear that the business models are quite different because the domestic producers hold virtually no inventory, you know, some very, very tiny percentage of shipments.

Whereas, the importers hold a larger percentage. That percentage has actually declined over the POI, but it's their business model to be able to ship from inventory and so they have to be able to have that inventory to ship within a day or overnight, or within five days. So, they are going to hold a larger percentage of shipments as inventory.

We could probably do some calculation of what their terms are based on their shipments, but you know, that is their business model. So, and something else I was going to say -- anyway, I'll, we can discuss more in post-conference, but essentially that is their competitive advantage in many instances and having the imports receive those RTA, as Mr. Kinser was saying, allows them to store it in a warehouse in a way that you couldn't really do.

I mean you saw the lazy -- one lazy Susan versus seven. You couldn't efficiently have an -- ship from inventory model if you had to inventory it as assembled cabinets.

MR. GRAFF: Chris Graff, JSI. One of the complexities with our business model is that we offer maybe
10 or 12 different door styles in a given shape and color, but we have to offer that door style in you know, 250 different cabinet configurations.

If you picture it like Legos to build something with, a cabinet -- a kitchen may have 10 or 12 Legos, but we can never anticipate which ones will be ordered, so our inventory rates would be very high because we have to be ready to maintain our fill rate at any given point in an order, and it's very difficult to anticipate demand accurately in the short term.

We would typically have two to four inventory turns on our best-selling lines. Our worst-selling lines would take greater than 18-24 months to sell one inventory turn. Does that help?

MS. FELDPAUSCH: Yeah, thank you.

MR. GOLDSTEIN: Randy Goldstein, Kitchen Cabinet Distributors. I would add it's also important to consider that at the absolute best, the lead time from the day I order a product to the day it arrives at one of my warehouses is 90 days, usually it's closer to 120 and depending on the time of year it can be 150, so combine that long, volatile lead time with a very unpredictable level of demand and the nature of our business is such that it's incredibly capital intensive so frankly, the numbers, you know, you suggest you saw in the data, don't surprise me.
at all. It's an incredibly capital-intensive business.

MR. SCHAEFERMEIER: Martin Schaefermeier, counsel for JSI, if I could just add to what Chris Graff said which illustrates why the imported product -- the product that JSI imports is a true stock product. It's a pre-sized product that is in the size as it comes in the flat pack is sold.

It is not customized in any way in the terms of the size of the product, so they don't compete in the semi-custom or custom market.

MS. FELDPAUSCH: Thank you. This is Celia Feldpausch again. I'm not sure how many of you can address this, but I was curious to see if any of the importers or the Respondents are importing from other countries at this time?

MR. GOLDSTEIN: I can speak to that, Randy Goldstein, Kitchen Cabinet Distributors. I travel to Asia at least four times a year. Actually, I just got back from a trip to Vietnam where we are looking for new sources of product, having nothing to do with these proceedings, but just for the, you know, good business practice of diversifying our source of product.

The fact of the matter is we have spoken to folks from around the world -- Vietnam, Cambodia, Taiwan, Mexico, there is no place else on the planet that we're aware of that, including the United States, that produces an RTA
cabinet. There are countries that have some capabilities around doors, base frames, components, things like corbels -- decorative items, but in terms of an RTA cabinet -- a fully finished cabinet with all of the components in a single box, there is literally no country on earth that can do that at any meaningful scale other than China.

MS. FELDPAUSCH: Thank you, this is Celia Feldpausch. My next question was going to be on interchangeability which has been addressed already. I don't know if you want to add anything else to interchangeability of your product?

MR. DOUGAN: This is Jim Dougan from ECS. And, you know of course what we heard from the morning panel is that everything is fully interchangeable, but again for a particular customer -- and again, this is why it's important to keep in mind that the market penetration is low because you know, this is -- and it's not an exponential growth in market share right?

If you had more of a monolithic market, the type that they're describing, that's maybe more of the type of thing you'd see, but you're not and so for the customers, for whom this is important -- you do see the growth.

Now, so the value proposition in terms of interchangeability, you know, if it's based on the fact that if you were to walk into a room and look at a cabinet -- if
you're not a trained eye, you may not be able to tell the
difference, but in terms of the actual sale and factors of
sale that are important, in terms of you know, its speed, in
terms of the ability to get it undamaged.

You know, all of these things that these folks
offer as their value proposition, there isn't
interchangeability. You cannot get for most -- in most
instances, I'm not going to make a categorical statement,
but you know, look at the lead times that you'll see in the
questionnaires from the domestic producers versus imports.

If it's important to you to renovate an apartment
or series of apartments, you know, before the tenant moves
in next month -- two, three, four weeks lead time, that's
not interchangeable with three days, it's not.

And I think the other thing too -- if you are
someone who has more of a relaxed schedule, and you're more
interested in different color combinations and finishes, you
know, that's something that even with a more relaxed
schedule, that the importers aren't going to be able to
provide, so they're not interchangeable in that sense.

And then, you know, again the statement that we
were hearing this morning about there's basically no
semi-custom market anymore and because some of the things
that used to be considered premium features, 20-30 years
ago, or even 10 years ago are now standard, that that's no
longer semi-custom, or there is no semi-custom anymore, but that's just the way of the world in that features that used to be premium are now standard, you know, you didn't used to have USB ports in your car, right?

Those are standard now. So, that's not a result of unfair competition, that's just innovation and but one of the things that defines semi-custom, and this is where the industry folks can speak to it, is the ability to vary dimensions to order and what you've heard from Mr. Graff is, you know, they have one width, that's it.

And so, if you need to customize that for your installation, you can't buy from him. It's not interchangeable with a domestic producer. You have to go to a domestic producer. So, if the others could please talk to more of that, we understood from speaking to the industry folks that semi-custom isn't, you know, isn't the fact that they have the soft closing things on the cabinets, it has to do with actually how customized it is to an application.

MR. GRAFF: Thank you, Chris Graff, JSI. The process of kitchen sales are ultimately going through kitchen designers and the designers have a portfolio of products that would be custom, semi-custom, stock and probably an import line.

And they would make an assessment on the space and the complexity of the job and there would be thousands...
of options available in a semi-custom execution and that
might be 10 to 40 different wood species, that might be
50-60 different colors, that could be 30 or 40 different
door styles that appeal to just you.

So, in addition to that variety, there's the
one-inch increments on the semi-custom size that allow you
to move from -- in my own home my window is not properly
sized for JSI kitchen, so I had to use fillers to be able to
do it.

I wanted to tell people that I have JSI in my
kitchen but preparing for this I was up rather late looking
at my kitchen and thought it's not a semi-custom kitchen.

And it's obvious to the people that are
represented here and the people that spoke earlier. They
would be able to pick out where the sizes were standard and
they should have been custom or semi-custom, they would have
picked out which decisions were made in the design to make
it fit stock as opposed to semi-custom, and then ultimately,
it's a very different experience.

