

UNITED STATES INTERNATIONAL TRADE COMMISSION

In the Matter of:
WOODEN CABINETS AND VANITIES
FROM CHINA

) Investigation Nos.:
) 701-TA-620 AND 731-TA-1445
) (PRELIMINARY)

REVISED AND CORRECTED

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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.

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1 APPEARANCES: Opening Remarks:
2 In Support of Imposition (Laura El-Sabaawi, Wiley Rein LLP)
3 In Opposition to Imposition (Matthew R. Nicely, Hughes
4 Hubbard & Reed LLP)
5 In Support of the Imposition of Antidumping and
6 Countervailing Duty Orders:
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9 on behalf of
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12 Showplace Cabinetry
13 Stephen Wellborn, Director, Product and Research
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15 Perry Miller, President, Kountry Wood Products, LLC
16 Mark Trexler, President and Chief Executive Officer,
17 Master WoodCraft Cabinetry, LLC
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6 Washington, DC

7 on behalf of

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10 Inc.

11 Robert Hunter, Chief Operating Officer, CNC Associates

12 Michael Weiner, Managing Partner, Chairman of Kitchen

13 Cabinet Distributors and Ninth Street Capital Partners

14 Randy Goldstein, Chief Executive Officer, Kitchen

15 Cabinet Distributors

16 Mike Tudor, Owner and Chief Executive Officer, Builder

17 Supply Source

18 Luke Kinser, Managing Member, East Front

19 Cabinets/Summit Construction

20 James P. Dougan, Vice President, Economic Consulting

21 Services, LLC

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17 Charles Bastien, Vice President, Sales and Marketing,

18 Kimball Hospitality

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6 Lucas Liu, Chief Executive Officer, Design Element USA

7 Martin Symes, Chief Executive Officer, Modern Bathroom

8 Eric Dormoy, Chief Executive Officer, Madeli

9 Bart S. Fisher - Of Counsel

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11 Interested Party in Opposition:

12 Casa Cabinets, Inc.

13 Craftmart Cabinets LLC

14 Nathan Gordon, Associate

15 New Century Building Supplies Inc.

16 Charles M. Cai, Cabinet Retailer and Importer

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18 Rebuttal/Closing Remarks:

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

20 LLP)

21 In Opposition to Imposition (Dean A. Pinkert Hughes Hubbard

22 & Reed LLP; Jeffrey S. Neeley, Husch Blackwell LLP; and Bart

23 S. Fisher, CKR Law LLP)

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1 PROCEEDINGS

2 (9:30 a.m.)

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

5 MS. CHRIST: Good morning, and welcome to the
6 United States International Trade Commission's conference in
7 connection with the preliminary phase of anti-dumping and
8 countervailing duty Investigation Nos. 701-TA-620 and
9 731-TA-1445, concerning Wooden Cabinets and Vanities from
10 China.

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

19 I understand that parties are aware of the
20 time allocations. Any questions regarding the time
21 allocations should be addressed with the Secretary. I would
22 remind speakers not to refer in your remarks to Business
23 Proprietary Information, and to speak directly into the
24 microphones. We also ask that you state your name and
25 affiliation for the record before beginning your

1 presentation or answering questions for the benefit of the
2 court reporter.

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

7 (No response.)

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

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

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

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

19 OPENING STATEMENT OF LAURA EL-SABAAWI

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

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

24 MS. EL-SABAAWI: I am Laura El-Sabaawi,
25 counsel for the American Kitchen Cabinet Alliance. On

1 behalf of the petitioning U.S. producers of wooden cabinets
2 and vanities and their workers, we greatly appreciated your
3 work on this important new investigation. We are here today
4 in an effort to restore fair trade to the wooden cabinet
5 and vanity market in the United States.

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

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

21 By last year, they reached more than \$1.4
22 billion, for an increase of 57 percent during the POI.
23 While demand was strong and growing during the period, the
24 increase in subject imports far exceeded the growth in
25 apparent domestic consumption. As a result, subject imports

1 took market share from the domestic industry, with subject
2 import market share reaching its peak in 2018.

3 By value, subject imports took more than five
4 percentage points of market share directly and completely
5 from the domestic industry. While the data is still being
6 compiled, we strongly believe that the market share shift by
7 volume was much greater. Subject imports took more than
8 \$111 million of sales and revenues from domestic producers
9 during the period, and they did so using dumped and
10 subsidized pricing.

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

19 These effects have been particularly
20 pronounced because competition in this industry is based on
21 price. It is the major factor that meaningfully
22 distinguishes domestic and subject cabinets. The sales,
23 market share and pricing that the domestic industry lost to
24 subject imports directly harmed its financial performance.
25 U.S. producers operating income margin dropped from 2016 to

1 2018, and capacity utilization remained low, all while
2 demand was growing.

3 This is simply not what you would expect to
4 see in a strong market, and it is a direct effect of unfair
5 Chinese imports. In fact, subject imports are even driving
6 U.S. cabinet manufacturers out of the industry. At least
7 two U.S. producers went out of business thus far this year.
8 Hundreds of workers lost their jobs when Master Brand
9 Cabinets had to close two plants in Alabama and Minnesota in
10 2018.

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

20 These should be boom times for the domestic
21 cabinet industry. Instead, because of subject imports,
22 sales and revenues are being lost, profits are dropping and
23 facilities are closing. Finally, the Commission should
24 define in a single like product in a single domestic
25 industry coextensive with the scope in this investigation.

1 Components of wooden cabinets and vanities are
2 dedicated for use in the production of full units. They
3 have the same general market, characteristics and functions,
4 and the price of all the wooden components account for the
5 majority of the price of the full units.

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

14 MR. BISHOP: Thank you Ms. El-Sabaawi.
15 Opening remarks on behalf of those in opposition to
16 imposition will be given by Matthew R. Nicely of Hughes
17 Hubbard and Reed. Mr. Nicely, you have five minutes.

18 OPENING STATEMENT OF MATTHEW NICELY

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

24 This is not your typical China case. The
25 domestic industry dominates the cabinet and vanity market

1 with a share well over 80 percent, if not over 90 percent.
2 The companies with scale to supply large projects and
3 customers are not Chinese, but the large publicly-traded
4 domestic suppliers with the ability to produce made-to-order
5 product within two to four weeks.

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

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

21 This complementary role explains why several
22 members of the petitioning alliance continue to import
23 product from China or elsewhere, despite their supposed
24 defense of U.S. manufacturing. Imports serve a different
25 market from the domestic product, which helps to explain why

1 many members of this domestic industry, including members of
2 the petitioning alliance, are performing quite well.

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

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

21 Pricing data show that prices are steady or
22 increasing, and there's no evidence that imports are
23 depressing or suppressing U.S. prices. Any attempt to
24 conduct an underselling analysis between imported and
25 domestic producer prices is suspect because of the inability

1 to distinguish RTA from assembled product in the pricing
2 products chosen by the Petitioners.

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

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

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

23 Jim Dougan of ECS will also provide his
24 economic analysis of the market and the questionnaire data
25 so far. You'll also hear from members of the vanity and

1 hospitality segments of the market, who will explain how the
2 scope is overbroad and demands division into separate like
3 products.

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

12 We look forward to a vigorous debate today.
13 Thank you.

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

18 (Pause.)

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

21 STATEMENT OF TIMOTHY C. BRIGHTBILL

22 MR. BRIGHTBILL: Good morning. I'm Tim
23 Brightbill from Wiley Rein on behalf of Petitioners. Thanks
24 again for the Commission staff for your hard work already on
25 these very important investigations. If one picture could

1 sum up why we're here today, for me this is it.

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

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

20 From the petitions, Petitioners represent a
21 substantial majority of the domestic industry, and there are
22 many more U.S. cabinet and vanity makers and component
23 makers who are not petitioners but who support these trade
24 cases. The anti-dumping petition alleges dumping margins of
25 more than 175 percent. The CVD petition identifies more

1 than 35 subsidy programs that have benefitted the Chinese
2 industry.

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

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

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

19 In the end, this is a classic case of China
20 moving up the value chain of a continuum of products and
21 pushing U.S. producers out as they move up. With regard to
22 underselling, the Chinese imports consistently undersell by
23 20 to 50 percent or more. Chinese producers have taken
24 substantial market share, at least five percentage points
25 from the U.S. industry.

1 We urge the Commission to report market share
2 shifts based on volume, because the value data while
3 compelling in and of itself is substantially understated.
4 And then with regard to the lost sales, the documented lost
5 sales since 2016 are \$110 million. The actual lost sales we
6 think are several times higher than this amount.

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

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

22 So you do have -- sorry. An affirmative
23 preliminary determination is required if there's a
24 reasonable indication that the imports cause material injury
25 and you have that. You already have that from the

1 questionnaire responses and the record information that's
2 still coming in. Rising import volumes increased import
3 share, underselling and lost sales and declining financial
4 performance for this industry. Again, the data we've
5 already compiled strongly supports these findings.

6 You also have threat. The declining
7 profitability and the loss of market share have made this
8 domestic industry vulnerable. The nature of the
9 countervailable subsidies received by the Chinese industry
10 also demonstrates threat. The Chinese industry has very
11 large amounts of available capacity and is adding more
12 capacity. The underselling is significant and it expanded
13 during the period, and competition with the Chinese imports
14 has harmed and discouraged U.S. investment. So the threat
15 factors are met.

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

24 All the latest trends, all the latest styles.
25 Fabuwood's slogan on its website is "Quality Redefined." It

1 advertises its premium cabinets according to a program known
2 as Q-12, which features dovetail construction, anti-warp
3 structures, solid half inch plywood backs, soft-closing
4 hinges and drawers and a host of other high quality
5 features.

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

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

19 Panda, front and center in one of the exhibit
20 halls was Panda. It was impossible to miss. Panda was
21 established in the 1980's in China, in the United States in
22 2000. In 2008, Panda franchised the Panda kitchen and bath
23 concept. They are all over the D.C. Metro area with at
24 least 27 store locations, 500,000 square feet of warehouse.

25 The Panda website has more than 100 photos of

1 various cabinet installations, different designs, different
2 styles, different colors. There are a few from KBIS. Their
3 website also features photos of their multiple integrated
4 manufacturing operations in China, and claims that Panda is
5 the world-wide leader in ready to assemble, in the
6 ready-to-assemble category.

7 Not to be outdone Golden Home also is, as this
8 sign says, "a world leading manufacturer in kitchen
9 cabinetry industry." It began in 1999. It has more than
10 2,000 franchise stores and dealerships worldwide. In 2017,
11 Golden Home had grand openings for its warehouses on both
12 U.S. coasts, one in Los Angeles, one in Cranbury, New
13 Jersey, warehouses to store and supply RTA cabinets.

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

21 And now back to Same Day Cabinets. Here's a
22 picture of the outside of the store, which also mentions
23 Echowood Cabinetry, and here is the KBIS booth for Echowood.
24 Again, a variety of styles and colors and a very large
25 American flag prominently in its display. Here again, we

1 were very excited to see these signs, so we asked the
2 Echowood people at the booth if the cabinets were made in
3 America. Oh no, they answered. They're all made in China.

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

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

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

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

1 STATEMENT OF BILL ALLEN

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

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

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

21 But instead, we sold the company back to our
22 employees. I am incredibly proud of the fact that we are
23 100 percent employee-owned. We have long tenured workers,
24 and because we are employee-owned, the people who started
25 making relatively low hourly wages now have a considerable

1 retirement savings built up in our company. Unfortunately,
2 because of unfairly-priced Chinese imports, these jobs are
3 now at risk.

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

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

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

24 Our dealers used to be able to sell a value
25 proposition of our cabinets. However, the Chinese cabinets

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

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

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

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

1 discounts all year.

