

UNITED STATES INTERNATIONAL TRADE COMMISSION

In the Matter of:)
DRAWN STAINLESS STEEL SINKS) Investigation Nos.
FROM CHINA) 701-TA-489 and
) 731-TA-1021 (Preliminary)

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THE UNITED STATES INTERNATIONAL TRADE COMMISSION

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) Investigation Nos.
 DRAWN STAINLESS STEEL SINKS) 701-TA-489 and
 FROM CHINA) 731-TA-1021 (Preliminary)

Thursday,
 March 22, 2012

Room No. 110
 U.S. International
 Trade Commission
 500 E Street, S.W.
 Washington, D.C.

The hearing commenced, pursuant to notice, at
 9:31 a.m., before the Commissioners of the United States
 International Trade Commission, Catherine DeFilippo,
 Director of Investigations, presiding.

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On behalf of the International Trade Commission:Staff:

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Organization and Witnesses:

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

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Elkay Manufacturing Company
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Elkay Manufacturing Company
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In Opposition to the Imposition of Antidumping
and Countervailing Duty Orders:

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and Pelican Sinks International :

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P R O C E E D I N G S

(9:31 a.m.)

MS. DEFILIPPO: Good morning, and welcome to the United States International Trade Commission's conference in connection with the preliminary phase of antidumping duty and countervailing duty Investigation Nos. 701-TA-489 and 731-TA-1201, concerning Imports of Drawn Stainless Steel Sinks from China.

My name is Catherine DeFilippo. I am the Director of the Office of Investigations, and I will preside at this conference. Among those present from the Commission staff are, from my far right, Douglas Corkran, Supervisory Investigator, Amy Sherman, Investigator, Stephania Pozzi Porter, Investigator. To my left, David Fishberg, Attorney/Advisor, Ioana DiFiore, Economist, and Karl Tsuji, the Industry Analyst.

I understand that parties are aware of the time allocations. I would remind speakers not to refer in your remarks to business proprietary information and to speak directly into the microphones. We also ask that you state your name and affiliation for the record before beginning your presentation or answering questions for the benefit of the court reporter.

1 Finally, speakers will not be sworn in, but
2 are reminded of the applicability of 18 U.S.C. 1001
3 with regard to false or misleading statements and to
4 the fact that the record of this proceeding may be
5 subject to Court review if there is an appeal. Are
6 there any questions? Seeing none, hearing none, we
7 will proceed with opening statements. Good morning,
8 Mr. Dorn. Welcome. Please begin with your opening
9 statement when you're ready.

10 MR. DORN: Good morning. Joe Dorn for
11 Petitioners. This case is about dumped and subsidized
12 imports of drawn stainless steel sinks from China that
13 have undersold comparable U.S. sinks by large margins
14 and that have caused U.S. producers to suffer
15 substantial declines in market share, shipments,
16 production, employment and profits. The imported
17 article subject to investigation is drawn stainless
18 steel sinks. The domestic product that is like the
19 imported product is drawn sinks.

20 Applying the Commission's like product
21 factors, a clear dividing line separates drawn and
22 fabricated sinks. First, drawn and fabricated sinks
23 have different physical characteristics and end uses.

24 Fabricated sinks do not have the smooth, easy to
25 clean corners of drawn sinks. Drawn sinks do not have

1 the deeper and larger bowls of fabricated sinks and do
2 not have the commercial appearance of fabricated
3 sinks. Their different physical characteristics and
4 appearances lead to different end uses.

5 For example, virtually all residential
6 kitchens have drawn sinks and substantially all
7 commercial kitchens have fabricated sinks. Second,
8 drawn sinks and fabricates sinks are made on distinct
9 production lines using their own dedicated equipment,
10 processes and employment skills. Fabricated sink
11 production is labor-intensive. Drawn sink production
12 is capital-intensive. This results in much higher
13 prices for fabricated sinks.

14 Third, drawn and fabricated sinks are not
15 commercially interchangeable due to their different
16 physical characteristics, aesthetics and prices.
17 Fourth, there are different channels of distribution.

18 For example, you will not find a fabricated sink on
19 the floor of a big box retailer and you will rarely
20 see a drawn sink on the floor of a food service supply
21 center. As a result of these differences, both
22 producers and customers perceive drawn and fabricated
23 sinks as distinct products with different applications
24 and different price levels.

25 The petition provides evidence of large

1 dumping margins and numerous subsidy programs
2 benefitting the Chinese sink industry. The subsidies
3 and dumping practices have allowed the Chinese
4 producers to rapidly penetrate the U.S. market. A
5 quick review of the statutory factors demonstrates
6 that the domestic industry is materially injured by
7 reason of these unfairly priced imports. First, the
8 volume of imports and the increase of the volume of
9 imports is clearly significant.

10 In 2011, imports from China were equal to 85
11 percent of imports from all countries. As shown in
12 the confidential version of the petition, subject
13 imports are very substantial in relation to both U.S.
14 consumption and U.S. production. Starting from a
15 significant base, the volume of subject imports jumped
16 60 percent from 2009 to 2011. As shown in the
17 petition, subject imports also increased relative to
18 U.S. consumption and U.S. production.

19 The increasing volume of imports has caused
20 U.S. producers to suffer declines in market share,
21 production, capacity utilization and employment.
22 Second, the subject imports have had a very negative
23 effect on U.S. prices. Drawn stainless steel sinks
24 are sold primarily on the basis of price and Chinese
25 and domestic sinks compete head to head. Subject

1 imports have consistently undersold comparable U.S.
2 products with substantial margins of underselling.

3 The underselling has resulted in substantial
4 lost sales, and also, substantial lost revenues as the
5 Petitioner reduced prices to avoid losing even more
6 sales. Due to the lower priced imports, U.S.
7 producers have been unable to raise prices to cover
8 the increasing cost of stainless steel. Thus,
9 domestic prices have been suppressed within the
10 meaning of the statute. Third, the subject imports
11 have had a negative impact on the domestic industry.

12 We believe the data the Commission is
13 collecting will show that from 2009 to 2011, the
14 domestic industry suffered declines in capacity,
15 production and capacity utilization, shipments, market
16 share, employment and profits. In short, the record
17 of this case will show the domestic industry is
18 materially injured by reason of the subject imports.
19 There will be no need to address threat of material
20 injury, but the threat is real and alarming. The
21 petition identifies 90 Chinese producers of drawn
22 stainless steel sinks.

23 The capacity of the Chinese industry dwarfs
24 that of the U.S. industry where the industry is
25 encouraged and subsidized by the Chinese government.

1 Finally, the Chinese producers are being shut out of
2 the Canadian market due to the imposition of high
3 antidumping and countervailing duties. Those exports
4 will be redirected to the United States. Unless
5 duties are imposed, the Chinese imports will suck so
6 much volume from U.S. plants that the U.S. plants will
7 have no way to continue operating.

8 In conclusion, the U.S. industry is at a
9 critical juncture. Elkay has done everything it can
10 to reduce its production cost to compete with the
11 Chinese. It had no remaining options other than
12 filing this petition. We ask the Commission to make
13 an affirmative preliminary determination to give this
14 industry a chance to survive. Thank you.

15 MS. DEFILIPPO: Thank you very much, Mr.
16 Dorn. We will now turn to opening statements for the
17 Respondents. I believe, Mr. Perry, you are doing the
18 honors. Welcome, and please proceed when you're
19 ready.

20 MR. PERRY: My name is Bill Perry of the law
21 firm Dorsey & Whitney, and I am here representing many
22 of the importers in the case. In truth, we're
23 puzzled. Respondents are puzzled. Why did Elkay
24 bring the case? What is the benefit to the U.S.
25 industry? In 2011, according to Chinese export

1 statistics, Elkay was the fourth largest exporter of
2 these steel sinks to the United States. It's
3 interesting because China continues to export these
4 steel sinks to Elkay's Mexican subsidiary.

5 So maybe Elkay's idea is we take the Mexican
6 production in Mexico that we're selling in Mexico,
7 replace it with Chinese and then take the Mexican
8 production and ship it to the United States. Of
9 course the U.S. industry is the one that has to be
10 injured, not the Mexican industry, but there's not
11 enough capacity in the U.S. or in Mexico to replace
12 the Chinese. Excuse me.