We brought some props. Chris Graff, JSI again.
To try to gauge it, it's very difficult to tell what all of
these pieces mean, but we brought a couple of spec books.
In the eyes of the designer, how big your spec book is is
really important. And they use that as a quality value
quotient.
So I'm going to just--This is a custom spec book, if you could hold that up and see the variety. From a domestic manufacturer. That would be defined as a custom product line in the vernacular. Thank you.

This would be a semi-custom book, as divined in the industry vernacular (indicating). I was able to find one of my company's spec books as a import stock cabinet company. When we speak of sizes, varieties, and customization, this is one way to assess that easily,

This book is about a third of the size of the semi-custom book, and smaller than that on the custom book.

Thank you.

MS. FELDPAUSCH: Thank you for those answers. Cecilia Feldpausch. I have one last question. Very simple, do you anticipate an increase or decrease in demand in wooden cabinets in the near future?

MR. GOLDSTEIN: Randy Goldstein, Kitchen Cabinet Distributors. You know, we look at a lot of the same economic forecasts and projections that the Petitioners referenced this morning, so I'd be lying if I didn't say that the anticipated recession and potential downturn in the housing market certainly could put a crimp in our business, for sure.

MR. LIU: Robin Liu from Cabinetry 1. I would say the multi-family housing will continue to grow, but it's
not as fast or the size is not nearly close to the residential remodeling. Because today residential remodeling, when you see at least 40 percent of the homes are 50 years and older, and each year there are 20 million homes in remodeling. And when you look at new-home construction, that's about 1.2 million new homes.

So that remodeling is growing each year by 7 percent or 8. Thank you.

MR. DOUGAN: Jim Dougan from UCS, if I could just add to what Mr. Liu just said, even in the event of a downturn in the overall housing market in terms of housing starts, you are still going to have, as Mr. Liu mentioned, growth in the R&R, in the renovation and remodeling. And that is a larger section of the demand for this product.

So you may have a moderation in the growth rate, but am I correct that--I mean the industry research I've read definitely indicates continued growth. That may be growth at a lower rate than the past few years, but I don't think anyone is anticipating a shrinkage in the market. Is that correct?

MR. GRAFF: Chris Graff, JSI. The Fredonia Study, the 2018 market study, had projected in the neighborhood of 4-1/2 to 7-1/2, depending on whether it was stock, semi-custom, or custom compounded annual growth rate 2018 to 2021. So the industry forecast from Fredonia was
positive.

MR. SCHAEFERMEIER: Martin Schaefermeier, counsel to JSI. The Fredonia Study has larger increases for the semi-custom and custom segments of the market where the U.S. producers absolutely dominate the market.

MS. CHRIST: Thank you very much. We will now turn to Brian Soiset, the attorney adviser.

MR. SOISET: Thank you very much, and I appreciate all of you coming in today. I wanted to start out with questions about domestic like product, as I did with Petitioners.

Mr. Symes, I thank you for your views and I just had a couple of questions for you. Could you describe more about your company? And are you an importer, or are you a U.S. producer?

MR. SYMES: We're an--Martin Symes, Modern Bathroom. We're an importer. We import 100 percent of our vanities, and they're all imported as complete units. It's furniture, so it can't be brought in any other way.

MR. SOISET: I see. And are there any equivalent products being manufactured in the U.S.? Or is it your assertion that there really is nothing that--

MR. SYMES: Almost nothing, basically.

MR. SOISET: Okay. And I guess just to clarify, we do have the PowerPoints on record? We didn't get a
printout of that? Okay, it sounds like we do have your PowerPoints. I just wanted to make sure we have that for reference.

MR. SYMES: Yes.

MR. SOISET: And were there any other parties that wanted to raise domestic like product? I know you mentioned in your opening statement, Mr. Nicely?

MS. MOWRY: Kristin Mowry, Mowry & Grimson, counsel to Kimball. As we indicated in Mr. Bastien's testimony, we believe that hotel furniture is a separate domestic like product. And one thing that you didn't hear very much this morning was the word "furniture," other than when they were distinguishing that industry as opposed to the cabinet industry. So the only time they used the word "furniture"—and I'm certainly going to be looking back at the transcript—but was as a way of distinguishing what their industry is versus what our industry is, and Mr. Symes's industry is.

MR. SOISET: And so I guess I have a couple more questions, then, for Mr. Bastien, and about the hospitality industry. And so I understand, so this furniture is not necessarily kitchen cabinets as such, but that it's wooden storage furniture which you believe to be something that would match the scope of the domestic like product? Is that correct?
MR. BASTIEN: It's--you've been in a hotel room. It's hotel furniture. I'm not trying to suggest that negatively, but we produce furniture, hotel furniture, particular for that brand. So if you've been in a Residence Inn, a Fairfield Inn, et cetera, they're all different. They all have a different slice of the market that they're going after, and they design that differently.

So all of the furniture in the room is designed for that brand.

MR. SOISET: And is this something that's manufactured in the United States, or is it typically imported?

MR. BASTIEN: We manufacture in both.

MR. SOISET: In both?

MR. BASTIEN: Yes. But it's all furniture. I mean, as an example, Las Vegas is a very large market for us. And the furniture is not interchangeable. So if you stay at an MGM property, you stay at the Wynn, the furniture has a very distinct look to it and it's not interchangeable. You can't buy it. You can't--we don't sell it anywhere. It's built specifically for that brand.

MR. SOISET: I think that's good for the purposes of the hearing, and, Ms. Mowry, I'd appreciate it in your postconference brief just going through with the domestic like product criteria, about why you think this should be a
1 separate domestic like product.
2
3 MS. MOWRY: Yes, we'll definitely address this in
4 post-conference. But I think it's also important to look at
5 the Petition itself and what the Petition chose--what the
6 Petitioner chose to identify in terms of the domestic
7 production, and the companies that they identified. And I
8 think you'll find the word "hotel" once in the Petition.
9 And the only times "hospitality" arises is in their, I
10 forget how many pages it is, list of importers. But that's
11 because of the 8081 HTS category, that is other wooden
12 furniture, that is not cabinets.
13
14 MR. SOISET: And have you made any scope requests
15 to the Department of Commerce?
16
17 MS. MOWRY: Kimball filed a scope clarification
18 because--
19
20 MS. CHRIST: Could you just state your name
21 really quickly?
22
23 MS. MOWRY: Yeah, Kristin Mowry, Mowry & Grimson.
24 I apologize. We did file a scope clarification last week,
25 and I think the response that Petitioner filed, they only
26 filed it at the Commerce Department and didn't file it here
27 at the Commission. So I'm sure they'll make that available
28 to you now.
29
30 But, yeah, our first reading was there's nothing
31 about hotel or hospitality in the scope, but there is this
one reference on page 7 to "hotel furniture." So we wanted to clarify that we were not in fact within the scope. And then we were met with this really broad, sweeping, oh, yeah, we always meant all along to include everything that is wood and in the house, with no analysis of what is "furniture" versus what is a "cabinet."

MR. SOISET: Alright, were there any other parties that had domestic like product issues?

(No response.)