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

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

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

25 We even paid \$50,000 to develop the

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

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

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

21 The Chinese producers are rapidly moving up the
22 value chain, and the problem is rapidly getting worse. Our
23 performance in the second half of 2018 and so far this year
24 has been terrible. We are being forced to work shorter
25 weeks this month and next.

1 To conclude, I would like to once again stress
2 the South Dakotans employed by Showplace are at the greatest
3 risk in this case. Showplace is an 100 percent employee
4 owned company. Those are the people that will be hurt if
5 this industry cannot get relief from the surge of unfairly
6 priced cabinet imports coming from China. Thank you for
7 your time.

8 STATEMENT OF STEPHEN WELLBORN

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

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

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

24 Wellborn is a family business. It was founded
25 by the Wellborn family. It is owned by the Wellborn family,

1 and my entire family works in the business. We all take
2 great pride in producing high quality cabinets. We also
3 take great pride in the community we have created and all
4 the people that work with us. We have entire families that
5 work at Wellborn and have for several decades.

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

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

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

24 Our business is suffering because of these
25 unfairly priced Chinese cabinets. On one hand we lose sales

1 to Chinese imports. When we talk to our dealers, they are
2 simply selling more Chinese cabinets and less U.S. cabinets.
3 On the other hand, we have had to hold pricing in check to
4 compete with Chinese imports. This means that even the
5 sales we do make are less profitable. This means that our
6 profit margin is getting squeezed on both ends.

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

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

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

23 The infiltration of Chinese producers into the
24 U.S. market is obvious. Our dealers are increasingly
25 selling Chinese product lines that we have to compete

1 against. We also see an increased Chinese presence at the
2 industry events.

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

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

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

1 Thank you for your time.

2 STATEMENT OF PERRY MILLER

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

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

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

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

24 Today, however, Kountry Wood's very existence is
25 being threatened by dumped and subsidized imports of

1 cabinets and vanities from China. Chinese imports have been
2 around for a long time, but we started really noticing the
3 impact in 2016.

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

9 Kountry Wood's performance has been negatively
10 impacted by unfairly priced Chinese imports, with the
11 effects really hurting us in 2018. There has been continued
12 growth in the U.S. market for cabinets and vanities.

13 Kountry Wood should be doing very well, as should the rest
14 of our industry. Unfortunately, it is the exact opposite.
15 While the U.S. market is growing, Kountry Wood's growth is
16 declining. This is a direct result of competition with
17 dumped and subsidized Chinese imports.

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

23 In fact, Chinese producers offer upgrade options
24 like soft close hinges, soft close drawers, and painted
25 finishes, with no additional charge as standard. In other

1 words, for free.

2 We have seen Chinese imports of cabinets with
3 these upgrade options being offered at prices lower than
4 even the production cost of a U.S. particle board cabinet
5 with no options.

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

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

21 Because of the unfair competition from Chinese
22 imports, we have been forced to hold off on the planned
23 investments in facilities and equipment, Previously, because
24 of the steady growth in the early years of the company,
25 Kountry Wood was able to have major plant expansions in

1 2006, 2011, and 2016. In 2011, we opened a whole new plant.

2 We made these investments because we want to
3 continue to provide our customers with the best quality
4 cabinets. We were planning for another expansion in 2018
5 based on historic growth, but we had to put this on hold
6 because of market conditions resulting from Chinese imports.

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

13 I was in Las Vegas in January for the Kitchen and
14 Bath Industry Show, also known as KBIS, which is North
15 America's largest trade show for kitchen and baths. KBIS
16 hosts hundreds of exhibits and tens of thousands of
17 attendees each year. We have had a booth at KBIS since
18 2005.

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

1 manufacturing of wooden cabinets and vanities in America.

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

9 Thank you.

10 STATEMENT OF MARK TREXLER

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

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

25 All this was during the worst construction

1 downturn in America from 2009 to 2011, the time in which the
2 U.S. market lost approximately 200 cabinet companies.

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

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

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

1 ever-shrinking cabinet industry.

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

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

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

24 In the last three years alone, Master Wood Craft
25 has suffered a loss of \$25 million in just the contractors

1 segment because of Chinese subsidized and dumped imports.
2 If we'd gotten that volume, we'd be a much healthier company
3 today.

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

10 With the revenue loss, we've had to let go a
11 total of 83 workers over the same period. In 2018 alone, we
12 lost over ten million in revenue to 21 unfairly priced jobs.
13 And just year-to-date in 2019, we've already lost nearly
14 2,700,000 in revenue to Chinese imports and we've had to let
15 additional workers go and the remainder of the workers are
16 working a 36-hour week.

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

25 The price for the Chinese imports came in at

1 approximately \$400,000. Now, get this, our labor cost for
2 the job would've been \$50,000. So, even taking out all
3 labor costs, the price of the Chinese imports was well below
4 the price we could offer. This makes no economic sense.

5 Chinese producers are buying lumber from the
6 U.S., shipping it to China, building cabinets and vanities,
7 shipping them back to the U.S. market. Chinese producers
8 simply should not be able to offer these products at the
9 prices we are seeing.

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

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

25 I believe we have one of the most productive

1 cabinet industries in the world. And if given the
2 opportunity, U.S. producers of cabinets and vanities can
3 absolutely compete in a fair market. However, we simply
4 cannot compete with Chinese imports that are surging into
5 the U.S. market at dumped and subsidized pricing.

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

14 STATEMENT OF JOHN GAHM

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

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

1 years.

2 Personally, I've worked at Kitchen Kompact for
3 25 years, but I have been a part of this company my entire
4 life. We are a family-owned and operated company that was
5 bought by my grandfather, Dwight Gahm, in 1955. It is now
6 run by three generations of the Gahm family. We are proud
7 to be a family-owned company, which has allowed Kitchen
8 Compact to stay true to its core philosophy, to manufacture
9 quality cabinets, to sell them at reasonable prices, and to
10 do so with a dependable lead time.

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

20 Unlike other companies that are assemblers of
21 RTA cabinets from China, we perform all finishing operations
22 in house as opposed to the 10 minutes or so that it takes to
23 assemble a Chinese RTA, finishing is a complex and labor
24 intensive step in the production process. The fact that we
25 assemble and finish our cabinets in a single facility means

1 that we can manufacture high quality, finished cabinets that
2 simple assemblers are not able to produce.

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

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

21 Due to pricing pressure from Chinese imports,
22 our sales have decreased. As a result, we've been forced to
23 reduce overtime pay, reduce hours, and slow production. In
24 February 2018, we had to reduce our head count by 30 people
25 due to declining sales. Likewise, the pressure caused by

1 Chinese imports has put us in a cash crunch, which has made
2 it difficult for us to invest in new equipment and
3 machinery. For the past three years, we have found a way to
4 get by with our existing equipment and machinery and we
5 have only made investments in capital when absolutely
6 necessary.

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

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

23 Despite our industry-leading efficiency, we
24 simply cannot compete with imports of Chinese cabinets when
25 they are priced so low. We are an innovative, dedicated,

1 and streamline company. It does not make sense how Chinese
2 cabinets can be sold into the United States at prices so
3 much lower than ours. These should be good years for
4 Kitchen Kompact and for the U.S. cabinet industry as a
5 whole. Demand in the U.S. cabinet market is strong and has
6 been increasing in recent years. Strong, overall economic
7 conditions and a stable housing market should be good signs
8 for the U.S. cabinet industry.

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

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

22 In short, Kitchen Kompact helped create the U.S.
23 cabinet industry. That industry is now disappearing right
24 before our eyes. We are committed to producing high quality
25 cabinets on time and at reasonable prices and we do with

1 industry-leading efficiency. However, we simply cannot
2 compete with the surge of unfairly priced Chinese imports
3 that have entered the country in recent years. Thank you
4 for your time.

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

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

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

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

14 STATEMENT OF SETH T. KAPLAN

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

19 There are five conditions of competition I'd wish
20 you to focus on. The wooden cabinet and vanity industry is
21 cyclical in nature. Domestic and subject WCVs compete
22 head-to-head on product characteristics. They compete
23 head-to-head across channels of distribution, regions and
24 end users. And because they compete on the product and they
25 compete in the same markets, they primarily compete on

1 price. Finally, the industry is labor-intensive and, in
2 fact, there's more workers in this industry than almost any
3 industry you've examined that makes a manufactured product.

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

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

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

23 With respect to style, many current styles are
24 for simpler style cabinets like Shaker-style cabinets. And
25 white paint is very prominent. This is a U.S.-produced and

1 an imported cabinet, Shaker-style, painted white. It's
2 important to know that, like in many industries, 20% of the
3 product design accounts for 80% of the sales. So while the
4 U.S. industry does have more SKUs, the sales are
5 concentrated in these type of products, and these are
6 exactly the type of products that are imported and sold in
7 competition, head-to-head with the domestic industry.

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

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

1 contractors." They go to market with consumers saying, "We
2 beat the price of 'big box stores'."

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

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

20 Importers have increased their presence in
21 industry trade shows. I was also at the trade show almost
22 100,000 builders and cabinet designers were there. It is a
23 big trade show in Las Vegas. It is now dominated by the
24 importers who have increased both their presence in number
25 and their presence in share.

1 Subject imports compete head-to-head within and
2 across markets. J&K says, "We offer customers the highest
3 industry grade cabinet at a third of the MSRP of the lowest
4 grade from home centers." Once again, competition with the
5 home center segment. J&K offers extensive discounts to
6 accommodate multi-unit projects. They go to market in the
7 construction and builders side.

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

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

25 Now let me quickly turn to injury. Imports from

1 China have increased dramatically. \$1.4 billion of cabinets
2 at \$70 a cabinet means 20 million cabinets have entered the
3 United States in 2018. I could assure you--and your
4 economist will ask me a question--they are not complements
5 to domestic production. They are substitutes to domestic
6 production. And they are highly substitutable.

7 Share of production has risen and market share is
8 approaching 30%. Not 10%. 30%, 20 million cabinets, your
9 own data, and the government's data. This is the expansion
10 since 2000. Have you seen this picture before? Get the
11 picture from hardwood plywood. Get the picture from
12 furniture. Chinese industry increasing geometrically over
13 20% compounded growth rate a year, taking over the industry.
14 This has happened before, it's happening now. We're in
15 early.

16 Underselling. Your data shows underselling in
17 75% of instances, the margins are high. There's loss
18 revenues, there's lost sales and gross profits are down,
19 indicating a cost-price squeeze.

20 Shipments remain flat in a growing market. The
21 sales were taken away by the imports that are increasing 50%
22 during the POI. Operating income is down. Operating margin
23 is down. Net income down, net margin down. Operating
24 return on assets down. Plant closings, consolidations,
25 shutdowns, curtailments, revised labor -- . Postponement of

1 expansion, denial of investment, reduction of the size of
2 capital investments. Return on specific investments
3 negatively impacted. Every factor has been affected
4 negatively, especially when seen in the context of the
5 business cycle.

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

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

23 There is significant investment and expansion of
24 assembly capacity. Expansion of presence in dealerships,
25 expansion and presence of contractors. Expansion geographic

1 relevance and statements saying they plan to grow at high
2 rates, which is consistent with their growth over the last
3 twenty years in the United States. Thank you very much. Be
4 happy to answer questions.

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

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

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

12 MR. BISHOP: Sure.

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

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

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

23 MR. CHANG: Alright, good morning and thank you
24 again for taking the time to provide your testimony. It's
25 been quite an enlightening experience.

1 I guess the first question I have is a little
2 bit more on the -- I think more for counsel, more of a
3 housekeeping-related question.