13 MS. DEFILIPPO: I forgot. If everyone can
14 silence their phones, that would be helpful. Thank
15 you.

16 MR. PERRY: Maybe this is a pipe dream, the
17 idea that basically U.S. producers are going to simply
18 replace all the Chinese, but there are lower cost
19 third countries with the prices that are very close to
20 the Chinese, countries like Turkey, South Korea,
21 Vietnam, India, maybe even Mexico. Now, we can look
22 at import statistics and argue, hey, but the prices of
23 China appear to be so much lower in comparison to the
24 imports from other countries, but remember, the
25 fabricated bowls are in that basket category and so

1 you've got higher prices from third countries.

2 In fact, the prices difference is about five
3 to 10 percent. So the real issue here is Bratsk, and
4 the more difficult issue which I think the attorney
5 has to look at is to look at the Court of Appeals for
6 the Federal Circuit decision in Bratsk and then follow
7 it to the Supreme Court. If you follow it to the
8 Supreme Court you will see a dissent there by the
9 Supreme Court Justice who says if you don't do a but
10 for test, there is no causal link. But for test is
11 the basis of causation general.

12 In other words, if you don't answer the
13 question but for the Chinese imports would the U.S.
14 industry be better off, you haven't found a causal
15 link. That's one of the arguments we're going to
16 make. We think the Commission in past cases has
17 missed the point of the Court of Appeals. This is not
18 a typical whether this is a commodity product, this is
19 basic causation law: Prosser, Palsgraf. But for is a
20 huge issue in this case because the importers here are
21 all going to replace the Chinese with some other
22 product from another country.

23 In fact, the other problem is that Elkay
24 missed the dramatic changes in the market. The big
25 change was the fabricators. The importers moved into

1 a market that Elkay didn't want. It was the granite
2 fabricators which were making the countertops. They
3 needed sinks to go and sell to their customers and get
4 more jobs. Elkay didn't want that. Imports are up
5 because granite prices are down. When granite prices
6 go down, the fabricators can sell more granite
7 countertops with the sinks. Elkay didn't want to sell
8 them.

9 We are going to make a like product
10 argument. The like product argument will be that the
11 undermount sinks and the drop down sinks are separate
12 like products, so they should be looked at
13 individually. We are also going to situation -- this
14 is a real situation where this is an importer pull,
15 not an exporter push, situation. When we talk about
16 the online market, we'll talk about it briefly but
17 this is the situation, one reason why the online
18 prices are lower is they've cut the distribution
19 chain.

20 This is Walmart. This is Marketing 101. So
21 what's happened is since they've cut the distribution
22 chain, they have the right to sell at lower prices.
23 It has nothing to do with China. It has to do with
24 distribution channels in the United States. See, what
25 I think here it wants to do is that Elkay wants to

1 create big laws for unstoppable waves of imports
2 coming into the United States, but there's one problem
3 with this, and I think Commissioner Pearson said it
4 the best. Commissioner Pearson, in the sunset review
5 on wooden bedroom furniture, said there's no benefit
6 to the U.S. industry. The only benefit is to the
7 lawyers that brought the case. Thank you very much.

8 MS. DEFILIPPO: Thank you very much, Mr.
9 Perry. We will now move to the direct presentation of
10 those in support of imposition of antidumping and
11 countervailing duties. Mr. Dorn, if you and your
12 party will join us and proceed when you're ready.

13 MR. ROGERS: Good morning. My name is
14 Stephen Rogers. I'm the Chief Operating Officer of
15 Elkay Manufacturing Company. I joined Elkay in 2004
16 as vice president of engineering for the plumbing
17 division. I served as president of the plumbing
18 products division from 2007 to 2009. When I became
19 chief operating officer in 2009, my responsibilities
20 expanded to include all of Elkay's manufacturing
21 operations, including sinks, faucets, water coolers
22 and cabinetry products.

23 Previously, I spent 27 years with the Inland
24 Steel Company where I held various positions,
25 including vice president of sales and marketing,

1 president of the lawn products division and general
2 manager of flat products operations. Elkay was
3 founded in 1920 on Chicago's near north side by
4 Leopold Katz and his son, Louis Katz. Elkay's first
5 products were hand hammered residential butler and
6 pantry sinks, which, at least according to Elkay
7 legend, Leopold Katz delivered to customers himself
8 via a Chicago streetcar.

9 In 1938, Elkay became the first company to
10 use hydraulic presses and dedicated tooling to mass
11 produce stainless steel sinks. The current Chairman,
12 Ron Katz, is Louis Katz' son, and the company
13 continues to be family-owned. Elkay is one of the few
14 remaining U.S. producers of drawn stainless steel
15 sinks. We have three drawn stainless steel sink
16 plants in the United States. They are located in
17 Broadview, Illinois, Lumberton, North Carolina, and
18 Ogden, Utah.

19 Elkay's petition asks for relief on drawn
20 stainless steel sinks. We excluded fabricated
21 stainless steel sinks. Angie Sheehan will speak to
22 the differences between drawn and fabricated stainless
23 steel sinks from a market perspective. I will discuss
24 the differences from a manufacturing perspective. The
25 key difference between the production of drawn and

1 fabricated stainless steel sinks is the forming
2 process. Drawn sinks get their shape via hydraulic
3 presses.

4 These are massive machines that utilize
5 dedicated forming tools to impart the desired shape
6 onto a blank of stainless steel. Drawn sink
7 production is capital-intensive, requiring substantial
8 investment in hydraulic presses and dedicated tooling
9 for each sink model. Each press costs more than \$1
10 million and the tooling for each sink can cost more
11 than \$100,000. Large production volume for each model
12 is needed to minimize the per unit fixed costs.

13 Fabricated sinks get their shape through a
14 folding and welding process. A blank sheet of
15 stainless steel is first cut, or notched, so that it
16 resembles a cross. This cross is then bent on a
17 machine called a press brake to form an open-topped
18 cube. The sides of this open-topped cube are then
19 welded to form a sink. Fabricated sink production is
20 labor-intensive. I would suspect that hundreds of
21 metal forming shops in the United States have the
22 equipment and employment skills needed to make a
23 fabricated sink.

24 In the case of both drawn and fabricated
25 sinks, additional finishing steps are required to

1 produce the final product. These steps including
2 grinding of the weld, and, in some cases, buffing.
3 Even here, the processes are quite different. Elkay's
4 Ogden and Lumberton plants only produce drawn sinks.
5 They lack the equipment and employment skills to
6 produce fabricated sinks. We produce fabricated
7 stainless steel sinks primarily in our facility in
8 Spokane, Washington.

9 That facility does not produce any drawn
10 sinks, and, in fact, it lacks the equipment and
11 employment skills needed to make drawn sinks. We also
12 make a small amount of fabricated stainless steel
13 sinks in our Broadview facility, but these sinks are
14 produced on a separate and distinct production line.
15 The fabrication sink line uses equipment, processes
16 and employees that are dedicated to fabricated sinks.

17 The drawn sink line uses equipment, processes and
18 employees that are dedicated to drawn sinks.

19 There is no overlap, even in the sink
20 finishing operations. They are unique and separate.
21 We're now going to see a video of drawn and fabricated
22 production in the same facility in Broadview. This
23 drawn video is from the show *How It's Made*, which they
24 filmed in our Broadview facility.

25 [A video was shown.]

1 MR. ROGERS: This is stainless steel that's
2 being cut on a forming line so that we get a blank.
3 You see it there. This is the forming process.
4 Notice the size of that machine. That's a dedicated
5 hydraulic press and this is dedicated tooling to
6 produce the shape. Notice the size of this tooling.
7 Now, he's taking that same bowl and he's applying a
8 lubricant because we have to draw it again to achieve
9 the final depth. So the deeper the sink, the more we
10 have to draw it.

11 That sink now is at final depth. Now he's
12 going to punch the counter sink hole for the drain.
13 This is a machine grinding operation to impart the
14 finish on that sink. Now, this is an operation where
15 we take two bowls that have been finished on the
16 inside and we join them with a weld to create a double
17 bowl. This is a machine that mashes that weld down.
18 We call this a plannisher. Now, here is a sanding
19 machine that is making that weld invisible.

20 Now we have to give that rim form, so it
21 goes into a rim forming die, which is also a very
22 large, expensive die, and we give the rim its shape.
23 You see there we're putting the recess in the rim so
24 that water doesn't spill over the edge. Now we're
25 going to finish it and we're going to trim the excess

1 steel off of that sink. There's your finished rim.
2 That's an Elkay luster tone rim. We have to put
3 faucet holes in, which is what he just did. Now on
4 the Elkay, the high end Elkay line, we hand finish
5 each sink.