MR. SOISET: Okay, thank you.

And now I just wanted to return to the issue of assembly. I think I understand from some of the testimony, it sounds like some of you import the RTAs, but that you're selling it on to developers and contractors, that you yourselves are not assembling these products. And I was just wondering if, with any of your firms that you are also doing some assembling in the United States from the RTAs you import?

MR. HUNTER: Robert Hunter, CNC Cabinetry. We currently import probably 40 to 50 containers a month, and we're assembling 80 percent of that. So we have a 400-person operation, and like most of the gentlemen have said, in terms of the number of inventory that we keep, it turns a couple of times a year because you do have to keep a wide variety of stock in there, but most of our people are
doing the assembly before it ships. And we do incorporate
our entire fleet, and we deliver most of the product
ourself.

MR. SOISET: Any other firms?

MR. GOLDSTEIN: Randy Goldstein, Kitchen Cabinet
Distributors. Just to show kind of the variety on the
import side, we are one of the larger players in the space.
North of 70 percent of what we ship out is flat-pack. Our
customers prefer the convenience, the quick speed we can
ship the same or next day in most cases with flat-pack
versus, you know, a minimum two to four weeks on the
domestic side. But for that small percentage who do prefer
assembly, we actually have skilled craftsmen that we train
or hire from other parts of the woodworking industry.

There was a suggestion this morning regarding
minimum wage. I'm proud to say that the minimum we pay an
assembler in our business is $13.50 an hour, and it goes up
from there.

MR. NICELY: Matt Nicely. I just want to make
another point, just to make sure it's very, very clear,
particularly for Mr. Hunter's testimony, that even those
who'd assemble, they are still gaining the advantage and
providing the advantage that customers want of getting
product quickly.

So even if a CNC is assembling, they're still--
because they have it in inventory as a flat-pack, they are able to turn it around and get it to the customer within one to five days, sometimes--often, within a day or two.

MR. SOISET: Thank you. And I'm asking partly because the Commission will in its analysis sometimes wonder if companies are also doing production in the United States, should they be considered a part of the domestic industry? And I don't want to necessarily put you in the spotlight now about whether or not you're asserting that, but I would appreciate in post-conference briefs to clarify if you think that assembling is something that would make you a part of the domestic industry.

And, you know, we do that by comparing sort of the value-added, the amount of employees in the manufacturing that actually goes on in the United States, and it's just something I would ask you to consider in your postconference briefs. If you want to talk about it, now, I won't object, but, Mr. Nicely, go ahead.

MR. NICELY: Matt Nicely. It's hard to quantify for you right now, and we'll try to do that for purposes of the post-conference brief. But I will say it's important to recognize, and I think Mr. Hunter pointed out, the number of employees that he has. This is not something with just a screwdriver in the back of the store that happens, like the Petitioners were trying to point out this morning. These
are significant employees, and I'm glad you asked the
question because I tend to agree that it should not be
determined just simply because of a sentence that was
included in the Petition, whether or not assembly ought to
account for manufacturing in the United States or not.5.

MR. SOISET: And the last question. Petitioners
testified that, in talking about RTA versus semi-custom and
custom, that from their perspective RTA had evolved to the
point where you could get just about any sort of size or
need through that. In some ways there was little
difference.

So it sounds like, you know, there's disagreement
here, but if you could just speak to that, where you think
there's categories that RTA is not directly competing with
semi- or custom, I'd appreciate that.

MR. NICELY: This is Matt Nicely again. I'll let
Mr. Graff talk about this, but I would refer you again to
those notebooks that he showed you, I mean suggesting
significant distinction in terms of the product availability
and the variation in the product available for RTA products
compared to what the Petitioners were able to provide.

MR. GRAFF: Chris Graff, JSI. I mean I think
some of the public portfolio companies, if you went to their
website, MasterBrand, for instance, you would see custom,
semi-custom, and stock detailed. And they would highlight
which of their brands fall into those categories.

I think you could do that for some of these other portfolio companies as a positioning tool. If you went to, you know, a better kitchen dealer in the area, which in the D.C. market there's many, many very good dealers, they would all have a custom, semi-custom stock, and probably an import product category. And we would encourage you to have those conversations and see how they talk about the industry.

MR. DOUGAN: If I can add to what Mr. Graff said, it's my understanding that you know again to the larger companies, the very large companies, they're going to offer a brand or a solution for different segments of the market, right? So, they're going to have a stock or a very inexpensive stock and then they might have more premium stock and then they'll have a semi-custom and whatever. And they have a different brand name with a different portfolio of options for each one of them and they're going to charge more for the more premium options with the more configurability options that you have.

I'm sure that if you actually spoke to them outside of the purposes of litigation or the dealers. If they were to tell you, oh no, those are all the same, then why are they charging more this other -- why do they have the distinct brands if it's all the same? So, they're offering a different -- they're approaching the market,
they're going to market in a different way for those
different segments and, in part, because of the quality of
the inputs they use or maybe the variety of colors and
things of that, but also the degree to which they can be
modified or customized and they are charging more for those
brands that have those options.

So, the idea that it's just all the same and
that there's no such thing as semi-custom any more is belied
by their marketing materials and their own business model.

MR. SCHAEFERMEIR: The other source to point you
to would probably also the Fredonia Study which
differentiates demand trends for the three market segments.

MR. SOISET: Okay, thank you very much and I
have no further questions.

MS. CHRIST: Thank you. We'll now turn to Tana
Von Kessler.

MS. VON KESSLER: Hi. Good afternoon. Thank
you for being here.

My first request is, if possible, if in
post-conference could someone submit the Fredonia Study? I
know that sometimes that it's a paid-for study that I
wouldn't necessarily be able to look up, but if you're able
to please by post-conference.

MR. NICELY: We certainly will.

MS. VON KESSLER: Thank you.
I'll turn to pricing data, Mr. Dougan, and we've talked at length about the RTA versus assembled product mix within the pricing products which I had almost anticipated from the day that we got the petition, but I do want to ask about the amount of direct imports in the market, the imports for retail sale that go straight to the end user. Do you have any idea of how much of the market that might make up?

MR. DOUGAN: Sitting here right now I don't. We can go back and look. I know that there -- the trade data tables are actually, so they have commercial shipments and then there's internal consumption/retail sales.

MS. VON KESSLER: Correct.

MR. DOUGAN: So, I don't know that we could, based on what we have available from the questionnaire record, how we could parse that because that subcategory wouldn't necessary tell us. We can go back and look at it, but I don't know if there's anyone else here who could speak to that. I wouldn't ask them to speculate, but I don't know that we can get at that from the information that we have.

MS. VON KESSLER: Okay.

MR. NICELY: To the extent we can get more information on it in time for the brief, we'll try to do so.

MS. VON KESSLER: Great. Just trying to figure out where the data is lying and getting it as close to
comparable at the same level of trade as possible as much as
we can, which goes into the next question about general
contractors. Are they the final point of sale because the
ultimate end user is me in my home, but the general
contractor, I think, is the one making the purchase for some
of these? If I'm wrong, please let me know.