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

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

19 MR. BRIGHTBILL: I do need to be cautious about
20 addressing specific scope questions. Our scope language was
21 very carefully crafted. We worked with both Commerce and
22 Customs extensively on it. There are also a large number of
23 companies in our Alliance and we've also closely coordinated
24 on the scope language. And there will also be a scope
25 comment period at Commerce where I fully expect some issues

1 may come up and we'll address them there, so I hesitate to
2 give sort of a quick answer on a particular product that I
3 may not know a lot about. So, we'd be happy to consult with
4 the group; if we can address it in the post-hearing brief
5 and if not, then in the scope process from Commerce.

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

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

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

24 MR. BRIGHTBILL: We'll take a look at it. Thank
25 you.

1 MS. CHRIST: We have just enough time for one
2 important question and the only thing we needed to ask.
3 Thank you.

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

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

8 MS. CHRIST: Thank you, Mr. Secretary.

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

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

24 MR. WELLBORN: We're in the semi-custom industry
25 ourselves, or consider ourselves that. But 80% of what we

1 produce is considered a stock cabinet. There is not a lot
2 of difference. Most companies will do modifications. And
3 even the imports are offering. All you have to do is go to
4 their spec books and they're offering some of the same
5 modifications that we offer in the semi-custom industry.
6 Thank you.

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

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

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

24 One of the features, I think you could look at,
25 is that there's a company called Blum, and they make

1 sliders, you know, the soft close drawers, and that was a
2 really high-end kind of element in a drawer. And now you
3 see them all over stock.

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

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

18 MR. SABINE: Todd Sabine with American Woodmark.
19 I think maybe just to clarify your question a little bit
20 more, I think what traditionally segmented the different
21 segments was this kind of idea around the customization or
22 the ability to change the specification and the size of the
23 product and that's become less and less of things that
24 traditionally were upgrade--that we, as domestic
25 manufacturers, would charge a premium for--have become

1 commoditized, so these lines that traditionally meant cost,
2 as well as capability and scope, have really become kind of
3 one category, probably with the exception of the very, very
4 high-end custom end of the industry, which is probably, at
5 max, about 10% of the industry.

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

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

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

23 DR. KAPLAN: Just to add onto that -- when we're
24 discussing this, we're discussing this in terms of units,
25 and we believe cabinets are the units to collect the

1 information in. At the very high-end, the custom cabinets
2 are much more expensive per cabinet. Those are kind of
3 blue-printed out and built from scratch each time.

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

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

23 MR. GAHM: I think it's safe to say that the
24 basic cabinet is a stock cabinet. Now, if you want to cut
25 down the depth or cut the width down a little bit or add

1 soft-close hinges, then you're getting into the semi-custom
2 part of the cabinetry industry. But every cabinet basically
3 -- the base model of that particular SKU is a stock cabinet.
4 It's when you put the add-ons in and cut the depth or the
5 height or whatever. It gets you into the semi-custom range.

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

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

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

25 So in times of a big housing downturn, the ratio

1 to renovation increases. That's a little steadier business
2 because you're building, you know, you're doing a room
3 rather than a whole building. And so it's less affected.
4 But I think that's another useful piece of information.

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

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

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

24 MR. CHANG: Okay. So I want to shift gears a
25 little bit. So in his opening statement, Mr. Nicely was

1 discussing how the Chinese are essentially operating in a
2 more niche market, sort of oriented around the RTAs.

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

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

23 MR. WELLBORN: Just as Tim said, we sell to the
24 kitchen and bath market. And we have not been requested to
25 do that, but I can tell you, even if we were, we would not

1 be able to compete with the prices. Our customers are
2 asking us to do more. They do not want unassembled
3 products. And I can tell you every time one of these
4 Chinese cabinets are sold, it is displacing a domestic-made
5 kitchen cabinet. There is no question about that.

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

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

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

1 cabinet. So, you know, there's a big difference there.

2 MR. MILLER: Perry Miller with Kountry Wood.
3 Basically, the deciding factor for the flat-packed cabinets
4 versus assembled cabinets is all based on price. I don't
5 feel like there's a lot of customers that are -- we've never
6 been asked for a flat-packed cabinets. There's not a lot of
7 customers that are look for a flat-packed cabinet.

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

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

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

22 MR. WELLBORN: Stephen Wellborn, Wellborn
23 Cabinet. What our dealers tell us too is that some of the
24 opposing side, they all ship their cabinets out
25 predominantly already assembled to the market. It's very

1 few of them actually are going there in the flat pack
2 scenario. So they're head to head with our same type of
3 product, and if I had two sitting here side by side, you
4 could not tell them apart.

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

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

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

1 the end user is getting a fully assembled cabinet.

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

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

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

24 MR. GAHM: John Gahm, Kitchen Kompact. Just
25 like Seth said, that you know, at the distributor level they

1 are bringing in flat packs themselves, and then they'll have
2 a little two man crew in there, in the back of the warehouse
3 that will assemble those cabinets. Those cabinets will be
4 put in inventory right next to our cabinets, and then
5 they're selling them as-is fully assembled.

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

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

20 One, is there a sense that the industry's
21 being consolidated in any way, and then two, given that
22 there's so many producers, isn't that -- isn't the nature of
23 the industry kind of -- these must be intense competition,
24 right. So doesn't, doesn't that in some way have an impact
25 on your individual company's operations? Have any changes

1 in your operations been in reaction to domestic competition,
2 you know, because there's regional producers and then
3 there's more national producers. So I was wondering if you
4 could shed light on those dynamics.

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

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

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

25 I can't speak to the consolidation, other than

1 what Mr. Brightbill said about consolidation early on. What
2 I, you know, at the root of this is RTAs and whatever it is,
3 is it's a cabinet that's built and sold, and the end user
4 wants the cabinet assembled, and that is what we're here to
5 talk about today and what we do at Showplace and what
6 everybody does here.

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

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

21 MR. TREXLER: Mark Trexler, Master Woodcraft
22 Cabinetry, ACPI Products. Like he was mentioning, my friend
23 Ed when their company's probably been in business 120 years
24 at High Point, and he got to witness what happened with the
25 furniture industry. But we compete with these guys all day

1 long. I mean we all invest many millions of dollars in
2 state-of-the-art equipment in these factories, we buy raw
3 materials, we employ a lot of local people, and the one
4 thing the cabinet industry's located in rural towns in
5 America.

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

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

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

1 So what you're doing in the country is very small.

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

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

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

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

25 We have brought in an import to look at,

1 looked at that cabinet. That cabinet's no different than
2 what we build. But when you see the price of it, there's no
3 way that we can come close to it because it's subsidized and
4 it's dumped into this country, and that's unfair
5 competition.

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

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

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

1 us improve.

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

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

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

22 That business never came. It actually dropped
23 in '18, it's dropped this year. But across all the ACPI
24 companies, we make lots of stock cabinets, lots of
25 semi-custom and some custom, and all of our lines have been

1 affected very similarly. But we've got plenty of capacity
2 at the plants. We've got some facilities that do run three
3 shifts, we've got some that run two and some that run one.

4 But we could add people to run the equipment.
5 But what we've done is invested a lot of money in more high
6 production equipment to help at least offset some of the
7 differences in the labor costs, so we can do it very
8 efficiently, very quickly in the factories.

9 But still a cabinet is like furniture. It's a
10 lot of hand work on it. The finishing takes a lot of time,
11 you know. When you buy a cabinet, you want it to look nice,
12 you want the finish consistent, and that's where all the
13 work is that we do with a lot of automated machinery now.
14 Like I told someone earlier, I could be putting it together
15 with robots and have no labor cost and they're still beating
16 me 40-50 thousand dollars. That's not possible. Thank you.

17 MR. ALLEN: Bill Allen, Showplace Cabinetry. I
18 was one of the companies that spoke of expansion. We've
19 tried to add features, cabinet construction types. We also
20 expanded and built a new facility in 2015 to build frameless
21 cabinetry. And as this goes on, you'll learn these cabinet
22 types and you'll understand that that's a different market.

23 But as we've said in our testimony and as you've
24 heard, no matter what option we add or where we go, the
25 Chinese are right behind us in adding those options.

1 So as we do that and we try to expand, sometimes
2 you look at that, we were ready because of some increasing
3 sales opportunities that we had with Full Access Cabinetry
4 to expand our facilities. We purchased the architectural
5 plans to add on to our two buildings and actually bring
6 those two buildings together to give us more assembly space.

7 But by the time those plans came into where we
8 would go on them in 2018, our sales and our profitability
9 were at a point where we couldn't do it. So we compete in a
10 semi-custom, and believe me, the Chinese do as well. I have
11 700 dealers nationwide, and almost all of them are carrying
12 a Chinese line competing head to head with semi-customs no
13 matter what features I try to add.

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

17 MR. GAHM: John Gahm, Kitchen Kompact. When you
18 talk about capacity, back in the '70s we were one of the two
19 or three largest cabinet manufacturing plants in the
20 country. We produced 10,000 cabinets in a single shift, so
21 we could go two shifts and theoretically produce 20,000.
22 Back before the recession, we were at about 6,000. He held
23 at 6,000 cabinets a day for quite some time. So right now
24 we're at 3,500, or maybe a little bit less. So the ability
25 for us to increase our capacity, it's already there. There

1 is no expansion of building buildings. The conveyor lines
2 are there. All the equipment is there. We just have to get
3 the people there.

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

9 MR. SABINE: Todd Sabine with American Woodmark.
10 I would echo John's sentiments. We've seen our capacity
11 increase because of obviously the build we have done over
12 the years to expand our capacities, improve technology to
13 get us more efficient within the plants, and we have
14 actually had to have down days over the last three months
15 where we've taken full production days out of our actual
16 system, which obviously cuts jobs, cuts wages, cuts
17 production, because we've seen the declines coming out of
18 2017 into 2018 and then on into 2019 here.

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

1 those products as a result.

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

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

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

20 MR. MILLER: Perry Miller, Kountry Wood. We were
21 one of the companies, too, that had talked about an
22 expansion. You know, we've done a lot of different things
23 to try to be more efficient, and a lot of it through
24 automation, but then in 2016 we had an expansion, and that
25 obviously didn't fill capacities. But then you have design

1 changes and things like that. So our expansion was planned
2 for more painting. I mean, you heard from everybody here
3 today, paints, you know, your opaque colors are definitely
4 prominent today. And with our equipment, you know, we were
5 doing a lot more manual. So we were just trying to do some
6 automation.

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

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

19 I know you guys have covered it a bit in my
20 earlier questions, but is there a certain type of cabinet,
21 or a certain segment that is kind of driving that increase
22 in production? Because, yes, I know you guys have talked
23 at length about some of the challenges that you're facing,
24 but, you know, production still has gone up and shipments
25 still have increased. So I'm just wondering where that's

1 coming from.

2 MR. BRIGHTBILL: Tim Brightbill, Wiley Rein.
3 Production and shipments are up, but not in relation to the
4 demand that we've seen. And certainly you see during the
5 period, the market share shift of 5 percentage points, which
6 is a huge amount in this industry, going to China.

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

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

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

23 I think we'll all argue that the import--since we
24 came out of the recession, that's when the imports really
25 started taking off. So, yes, we did see some growth, but it

1 has certainly leveled off and flattened, if not gone down
2 for some of us, but any growth, you know, the growth in the
3 cabinet market right now is going to the imports. It's not
4 going to the domestic manufacturers. They're taking that
5 increased growth.

6 MR. KAPLAN: With respect to your shipments--

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

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

13 (Laughter.)

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

19 And secondly, that at least our data shows that
20 in the biggest increased year, the biggest surge, which was
21 the last year of imports, while the economy has still been
22 growing and the end markets are growing, that actually
23 production and shipments may be down from '17 to '18 are
24 certainly flat. That's kind of about, you know, what we're
25 showing and adding up the data as well.