6 This gives the sink its lifetime warranty.
7 Now we have to put our name on it. Of course, we have
8 to apply sound deadening material because you don't
9 want your silverware to clatter around in a stainless
10 steel sink. That also prevents condensation. There
11 you have it. That's a finished sink. So that's a
12 drawn process. Now we're going to see the fabricated
13 process, which is in the same building. It's on the
14 other side of the plant, separate and unique. So we
15 start with stainless steel but you're going to notice
16 a difference.

17 You see that plastic film on it? That's
18 there to protect the finish. This steel arrives with
19 a finish on it. That's a protective plastic coating
20 called NITTO. It's now being cut in a laser to its
21 shape. We even burn in the faucet holes on the laser.

22 You notice there was no laser involved in a drawn
23 sink process. Now, you see that cross shape? Now we
24 have to bend it. This is a press brake. We bend it
25 up. This tooling and this press brake is a fraction

1 of the cost of the forming tools in a drawn sink.

2 So there you have a *U* shape with a drain
3 hole. There's your front panel, there's your back
4 panel. Now we're going to weld it up. These are
5 welders. We have a number of them in the Broadview
6 facility, and they do this. They weld these bowls
7 together. There is no welding operation, other than
8 the machine welding on a double bowl on a drawn sink.

9 Now you see the different finishing. We have to get
10 that weld in the corner. You see that, the size of
11 that sink with that drain board? That's a commercial
12 stellar unit. That's going to go in a restaurant.
13 Very large unit.

14 You see those leg supports on the bottom.
15 This is not going to get mounted in a countertop, this
16 is going to sit in a restaurant to wash dishes and
17 pots and pans. So that's the difference in the two
18 processes. Same facility, two distinct processes. So
19 now that you have a better understanding of Elkay's
20 operations, I would like to tell you how Elkay and the
21 other domestic manufacturers of drawn stainless steel
22 sinks have been materially injured by imports of
23 dumped and subsidized sinks from China that have
24 grabbed U.S. market share with unfairly low prices and
25 forced U.S. producers to reduce prices to avoid losing

1 even more sales.

2 In 2011, imports from China were over three
3 million units, which represents an increase of 60
4 percent from 2009. Due to the continued softness in
5 the U.S. economy, especially in the housing industry,
6 the overall market grew slowing during that period.
7 Looking at the data for imports from other countries,
8 it's quite clear that the increase in Chinese imports
9 represents a significant increase in market share and
10 that the increase in market share comes almost
11 entirely from domestic producers.

12 Elkay has been a leader in designing the
13 residential sinks that are desired by the U.S.
14 consumer. Chinese manufacturers did not increase
15 their market share in the United States by designing
16 innovative products that were not offered by domestic
17 producers. Instead, they purposefully, and quite
18 obviously, copied the highest volume Elkay sinks and
19 focused production of their facilities on supplying
20 those products to the U.S. market. Because the
21 Chinese have intentionally copied Elkay sinks, the
22 Chinese product often looks indistinguishable from the
23 Elkay version.

24 The only difference is price. The Chinese
25 government subsidizes the manufacture of these sinks,

1 and the Chinese manufacturers then dump the sinks into
2 the U.S. market. The resulting low price has put a
3 significant and unfair price pressure on the domestic
4 product. I'll tell you some of the steps that Elkay
5 has taken to combat Chinese imports. Simply put,
6 however, neither Elkay, nor the other domestic
7 producers, can compete unless the Chinese are forced
8 to price fairly.

9 Elkay has attempted to fight the Chinese
10 imports by lowering its prices where it can. Our
11 injury information on lost revenues provides ample
12 evidence of situations where Elkay has had to
13 significantly lower its price to meet Chinese quotes.

14 The fact is, however, with Chinese imports being sold
15 significantly below our costs, competing on price is
16 unprofitable in the short run and ruinous in the long
17 run. Because Elkay cannot compete with Chinese
18 imports on price, which is the most significant factor
19 in the purchasing decision, Elkay has lost significant
20 volume in its plants.

21 From 2009 to 2011, Elkay's production and
22 shipments of drawn stainless steel sinks decreased
23 significantly, as evidenced in our confidential trade
24 data contained in our questionnaire response. As a
25 consequence, the number of employees, hours worked by

1 those employees and wages paid have all decreased over
2 the three year period. Elkay has also attempted to
3 combat Chinese imports by undertaking significant
4 initiatives to lower costs and increase the
5 efficiencies of its plants. Elkay has invested
6 heavily in its U.S. plants.

7 These investments include \$25 million to
8 build Elkay Ogden in 2005, approximately \$9 million to
9 upgrade Elkay Lumberton from 2006 to 2009 and \$12
10 million to convert our Broadview facility into a
11 state-of-the-art rapid production center for
12 specialized stainless steel sinks. I firmly believe
13 that Elkay operates the most efficient, productive
14 drawn stainless steel sink facilities in the world.

15 Some of its cost reducing efforts over the
16 past three years include adoption of lean
17 manufacturing principles across all of our facilities,
18 including such tools as 5S, value stream mapping,
19 SMED, or single minute exchange of dies, and hundreds
20 of KISON events, to name just a few. We have adopted
21 Toyota's A3 process for problem solving, asking why at
22 least five times to get to the true cause of any
23 issue. We have deployed 50 engineers with ASQ
24 certified green and black belt certifications across
25 our plants, utilizing the tools of Six Sigma to solve

1 complex problems.

2 Conservatively, since 2009, we have removed
3 more than \$15 million of cost from our plants via the
4 systematic removal of waste from our processes. How
5 do we know it's \$15 million? In 2009, we adopted a
6 time-driven, activity-based costing model which we
7 call DPC, or discrete product costing, to analyze our
8 manufacturing steps in detail. We can detect waste in
9 real dollar terms and eliminate it at the spot. Our
10 DPC system was recognized by the Harvard School of
11 Business in a 2010 case study as a best practice and
12 is still used in their school of business.

13 In 2009, Elkay put DPC to work in an effort
14 to meet the challenge of low cost Chinese imports by
15 removing costs from our high volume, lower priced
16 sinks. Our analysis clearly showed that customers
17 were unwilling to pay for the additional machine
18 finishing steps that we provided, so we stopped doing
19 those steps and translated the savings into lower
20 prices for our customers. It obviously wasn't enough.

21 Elkay's efforts to cut costs have been challenged by
22 rising raw material costs, costs that it has very
23 little control of.

24 Stainless steel accounts for 90 percent of
25 the raw material cost in the production of a drawn

1 stainless steel sink. While Elkay is able to
2 negotiate the base price of stainless steel, pricing
3 is always adjusted based on the commodity prices of
4 nickel, chrome and iron. Stainless steel producers
5 apply a variety of surcharges for certain key raw
6 material inputs such as nickel, chrome and iron that
7 they use to make their steel. These surcharges
8 effectively transfer the cost variances of those raw
9 materials to the manufacturer, such as Elkay.

10 The low cost of imports from China makes it
11 virtually impossible for Elkay to pass along increased
12 steel cost to its customers. This further erodes our
13 margins. Another cost that Elkay has no control over
14 is freight costs associated with fluctuations in oil
15 prices. While other industries not faced with lower
16 priced imports can pass these costs along to customers
17 via freight surcharges, Elkay knows that any attempts
18 to pass along such costs would simply trigger
19 additional lost sales to Chinese products.

20 Because of its aggressive cost reduction
21 efforts and productivity improvements, Elkay has
22 managed to maintain positive operating income margins
23 in its drawn stainless steel sink operations as a
24 whole. Of course, as Chinese products cover broader
25 ranges of products and purchasing decisions continue

1 to be made on price, Elkay will not be able to
2 maintain enough volume to operate any of its plants.
3 In addition, while Elkay continuously strives to lower
4 costs and improve productivity, these improvements
5 cannot make up for the continually decreasing volumes.

6 It doesn't matter how efficient your plants
7 are if you have no volume to put through them because
8 the Chinese imports are still able to price below your
9 cost. Elkay has a proud reputation of innovation in
10 the industry. Chinese imports have hurt our ability
11 to invest in our plants and our ability to invest in
12 innovative new products. As explained in our
13 questionnaire response, the erosion in volume and
14 revenues for drawn stainless steel sinks caused by
15 unfairly traded sinks from China has forced Elkay to
16 significantly reduce investment in its facilities.