MR. LIU: I can answer the question because I'm
a producer and so for the made-to-order it's usually the
general contractor place the order and then they specify
what kind of product they want and then we product,
assemble, and ship it over to them. And you know I also got
the demand from the cash-n-carry model, which is on-time
delivery and for that purpose I have to import something and
then -- so I can build an inventory because if a customer
ask me to deliver within a week I cannot do that with my
production line. I have to take at least six weeks or
longer because my material comes from different sources in
the domestic. And for example, like the hardwood plywood
would even come from Asia, so it takes a long time to
prepare the raw material and produce the product on the
order. Thank you.

MR. SYMES: For our little niche in the market,
the bathroom furniture, the customer is the actual person
who purchases it from the website or in the showroom and
then the contractor actually does the work. They don't have
very much to do with the purchasing. It happens here and there, but it's the end user.

MS. VON KESSLER: Okay, thank you.

MR. KINSEY: Yes, we do not buy straight from the supplier. We usually buy from a dealer.

MS. VON KESSLER: Okay, thank you.

How have the Section 301 tariffs impacted the market, our firm, demand, and your prices? I asked the same question of the Petitioners earlier today.

MR. GOLDSTEIN: While we are still growing post-301 tariffs, we saw a notable decline with certain customers who, as a result of our price increase, so we raised our prices across the board 5 percent, actually went and moved to domestic product.

MR. GRAFF: We raised pricing 10 percent following the 301 tariff. With the threat of that price going to 25 percent in January 1, we had an anomaly of pre-buying from customers prior to that. In the calendar year, we've been flat to down each month, month-on-month, so far this calendar year.

MR. HUNTER: We raised our prices 6.5 percent in terms of the tariff and then we have seen flat growth over the past three months.

MS. VON KESSLER: Great. Thank you all for that. Again, interesting to see how these things are
impacting the market as we're beginning this investigation.

This might be more for Mr. Wu. Where do you
source raw materials from? We've heard a lot of discussion
earlier today that the lumber is actually coming from the
U.S. going to China and then coming back as cabinets. Is
that accurate?

MR. WU: Yes and no. First of all, from U.S. to
China there are both logs and lumber the volume has
increased quite a big amount recently. So, year-by-year,
it's increasing. China is buying more and more, especially
the -- birch timbers from the U.S. market, not only for the
hard oak but also for the soft oak.

So, secondly, China is a big plantation country
in the world. Actually, it's the biggest plantation, so we
have resources in China for both hard wood and soft wood,
popular, and the Junipers and the pine as well for the
materials. So, it is true that the lumber comes from the
U.S. to China, manufacture it and they ship it back. That's
it.

MR. NEELEY: I would just add, knowing a little
bit about this industry from the other cases on wood
products I've done, one of the things that Mr. Wu is
referring to is the underlying wood which could be the
popular or the Chinese-grown wood and then to some extent
the veneers, for example, you couldn't find North American
veneers being grown in China or North American logs that you
make the veneers out of more specifically. You might have
to get it from North America, whether it's Canada or the
U.S. or from certain other woods from Indonesia, from
Brazil, from other places. Is that right?

MR. WU: Yes.

MR. NEELEY: Okay.

MR. WU: I want to add that actually,
technically, it is true that in China we have technical wood
use quite a big amount in the industry. The reason we say
the technical wood because having bringing the samples here
inside this hearing we said, well, 12 years ago for the
first Plywood case hearing this samples actually made by
popular and it's sold here in the U.S. market quite customer
preferred, so it is true.

MR. LIU: Can I add some points? Because I'm a
manufacturer, so I know the true distinction between Chinese
material versus the U.S. material that we used. And when
you look at the Chinese cabinet it's primarily Chinese birch
and they also offer the Chinese oak. And when you look at
the U.S. product and we can only get the red oak and maple.
We don't have much birch offered in the market. And when
you look at the plywood boxes, I would say even I want to
manufacture here and those hardwood plywood would come from
Asia. So, that tells you that Chinese manufacturer can make
the product cheaper, probably, because they use all the
local source of material rather than import from other
side. Thank you.

MS. VON KESSLER: I think my colleagues have
already asked some of my questions. I will ask are there
any different demand drivers between kitchen cabinets and
bath vanity or would you agree that they're similar like the
Petitioners mentioned.

MR. NICELY: It sounds like they're saying that
they're driven by the same demand factors.

MR. SYMES: I'd like to address an answer I gave
to Mr. Soiset, which needs a little clarification. The kind
of high-end furniture that we do there are the manufacturers
of it, but they're little Mom & Pop places. So, there is a
cottage industry, if you will, but that's in the U.S. I
should clarify. Yes, that's in the United States. Thank
you.

MS. VON KESSLER: Thank you.

MR. LIU: We're a bathroom vanity importers.

So, as far as demand drive goes, we have been selling
bathroom vanities online and in the last year in 2018 we
sold about 10,000 units of bathroom vanities just on the
Internet. There has a shift in consumer purchasing
behaviors. There's been a lot of customers that are more
inspired from the HG TVs, DIY Networks, or House.com and
they get inspiration from the online marketing materials, so they just purchase the products as a ready-to-go SKU.

So, these products -- well, it's only made available because we stock our products and we can ship our product in one or two days after the order is placed and I believe that is also a demand driver.

MS. VON KESSLER: Great, thank you. I believe that's all my questions. Thank you.

MR. SYMES: On demand, our customers can buy our products without doing a whole remodel. We're not dependent on the remodeling market. Thank you.

MS. VON KESSLER: Thank you. Okay, great.

Thank you.

MS. CHRIST: Thank you. We will now turn to Robert Ireland, the industry analyst.

MR. IRELAND: Thank you and good afternoon.

Thanks for your testimony.

I think two quick questions. One is a follow up from my colleague about sourcing. The questions about sourcing you were talking about the natural wood, I think, that goes into the RTA product that is exported to the United States. To what extent is the product based on engineered wood or is it completely natural wood?

MR. GOLDSTEIN: I can speak for my company with certainty, and I can generalize, just based on my knowledge
of the industry. While we have a very small segment of our
offering that contains particle board, more than 85% of what
we sell is entirely hardwood, no engineered woods
whatsoever. And I think that's largely consistent with the
industry. In fact, if I look at most of my primary
competitors, we are the anomaly and that we even have that
small amount that does have particle board in it.

When I say my competitors, to clarify, I mean
other importers, Fabuwood, CNC, JSI, etcetera.

MR. IRELAND: I think there's also, of course, a
range of quality and expense of natural wood. I think
cherry is probably one of the most expensive. So do you
have a range of types of wood, whether oak or cherry or
whatever, that serves predominant?

MR. GOLDSTEIN: All of our solid wood, so doors,
face frames, etcetera, is birch. It takes stain well, it's
consistent in the finishing process. It allows us to, you
know, interchange between lines or place warranties very
quickly, so in our segment of the market, you're not going
to see much, if any, attempt to go into the cherries,
rosewoods, kind of those fancier type products. That's just
not who we are.