1 So over the POI, there's been some increase. But
2 over the last year, we haven't seen that. And the market's
3 been growing, and imports have been surging at the higher
4 levels and with larger increases. I mean, this is the old
5 grain of rice on the chess board. You know, you put two on
6 the second one and four on the third one, and you have a
7 significant compound growth rate of the imports. And it's
8 over 20 percent over the POI. The value has increased by
9 over 50 percent.

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

18 These products are substitutes. They are not
19 complements. A complement means if you lower the price of
20 the import, demand for the domestic product goes up. That's
21 insane. They're carried side by side at thousands of
22 dealerships in the United States. Selling these cabinets,
23 when you go up on Rockville Pike, or go up on 50 or
24 somewhere and walk in, they'll have 5 different cabinet
25 companies selling there. And one of them will be Chinese

1 now. And you don't go, oh, the Chinese lowered its price,
2 I'll get some of that and I'll get some extra U.S. ones?
3 No. They're substitutes. You substitute away from the
4 domestic product because of the cheap import, and that's
5 what's happened in market share where there's been 7 percent
6 gained by the subject imports. And that is obvious to
7 anyone who's ever renovated kitchen that you look and you
8 say: They're the same, and this one's cheaper? I think
9 that's the one I'll get.

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

13 MR. WELLBORN: Stephen Wellborn--

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

21 Our performance, particularly in relation to
22 units shipped, is flat at best. And in the same period,
23 competitors trading in products that are at below our costs,
24 significantly below our variable costs, have taken share of
25 the market.

1 Now let me take you back to 2009, 2008, when we
2 saw a significant recession. In that period, and in those
3 periods, legacy, relationship, and performance often take a
4 back seat, even more so than they are already, to price.
5 There is a flight to price.

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

18 MR. WELLBORN: Stephen Wellborn, Wellborn
19 Cabinet. One thing that we have seen, just to try to
20 maintain our current, and maybe some growth, is extreme
21 price cutting that we're faced with on almost a daily basis,
22 if not a weekly basis. We're faced by customers, if you
23 want to keep this business you'll have to lower your prices,
24 something that we did not do pre-recession. But due to the
25 Chinese dumping of cabinets in this industry, we're

1 continuously having to do that. And it is absolutely
2 because of the low price of a Chinese cabinet that we're
3 having to be faced with that. Thank you.

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

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

12 MS. CHRIST: Thank you. We will now turn to
13 Investigator Celia Feldpausch.

14 (No response.)

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

17 MR. SOISET: Good morning, and thank you all for
18 your attendance. I don't have many questions.

19 The first quick one, just for Mr. Brightbill, did
20 Commerce initiate yesterday?

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

24 MR. SOISET: I thought you might have a quick
25 answer. That's the only reason I asked. So I did want to

1 ask a little bit about the domestic like product. I
2 understand from your opening remarks that you're asking for
3 a single product co-extensive with your proposed scope. And
4 so obviously, if you would cover that in your postconference
5 briefs, with each of our factors and providing evidence
6 about that, that would be appreciated. But I also wanted to
7 give a chance to some of the industry experts while you're
8 here if you wanted to speak on this, just for background,
9 domestic like product is simply how we at the Commission
10 define the equivalent to imports is made here in the United
11 States.

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

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

1 I just wanted to give you an opportunity while you're here.

2 MR. WELLBORN: I can speak to that for our
3 company. We produce both kitchen and bath and vanities in
4 the same factory by the same people and they use the same
5 equipment, same finishing lines, same people assemble the
6 product going out. There's a small exception of a furniture
7 vanity that we make that is kind of made offline, but 85 to
8 90 percent of the vanities that we produced are made in the
9 same assembly lines as our finished kitchen cabinets.

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

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

25 MR. UNDERWOOD: It's a complement that I would

1 add that in many cases the components associated with that
2 vanity cabinet are interchangeable with those cabinets that
3 would go into the kitchen or other rooms of a residence,
4 which is really the crux of our point is, so very
5 interchangeable.

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

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

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

1 activities and the criteria that we at the Commission look
2 at for that.

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

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

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

21 MR. WELLBORN: I could save about 1300 employees
22 that are manufacturing kitchen cabinets. We're vertically
23 integrated and if we -- what we were look like if we were an
24 assembler of kitchen cabinets and importing Chinese products
25 we would from 1300 to about less than 200 people, so that is

1 the amount of jobs that are at stake when you become just an
2 assembler of Chinese product. And yes, most of them want it
3 assembled before it ever gets to the job site anyway, so
4 that's the reason we assemble all of our products. But just
5 remember that 1300 to less than 200 people is what it would
6 look like. Thank you.

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

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

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

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

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

23 MS. VON KESSLER: By importers who sell at
24 retail, so such as the Big Box stores -- Costco was up
25 there. I don't know if Costco imported themselves, but if

1 they did. And how much is made up by importers who then
2 sell cabinets to dealers and distributors and those
3 retailers?

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

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

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

1 across the country, so that there's head-to-head
2 competition there.

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

19 Imports are in each of those. Sometimes more --
20 to a more less degree and we're in each of those as well.
21 And they substitute directly. If you're building an
22 apartment building, the cost of cabinets is not going to
23 have you build or not build that building. You know it's
24 not going to affect the total demand for the market, but the
25 relative price of the domestic product and the import

1 product will determine who gets that job and Mr. Trexler's
2 spoken to that. We've spoken to that in the context of
3 dealerships where the line is there and the sales are lost
4 customer-by-customer, kitchen-by-kitchen.

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

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

18 MR. GAHM: There was a reference earlier to 20
19 million imported units that came into this country. What
20 was the time period on that -- okay, just last year alone.
21 Those cabinets are not getting to the market any different
22 channel than what we all go through. The domestic industry
23 some of us go through all channels. Some of us just pick
24 one. Some of us pick two. But the imports are not going --
25 they haven't found a new channel to the market, so we're

1 competing for those at 20 million units in sales -- us
2 domestic guys. But when you see the price on it, the
3 ability to compete becomes extremely minimal, at best, for
4 us.

5 But we want those \$20 million sales. We, at
6 least, want to have a chance -- a fair chance to sell those
7 20 million cabinets, but we don't today. We have no shot at
8 it.

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

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

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

25 And then on the pricing, I would add that

1 sometimes there are -- you know on the contractor side
2 people advertise for special pricing because if someone's
3 building 500 units and they have four styles of apartments
4 and four different kitchens you get a volume discount, but
5 we'll discuss the channels and the levels in the
6 post-hearing.

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

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

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

23 MS. VON KESSLER: Great, thank you.

24 Are there different selling techniques between
25 large, multi-family projects and small, single-family

1 projects?

2 MR. TREXLER: On the large, multi-family
3 contracts, and it sort of speaks to what you were talking
4 about a little bit ago. The average price of these big
5 units -- and we go in about 35 of the states -- you know
6 there's 300 units. There's probable 17/18 cabinets,
7 including the bathroom vanities in the unit.

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

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

22 And the nice thing about the way we do business
23 I know every job I lose because it's all bid work and I've
24 been able to keep up with whether it's one of my direct
25 competitors that's close or to a Chinese importer. And a

1 lot of time they'll give me the exact pricing of who bid
2 what, so it's real easy to see the difference.

3 MS. VON KESSLER: Thank you for that.

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

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

13 Many of them have environmental certifications.
14 And when I said standard industry warranty, this is the
15 industry and basically the warranty has been adopted by the
16 importers. So, once again, it's head-to-head competition.
17 You're getting a product that's passed the same tests. If
18 you have environment concerns, both from the health
19 perspective and the source of the materials, different firms
20 advertise their affiliations with associations that certify
21 that and it's become part of the industry as a whole and
22 there's generally no difference between the imports and the
23 domestic.

24 I think I'll let the domestic producers speak to
25 that themselves.

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

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

20 So same thing with cabinets. You want cabinets
21 that are gonna last. You want them to actually stay on the
22 wall and not come loose and that's why they have the ANSI
23 161.1 standard that everyone in the industry pretty well, in
24 the U.S. makes and complies with and pays for this
25 certification.

1 MS. VON KESSLER: Great, thank you. And thank
2 you for stating which exact standard that was. I was gonna
3 follow up with that. I'll move on to some demand questions.
4 This may go into your discussion in the post-conference
5 brief about domestic like product. But is there any
6 difference in demand drivers between kitchen cabinets and
7 bath vanities?

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

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

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

23 MR. WELLBORN: What we've seen from the initial
24 301 is around, I think, a 10% tariff, and as you gotta
25 remember, the tariffs only go on the imported price of a

1 product. If the price is that these cabinets are coming in
2 to our domestic market is extremely low, so the 10% does not
3 move the needle. Most of what we see has been very little
4 price movement on the imported price.

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

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

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

25 MR. ALLEN: I also understand -- I don't have a

1 vast knowledge in all trade that you all do, but the 301
2 could be a temporary thing. There was talk about being more
3 and that's now off the table, at least temporarily. And,
4 you know, we're not looking for a temporary solution,
5 because that won't keep the importers at bay. So I think
6 that's another thing to mention about the 301s. I don't
7 think the 10% made a difference and I think it could be
8 temporary.

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

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

22 MR. TREXLER: We source 91% of our raw materials
23 come from the United States. I mean we buy lumber
24 regionally. A lot of it comes either, you know, out of the
25 Southeast, up through the Appalachian Mountains and stuff.

1 We're located in, pretty well all across the country with
2 eleven plants with ACPI products, but everything that we can
3 buy, Made in America, we do. The only thing we really
4 import are some hinges and stuff. Hardware we just can't
5 get manufactured in this country. We buy the plywood here
6 and everything.

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

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

25 MR. ALLEN: This is gonna be a repeat story here.

1 It's 90%-plus domestically sourced. Being located in the
2 middle of the country, the Appalachians were mentioned. And
3 you know, the U.S. is very fortunate to have the Appalachian
4 wood basket. There's nothing like it in the world, so for
5 us, it's a no-brainer to do that.

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

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

18 DR. KAPLAN: I would like to compare that to the
19 Chinese and a little bit about costs. So, for example, on
20 the plywood front, it used to be a U.S. veneer that was
21 shipped over there. Now the log is shipped over and all the
22 U.S. veneer companies are out of business. So the U.S. log
23 goes to China, it's turned into a veneer in China. The
24 inside of the box is made from Russian birch or rotty pine
25 that comes from New Zealand.

1 So a lot of the materials that the Chinese use
2 are imported from abroad, even from the United States, then
3 put together and then sent back to the United States in a
4 flat pack to be assembled by a minimum-wage worker that are
5 taking jobs from --

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

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

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

25 On the other hand, you're seeing U.S., New

1 Zealand, Russian product go into China, taking away the
2 high-value-added part of the industry, the skilled part of
3 the industry, the woodworker, finisher part of the industry,
4 and sending it back to the United States to assemble it.
5 Now think about that. We're assembling Chinese-manufactured
6 products. Not them assembling U.S.-manufactured products
7 like in semi-conductors or something like that.

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

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

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

23 MR. IRELAND: Good afternoon and thank you very
24 much for your testimony today. My first question is for
25 counsel, and I know you addressed this already in your

1 petition, but are you aware of any current anti-dumping or
2 countervailing duty orders in third-country markets in
3 wooden cabinets or vanities imported from the subject
4 country, China?

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

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

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

20 MR. TREXLER: Some of our companies buy what we
21 call kiln-dried lumber, where the lumber is purchased and
22 taken to a guy that deals in the lumber, he'll dry it and
23 typically our lumber is gonna come in at like a 6 to 8%
24 moisture content. We have facilities where we actually dry
25 some of the lumber ourselves. Is the value added for our

1 companies, but all of the lumber is sourced in the U.S.,
2 whether it's Appalachian Mountains or somewhere, maybe
3 Pacific Northwest.