17 It's also important to understand why losing
18 high volume commodity sinks is so critical to Elkay's
19 ability to continue to manufacture in the United
20 States. Each sink model requires its own specific
21 tooling, averaging from \$130,000 to more than
22 \$200,000, depending upon the model. Once the tooling
23 is purchased, however, it can be used to make tens of
24 thousands of sinks. The Chinese actively monitor and
25 copy our largest volume sink models and invest in

1 tooling to produce essentially identical sinks.

2 The Chinese producer then produces millions
3 of those sinks and sells them at unfairly low prices
4 in the U.S. Imports from China are well on their way
5 to virtually locking up the U.S. market for the
6 highest selling sink market, sink models, which are
7 the bread and butter of our mass production
8 facilities. If the current trend continues, domestic
9 manufacturers will be left with only small volume sink
10 models, each requiring expensive tooling.

11 Because of the unfairly priced Chinese
12 sinks, U.S. producers cannot justify continued
13 investment in the tooling for such lower volume sinks.

14 Thus, despite its long history and its efficiency,
15 U.S. manufacturer of drawn stainless steel sinks will
16 come to an end if duties are not imposed. Elkay, and
17 other producers, will be forced to ship production to
18 China or elsewhere and become mere marketers of
19 foreign-produced sinks. This will happen for one
20 reason only. The unfair price of imports from China.

21 As Chinese imports have dominated the market
22 for high volume sink models due to their lower prices,
23 our production output has decreased significantly. As
24 explained in our questionnaire response, the continued
25 operation of one of our plants is particularly at risk

1 if production volumes are not increased. I also want
2 to emphasize the huge difference between the Chinese
3 and U.S. industries. Even though the shipment volume
4 increase into the U.S. market is already enormous, it
5 is clear that Chinese producers have the current
6 capability to completely overwhelm the U.S. market.

7 I am quite familiar with the Chinese
8 stainless steel sink manufacturing. I've attended the
9 major China kitchen and bath show held in Shanghai for
10 the past six years, as well as the Canton trade fair
11 in Guangzhou on two occasions in recent years. There
12 has been a significant and increasing number of
13 Chinese manufacturers exhibiting at these shows and
14 they clearly want to increase their sales to the U.S.
15 market. Many of these producers are export-oriented
16 and focus on the U.S. and Canadian markets.

17 Their tooling is dedicated to the sink sizes
18 used in the U.S. and the Canadian markets, not the
19 smaller sizes used in China. The existing unused
20 capacity in their plants is more than sufficient to
21 completely displace the current level of U.S. producer
22 sales in the U.S. Indeed, the Chinese producers could
23 supply the entire U.S. market many times over, and
24 incredibly, Chinese production capacity continues to
25 grow. I can also attest to the vigorous competition

1 that exists in the Chinese home market for drawn
2 stainless steel sinks.

3 It is no exaggeration to call it cut throat.

4 Facing such stiff competition in their home market,
5 Chinese producers have turned to export markets to
6 sell their products. The Chinese exports of dumped
7 and subsidized sinks quickly dominated the Canadian
8 market, as confirmed by the preliminary determinations
9 in the antidumping and countervailing duty
10 investigations pending in Canada. Although the U.S.
11 market is much larger than the Canadian market, the
12 Chinese exports have just as easily dominated the U.S.
13 market in the span of just a few years.

14 In 2009, imports from China were already
15 severely injuring the domestic industry with low
16 prices, causing lost sales and lost revenues. Despite
17 every effort to cut costs and improve efficiency, over
18 the next two years, the displacement of the U.S.
19 producers continued at a rapid rate. There is now
20 nothing more to do than to fight back against these
21 unfair imports with the trade case. This is a major
22 step for Elkay to shoulder as the only Petitioner, but
23 it is now essential for the survival of our sink
24 business.

25 Elkay is an American manufacturing company.

1 It is intensely proud of the fact and is committed to
2 maintaining production of drawn stainless steel sinks
3 in the United States. With its efficient plants, high
4 quality product, valued pricing and industry
5 reputation for service, Elkay is certain that given a
6 level playing field it can compete with anyone,
7 domestic or foreign. However, if Chinese
8 manufacturers are allowed to continue to undercut U.S.
9 prices with dumped and subsidized drawn stainless
10 steel sinks, Elkay will continue to suffer volume loss
11 and lower prices.

12 Without the imposition of duties, at some
13 point, Elkay will be forced to abandon its U.S.
14 manufacturing operations. If duties are imposed,
15 however, Elkay is confident that fair pricing will be
16 restored to the U.S. market and that Elkay's U.S.
17 manufacturing operations will continue to serve the
18 U.S. market. We ask the Commission to give us a
19 chance to continue our long tradition of manufacturing
20 in the United States. I thank you for the opportunity
21 to present this testimony.

22 MS. SHEEHAN: Good morning. I'm Angie
23 Sheehan, the Director of Marketing for Residential
24 Plumbing Products at Elkay Manufacturing. I have been
25 with Elkay since July of 2008. Prior to joining

1 Elkay, I spent over 11 years with Newell Rubbermaid in
2 various roles, including product marketing, channel
3 marketing, sales and supply chain. I have also held
4 marketing and sales positions with Empac Foods and
5 Kraft Foods. In my testimony today, I will describe
6 the U.S. market for drawn stainless steel sinks and
7 the competitive conditions in that market.

8 I will also describe how unfairly priced
9 imports from China have injured Elkay and the domestic
10 industry as a whole. In short, Chinese sinks, which
11 are essentially identical to those sold by Elkay, have
12 consistently undersold Elkay sinks by large margins.
13 This has caused us to lose substantial sales volume
14 and to lose revenues on the sales we do make as we
15 must significantly lower our prices to try to maintain
16 volume. Drawn stainless steel sinks are not
17 interchangeable with fabricated stainless steel sinks,
18 which is why we have excluded them from the petition.

19 Let me take a moment to describe some of the
20 key differences between drawn and fabricated sinks.
21 First, as Steve Rogers described, the production
22 processes for the two types of sinks are very
23 different. At Elkay, we produce a very small volume
24 of fabricated sinks, and those we do produce are made
25 on a completely separate production line by different

1 employees, using a distinct manufacturing skill set.
2 These differences in production lead to, and reflect,
3 completely different applications in the market.

4 Drawn stainless steel sinks are typically
5 used in residential applications. I'm sorry, kitchen
6 applications. Thank you. Virtually all stainless
7 steel sinks that are used in residential kitchens are
8 drawn sinks. To a much lesser degree, drawn sinks are
9 also used in classrooms, healthcare and other
10 commercial building applications. In contrast to
11 drawn sinks, fabricated sinks are predominantly found
12 in commercial settings where large bowls are required.
13 One significant application is in the food service
14 industry where single, double and even triple bowl
15 fabricated sinks can be found in the restaurant
16 kitchen.

17 Over 90 percent of restaurant kitchens use
18 fabricated sinks. We provided some photos of these
19 types of sinks as Exhibit 1. In contrast, fabricated
20 sinks are rarely found in residential settings. Drawn
21 sinks are used in residential applications for several
22 reasons. First, they are far less expensive than
23 fabricated sinks. Drawn sinks are mass-produced using
24 large draw presses. As a result, they can be sold at
25 much lower prices than fabricated sinks.

1 Fabricated stainless steel sinks have higher
2 prices due to the customized shapes and sizes that are
3 made through the more labor-intensive process of
4 cutting, folding and welding. Drawn sinks are also
5 less costly to produce because the drawing process
6 results in less steel usage as compared to the
7 manufacturing process for fabricated sinks. For all
8 these reasons, the selling price of a drawn sink is
9 approximately one-quarter of that of a comparably
10 sized fabricated sink.

11 Because drawn stainless steel sinks are
12 typically sold at substantially lower prices than
13 fabricated stainless steel sinks, drawn sinks are
14 ideal for residential use where standardization and
15 low prices are important. In contrast, fabricated
16 sinks are intended for more customized uses, such as
17 commercial food service applications, where much
18 higher prices can be justified. Second, drawn sinks
19 are far easier to clean than fabricated sinks which
20 have tight, squared corners.