MR. LIU: Robin Liu from Cabinetry 1. All the
Chinese products only have Chinese birch and Chinese oak and
very limited choice. But in the States, we can easily get
the source of oak, maple, poplar, walnut, cherry, I think
hickory, those are the popular wood species we use now.

Thank you.

MR. IRELAND: Okay, one last question. I should
know this, but an increase in the number and extent of U.S.
environmental regulations of wood products, which in turn
inevitably raises costs. So this question's basically for
the importers. How do you ensure that the RTA you import
adheres to the U.S. environmental regulations, such as Lacey
Act and EPA's Formaldehyde Emission Standards Act, for
certain wood products?

MR. GOLDSTEIN: As kind of the project lead for
my company's compliance with TSCA 6 over the last couple of
years, I could speak to that with a great degree of
confidence. Per TSCA 6, all of our panel producers who are
kind of two levels upstream from us, they're supplying our
manufacturers who then supply to us, must, I believe--and I
may get one or two details wrong here, because it's been a
little while since I looked--but are undergoing
formaldehyde testing, at least quarterly by a certified
third-party certifier that's the EPA's own certification, as
well as random formaldehyde checks.

Beyond that, and they provide documentation to
our manufacturers who maintain it for a period of time and
supply that to us, because, I believe--again, don't quote me
on this—but I believe within 30 days, we need to produce
that when asked, and we are well-prepared to do that.

Beyond that, we also require our factories to
engage with third-party certifiers directly to test the
plywood on their end just to make sure, because ultimately
if, you know, there were some shenanigans way upstream, we
ultimately are still accountable. So we've spent a lot of
time and frankly, a significant amount of resources to make
sure that we are fully compliant.

MR. SHENGFU: Two answers actually. First about
the Lacey Act as you mentioned. Actually, in China, lessons
have been learned. We have been know about Lacey Act of
things, the minimum helping have been issued. And in the
industry and also in China, we have conducted for due
diligence and those are the timber legality verifications.
Actually, luckily I also bring one of our industry standard
here in my hand on my book.

Secondly, about formaldehyde emission. Actually,
presently I am working together with the International --
Organization TC218 on the timber product. And those are
working on the TC296 on the bamboo product. Those I am the
Division Chief for the two sectors. And those why working
together with ANSI with American colleagues here, together
with foundation on the Wooden Product, especially for the
formaldehyde emission.
When I, I can tell the petitioners in the morning what Lacey Act is not true actually. Because in China, the formaldehyde emission standard is developed much more faster, compared here in the U.S. Oh, so luckily my -- I also have a stand here which is non-added for formaldehyde, for that wood-based panels and the products.

So ethylene in China, most of the companies who exported to the U.S. here, actually they are -- all the EPA now certified. And the plus, actually for the local market in China. Now it's zero all say no added formaldehyde. It's quite popular. Actually we can see about a dozens of companies sitting behind there, they are here. Look, ask them, their product, they're actually, their formaldehyde emissions actually is lower than the requirement that is regulated here in the U.S. Thank you. And those are, it is available if you are want to check and I could leave it here for you if you want.

MR. IRELAND: Thanks, I have no more questions.

MS. CHRIST: Thank you. We will now turn to the Supervisory Investigator, Elizabeth Haines.

MS. HAINES: Thank you for the testimony. My question or request is -- I did the earlier panel. It's in your brief to discuss the, what you feel is the best source for imports. And I know you discussed in your testimony that we should focus on value. But if you can please
address that in your brief.

    MR. NICELY: Just to clarify, you're asking about what the best source is for volume? Or just for, even just for value?

    MS. HAINES: Volume. But know you said we should focus on value.

    MR. NICELY: Right.

    MS. HAINES: They kinda go hand-in-hand.

    MR. NICELY: Okay. We'll address both in our post-conference.

    MS. CHRIST: Thank you. I will just see if we have any additional questions? All right.

    MR. SOISET: Thank you. Brian Soiset again for the Attorney/Advisor. Ms. Mowry and Mr. Symes, I would, since you sort of clarified that there were U.S. producers of the product you're talking about, I'd appreciate it if you could identify some of those firms in your post-conference brief. Thank you. That's it.

    MS. CHRIST: Thank you very much. I want to express my appreciation as the rest of the team has, for you taking the time to come down and provide us with additional information and additional perspectives, to get a better, fuller picture of the industry and the competition. I do have a couple of follow-up questions. I first wanted to thank you for the very large books over here. It's almost
as heavy as our water containers. This is my work-out for this week by the way.

I would like to ask, this is a snapshot in time. Is there any way we could get in post-conference briefs, some idea about both the RTA and the assembled SKUs over time? I'm trying to understand, has the RTA SKUs been stable, increasing, decreasing? And then the assembled units. Have they been increasing, decreasing? I'm trying to understand where the--I believe the argument has been that there's been a larger number from the size of SKUs for assembled--I'd like to get a more dynamic picture of that for the assembled and RTA. If you don't have it now, post-conference is great.

MR. NICELY: I think it's the sort of thing that we can best show you on paper, so we'll show you in our post-conference. Thank you.

MS. CHRIST: That's what I figured. Thank you.

Mr. Weiner, you expressed that you have -- do you do imports as well as domestic production?

MR. WEINER: We own Kitchen Cabinet Distributors, which is an importer. And we also own a few manufacturing businesses. They do various production throughout the market.

MS. CHRIST: Okay. So given this position that you have in both perspectives, in post-conference brief,
it's probably CBI--it's confidential--it would be helpful if you'd give some idea of how that has evolved over time in terms of what kinds of destinations your imported products go to, and what kind of destinations your domestically-produced products go to. Just because you own both of them, that'd be helpful to see from the same decision-maker.

And just a couple of questions out of curiosity. Is there such a thing as semi-assembled?

MR. GOLDSTEIN: I think the answer is no. But I'm not -- there might be some people with me on this panel, but not that I'm aware of.

MS. CHRIST: Okay, well, if it becomes popular, you heard it here and I patented it. And then, just for my -- I thought I heard a story of mixed imported tops? Countertops and then issue of conflicting warranty. I'm trying to remember where that anecdotal story came from.

MR. TUDOR: We're in the multi-family business, and what I was referring to is, as ACPI testified earlier, they will sell their cabinets direct to a contractor/developer or they will also include the option, full installation labor.

At the time I got in the RTA cabinet business, we just did cut-to-size tops. They would provide a shop drawing of, "Here's how the cabinets are gonna be
installed," and we would create a cut ticket and have it prefabbed and delivered to the job site. When we show up on the job site, cabinets were not installed per the drawings. Center lines, the sinks could be four inches off center. The walls were not framed.

There was a need for a service, and the service -- there was a void in the market and we took advantage of the void to work with the developers and the contractors, work with the framing contractors to make sure critical dimensions were met. And we seized that opportunity that the domestic manufactured market was not taking advantage of. But that's what I was referring to when I said there's discrepancies.