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

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

22 So high level of vertical integration. It's
23 absolutely what we always thought was a competitive
24 advantage, and obviously as the scenario that Seth Kaplan
25 just outlined for you guys, that is created a ton of pricing

1 pressure relative to our ability to manufacture in that way
2 and compete against these component parts that are coming
3 into the United States and being assembled.

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

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

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

25 And has been stated already, buying green

1 lumber and drying it, you can be more efficient. It doesn't
2 get you to the point we need to be to compete with China
3 with these cabinets by a long shot.

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

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

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

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

1 Europe and Asia.

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

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

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

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

24 The difference mainly is the frameless cabinet
25 has probably about 18, 20 percent more usable space in it,

1 more modern cleaner lines and it's a different construction.
2 It's a boren dial construction, whereas a framed cabinet,
3 which the difference you've got a piece of lumber on the
4 front of the cabinet were the hinges are mounted.

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

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

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

25 MR. IRELAND: Thank you for that. My next

1 question relates to the relationship between wood and ergo
2 wooden cabinets and formaldehyde. In particular, are wooden
3 cabinets with lower formaldehyde levels? Are they generally
4 more expensive and to what extent? And is this relevant to
5 cost differentials between U.S.-produced wooden cabinets and
6 imports of wooden cabinets?

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

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

20 So we've all spent lots of time on it. Like
21 at Master Woodcraft, we don't spray solvent paints and
22 stains anymore. It's all UV water-based. I would guess
23 that a lot of the stuff that will come from China is still
24 the solvent-based product, which is putting BOCs in the
25 homes and apartments when they get here.

1 And you know, we undergo strenuous tests on
2 all the plywood and particle board MDF made in this country,
3 to make sure it hits these formaldehyde levels. So we go
4 the extra step to ensure the products we're sourcing in the
5 U.S. meets all these regulations and that we're giving the
6 public what they're asking for as EPA-approved type
7 products.

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

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

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

25 MR. GAHM: John Gahm at Kitchen Kompact. You

1 know, formaldehyde has been a topic of discussion in the
2 wood industry for probably ever, and it probably always will
3 be. I can say that I'm going to kind of tie what Mark and
4 Bill said together, you know. With the introduction of CARB
5 rule out in California, a lot of manufacturers -- that rule,
6 any composite panels going into California had to be CARB
7 compliant.

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

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

22 DR. KAPLAN: There was information -- Seth
23 Kaplan, IER. And there was information in the
24 hardwood/plywood case with significant evidence put in about
25 how many Chinese panel producers the CARB standards. They

1 are, they are tested the same way under the same standards
2 in the United States to achieve it, get certificates.

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

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

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

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

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

20 MS. HAINES: Okay, thanks.

21 MS. CHRIST: Thank you. I will just check and
22 see if there are any follow-up questions. Thank you all.
23 The good thing is by the time it gets to me, all the
24 questions have been asked and answered. I did have one
25 question. I believe Bill Allen in your opening statement,

1 you mentioned that you tried to enter new markets, if those
2 were the words.

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

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

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

22 MS. CHRIST: Thank you. Thank you very much.
23 I just had that one follow-up question. I do appreciate all
24 the panel, and since I do enjoy hearing the history of the
25 companies as well. So I thank you for putting that in. It

1 puts a lot of context to what we hear, much more than just
2 the words that are in the questionnaire.

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

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

11 (Whereupon, a luncheon recess was taken. To
12 reconvene this same day at 1:15 p.m.)

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

2 MR. BURCH: Would the room please come to order.

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

5 MR. BURCH: Madam Chairman, there's no other
6 preliminary matters. The panel in opposition of imposition
7 of the antidumping and countervailing duty orders all have
8 been sworn in and are seated. And I would like to note that
9 this panel will have 60 minutes for their direct testimony.

10 You may begin when you're ready.

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

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

20 It is interesting that Mr. Brightbill decided to
21 start this morning by talking about the high-quality product
22 being shown at KBIS. It's interesting that he's talking
23 about how the imports are in fact high quality, not in that
24 comparison talking about price but the fact that the imports
25 are in fact being sold at--and offering significant quality.

1 And you're going to hear that from our witnesses today.

2 It is also significant that--telling, I think,
3 that we have not seen or heard from Master Brand. And
4 you've heard--and I can't stress enough how important it is
5 that this is a very large company, one of the Petitioners,
6 and is a driver of this market. So we want to make sure
7 that you're aware that that is in fact what's driving a
8 significant aspect of the competition in the market.

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

11 STATEMENT OF CHRIS GRAFF

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

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

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

24 Full custom cabinets are made to order with the
25 widest variety of materials, finishes, and options. They

1 are the highest priced cabinets in the market.

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

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

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

21 In addition, importers only offer a limited
22 number of styles, colors, and finishes. While U.S.
23 manufacturers, even in the stock segment, offer far more
24 options and variety. Finally, imported cabinets are
25 typically shipped to the U.S. in the form of

1 ready-to-assemble, or RTA flat packs which contain all the
2 components of a cabinet for the stock segment of the market.

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

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

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

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

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

1 more consistent finish quality.

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

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

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

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

25 Thank you.

1 STATEMENT OF ROBERT HUNTER

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

7 Our company imports RTA cabinets from China for
8 assembly and sale in the North and Southeast United States.

9 We assemble hand sell stock cabinets from inventory. I
10 started my position at CNC Cabinetry over six months ago.
11 Before that, I was the Vice President of Operations at
12 Executive Cabinetry, a custom cabinet shop, for four years;
13 and I worked at RSI for 10 years as the Vice President of
14 Manufacturing, producing stock kitchen and vanity
15 cabinetries for big box stores like Home Depot and Lowe's.

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

20 Another important aspect of the U.S. market are
21 the different channels of distribution. First,
22 distributors inventory cabinets, as well as complementary
23 products such as countertops, hardware, decorative pieces,
24 and often carry more than one product line for more than one
25 supplier.

1 Second, dealers do not have inventories but are
2 typically small storefronts with a few locations that
3 provide design services and organize installation of
4 complete kitchens. Like distributors, dealers often carry
5 multiple product lines from different suppliers.

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

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

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

24 CNC imports RTA cabinets and then assembles them
25 in our factory. This appeals to our customers that want a

1 quality, solid-wood product with delivery in a few days, as
2 opposed to a few weeks.

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

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

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

22 A typical example of this is when RSI would sell
23 cabinets. Our cost was X. We would mark it up almost 100
24 percent to sell it to Home Depot. Home Depot would then
25 almost mark it up again 100 percent to sell it to the end

1 user. The question to you is: Which of these prices
2 provides a valid benchmark for sale of imported product
3 distributed in the U.S. market.

4 Thank you for your time.

5 STATEMENT OF MICHAEL WEINER

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

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

19 We own Kitchen Cabinet Distributors which imports
20 RTA cabinets and four domestic custom cabinet and millwork
21 manufacturers in various geographic markets around the U.S.
22 Our thesis turned out to be correct. Ninth Street has
23 visited around 25 domestic cabinet companies across the
24 country and reviewed financial and other business documents
25 for many more.

1 These businesses are diverse. Some manufacture
2 domestically, while others import components or full
3 cabinets. Some are located in rural communities, while
4 others serve metropolitan markets.

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

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

20 As an alternative use of the funds, MasterBrand
21 and other domestic manufacturers that have invested hundreds
22 of millions of dollars in China to help stimulate cabinet
23 manufacturing and innovation, could have invested this
24 capital into technology and process improvement for the
25 domestic industry.

1 While the Petitioners have alleged that imports
2 have unfairly damaged their businesses, I contend that
3 anyone who understands the dynamics of the broader cabinet
4 industry, both on the manufacturing and the distribution
5 side, would say this is simply not the case.

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

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

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

1 contractual restrictions on their sales reps.

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

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

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

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

24 Conditions of fair trade should not allow
25 products to be brought into our country without special

1 remedial duties when they serve a completely different
2 market segment and have a completely different business
3 model than the domestically sourced products otherwise
4 available to consumers.

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

6 STATEMENT OF LUKE KINSER

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

12 (Video is shown.)

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

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

25 Often, Marsh delayed our building schedule in

1 closing on a new home. You cannot deliver a house if one or
2 two kitchen cabinets are missing. The customer wants a
3 finished home. That's what they paid for.

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

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

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

19 STATEMENT OF MIKE TUDOR

20 MR. TUDOR: Thank you. My name is Mike Tudor and
21 I'm owner of Builder Supply Source in Nashville, Tennessee.

22 My experience with imported RTA cabinets began in
23 the early 2000s when I was a partner in a granite
24 fabrication company. At the time, we were importing
25 cut-to-size tops for multi-family projects which were

1 typically installed on domestically manufactured cabinets.

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

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

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

22 We now have developers who recognize the value of
23 the RTA cabinets and prefer they be delivered that way. It
24 is also important to note that even in today's competitive
25 climate, we still cannot compete on price against

1 domestically manufactured products that are sold directly to
2 the developers. In fact, we routinely reject invitations to
3 bid on projects that specify domestically manufactured
4 products.

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

8 Thank you.

9 STATEMENT OF ROBIN LIU

10 MR. LIU: Good morning. I'm Robin Liu,
11 President of Cabinetry 1 and Affordable Home Products.
12 Before this service, I was Vice President of Sourcing for
13 major building material companies for 13 years.

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

19 Cabinetry 1 based in Shawnee, Kansas, a rural
20 area, offers made-to-order cabinets, custom designed and
21 occasionally installation services since 2016, which
22 increased capacity and expanded product line both frame and
23 frameless cabinet the company sales have significantly
24 increased largely due to higher sales to the multi-family
25 new construction.

1 Affordable Home Products sells imported RTA flat
2 packs to cabinet dealers who serve the remodeling market by
3 cash-n-carry. Similarly, Jason Ford, president of Region
4 Cabinet Source, who's in the audience and his company is a
5 party of this proceeding, started his business in 2010 to
6 serve dealers for similar reasons.

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

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

20 According to the new home start released
21 yesterday, single-family house which accounts for the
22 largest share of the housing market fall 17 percent to
23 805,000 annualized units in February while starts for
24 multi-family housing jumped 18 percent to 357,000 units.

25 Here's the good news. Residential remodeling

1 has increased 50 percent from 2010, reached 425 billion in
2 2017. According to Joint Center of Housing Study at Harvard
3 University, more than 80 percent of the nation's 137,000
4 million houses are at least 20 years old and more than 40
5 percent of them are 50 years old. So, steady employment
6 rate, raising housing value, uptick mortgage rate all
7 motivated homeowners to renovate current homes.

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

17 STATEMENT OF JAMES DOUGAN

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

25 Starting with the petition itself, how the data

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

11 The chart on the slide on the left shows the
12 relative size of subject imports and domestic shipments in
13 2017, which is presented at Petitioner's Table 3, which is
14 the only place in the petition that discusses subject import
15 market share, so that is the market share that they want you
16 to think about. But Petitioners' estimate of all domestic
17 industry shipments represented by the second stack bar is
18 much larger. Consequently, import market share would be
19 only just over half of what's presented in Table 3 and this
20 is all using data that exists in the petition.

21 Petitioners' analysis is not only misleading,
22 but it's fundamentally inaccurate. The first bar here
23 reproduces the chart from the previous page, which compares
24 subject import volume to total market size estimated in the
25 petition exhibit I-IV. Petitioners calculate this using an

1 old industry research report and then applied growth rate to
2 reach a 2017 figure. But it's curious why they applied a
3 growth rate to an older research report when more recent
4 data from the same source are available, including for part
5 of the POI.