21 Third, their look is more appealing in a
22 residential setting. There is a big difference in
23 aesthetics between drawn and fabricated sinks.
24 Fabricated sinks have an industrial appearance due to
25 their welded seams, tighter corner radii, and

1 typically larger sizes. Fabricated sinks only appeal
2 to a very high end residential consumer who wants a
3 commercial kitchen look or wants very large sink
4 volume.

5 As one plumbing showroom consultant recently
6 told us, "I find that most consumers see fabricated
7 sinks as rough looking, a look that one would find in
8 a commercial kitchen rather than a home. These
9 customers are not likely to change to the fabricated
10 type sink because they do not see these sinks as home
11 products." In other words, a consumer looking for the
12 industrial look of a fabricated sink will not consider
13 a drawn sink. The differing uses of drawn and
14 fabricated sinks also result in significant
15 differences on how these sinks are distributed and
16 sold.

17 While in the large home center retailers all
18 stock and display drawn sinks, they do not stock and
19 display fabricated sinks. Drawn sinks are not sold
20 directly to homeowners, but are sold to retailers,
21 wholesale plumbing distributors, kitchen and bath
22 showrooms, countertop fabricators, residential and
23 commercial builders and manufactured home builders.
24 Fabricated sinks, unlike drawn sinks, are commonly
25 sold direct to restaurant chains and to other end

1 users and are also commonly sold through food service
2 channels of distribution.

3 In sum, drawn and fabricated sinks occupy
4 very different positions in the market and are not
5 interchangeable products. The typical homeowner will
6 not consider purchasing a fabricated sink. Because
7 drawn sinks are sold primarily for residential kitchen
8 applications, demand for drawn stainless steel sinks
9 is largely dependent on new home construction and
10 residential kitchen remodeling. The economic
11 recession of 2008 and resulting housing crash caused
12 significant contraction of the U.S. market for drawn
13 stainless steel sinks.

14 New residential construction remains
15 depressed, excess supply still burdens the market and
16 the threat of an increased foreclosure rate creates
17 further uncertainty. The renovation market is also
18 weak because of lower levels of investor activity in
19 the market. In addition, homeowners have postponed
20 projects due to employment uncertainty and the lack of
21 available home equity loans to finance kitchen
22 renovations.

23 Activity in the commercial sector has been
24 slightly better than the residential market due, in
25 part, to the impact of stimulus funds, but as I have

1 stated, demand from commercial projects represents a
2 very small share of total drawn sink demand. The
3 competition in the U.S. market is between imported
4 drawn sinks and U.S.-produced drawn sinks. The drawn
5 stainless steel sinks from China that have been
6 flooding the U.S. market are completely
7 interchangeable with drawn stainless steel sinks
8 produced in the United States.

9 The raw materials and processes used in the
10 manufacture of drawn stainless steel sinks in China
11 and the U.S. are similar, if not identical. The
12 physical characteristics of imported and domestic
13 products are very similar. In fact, one internet
14 reseller used a photo of an Elkay sink to advertise
15 its Chinese sinks. A screen shot of this reseller's
16 ad is provided as Exhibit 2. It is also quite clear
17 to Elkay that over the course of the last several
18 years, Chinese competitors have purposefully copied
19 the designs of Elkay's top selling models.

20 Exhibit 3 is a screen shot from another
21 internet reseller of Chinese sinks, specifically, the
22 Mr. Direct website. This company is directly
23 targeting an Elkay high end sink and differentiating
24 their product solely on the basis of a significantly
25 lower price. We have also brought two physical

1 samples. Exhibit 4 is a Chinese sink purchased from
2 this internet source. Exhibit 5 is the comparable
3 Elkay sink. These samples show that there is no
4 meaningful distinction between the Chinese and Elkay
5 product except for the major difference in sales
6 price.

7 The domestic industry increasingly faces
8 Chinese sinks that are indistinguishable from ours in
9 the eyes of consumers. The high level of
10 interchangeability means that price is the most
11 significant factor in the consumer's purchasing
12 decision of a drawn stainless steel sink. Likewise,
13 distributors are driven to buy the lower end priced
14 Chinese sinks because they know consumers will not
15 notice any difference between the imported sink and
16 the domestic sink. They also know that many other
17 distributors will be selling Chinese sinks at
18 extremely low price points.

19 Despite depressed demand conditions, imports
20 from China, which were already significant in the
21 market in 2008, continued to increase in 2009 and
22 thereafter. From 2009 to 2011, imports from China
23 increased by approximately 60 percent in units. In
24 2011, imports from China represented over 85 percent
25 of imports from all countries. The sales of Chinese

1 sinks have come at the expense of the U.S. industry.
2 As the Chinese have gained market share, the domestic
3 industry has lost market share.

4 The growth of Chinese imports is driven by
5 pervasive underselling in all market segments and
6 throughout the quality spectrum of drawn sink
7 products. Chinese producers have expanded their
8 marketing activities over the period of the
9 investigation. Chinese sinks are an ever greater
10 presence at trade shows. For example, at the
11 industry's largest U.S. trade show, the Kitchen and
12 Bath Industry Show, also known as KBIS, the number of
13 Chinese companies has significantly increased each
14 year.

15 In 2009, there were already 13 Chinese
16 producers displaying at the show. In 2012, there are
17 22 Chinese producers registered to display drawn
18 sinks. Thus, there is an entire hallway of Chinese
19 sinks on display. In addition, there's a huge volume
20 of advertising activity through internet retailers.
21 Chinese manufacturers have also increased their direct
22 marketing efforts to stone countertop fabricators
23 through fast promotions and advertising in trade
24 magazines. Chinese producers and importers of Chinese
25 sinks have also targeted the home center retailers.

1 In 2010, Elkay lost significant volume at a
2 major home center retailer after being unable to meet
3 the price quotes from a Chinese supplier of comparable
4 models that were 20 percent lower than Elkay's prices.

5 Home center retailers do not conduct lien reviews
6 more than once per year. These customers have a short
7 product line of stock keeping units, or SKUs, on
8 display. The same assortment of SKUs is placed in all
9 stores across the country. As a result, the loss of
10 one SKU in a home center retailer represents
11 significant volume for a potential multiyear period.

12 To maintain existing stock business at major
13 retailers with customer OEM private label business and
14 for many wholesaler accounts, Elkay has been forced to
15 lower prices in order to maintain volume and some
16 portion of existing business. Competitive situations
17 have required us to respond with a proposal for
18 contract pricing or bids for large jobs, like
19 multifamily, multiunit construction jobs, at very low
20 prices. Since 2009, we have seen a significant
21 decrease in price points from an increasing number of
22 Chinese manufacturers.

23 In the countertop fabricator channel of
24 distribution, imports from China are often sold to the
25 fabricator at a price below Elkay's manufacturing

1 costs. Elkay has been forced to make the difficult
2 decision to either lower prices to the point of
3 achieving negative profit margins or to maintain
4 prices and profit margins and lose sales volume.
5 Since 2009, the price of stainless steel has increased
6 significantly. We have not been able to increase
7 sales prices commensurate with the raw material cost
8 increases incurred by Elkay.

9 Elkay has already lost a significant volume
10 of sales and lost revenue on remaining sales due to
11 imports from China. We see no sign that anything will
12 change soon. To the contrary, we expect the situation
13 to get worse. Many Chinese producers have focused on
14 the U.S. market, which is highly attractive. Given
15 their tremendous production capacity, we expect these
16 producers will increase their marketing efforts to
17 increase shipments to the U.S. market. We cannot
18 understand how the Chinese can price so cheaply. The
19 low prices can only be possible by dumping and illegal
20 subsidies.

21 In any event, it is clear that many Chinese
22 producers have the intention of maintaining and
23 increasing sales into the U.S. market, and that more
24 Chinese producers are on their way. Due to continued
25 high foreclosures, high unemployment and low consumer

1 confidence, price has become an ever greater factor in
2 purchasing decisions. Moreover, because drawn sinks
3 from China have taken so much market share, new, lower
4 price benchmarks have been established in the market.

5 The price pressure in the U.S. market will increase,
6 not abate.

7 In addition, although it is a much smaller
8 market than the United States, Chinese producers have
9 made great inroads into the Canadian market using the
10 same dumping tactics and the same subsidies we see
11 benefitting their exports to the U.S. market. As the
12 Commission is aware, substantial antidumping and
13 countervailing duty margins have been preliminarily
14 imposed in Canada on drawn stainless steel sink
15 imports from China. We have no doubt that final
16 duties will be imposed when those investigations are
17 concluded.