MS. CHRIST: So is it prevalent in the market to have parts of the units provided by different providers?

MR. TUDOR: Yes. Well, I mean there is that market that is still done now, yes. We don't chase that. If I can't provide the cabinets, I will not provide the tops. Because the tops never fit. They just slap them in, and I show up and the developers looking at me, "What are you gonna do to fix it?" I'm not gonna fix anything. Does that answer?

MR. GOLDSTEIN: If you don't mind, I'd like to just add to Mike's point. I mean there are thousands of thousands of contractors in this country who are not as
entrepreneurial as Mike and rely on cabinet suppliers to
meet their needs and to generalize the situation that he was
describing.

When those contractors gets to the cabinet
install piece and they have one cabinet that's the wrong
size or dinged or damaged and they bought domestically,
well, that replacement needs to be manufactured. You're
adding days, if not weeks to the lead time for that job to
be finished, potentially for that home to be finished. In
extreme cases, for a family and eat and move into the
house.

So it speaks to, I think, one of the broader
themes that we've talked about today, which is a huge
differentiater for what we do. Which is the inventoried,
quick-ship nature of our project. Contractor accidentally
puts a screwdriver through a cabinet door, they pick up the
phone, they call me and it's in UPS, they have it the next
day. That's a service, that's a value proposition that the
domestic industry simply does not provide.

MS. CHRIST: Thank you.

MR. KINSE: Just wanted to reinforce what Randy
just said. My business is building homes. We purchased
cabinets from Marsh for over twenty years, and you have to
understand that any time we changed suppliers, it comes at
an expense.
I wanna make this very clear. I very much wanted to continue to buy from Marsh. Their pricing was more affordable, and the variety was extremely -- it was great. It's far superior. In fact, during the recession, offering variety and saying "yes" to customization when our other competing builders said no, it gave us an edge.

Additionally, I developed relationships with many employees at the company. Unfortunately, it was due to consistent calls and e-mails, you need to solve the problems. Purchase orders were consistently wrong. Cabinets would arrive damaged. We'd receive the wrong cabinet in the right box and labeled. The paint and stain would be inconsistent.

My business, the home-building business, is in a military town. It's Hampton Roads. And is supported by the military. And these members of the military, they're often moving across the country, they need a guaranteed closing date for their home. And I take that very seriously.

Due to the problems I described, we would not be able to install the countertops, which then we couldn't install the plumbing and, ultimately, we would not be able to get the certificate of occupancy, so in other words, we couldn't close the home. Our local sales rep would frequently say, you know, "Luke, I don't know what to do, and I'm sorry."
Well, it's hard to tell a Navy family they have nowhere to go. And I refuse to allow the cabinets to have control over the construction process. So I was forced to find a solution and the RTA provided that solution. Thank you.

MS. CHRIST: Thank you. I am trying to understand the supply chain process. And I'm trying to figure out, to what extent are -- you mentioned the customization, one of the features is that you can get it in three-inch, or one-inch or zero-inch millimeters. To what extent is the dynamics team design and procurement? So, are construction companies designing the homes to be able to purchase stock?

Is there a pull in terms of the design companies to be able to get stock or RTA from the beginning? As opposed to remodeling, where you've got this 50-year-old house that you're working with, and you have to adjust around versus designer saying, "Okay, if I design to this specification, I can get something that I couldn't get before." So now there's a certain kind of anticipation of procurement options in the design process.

I don't know if that makes --

MR. GRAFF: Yeah, Chris Graff, JSI. There's a lot of different decisions points for new construction as you're describing. If it was a development of track homes,
multiple homes, they may have a base entry level door
style and color selection and a kitchen design. So that
would be the starting point. Do we offer that, those SKUs
that are in that design, and that would be a yes or no.

The other part is typically the builder would
like to sell upgrades off of the base kitchen, which would
be maybe a different color stain in the same door style,
maybe a different wood species, maybe a different door style
and paint, maybe five or six different optional upgrades for
the homeowner.

In most of those cases, we would not offer
enough of those extra options to be able to bid on that
project, even if we were able to get through the first gate
of -- we do offer these SKUs. It would be different for a
retail or remodel, where older homes, which are more
frequent for the retail/remodel, the windows and the
dimensions are not laid out the same way that modern new
construction would be. Does that answer your question?

MS. CHRIST: Yes, thank you.

MR. LIU: Robin Liu from Cabinetry 1. I think
you ask about the supply chain management for different
sizes, and I would say the autier because of the three-inch
increment, because that already require you very extensive
capital investment. If you try to one inch increment, we
times that by three. Not to say you have to do more custom
if you want to be smaller that one inch.

So that just tell you impossible, and me as a producer, I always get the material, they make anything they want based on the shop joint we create. So I don't carry much inventory for the manufacturing side, and I can buy everything in reasonable times. I have to tell my customer that you have to wait six weeks or longer, because that's the industry standard.

But if customer want quick delivery and they want to do remodeling, want to get this done in two weeks, I cannot do that without the autier. That's why I have to import autier, and that's the same thing. I believe, you know, like gentlemen mentioned American Woodmark input a lot. Masco, Master Brand, they are probably the largest importer of Chinese cabinets.

I just didn't know what exactly they import, but I believe they probably share the same story as I do, because if they cannot on time, you know, quick delivery, they have no way to service their customer. That's why this panel will tell you that the inventories model is different from the domestic manufacturing. They are not competing with each other. I agree the comment that they complements each other. Thank you.

MS. CHRIST: Thank you very much. I want to thank you again for showing up. As you can tell, none of
these questions I had when I sat down, so were it not for
your additional perspective and information, I wouldn't have
had those, and I think some of my colleagues seem to say the
same.

Mr. Secretary, let us proceed to rebuttal and
closing remarks.

MR. BURCH: We release this panel with our
thanks.

(Pause.)

MR. BURCH: Would the room please come to
order? Closing and rebuttal remarks on behalf of those in
support of imposition will be given by Timothy C. Brightbill
by Wiley Rein, and Dr. Seth T. Kaplan of International
Economic Research. Mr. Brightbill, Mr. Kaplan, you have ten
minutes.

PETITIONERS' CLOSING REMARKS

DR. KAPLAN: Good afternoon. Seth Kaplan of
International Economic Research, here to make a couple of
rebuttal points after hearing Respondents' testimony. The
first point I wish to make that this is industry is classic
industry for measuring import penetration and volume in
units.

Primarily kitchen cabinets, they're measured
by the number of cabinets. You have collected data on the
number of cabinets, but also if you size the market you have
such a significant number of questionnaires that you have an average unit value of the exporters, and it's a very simple process to take that averaging of value and apply it to the imports and the domestic average unit value and apply it to the total value of the market to give you the number of units.

It's incredibly straightforward. There's nothing like the vast range of prices in a bearings case or disparate downstream uses for the product, as this is the downstream product itself. It's not an input into anything else. So this is plainly a volume case.