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

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

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

25 And the third bar in this chart provides

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

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

20 Secondly, there are practical reasons for the
21 Commission to rely on value rather than quantity as a
22 metric. Even as Petitioners concede imports statistics are
23 not measured by quantity and all the industry research
24 sources, including those relied upon by Petitioners, report
25 cabinet shipments in terms of value.

1 These external benchmarks are especially
2 important in a very fragmented industry like this one where
3 the Commission is likely to get less than complete coverage
4 at the preliminary phase of the investigation. So, you have
5 to understand how big the market is and you're not going to
6 be able to do that based solely on questionnaire data.

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

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

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

25 So, U.S. cabinets are produced to order with

1 lead times ranging from two to four weeks for stock products
2 to eight to twelve weeks or more for custom products.
3 Subject imports, as you've heard, not only from our
4 witnesses, but from Dr. Kaplan's Slide 14, shipped from
5 inventory from one to five days. I'd be curious to see what
6 that slide looked like with lead times from domestic
7 producers.

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

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

23 In short, imports occupy a niche of the market.
24 Their value proposition is to be able to ship a narrow range
25 of quality products quickly from inventory. This is

1 appealing to customers with short windows of time, such as
2 building owners or managers, renovating apartment units in
3 between tenants, or home flippers looking to get the house
4 back on the house quickly.

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

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

19 Another attribute that differentiates subject
20 imports is they can be offered in ready to assembly or
21 RTA flat packs. And as you've seen in Mr. Kinser's video,
22 RTA cabinets are efficient to pack, store, and transport and
23 reduce the chance of damage in transport. If you're a
24 customer for whom time is of the essence, you can't afford
25 to wait to replace a cabinet damaged in transit. It also

1 makes them easier to handle, which could be important in
2 small spaces like apartment buildings or in townhomes where
3 the cabinets have to be carried up the stairs.

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

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

24 So, as to the industry's other volume indicia,
25 capacity utilization was fairly steady over the POI despite

1 an increase in capacity, but these utilization figures are
2 understated because a number of producers reported capacity
3 based on theoretical assumptions, not normal operating
4 conditions as required by the questionnaire.

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

15 On the price effects, first, the Commission
16 cannot use the pricing data as the basis for a finding of
17 underselling. The first problem is there's distinction
18 between which import sales are RTA versus assembled. And
19 this can't, unfortunately, be remedied with the data about
20 the percentage for each pricing product covering the full
21 POI, although the responses do indicate that a very large of
22 majority of reported pricing data for imports is RTA
23 compared to virtually zero of reported data for U.S.
24 producer. Comparing RTA flat pack cabinet to an assembled
25 cabinet is simply not an apples-to-apples comparison. I'm

1 sorry; it's not.

2 The pricing product descriptions are also
3 insufficiently detailed, specifying only that the cabinets
4 be of wood construction, but this covers anything from
5 particle board up through hardwood plywood and the hardwood
6 species used in custom cabinets. There's other issues with
7 the data which we can discuss post-conference, but even
8 aside from the RTA versus assembled issue these data do not
9 provide usable comparisons for the purposes of analyzing
10 underselling.

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

19 There's no price suppression. The industry's
20 cost-to-sales ratio was steady from 2016 to 2017 and
21 increased only slightly in 2018. The industry's net sales
22 values increased by more than their raw material and labor
23 costs, which indicates no price suppression. The
24 questionnaires further indicate that the increased ratio in
25 2018 was due, in part, to non-recurring items which also

1 affected the industry's overall profitability.

2 And I'm just getting to that on impact.

3 Industry profitability also was steady in 2016 to 2017 when
4 imports were also increasing in value and market share.

5 There was a modest decline in the industry's operating
6 margin in 2018, but most of this decline was attributable to
7 non-recurring items, expenses having nothing to do with
8 imports, so just look at the questionnaires. It's very
9 striking. We'll discuss this analysis in detail in
10 post-conference, but the Commission must take this into
11 consideration for causation, especially in light of low
12 import penetration and attenuated competition due to market
13 segmentation.

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

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

1 Thank you.

2 STATEMENT OF CHARLES BASTIEN

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

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

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

24 Hotel furniture puts a premium on defining the
25 brand and on setting the mood that the hotel wants to invoke

1 for its guests. We cater to this vision in each project.
2 As a homeowner you want to keep the clutter out of sight.
3 In a hotel setting, one goal is to limit the amount of
4 storage because otherwise the guests will leave things
5 behind.

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

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

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

25 The petition states that cabinets produced to the

1 same dimensions are generally interchangeable. This is
2 completely false with respect to hospitality furniture.
3 From one brand to the next, our products are not even
4 interchangeable with each other, much less with a kitchen
5 cabinet.

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

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

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

25 STATEMENT OF MARTIN SYMES

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

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

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

23 Our bathroom furniture is also typically made
24 from a variety of materials to form a single product.
25 Products represented by the members of the Coalition of

1 Vanity Importers include wood, marble, granite, glass and
2 many different types of metal.

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

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

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

24 Number two, interchangeability. While it is true
25 that both our products and those of the petitioners could

1 both hold a sink and attach to plumbing, our products are
2 not interchangeable. Just as one can drink from both a
3 5-gallon bucket and a teacup, no one would credibly argue
4 they are the same.

5 For the reasons identified in the physical
6 characteristics, consumer perception and price sections, our
7 products are not interchangeable with those of the
8 petitioners. Our products are only for consumers who desire
9 a design and aesthetic far more than any other
10 characteristic. And often for whom that design and
11 aesthetic is the primary motivator for their purchase.
12 Consumers who purchase our products will almost certainly
13 never purchase those of petitioners instead of one of our
14 products.

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

21 Number four, manufacturing facilities. The
22 manufacturing facilities for our products are different from
23 those of the petitioners. In general, the manufacturers of
24 our products make other furniture, not cabinets. Our
25 products require intensive labor at almost all stages of

1 construction. In contrast, the petitioners' products are
2 built through very automated factories that involve much
3 less labor.

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

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

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

25 Number six, price. Finally, our prices are

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

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

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

14 MR. BURCH: You have ten minutes.

15 MR. NEELEY: Two minutes.

16 MR. BURCH: Ten.

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

23 And really that alone should lead to a finding of
24 no threat. There's a low amount of import penetration as
25 was shown by Mr. Dougan. There's attenuation of competition

1 and we don't see any causation in terms of the present
2 injury, between the imports and the effects particularly on
3 the financial situations of the companies. So there's no
4 reason to think any of that is going to change in the
5 future, so that alone should really answer the threat
6 issue.

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

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

1 U.S. market. And now I'm gonna turn over to Mr. Wu, and Mr.
2 Wu's gonna talk about Chinese home market.

3 STATEMENT OF WU SHENGFU

4 MR. SHENGFU: Good afternoon, members of Staff.
5 My name is Wu Shengfu. I am the Vice-Chairman for the China
6 National Forest Products Industry Association. I have
7 testified at other ITC hearings and have worked in the wood
8 products industry for over thirty-five years.

9 Our association has been working hard to make
10 sure that the Commission has a complete record on the
11 industry of China just as we have done before. Members of
12 our association provided questionnaire responses from about
13 100 companies that produced and exported their products to
14 the U.S. This is a lot of work for companies in a short
15 amount of time.

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

24 In fact, the Chinese home market for wooden
25 cabinets is far more important than the U.S. or any export

1 market. The amount of new housing in China has been growing
2 significantly and so has the demand for renovation and
3 upgraded cabinets in existing homes.

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

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

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

22 STATEMENT OF NATHAN GORDON

23 MR. GORDON: My name is Nathan Gordon. I'm with
24 Casa Cabinets and Craftmart Cabinets. We oppose the
25 implementation of anti-dumping and countervailing duties in

1 kitchen cabinets originating from the People's Republic of
2 China for the following reasons:

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

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

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

19 And number three, there are issues with respect
20 to the International Trade Commission's questionnaire, such
21 that an accurate statistical analysis of imports can be
22 properly generated. The Maxim of Unclean Hands applies to
23 federal proceedings, as well in court, as well as
24 proceedings before the International Trade Commission. And
25 the Federal Trade Commission versus Hope Now Modifications,

1 LLC, 2001, the Maxim of Unclean Hands was invoked;
2 therefore, unclean hands applies to these proceedings.

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

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

23 Why do they have these proceedings against us?
24 This taint is imputed onto all of the petitioners through
25 the doctrine of vicarious liability; therefore, because

1 these petitioners have engaged in unequitable conduct before
2 the ITC, which is the braverman of unclean hands, as such
3 the ITC should not entertain this petition and instead
4 should deny the petitioners' request.

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

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

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

23 MR. NICELY: That completes respondents'
24 presentation.

25 MS. CHRIST: Thank you. We will now turn to

1 Staff questions. And we will start with Celia Feldpausch,
2 Investigator.

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

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

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

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

24 MR. SHENFU: Yes, China, as everybody knows here,
25 it is a big market. -- my name is Wu Shenfu Wu from the

1 China National Forest Association, sorry. As all the people
2 know that China is a big market and those are the -- the
3 market is growing dramatically, especially for the young
4 generations. So, most of the manufacturers, they are
5 automated in China market, only small part of the companies
6 they have been exporting not only through the U.S. market
7 but also through other markets.

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

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

23 MR. DOUGAN: So, Jim Dougan, from ECS. The
24 information that you have is helpful, at least in breaking
25 that out, but of course there isn't a cross section of

1 platform and channel as you were saying.

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

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

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

21 So, the value proposition of the quick shipments
22 extends to most of these importers, whether or not it's
23 shipped on as RTA or fully assembled, so that important part
24 of their business model is the same regardless of the
25 physical form.

1 But in terms of at what stage -- like where does
2 the RTA go to the job site and get built there, or does it
3 go to some intermediate party who then does it? We can't
4 tell that from the data here, perhaps some of the folks can
5 sell, but we don't have a cross section of that right now.

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

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

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

23 U.S. producers build to order, importers sell
24 from inventory and you can -- we're still compiling some of
25 the lead times and percentages of shipments, but you can see

1 in terms of the inventories to shipments ratios, it's very
2 clear that the business models are quite different because
3 the domestic producers hold virtually no inventory, you
4 know, some very, very tiny percentage of shipments.

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

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

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

24 MR. GRAFF: Chris Graff, JSI. One of the
25 complexities with our business model is that we offer maybe

1 10 or 12 different door styles in a given shape and color,
2 but we have to offer that door style in you know, 250
3 different cabinet configurations.

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

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

15 MS. FELDPAUSCH: Yeah, thank you.

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

1 at all. It's an incredibly capital-intensive business.

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

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

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

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

22 The fact of the matter is we have spoken to folks
23 from around the world -- Vietnam, Cambodia, Taiwan, Mexico,
24 there is no place else on the planet that we're aware of
25 that, including the United States, that produces an RTA

1 cabinet. There are countries that have some capabilities
2 around doors, base frames, components, things like corbels
3 -- decorative items, but in terms of an RTA cabinet -- a
4 fully finished cabinet with all of the components in a
5 single box, there is literally no country on earth that can
6 do that at any meaningful scale other than China.

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

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

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

23 Now, so the value proposition in terms of
24 interchangeability, you know, if it's based on the fact that
25 if you were to walk into a room and look at a cabinet -- if

1 you're not a trained eye, you may not be able to tell the
2 difference, but in terms of the actual sale and factors of
3 sale that are important, in terms of you know, its speed, in
4 terms of the ability to get it undamaged.

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

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

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

21 And then, you know, again the statement that we
22 were hearing this morning about there's basically no
23 semi-custom market anymore and because some of the things
24 that used to be considered premium features, 20-30 years
25 ago, or even 10 years ago are now standard, that that's no

1 longer semi-custom, or there is no semi-custom anymore, but
2 that's just the way of the world in that features that used
3 to be premium are now standard, you know, you didn't used to
4 have USB ports in your car, right?