18 The margins in Canada are significant and
19 exports from China previously entering the Canadian
20 market will be redirected to the U.S. market. In
21 conclusion, despite Elkay's well-established market
22 presence and the quality sinks it manufactures in a
23 highly efficient manner, Elkay is being forced out of
24 the market by unfairly priced imports from China. We
25 have done everything we can to compete more

1 effectively, but the situation has become untenable.

2 The next step is the closure of Elkay's
3 production facilities and those of other U.S.
4 producers. On behalf of the domestic industry, Elkay
5 asks that the Commission not let this happen. Thank
6 you for the opportunity to provide this testimony.

7 MR. JUST: Good morning. I'm Paul Just,
8 President of Just Manufacturing Company. Our company
9 is located in Franklin Park, Illinois, and has been
10 producing stainless steel sinks for 79 years. My
11 brother and I are third generation of Justs to own and
12 operate this business. We have a company where it is
13 quite often for multiple generation of workers to work
14 side by side on the plant floor. We have a good, hard
15 working people. They take pride in their work.

16 When told the Chinese competition that was
17 out there taking jobs away at very low prices, they
18 worked all the harder, pulling together as American
19 workers in crisis have a habit of doing.
20 Unfortunately, we feel the competition is not playing
21 fair. At Just Manufacturing Company, we produce both
22 drawn and fabricated sinks. I agree with the
23 statements made by Elkay witnesses that there's a
24 clear distinction between drawn and fabricated sinks.

25 Although we produce both drawn and

1 fabricated sinks under the same roof, fabricated sinks
2 are produced using different equipment and processes
3 and a completely separate production line. The
4 employees that produce fabricated sinks are different
5 from employees that produce drawn sinks and the two
6 groups of employees utilize entirely distinct
7 production skill sets. In addition, it's obvious that
8 fabricated sinks are a much more labor-intensive
9 product.

10 We produce in a green facility. We recycle
11 and reclaim our steel, oil, wood, paper products and
12 even the water that's used in the manufacturing
13 process. We provide a safe, clean work environment
14 which requires us to spend money on making sure we are
15 in compliance with the rules and regulations posed on
16 us. Our employees are paid a fair middle-class wage,
17 as well as healthcare benefits. Just Manufacturing
18 supplies a quality product and we have an excellent
19 reputation in the marketplace.

20 Our reject rate is below one percent. We've
21 done many things to ensure our company is at the
22 cutting edge. We've invested in new equipment, new
23 processes and new IT to improve our production
24 efficiency. We've designed both machinery and
25 processes that are unique to Just Manufacturing

1 Company. As you can see from our confidential
2 questionnaire response, the increase in imports from
3 China has resulted in decreased sales for Just. I
4 will not sell a sink at a loss, so I must sacrifice
5 sales.

6 Let me emphasize that my questionnaire data
7 underestimates the impact of imports from China. I
8 had a much higher volume of sales as recently as 2008.

9 By 2009, the Chinese sinks had already a huge portion
10 of the U.S. market and they've been increasing volume
11 and market share since. As a result, our sales and
12 profits have been on a downward march. The decline
13 has been swift and is not abated.

14 The point I'm trying to make here is that we
15 have seemingly done everything right and in a fair
16 fight we could no doubt be winning this battle, but
17 our competition from China does not fight fair and
18 that's why I'm here today asking for your help on
19 behalf of my employees and the hundreds of vendors
20 that service our company. The price of Chinese
21 stainless steel sinks in our market continue to hit
22 new lows. I have personally seen prices being quoted
23 that are below our production costs.

24 There are essentially no places in the
25 market where we do not see the effects of these

1 imports. These low cost Chinese sinks continue to
2 infiltrate markets where they previously had not been:
3 healthcare, academic, hotel, motel, office buildings.
4 The Chinese products being offered are good quality.
5 For example, 18 gauge sinks are the high end of the
6 product offering for drawn sinks. Not only are the
7 Chinese offering the 18 gauge at excessively low
8 prices, they are also offering thicker gauges at these
9 low costs.

10 The imports from China are readily available
11 to purchasers and can even be purchased over the
12 internet. Finally, I would also like to state that
13 Just Manufacturing has plenty of unused production
14 capacity. We still have both equipment and square
15 footage to quickly ramp up production and respond to
16 an increase in customer demands if we can get the
17 sales volume. That obviously will not be the case
18 unless action is taken quickly to address this huge
19 volume of dumped and subsidized sinks in the U.S.
20 market.

21 I have a strong commitment to U.S.
22 manufacturing and every intention of maintaining Just
23 Manufacturing as a U.S. producer. Nevertheless, the
24 level of unfair imports from China has reached a point
25 where they jeopardize the existence of Just, a highly

1 efficient and innovative producer. Thank you for the
2 opportunity to present this testimony today.

3 MR. DORN: Madam Director, we'd like to
4 offer our exhibits into the record.

5 MS. DEFILIPPO: I was going to ask you so
6 you saved me. We will do that. Thank you.

7 MR. DORN: Thank you. I'd like to make a
8 few comments. I'd just like to highlight a few points
9 that were made in our petition, some of which have not
10 been addressed today. First, I think it's important
11 to note that Kohler company closed its Searcy,
12 Arkansas production facility at the end of 2009
13 because that plant was apparently underutilized. I
14 think that's significant because even with the closing
15 of that plant at the end of 2009, you still saw the
16 other U.S. producers losing production, employment and
17 sales in 2010 and 2011.

18 You would have thought they would have
19 picked up as a result of the falling of that plant,
20 but that did not happen because the Chinese continue
21 to come in and take market share. Mr. Perry, in his
22 opening statement, made a very interesting Bratsk
23 argument, which I'll love hearing what he has to say
24 on that. I haven't seen a case that's more un-Bratsk
25 like than this case where 85 percent of the imports

1 are from China. There is nobody that comes close to
2 the Chinese in terms of capacity for this product.
3 This is not a Bratsk-type case at all.

4 Among other things, in 2011, the average
5 unit value for imports from China was 37 percent lower
6 than AUV for imports from Mexico. Mexico is the
7 second largest source of imports but much, much, much
8 smaller than imports from China. I think it's
9 important to emphasize the fact that, you know, there
10 are 90 producers of drawn stainless sinks that we've
11 been able to identify to date and we provided some
12 information in our petition at pages 20 and 21 taken
13 from websites of just six of those 90 producers and
14 it's clear that the capacity for just those six
15 producers is more than sufficient to supply the
16 entirety of the U.S. market several times over.

17 Just from the six. So if you look at the
18 capacity of all 90, it's enormous. Now, we don't have
19 any Chinese producers showing up at this hearing
20 today. My guess is you'll get a poor response rate to
21 the questionnaires. There is plenty of public
22 evidence and the testimony from these witnesses to the
23 effect that the capacity in China is huge.

24 We point out in our petition that there are
25 a number of subsidy programs that are benefitting

1 Chinese production, including preferential lending,
2 income tax benefits, government provision of goods and
3 services for less than adequate remuneration, grant
4 programs and benefits due to the location in special
5 industrial zones. You heard reference to the
6 proceedings that are taking place in Canada. At the
7 end of last year, December 28, the Canadian
8 International Trade Tribunal made a preliminary
9 finding of material injury.

10 That case is also on drawn stainless steel
11 sinks. That's the like product. It does not include
12 fabricated sinks. It includes both undermount and top
13 mounted sinks. There's no artificial gerrymandering
14 to take out one portion of the drawn sinks. We would
15 ask the Commission to do the same here, to draw the
16 like product definition commensurate with the scope of
17 the articles subject to investigation. On January 25
18 of this year the Canada border service's agency
19 announced its affirmative preliminary antidumping and
20 subsidy findings.

21 The agency found dumping margins ranging
22 from 21 percent to 55 percent and found subsidy
23 margins ranging up to 19 percent. I think the
24 combined AD and CVD duties range from over 21 percent
25 at the low end to about 75 percent at the high end.

1 So, as you've heard, we think the Chinese
2 are going to redirect those exports that were going to
3 Canada to the United States. They've already
4 invested in the tooling to make sinks that are
5 appropriate for the Canadian and U.S. market. They're
6 going to have every motivation to utilize that tooling
7 to ship more product to the United States.