The Commission refers to volume, the Commission understands that with margins as extraordinary as they are now, that using import values would vastly underestimate the market share, which is one of the main reasons the Commission only very, very rarely uses a value share and uses a volume share almost all the time, and this is a classic case for that.

As to respect to the size of the U.S. market, Mr. Dougan's Slide 2 has a far right contemporaneous report on the size of the market. That's an installed number. That's not even a retail number. It's not even the wholesale number that you should be looking at.

That size was explicitly rejected at the Commerce Department when this issue was raised, and the idea
that you could take, you know, damaged goods from the Commerce Department and try to get over on the ITC is plainly bothersome to me, having testified in front of this institution in over 100 investigations.

Two more quick points. First, one of the witnesses put the value shares at 60/20/20 between stock, semi-custom and custom. Given the price differentials, the volume shares would probably be about 80 stock, 15 semi-custom and five custom. They say they're in the stock segment. That's 80 percent of the market, and we've shown you evidence there in the semi-custom segment.

That also goes to the gentleman from 9th Street Capital, who owns four custom shops. Once again, five percent of the volume, custom, completely different than the stock and these semi-custom part of the market, where the RTAs compete head to head with the domestic product. Thank you.

CLOSING STATEMENT OF TIMOTHY C. BRIGHTBILL

MR. BRIGHTBILL: Just a few other rebuttal points before and then closing remarks. The one question that occurred to me again and again listening to the panel this afternoon. If the Chinese product is so superior in terms of quality, finish and lead times, how do they sell it for 20 to 60% less than the domestic product? It doesn't make any sense and you know that.
And you have not only your underselling analysis on that, we also turned in price lists for U.S. and Chinese products that show the incredibly low prices that we're competing with day to day.

All of this talk about RTA's being a market niche, that no U.S. companies supply, we don't compete directly, that it's a completely different market segment. The economists remarked that the sale of an imported cabinet or vanity doesn't displace the sale of a domestically produced cabinet or vanity. This is from another planet -- that could not be more incorrect, and you heard it from -- you heard it from all of our witnesses and your evidence will bear this out in the preliminary and in a final phase.

The Ninth Street representative who spoke about 90% of companies at peak performance while Master Brand has of course, closed two facilities, they've laid off 600 workers, they're also a big company. They have a plumbing division that's doing quite well. They have a cabinet division that's not doing very well.

And Masco, of course, is now seeking investment alternatives as Miss El-Sabaawi mentioned in her presentation. This whole issue about lead times needs to be addressed. Imports do not have a lead time advantage. This talk of four to twelve weeks. I've been to Master Brand in Indiana, they provide stock products in a week. I've been
to March, they do kitchens at a time in one to two weeks.

    Perry Miller just told me 10 days is their lead time. Marsh Furniture, one to two weeks. Kitchen Kompact keeps finished inventory so they can supply quickly, and they're just as responsive -- one to two-week delivery.

    Chinese prices are the driver, it's not lead times. And again, for replacement purposes, these companies can supply even faster -- one to three days, we'll document that in our briefs. We have -- there are multiple distributors that stock fully assembled cabinets and ship them in one to two days, so there's no lead time advantage, what they have is a price advantage.

    Underselling -- there was a mention of U.S. prices increasing during the period of investigation, but as we explained this morning they have not increased as much as costs. There's a cost price squeeze going on here and note that your data shows that the margins of Chinese underselling also increased during the period -- that is material injury.

    With regard to Mr. Kinser, we cannot wait to rebut the inaccurate allegations relating to Marsh Furniture, we'll do that in a confidential statement, but it would have been nice if they had contacted any one of the other domestic manufacturers in the country that has less than 60% or 70% capacity utilization before they went to a
Chinese RTA solution for that issue.

Vanities -- we do make vanities, including pedestal products. They're within the scope, we'll explain that more in our post-conference brief, so that rebuts all the points about that. There was the point about RTAs, are they available from any other country other than China?

The answer was no. Thank you for making our point. The problem is China. No one else is dumping and subsidizing like China either, so the RTA issue, again there's head-to-head competition, but China is the problem that needs to be addressed by these investigations.

Also, I would just underscore the point about China moving up the value chain, contrary to what Mr. Neeley had to say it is not speculation. Look at any website for these Chinese companies, for U.S. importers, this is exactly what is happening.

As far as sales in the Chinese home market, again look at the websites for any of these companies. The emphasis is on the U.S. market, that's why you have all these higher quality products which half of their panel was saying -- the other half was saying the Chinese home market is so important.

There is a disconnect there. The U.S. market is the target market. So, there's many more points I could rebut, but I'll just stop there and wrap up. Thank you
again for your hard work on these important investigations. The record evidence still being compiled demonstrates a reasonable indication of material injury caused by subject imports.

The investigations have been initiated at the Commerce Department at dumping margins ranging from 177% to 262% and the CVD petitions have been initiated on dozens of subsidy programs benefitting the Chinese industry.

You have volume, you have price, you have impact. Subject imports increased 57% during the period of investigation, 18 million cabinets or more, at least 1.4 billion dollars in 2018. And again, we think the actual levels are significantly higher.

With U.S. demand strong and growing, dumped and subsidized Chinese imports took at least 5 percentage points of market share directly from the U.S. industry. That alone is material injury.

The underselling data show that Chinese imports undersold the U.S. product consistently about 75% of all comparisons at rates of 20% to 60% of more. As far as impact, the Chinese companies are targeting this market, they're moving up the value chain, they have high-quality products that compete head-to-head on price, not on RTA versus not, and they're taking almost all the growth in the market. We have documented lost sale allegations, we have
financial performance that has suffered capacity utilization already low, which has fallen.

Domestic shipments are flat. There is a cost price squeeze. Operating net profits are down significantly. U.S. producers have closed facilities, laid off employees, many other employees are working fewer hours and reduced shifts. All of the statutory threat factors are met as well.

This is an extremely important American industry. More than 30,000 production and related workers, many more total workers direct and indirect. This case has the potential to make a huge difference to many American companies and tens of thousands of workers, so we ask you to make affirmative preliminary determinations, thank you very much.

CLOSING STATEMENT OF DEAN A. PINKERT

MR. PINKERT: Little different title on this one as in none, compared to the old one. But in any event, I want to thank the Commission for -- or the Commission staff for its time today. It's been a long day and we really appreciate your questions and your interest and involvement in the case.

I just want to start by saying that this is not a cookie cutter case. You can -- you heard a whole raft of statistics and a story that's very simple from the
Petitioners. Every element of the Petitioner's stock story fails to survive scrutiny -- careful scrutiny.

It's a stock story about a stock element of the market and we can talk a little bit about that as we go forward. But for example, the Petitioners say that the imports compete, and I quote, "Primarily on the basis of price." Really? After all they've heard today from so many witnesses, the fact that U.S. producers offer the lowest price in the market and yet they don't have the advantages of the RTA product.

The RTA product has some advantages and it has some disadvantages, but between the advantages and the disadvantages, it creates a market niche for that product. Imports created that market niche. It's inventoried, stock product. Speed, logistics, quality but limited choice. Unlike what Mr. Brightbill said, it's not that we're saying there's no choice. We're saying its limited choice in the RTA niche.