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

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

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

24 And they would make an assessment on the space
25 and the complexity of the job and there would be thousands

1 of options available in a semi-custom execution and that
2 might be 10 to 40 different wood species, that might be
3 50-60 different colors, that could be 30 or 40 different
4 door styles that appeal to just you.

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

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

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

20 We brought some props. Chris Graff, JSI again.
21 To try to gauge it, it's very difficult to tell what all of
22 these pieces mean, but we brought a couple of spec books.
23 In the eyes of the designer, how big your spec book is is
24 really important. And they use that as a quality value
25 quotient.

1 So I'm going to just--This is a custom spec book,
2 if you could hold that up and see the variety. From a
3 domestic manufacturer. That would be defined as a custom
4 product line in the vernacular. Thank you.

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

10 This book is about a third of the size of the
11 semi-custom book, and smaller than that on the custom book.
12 Thank you.

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

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

24 MR. LIU: Robin Liu from Cabinetry 1. I would
25 say the multi-family housing will continue to grow, but it's

1 not as fast or the size is not nearly close to the
2 residential remodeling. Because today residential
3 remodeling, when you see at least 40 percent of the homes
4 are 50 years and older, and each year there are 20 million
5 homes in remodeling. And when you look at new-home
6 construction, that's about 1.2 million new homes.

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

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

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

21 MR. GRAFF: Chris Graff, JSI. The Fredonia
22 Study, the 2018 market study, had projected in the
23 neighborhood of 4-1/2 to 7-1/2, depending on whether it was
24 stock, semi-custom, or custom compounded annual growth rate
25 2018 to 2021. So the industry forecast from Fredonia was

1 positive.

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

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

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

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

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

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

23 MR. SYMES: Almost nothing, basically.

24 MR. SOISET: Okay. And I guess just to clarify,
25 we do have the PowerPoints on record? We didn't get a

1 printout of that? Okay, it sounds like we do have your
2 PowerPoints. I just wanted to make sure we have that for
3 reference.

4 MR. SYMES: Yes.

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

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

19 MR. SOISET: And so I guess I have a couple more
20 questions, then, for Mr. Bastien, and about the hospitality
21 industry. And so I understand, so this furniture is not
22 necessarily kitchen cabinets as such, but that it's wooden
23 storage furniture which you believe to be something that
24 would match the scope of the domestic like product? Is
25 that correct?

1 MR. BASTIEN: It's--you've been in a hotel room.
2 It's hotel furniture. I'm not trying to suggest that
3 negatively, but we produce furniture, hotel furniture,
4 particular for that brand. So if you've been in a Residence
5 Inn, a Fairfield Inn, et cetera, they're all different.
6 They all have a different slice of the market that they're
7 going after, and they design that differently.

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

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

13 MR. BASTIEN: We manufacture in both.

14 MR. SOISET: In both?

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

22 MR. SOISET: I think that's good for the purposes
23 of the hearing, and, Ms. Mowry, I'd appreciate it in your
24 postconference brief just going through with the domestic
25 like product criteria, about why you think this should be a

1 separate domestic like product.

2 MS. MOWRY: Yes, we'll definitely address this in
3 post-conference. But I think it's also important to look at
4 the Petition itself and what the Petition chose--what the
5 Petitioner chose to identify in terms of the domestic
6 production, and the companies that they identified. And I
7 think you'll find the word "hotel" once in the Petition.
8 And the only times "hospitality" arises is in their, I
9 forget how many pages it is, list of importers. But that's
10 because of the 8081 HTS category, that is other wooden
11 furniture, that is not cabinets.

12 MR. SOISET: And have you made any scope requests
13 to the Department of Commerce?

14 MS. MOWRY: Kimball filed a scope clarification
15 because--

16 MS. CHRIST: Could you just state your name
17 really quickly?

18 MS. MOWRY: Yeah, Kristin Mowry, Mowry & Grimson.
19 I apologize. We did file a scope clarification last week,
20 and I think the response that Petitioner filed, they only
21 filed it at the Commerce Department and didn't file it here
22 at the Commission. So I'm sure they'll make that available
23 to you now.

24 But, yeah, our first reading was there's nothing
25 about hotel or hospitality in the scope, but there is this

1 one reference on page 7 to "hotel furniture." So we wanted
2 to clarify that we were not in fact within the scope. And
3 then were met with this really broad, sweeping, oh, yeah, we
4 always meant all along to include everything that is wood
5 and in the house, with no analysis of what is "furniture"
6 versus what is a "cabinet."

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

9 (No response.)

10 MR. SOISET: Okay, thank you.

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

19 MR. HUNTER: Robert Hunter, CNC Cabinetry. We
20 currently import probably 40 to 50 containers a month, and
21 we're assembling 80 percent of that. So we have a
22 400-person operation, and like most of the gentlemen have
23 said, in terms of the number of inventory that we keep, it
24 turns a couple of times a year because you do have to keep a
25 wide variety of stock in there, but most of our people are

1 doing the assembly before it ships. And we do incorporate
2 our entire fleet, and we deliver most of the product
3 ourself.

4 MR. SOISET: Any other firms?

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

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

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

25 So even if a CNC is assembling, they're still--

1 because they have it in inventory as a flat-pack, they are
2 able to turn it around and get it to the customer within one
3 to five days, sometimes--often, within a day or two.

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

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

19 MR. NICELY: Matt Nicely. It's hard to quantify
20 for you right now, and we'll try to do that for purposes of
21 the post-conference brief. But I will say it's important to
22 recognize, and I think Mr. Hunter pointed out, the number of
23 employees that he has. This is not something with just a
24 screwdriver in the back of the store that happens, like the
25 Petitioners were trying to point out this morning. These

1 are significant employees, and I'm glad you asked the
2 question because I tend to agree that it should not be
3 determined just simply because of a sentence that was
4 included in the Petition, whether or not assembly ought to
5 account for manufacturing in the United States or not5.

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

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

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

22 MR. GRAFF: Chris Graff, JSI. I mean I think
23 some of the public portfolio companies, if you went to their
24 website, MasterBrand, for instance, you would see custom,
25 semi-custom, and stock detailed. And they would highlight

1 which of their brands fall into those categories.

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

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

20 I'm sure that if you actually spoke to them
21 outside of the purposes of litigation or the dealers. If
22 they were to tell you, oh no, those are all the same, then
23 why are they charging more this other -- why do they have
24 the distinct brands if it's all the same? So, they're
25 offering a different -- they're approaching the market,

1 they're going to market in a different way for those
2 different segments and, in part, because of the quality of
3 the inputs they use or maybe the variety of colors and
4 things of that, but also the degree to which they can be
5 modified or customized and they are charging more for those
6 brands that have those options.

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

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

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

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

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

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

24 MR. NICELY: We certainly will.

25 MS. VON KESSLER: Thank you.

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

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

13 MS. VON KESSLER: Correct.

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

21 MS. VON KESSLER: Okay.

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

24 MS. VON KESSLER: Great. Just trying to figure
25 out where the data is lying and getting it as close to

1 comparable at the same level of trade as possible as much as
2 we can, which goes into the next question about general
3 contractors. Are they the final point of sale because the
4 ultimate end user is me in my home, but the general
5 contractor, I think, is the one making the purchase for some
6 of these? If I'm wrong, please let me know.

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

22 MR. SYMES: For our little niche in the market,
23 the bathroom furniture, the customer is the actual person
24 who purchases it from the website or in the showroom and
25 then the contractor actually does the work. They don't have

1 very much to do with the purchasing. It happens here and
2 there, but it's the end user.

3 MS. VON KESSLER: Okay, thank you.

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

6 MS. VON KESSLER: Okay, thank you.

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

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

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

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

24 MS. VON KESSLER: Great. Thank you all for
25 that. Again, interesting to see how these things are

1 impacting the market as we're beginning this investigation.

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

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

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

20 MR. NEELEY: I would just add, knowing a little
21 bit about this industry from the other cases on wood
22 products I've done, one of the things that Mr. Wu is
23 referring to is the underlying wood which could be the
24 popular or the Chinese-grown wood and then to some extent
25 the veneers, for example, you couldn't find North American

1 veneers being grown in China or North American logs that you
2 make the veneers out of more specifically. You might have
3 to get it from North America, whether it's Canada or the
4 U.S. or from certain other woods from Indonesia, from
5 Brazil, from other places. Is that right?

6 MR. WU: Yes.

7 MR. NEELEY: Okay.

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

16 MR. LIU: Can I add some points? Because I'm a
17 manufacturer, so I know the true distinction between Chinese
18 material versus the U.S. material that we used. And when
19 you look at the Chinese cabinet it's primarily Chinese birch
20 and they also offer the Chinese oak. And when you look at
21 the U.S. product and we can only get the red oak and maple.
22 We don't have much birch offered in the market. And when
23 you look at the plywood boxes, I would say even I want to
24 manufacture here and those hardwood plywood would come from
25 Asia. So, that tells you that Chinese manufacturer can make

1 the product cheaper, probably, because they use all the
2 local source of material rather than import from other
3 side. Thank you.

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

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

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

18 MS. VON KESSLER: Thank you.

19 MR. LIU: We're a bathroom vanity importers.
20 So, as far as demand drive goes, we have been selling
21 bathroom vanities online and in the last year in 2018 we
22 sold about 10,000 units of bathroom vanities just on the
23 Internet. There has a shift in consumer purchasing
24 behaviors. There's been a lot of customers that are more
25 inspired from the HG TVs, DIY Networks, or House.com and

1 they get inspiration from the online marketing materials, so
2 they just purchase the products as a ready-to-go SKU.

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

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

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

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

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

16 MR. IRELAND: Thank you and good afternoon.
17 Thanks for your testimony.

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

24 MR. GOLDSTEIN: I can speak for my company with
25 certainty, and I can generalize, just based on my knowledge

1 of the industry. While we have a very small segment of our
2 offering that contains particle board, more than 85% of what
3 we sell is entirely hardwood, no engineered woods
4 whatsoever. And I think that's largely consistent with the
5 industry. In fact, if I look at most of my primary
6 competitors, we are the anomaly and that we even have that
7 small amount that does have particle board in it.

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

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

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

23 MR. LIU: Robin Liu from Cabinetry 1. All the
24 Chinese products only have Chinese birch and Chinese oak and
25 very limited choice. But in the States, we can easily get

1 the source of oak, maple, poplar, walnut, cherry, I think
2 hickory, those are the popular wood species we use now.

3 Thank you.

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

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

23 Beyond that, and they provide documentation to
24 our manufacturers who maintain it for a period of time and
25 supply that to us, because, I believe--again, don't quote me

1 on this--but I believe within 30 days, we need to produce
2 that when asked, and we are well-prepared to do that.

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

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

18 Secondly, about formaldehyde emission. Actually,
19 presently I am working together with the International --
20 Organization TC218 on the timber product. And those are
21 working on the TC296 on the bamboo product. Those I am the
22 Division Chief for the two sectors. And those why working
23 together with ANSI with American colleagues here, together
24 with foundation on the Wooden Product, especially for the
25 formaldehyde emission.

1 When I, I can tell the petitioners in the morning
2 what Lacey Act is not true actually. Because in China, the
3 formaldehyde emission standard is developed much more
4 faster, compared here in the U.S. Oh, so luckily my -- I
5 also have a stand here which is non-added for formaldehyde,
6 for that wood-based panels and the products.

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

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

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

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

1 address that in your brief.