8 As Mr. Rogers said, the tooling for the
9 Chinese market tends to be different because of the
10 smaller size of the sinks.

11 I think we'll end our presentation with that
12 and look forward to your questions. Thank you.

13 MS. DeFILIPPO: Thank you very much, Mr.
14 Dorn, and a special thank you to the panel members
15 that came today to speak with us. I know it is hard
16 to get away from your jobs and we very much appreciate
17 you coming and providing us with information. It is
18 very helpful, and I enjoyed the pictures. I do like
19 seeing how things are made in the plant tour, so that
20 was particularly interesting.

21 We will start staff questions with one of
22 our investigators, Ms. Pozzi Porter.

23 MS. PORTER: Good morning. Stephania Pozzi
24 Porter, Office of Investigations. Thank you all for
25 coming here today. Thanks for your presentations.

1 Those answered a lot of my questions.

2 I also wanted to ask, can the U.S. industry
3 satisfy the U.S. market for the subject product?

4 MR. ROGERS: We believe we can, because we
5 have in the past. We have the production capacity.
6 Our plants are running at very low levels right now.
7 We're running one shift in all of our plants and we're
8 running less than five days in one of our plants,
9 actually two of our plants. So we can ramp up. It's
10 a question, of course, of getting the labor. But we
11 can ramp up to fulfill the U.S. need along with our
12 competitors very quickly.

13 We also believe that our competitors,
14 domestic competitors are also substantially under-
15 utilized.

16 MS. PORTER: Thank you.

17 MR. JUST: That is correct. We are also on
18 one single shift. We have the ability of running
19 three and we're on a four day work week as well.

20 MS. PORTER: Thank you.

21 One other question. What is your opinion on
22 using official DOC important statistics versus
23 questionnaire responses or a combination?

24 MR. DORN: It would be terrific you got a
25 full and complete response from U.S. importers and

1 could use the U.S. data. But we think that's very
2 unlikely and we think you should use the official
3 import data, certainly in this preliminary
4 investigation.

5 We had a long discussion with our witnesses
6 yesterday about what percentage of the imports within
7 the HTS category are drawn as opposed to fabricated,
8 and for several reasons we think that percentage is
9 very very high, conservatively in excess of 90
10 percent, probably 95 percent or more.

11 There are a number of reasons for that. One
12 is just looking at the size of the U.S. market in
13 units. The drawn sinks dwarf fabricated sinks. It's
14 just no comparison. So just based upon the
15 observation of the marketplace you'd have to think
16 that the very very high percentage of the sinks being
17 imported are drawn and not fabricated.

18 Also if you look at the average unit values
19 of the imports from China, they're very ver low. As
20 you've heard from the witnesses, average unit values
21 would be substantially higher for fabricated sinks.

22 Then based upon the knowledge of the Chinese
23 industry, we've identified 90 producers of drawn
24 sinks.

25 You know the modus operandi of the Chinese

1 with respect to consumer products. What do they do?
2 They always are looking for the high volume products,
3 right? That's where they start. They don't want to
4 go into niche markets, they want to use the scale of
5 their manufacturing facilities in China to go after
6 bread and butter, high volume products. The bread and
7 butter high volume products are drawn sinks, the kind
8 that you saw being made in the big hydraulic press
9 which are punched out at the rate of one an hour in
10 some plants and much quicker than that in others. As
11 opposed to fabricated sinks which could take six to
12 twelve hours to make per unit.

13 So given all those factors we're very
14 confident that the drawn sink share of the official
15 data is very very high, conservatively over 90 percent
16 and more likely over 95 percent.

17 MS. PORTER: Thank you.

18 MS. DeFILIPPO: Thank you, Ms. Pozzi Porter.

19 Ms. Sherman, questions from you for this
20 panel?

21 MS. SHERMAN: Amy Sherman, Office of
22 Investigations.

23 My first few questions are regarding the
24 domestic like product.

25 First, are fabricated stainless steel sinks

1 typically sold in standard sizes? For example to food
2 service equipment vendors. Or are they typically
3 custom ordered?

4 MS. SHEEHAN: The basic assortment of
5 products that we offer for the residential
6 applications, which is less than one percent of
7 fabricated sinks make up residential applications are
8 fabricated. We have a set SKU assortment.

9 On the food service side we do offer a set
10 SKU assortment, however, a good portion of what we
11 sell to food service in other commercial applications
12 are custom products sold through our custom division.

13 MS. SHERMAN: Thank you.

14 Now moving to the differences between the
15 top mount and the under mount sinks.

16 In the proposed scope it also mentions flush
17 mount sinks. Can you explain to us what a flush mount
18 sink is and the difference?

19 MS. SHEEHAN: The difference between a top
20 mount sink, describing it as flush mount, is the depth
21 of the rim. So how flat it lays across the counter
22 top. We do make distinctions in that respect because
23 in many applications you'll find that if the depth of
24 the rim is very thin or shallow, you can use a top
25 mount sink or a sink with a rim on an under mount

1 applications, which in some respects we call a dual
2 mount, that it can be dual purpose. So we do make
3 that distinction, that there is a top mount and under
4 mount, and in some instances if it has a shallow rim,
5 it can be used for both applications.

6 MS. SHERMAN: Thank you.

7 Are the channels of distribution similar
8 between top mount and under mount sinks?

9 MS. SHEEHAN: Yes, they are. We sell both
10 lines of products through plumbing wholesalers, large
11 box retailers, manufactured housing, builders. We
12 probably see less top mount sinks as Mr. Perry alluded
13 to. You see less top mount sinks in granite
14 fabricators because they install the under mount sink
15 underneath the granite counter top. That's probably the
16 only channel of distribution where there's a very wide
17 range of more predominantly under mount than you find
18 in top mount.

19 MS. SHERMAN: So for the big box retailers
20 you're selling both the top mount and the under mount?

21 MS. SHEEHAN: Generally speaking in the big
22 box retailers we'll sell a top mount or a dual mount
23 that can be used for both applications. But you will
24 find some sales of under mounts. We do have some SKUs
25 of under mounts in our big box retailers.

1 MS. SHERMAN: Thank you.

2 Can you tell us more about Elkay's
3 production facility in China? I was looking on your
4 web site and I saw that the Elkay China sites says
5 that it caters to the needs of Chinese households.

6 Can you comment on whether this production
7 facility is serving solely the Chinese market? Or do
8 you also produce sinks for export either to the U.S.
9 or other markets?

10 MR. ROGERS: We have a small plant in China,
11 in Zhuhai, China, which is south of Guanzhou. We have
12 had that plant since 2005. We produce domestic
13 product for the Chinese market. We also produce for
14 export basically around the world.

15 So yes, we do both there.

16 MS. SHERMAN: And do you have manufacturing
17 facilities in any other countries?

18 MR. ROGERS: We have a sink operation in San
19 Luis Potosi, Mexico, that is 100 percent domestic
20 production. We do not export any sinks from Mexico.

21 MS. SHERMAN: And my final question, Mr.
22 Dorn, you mentioned as was in the petition that there
23 are six foreign producers in China that you
24 highlighted. Do you know if those are the six largest
25 foreign manufacturers in China?

1 MR. DORN: I do not know that.

2 MR. MCGILL: Brian McGill.

3 At least two of them are major
4 manufacturers, but no, we did some extensive research
5 on the Chinese industry and they don't all, they do
6 not provide capacity and production data on their web
7 site, so it's very difficult to get that information
8 which is why it's unfortunate that the Commission
9 doesn't have questionnaire responses from some of the
10 largest producers.

11 I think if you look at one of the producers
12 that's entered an appearance before the Department of
13 Commerce, there may be some public data that becomes
14 available from that proceeding later in the
15 investigation.

16 MS. SHERMAN: Thank you all very much.

17 MS. DeFILIPPO: Thank you, Ms. Sherman.
18 We'll turn left and go to our economist, Ms. DiFiore.
19 Questions for this panel?

20 MS. DiFIORE: Good morning. Thank you all
21 for coming.

22 I have a couple of questions regarding
23 pricing and demand in the United States and abroad.

24 The first question, how has demand changed
25 within the United States for drawn stainless steel

1 sinks since 2009, January? And what are the current
2 demand trends? By current I mean since January 1,
3 2012. This is data that is not captured by the data
4 reported in the questionnaires.