And there's more choice available outside the RTA niche where the U.S. producers are able to offer, for example, more colors and more variety. Competition between the RTA niche and the U.S. producers is attenuated. For example, where did any domestic producer talk about how they're producing an RTA product domestically?

Where did any U.S. producer provide evidence of
their story that imports are migrating away from RTA product? That's just not -- there's no basis for that as Mr. Neeley said earlier.

Now, in regard to the details that Mr. Dougan talked about, first we need to use value to measure the imports because the items covered by the scope are so disparate so only value can provide a common denominator for all the different kinds of scope imports.

With regard to the market share calculations that Mr. Dougan relied upon, he talked about the kitchen cabinet market. If you look at the calculations that he's using, they say specifically that they're materials only. It's not installation based that he's using, it's materials only. So, that's just flatly false, the suggestion from Petitioner's counsel that installation is a part of that calculation.

Pricing data -- pricing data's not apples to apples. It can't be apples to apples when you have the assembled RTA, I'm sorry, the unassembled RTA versus an assembled product in the U.S. Look at the financial data. The industry's doing well. What would the domestic industry have that good performance benchmarked against?

They say oh, we'd be doing better without the imports. Where's the analysis? Where's the evidence for that? What's the benchmark for that? There is none. It's
just how they feel about it and I'm sure there's a sincere
feeling, but there's no evidence.

    Now, Petitioner's case also flounders on the data
for production and shipments because as you saw, and as
you'll see, production and shipments for the domestic
industry are not going down. So, this whole idea that this
market share shift reflects something that's been taken away
from the domestic industry just isn't true. It's not at the
expense of the domestic industry.

    You have a niche that is growing. It's not at
the expense of the domestic industry. The RTA niche is
parallel to the rest of the market, not head-to-head
competition. Industry competition that is not RTA
competition, within the U.S. market, among domestic
companies is cannibalizing the domestic industry.

    The industry's not doing poorly, but some of the
smaller players are losing out to some of the bigger players
and that is not something that the RTA imports should be
held responsible for.

    Finally, U.S. producers understand full well that
imports are an irreplaceable element of the U.S. market.
Their own behavior suggests that. So, in closing we would
ask the staff for a negative determination at the prelim.

    CLOSING STATEMENT OF BART S. FISHER

    MR. FISHER: Good afternoon, my name is Bart
Fisher for the Coalition of Vanity Importers. We oppose the petitioners that have been filed with the U.S. International Trade Commission by the American Kitchen Cabinet Alliance to dramatically increase these U.S. duties.

The reason for our opposition is very simple. It was just stated by Mr. Pinkert. The Petitioner's represent an industry that is simply not able to demonstrate material injury as a result of imports of cabinets and vanities from China.

The reality is that the kitchen cabinet industry has demonstrated a pattern of steady growth. Kitchen cabinet demand in the United States is projected to increase 5.9% per year through 2021 by their own statistics and analysis.

And within this pattern of steady growth, tall kitchen cabinets are projected to reach annual advances of 7.8%. Base cabinets -- which is a base for a lot of different kinds of cabinets, are projected to have 5.2% - 5.25% annual growth. So, we're hearing from the Petitioners an alternative universe that we live in in the bathroom, upscale specialty industry for vanities.

I listened very carefully in the first panel. I didn't hear the word bathroom mentioned once. They're talking about kitchen cabinets. So, let's be clear about what this case is about. We, as the bathroom vanity
industry, absolutely have to be excluded from this case.

We're all surprised and shocked that we were parachuted into this case, but we've got to get out of this case, we don't belong in this case. You know, this is not a like product. There are at least two like products in this investigation. Mr. Chang asked in the first question and others about this like product question.

There's no question about it that you have two different industries here. For starters, you have the industry that produces kitchen cabinets, okay? That industry was 19 billion dollars in sales in 2017. Then the second industry is the bathroom vanity industry. That industry produced 9.78 billion dollars in sales. It's a huge, but totally different segment of the market. So, there's at least two like products here.

Now, it gets even more complicated because within the bathroom vanity industry, you have two segments. You have the mid-simple low-cost bathroom vanities produced for the mass market. That's not us. We -- the 11 companies in the Vanity Importer's Coalition are 11 companies, have specialty upscale furniture bathroom vanities -- that's a different kind of product.

In fact, our products are higher priced than the products that are sold in specialty design here. So, it's the exact opposite of what they're saying. We're not
dumping. We don't have lower priced stuff coming in, it's higher priced stuff.

So, we're listening to an alternative universe here. And the types of vanities that the Petitioner sells, their sales are lower priced, they're often sold to builders and you know, home centers, rather than through the specialty retail stores in our 11 companies, that's what we are basically.

So, I'm not going to go through all of the different five criteria for like products, that's over at the Department of Commerce, I know that. But it's important that if you analyze the questionnaires that come in, you realize what you're dealing with and obviously the key thing is the ultimate use of the product.

Kitchen cabinets are used to store dishes and other food related cooking products. Obviously, bathroom vanities have a different use for washing your face and your hands. You can't wash your face in a kitchen cabinet -- they're different, fundamentally different.

So, in closing I just want to say we are going to file Monday a scope exclusion request from this whole proceeding at the Department of Commerce because we don't belong in this proceeding, we don't want to be in this proceeding, the figures presented have been intellectually dishonest, we're not underpricing and we're a totally
different domestic-like product, so I thank you for your
attention in closing I want to agree with everything Dean
Pinkert said and so ridiculous as the case is for the
overall industry, it's just even more totally ridiculous for
our industry. Thank you very much.

MS. CHRISTI: Thank you. On behalf of the
Commission and the staff, I would like to thank the
witnesses who came here today as well as counsel for helping
us gain a better understanding of the product and the
conditions of competition in the wooden cabinets and
vanities industry.

Before concluding, please let me mention a few
dates to keep in mind. The deadline for submission of
corrections to the transcript and for submission of
post-conference briefs, is Monday, April 1st.

If briefs contain business proprietary
information, a public version is due Tuesday, April 2nd.
The Commission has tentatively scheduled it's vote on these
investigations for Friday, April 19th, and it will report
its determinations to the Secretary of the Department of
Commerce on Monday, April 22nd.

Commissioner's opinions will be issued on Monday,
April 29th. Thank you all for coming. This conference is
adjourned.

(Whereupon, the hearing was adjourned at 3:54 p.m.)
CERTIFICATE OF REPORTER

TITLE: In The Matter Of: Wooden Cabinets and Vanities from China

INVESTIGATION NOS.: 701-TA-620 and 731-TA-1445

HEARING DATE: 3-27-19

LOCATION: Washington, D.C.

NATURE OF HEARING: Preliminary

I hereby certify that the foregoing/attached transcript is a true, correct and complete record of the above-referenced proceeding(s) of the U.S. International Trade Commission.

DATE: 3-27-19

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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