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

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

7 MR. NICELY: Right.

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

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

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

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

19 MS. CHRIST: Thank you very much. I want to
20 express my appreciation as the rest of the team has, for you
21 taking the time to come down and provide us with additional
22 information and additional perspectives, to get a better,
23 fuller picture of the industry and the competition. I do
24 have a couple of follow-up questions. I first wanted to
25 thank you for the very large books over here. It's almost

1 as heavy as our water containers. This is my work-out for
2 this week by the way.

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

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

17 MS. CHRIST: That's what I figured. Thank you.
18 Mr. Weiner, you expressed that you have -- do you do imports
19 as well as domestic production?

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

24 MS. CHRIST: Okay. So given this position that
25 you have in both perspectives, in post-conference brief,

1 it's probably CBI--it's confidential--it would be helpful if
2 you'd give some idea of how that has evolved over time in
3 terms of what kinds of destinations your imported products
4 go to, and what kind of destinations your
5 domestically-produced products go to. Just because you own
6 both of them, that'd be helpful to see from the same
7 decision-maker.

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

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

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

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

23 At the time I got in the RTA cabinet business, we
24 just did cut-to-size tops. They would provide a shop
25 drawing of, "Here's how the cabinets are gonna be

1 installed," and we would create a cut ticket and have it
2 prefabbed and delivered to the job site. When we show up on
3 the job site, cabinets were not installed per the drawings.
4 Center lines, the sinks could be four inches off center.
5 The walls were not framed.

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

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

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

23 MR. GOLDSTEIN: If you don't mind, I'd like to
24 just add to Mike's point. I mean there are thousands of
25 thousands of contractors in this country who are not as

1 entrepreneurial as Mike and rely on cabinet suppliers to
2 meet their needs and to generalize the situation that he was
3 describing.

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

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

20 MS. CHRIST: Thank you.

21 MR. KINSER: Just wanted to reinforce what Randy
22 just said. My business is building homes. We purchased
23 cabinets from Marsh for over twenty years, and you have to
24 understand that any time we changed suppliers, it comes at
25 an expense.

1 I wanna make this very clear. I very much wanted
2 to continue to buy from Marsh. Their pricing was more
3 affordable, and the variety was extremely -- it was great.
4 It's far superior. In fact, during the recession, offering
5 variety and saying "yes" to customization when our other
6 competing builders said no, it gave us an edge.

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

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

19 Due to the problems I described, we would not be
20 able to install the countertops, which then we couldn't
21 install the plumbing and, ultimately, we would not be able
22 to get the certificate of occupancy, so in other words, we
23 couldn't close the home. Our local sales rep would
24 frequently say, you know, "Luke, I don't know what to do,
25 and I'm sorry."

1 Well, it's hard to tell a Navy family they have
2 nowhere to go. And I refuse to allow the cabinets to have
3 control over the construction process. So I was forced to
4 find a solution and the RTA provided that solution. Thank
5 you.

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

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

23 MR. GRAFF: Yeah, Chris Graff, JSI. There's a
24 lot of different decisions points for new construction as
25 you're describing. If it was a development of track homes,

1 multiple homes, they may have a base entry level door
2 style and color selection and a kitchen design. So that
3 would be the starting point. Do we offer that, those SKUs
4 that are in that design, and that would be a yes or no.

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

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

19 MS. CHRIST: Yes, thank you.

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

1 if you want to be smaller than one inch.

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

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

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

24 MS. CHRIST: Thank you very much. I want to
25 thank you again for showing up. As you can tell, none of

1 these questions I had when I sat down, so were it not for
2 your additional perspective and information, I wouldn't have
3 had those, and I think some of my colleagues seem to say the
4 same.

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

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

9 (Pause.)

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

16 PETITIONERS' CLOSING REMARKS

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

23 Primarily kitchen cabinets, they're measured
24 by the number of cabinets. You have collected data on the
25 number of cabinets, but also if you size the market you have

1 such a significant number of questionnaires that you have an
2 average unit value of the exporters, and it's a very simple
3 process to take that averaging of value and apply it to the
4 imports and the domestic average unit value and apply it to
5 the total value of the market to give you the number of
6 units.

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

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

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

24 That size was explicitly rejected at the
25 Commerce Department when this issue was raised, and the idea

1 that you could take, you know, damaged goods from the
2 Commerce Department and try to get over on the ITC is
3 plainly bothersome to me, having testified in front of this
4 institution in over 100 investigations.

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

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

18 CLOSING STATEMENT OF TIMOTHY C. BRIGHTBILL

19 MR. BRIGHTBILL: Just a few other rebuttal points
20 before and then closing remarks. The one question that
21 occurred to me again and again listening to the panel this
22 afternoon. If the Chinese product is so superior in terms
23 of quality, finish and lead times, how do they sell it for
24 20 to 60% less than the domestic product? It doesn't make
25 any sense and you know that.

1 And you have not only your underselling analysis
2 on that, we also turned in price lists for U.S. and Chinese
3 products that show the incredibly low prices that we're
4 competing with day to day.

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

14 The Ninth Street representative who spoke about
15 90% of companies at peak performance while Master Brand has
16 of course, closed two facilities, they've laid off 600
17 workers, they're also a big company. They have a plumbing
18 division that's doing quite well. They have a cabinet
19 division that's not doing very well.

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

1 to March, they do kitchens at a time in one to two weeks.

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

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

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

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

1 Chinese RTA solution for that issue.

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

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

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

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

23 There is a disconnect there. The U.S. market is
24 the target market. So, there's many more points I could
25 rebut, but I'll just stop there and wrap up. Thank you

1 again for your hard work on these important investigations.
2 The record evidence still being compiled demonstrates a
3 reasonable indication of material injury caused by subject
4 imports.

5 The investigations have been initiated at the
6 Commerce Department at dumping margins ranging from 177% to
7 262% and the CVD petitions have been initiated on dozens of
8 subsidy programs benefitting the Chinese industry.

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

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

18 The underselling data show that Chinese imports
19 undersold the U.S. product consistently about 75% of all
20 comparisons at rates of 20% to 60% or more. As far as
21 impact, the Chinese companies are targeting this market,
22 they're moving up the value chain, they have high-quality
23 products that compete head-to-head on price, not on RTA
24 versus not, and they're taking almost all the growth in the
25 market. We have documented lost sale allegations, we have

1 financial performance that has suffered capacity utilization
2 already low, which has fallen.

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

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

16 CLOSING STATEMENT OF DEAN A. PINKERT

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

23 I just want to start by saying that this is not a
24 cookie cutter case. You can -- you heard a whole raft of
25 statistics and a story that's very simple from the

1 Petitioners. Every element of the Petitioner's stock story
2 fails to survive scrutiny -- careful scrutiny.

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

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

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

25 Where did any U.S. producer provide evidence of

1 their story that imports are migrating away from RTA
2 product? That's just not -- there's no basis for that as
3 Mr. Neeley said earlier.

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

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

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

23 They say oh, we'd be doing better without the
24 imports. Where's the analysis? Where's the evidence for
25 that? What's the benchmark for that? There is none. It's

1 just how they feel about it and I'm sure there's a sincere
2 feeling, but there's no evidence.

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

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

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

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

24 CLOSING STATEMENT OF BART S. FISHER

25 MR. FISHER: Good afternoon, my name is Bart

1 Fisher for the Coalition of Vanity Importers. We oppose the
2 petitioners that have been filed with the U.S. International
3 Trade Commission by the American Kitchen Cabinet Alliance to
4 dramatically increase these U.S. duties.

5 The reason for our opposition is very simple. It
6 was just stated by Mr. Pinkert. The Petitioner's represent
7 an industry that is simply not able to demonstrate material
8 injury as a result of imports of cabinets and vanities from
9 China.

10 The reality is that the kitchen cabinet industry
11 has demonstrated a pattern of steady growth. Kitchen
12 cabinet demand in the United States is projected to increase
13 5.9% per year through 2021 by their own statistics and
14 analysis.

15 And within this pattern of steady growth, tall
16 kitchen cabinets are projected to reach annual advances of
17 7.8%. Base cabinets -- which is a base for a lot of
18 different kinds of cabinets, are projected to have 5.2% -
19 5.25% annual growth. So, we're hearing from the Petitioners
20 an alternative universe that we live in in the bathroom,
21 upscale specialty industry for vanities.

22 I listened very carefully in the first panel. I
23 didn't hear the word bathroom mentioned once. They're
24 talking about kitchen cabinets. So, let's be clear about
25 what this case is about. We, as the bathroom vanity

1 industry, absolutely have to be excluded from this case.

2 We're all surprised and shocked that we were
3 parachuted into this case, but we've got to get out of this
4 case, we don't belong in this case. You know, this is not a
5 like product. There are at least two like products in this
6 investigation. Mr. Chang asked in the first question and
7 others about this like product question.

8 There's no question about it that you have two
9 different industries here. For starters, you have the
10 industry that produces kitchen cabinets, okay? That
11 industry was 19 billion dollars in sales in 2017. Then the
12 second industry is the bathroom vanity industry. That
13 industry produced 9.78 billion dollars in sales. It's a
14 huge, but totally different segment of the market. So,
15 there's at least two like products here.

16 Now, it gets even more complicated because within
17 the bathroom vanity industry, you have two segments. You
18 have the mid-simple low-cost bathroom vanities produced for
19 the mass market. That's not us. We -- the 11 companies in
20 the Vanity Importer's Coalition are 11 companies, have
21 specialty upscale furniture bathroom vanities -- that's a
22 different kind of product.

23 In fact, our products are higher priced than the
24 products that are sold in specialty design here. So, it's
25 the exact opposite of what they're saying. We're not

1 dumping. We don't have lower priced stuff coming in, it's
2 higher priced stuff.

3 So, we're listening to an alternative universe
4 here. And the types of vanities that the Petitioner sells,
5 their sales are lower priced, they're often sold to builders
6 and you know, home centers, rather than through the
7 specialty retail stores in our 11 companies, that's what we
8 are basically.

9 So, I'm not going to go through all of the
10 different five criteria for like products, that's over at
11 the Department of Commerce, I know that. But it's important
12 that if you analyze the questionnaires that come in, you
13 realize what you're dealing with and obviously the key thing
14 is the ultimate use of the product.

15 Kitchen cabinets are used to store dishes and
16 other food related cooking products. Obviously, bathroom
17 vanities have a different use for washing your face and your
18 hands. You can't wash your face in a kitchen cabinet --
19 they're different, fundamentally different.

20 So, in closing I just want to say we are going to
21 file Monday a scope exclusion request from this whole
22 proceeding at the Department of Commerce because we don't
23 belong in this proceeding, we don't want to be in this
24 proceeding, the figures presented have been intellectually
25 dishonest, we're not underpricing and we're a totally

1 different domestic-like product, so I thank you for your
2 attention in closing I want to agree with everything Dean
3 Pinkert said and so ridiculous as the case is for the
4 overall industry, it's just even more totally ridiculous for
5 our industry. Thank you very much.

6 MS. CHRISTI: Thank you. On behalf of the
7 Commission and the staff, I would like to thank the
8 witnesses who came here today as well as counsel for helping
9 us gain a better understanding of the product and the
10 conditions of competition in the wooden cabinets and
11 vanities industry.

12 Before concluding, please let me mention a few
13 dates to keep in mind. The deadline for submission of
14 corrections to the transcript and for submission of
15 post-conference briefs, is Monday, April 1st.

16 If briefs contain business proprietary
17 information, a public version is due Tuesday, April 2nd.
18 The Commission has tentatively scheduled it's vote on these
19 investigations for Friday, April 19th, and it will report
20 its determinations to the Secretary of the Department of
21 Commerce on Monday, April 22nd.

22 Commissioner's opinions will be issued on Monday,
23 April 29th. Thank you all for coming. This conference is
24 adjourned.

25 (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