5 MS. SHEEHAN: We view the market as
6 increasing very slightly since 2009. As a result
7 we've certainly lost share at the expense of Chinese
8 manufacturers gaining shares. The market is not
9 increasing as fast as everyone would hope, but
10 certainly since 2008 it has grown, but it has not
11 nearly reached the size of what it was before the
12 economic recession in 2008.

13 MS. DiFIORE: So it is rebounding, but it's
14 not back to the levels of --

15 MS. SHEEHAN: Absolutely. It's very very
16 slowly coming back up. And the confidence that it
17 will ever hit the market that it was in 2008 is
18 extremely low.

19 MS. DiFIORE: Thank you.

20 Do you know anything about demand outside
21 the United States? I've heard a lot about Canada
22 today, but what about Europe and the rest of the
23 world?

24 MS. SHEEHAN: Unfortunately I'm not really
25 in a position to speak to that. Most of our

1 manufacturing and most of our volume is domestically
2 centric, so I wouldn't be the best person to ask that
3 question.

4 MS. DiFIORE: Thank you.

5 Is the market subject to business cycle or
6 seasonality?

7 MS. SHEEHAN: We have virtually no
8 seasonality in our business.

9 MS. DiFIORE: As far as a little bit about
10 raw material prices this morning, what are the current
11 trends? Are they changing or do you expect the
12 current trends to continue?

13 MR. ROGERS: Nickel surcharges have reduced
14 of late. The last time I checked nickel was less than
15 \$9 a pound, so I think that there is some downward
16 pressure on pricing. We have not materially seen it
17 yet. Stainless was on the
18 rise last year, surcharges reached above \$10.50 for
19 example. So we do see some pressure downward right
20 now. A lot of that is due to what we think is
21 decreasing raw material demand from China. So there
22 does appear to be some downward pressure. We haven't
23 seen it yet translate to base price.

24 MS. DiFIORE: You testified before this
25 morning that you were not able to pass the surcharges

1 to your customers?

2 MR. ROGERS: We have never been able to pass
3 a surcharge along in the period that this
4 investigation covers. It's virtually impossible
5 because you're always going to get undercut.

6 MS. DiFIORE: Thank you very much. I
7 appreciate your answers.

8 MS. DeFILIPPO: Thank you. Mr. Tsuji,
9 questions for this panel?

10 MR. TSUJI: Good morning, everyone. Thank
11 you very much for being with us. I just have a few
12 quick questions.

13 First of all, thank you very much for
14 providing us with the video of the production
15 processes to show the distinctions between drawn
16 versus fabricated stainless steel sinks.

17 A follow-up question is the processes that
18 we saw in the video, are those pretty much standard
19 and widely disbursed among the world among companies
20 that are producing stainless steel sinks?

21 MR. ROGERS: The answer is yes. The basic
22 process is virtually the same, no matter where you
23 are. Companies will apply different levels of
24 automation depending upon what their labor input costs
25 are.

1 So you will see some automation even on a
2 fabricated line, but it's highly unlikely unless they
3 have very high volumes, and it's hard to get volume on
4 a fabricated line. You just don't get the SKU count
5 to justify big runs, so it does tend to lend itself to
6 piece-work.

7 On a drawn sink, our Ogden facility is
8 highly automated. We can produce a sink every 45
9 seconds off of that facility. It involves robotics,
10 highly specialized end of arm tooling, and very low
11 labor input. But the core process is the same.
12 There's a hydraulic press, there's a welding
13 planishing machine, the grinding is done by a robot
14 instead of a person, the sound deadening is still
15 applied by a person. It's the same process, and it's
16 the same in China. There is no difference.

17 MR. TSUJI: Thank you.

18 Second, when it comes to the stainless steel
19 grades, are the most common ones that are used, and to
20 what extent can you switch among them depending on the
21 relative costs?

22 MR. ROGERS: There are three steel grades
23 used globally in stainless. There is a ferritic
24 grade, which receives its corrosion resistance not
25 from nickel but from chrome, and that's a 400 series

1 stainless, very low cost. It does have its
2 application in sink markets in some parts of the
3 world, most notably in Brazil. That's a 400 series
4 market. But 400 is very hard to draw unless you buy a
5 higher end alloy of 400 called 440 or 430 grade
6 ferritic stainless.

7 Then there is the 300 and 200 series, which
8 does receive its corrosion resistance from nickel.
9 The 200 series has a very low level of nickel in it.
10 It is not appropriate for stainless steel sinks
11 because it rusts.

12 300 series is most commonly used around the
13 world for stainless steel sink production and you find
14 two principal grades of stainless steel in the 300
15 series used for sinks. 304 is the most common,
16 ranging from 8 to 10 percent nickel in content. That
17 is commonly used around the world.

18 The other grade that is also used has a
19 lower nickel content. It's called 301 series. That's
20 very hard to get in some areas of the world, but that
21 is also used for stainless steel sink production as
22 well.

23 That's I think pretty much the gamut of what
24 you see in stainless, what we call stainless.

25 MR. TSUJI: To what extent can you trade off

1 among those grades depending upon the relative costs
2 of the stainless steel?

3 MR. ROGERS: For most sink grades, 301 is
4 acceptable. For most sinks. I'm talking about the
5 lower priced sinks. It is acceptable to use a 301
6 series.

7 As you go higher in range you begin to get
8 into marketing issues if you stray from 304, because
9 that is the desired grade for a higher end.

10 There is also a 316 that is used in food
11 service applications or in laboratory applications
12 where high resistance to acids and chlorides is
13 required. A chloride will rust out a lower 300 series
14 sink just as fast as a 200 will from water.

15 MR. TSUJI: When it comes to the global
16 industry, I believe one of the witnesses mentioned
17 that among U.S. imports of all stainless steel sinks,
18 85 percent come from China. No other producing
19 company can match China's production volumes. But
20 what are the other major countries that are
21 significant producers of stainless steel sinks around
22 the world, other than the United States and China?

23 MR. ROGERS: Canada, as previously
24 mentioned, does bring sinks into the United States.
25 These are generally producer -- You can name a company

1 with these countries in general terms.

2 Germany, Switzerland, Mexico, those are the
3 big ones I would think. Korea to some extent.

4 MR. TSUJI: If you could, please elaborate
5 in your post-hearing brief the relative ranks of these
6 other producers, and then if you can, if you have any
7 info on the relative sizes of their production
8 capacity and also for the Chinese industry.

9 MR. ROGERS: We'll provide that in a post-
10 hearing brief.

11 MR. TSUJI: As well as, as you mentioned,
12 the named like company that comes to mind for each of
13 these countries, that would be helpful for us.

14 Finally, is there an industry association in
15 this country for producers of stainless steel sinks as
16 well as worldwide or in other countries?

17 MR. ROGERS: In the U.S., no. I am not
18 familiar with producer associations in other parts of
19 the world. Paul? If you know. I don't think so.

20 MR. JUST: Plumbing associations, but not
21 specific to stainless steel sinks.

22 MR. TSUJI: Thank you very much.

23 MS. DeFILIPPO: Thank you, Mr. Tsuji. We'll
24 now turn to Mr. Fishberg for questions.

25 MR. FISHBERG: Good morning. David Fishberg

1 from the Office of the General Counsel.

2 First I'd like to thank the members of the
3 panel for appearing today. I found your testimony to
4 be very helpful and you've answered a lot of questions
5 that I had, but I still have a few more.

6 First, I appreciate in your petition how you
7 went through the six like product factors that the
8 Commission takes a look at in terms of fabricated
9 versus drawn sinks. I would appreciate it if you
10 could do that as well for under mount versus top mount
11 sinks. I think you'll probably hear a lot of
12 discussion from the next panel from that, so whatever
13 you can do to be responsive to what you hear in the
14 next panel, that would be helpful.

15 If there's anything you'd like to say right
16 now knowing sort of the six factors about under mount
17 versus top mount, the floor is yours.

18 MR. DORN: That argument is so far-fetched
19 it never occurred to us anybody would make a
20 suggestion that you would separate under mount and top
21 mount, but we will address that applying the six
22 factors in our post-conference brief.

23 MR. FISHBERG: I appreciate that.

24 In terms of the fabricated versus drawn
25 sinks, I think what I'm hearing is that you don't see

1 fabricated sinks in residential houses because it's
2 pretty much cost prohibitive and appearance purposes.

3 Is that correct?

4 MS. SHEEHAN: There are basically three
5 factors. It's the cost; cleanability -- when you have
6 a fabricated sink the corners are very tight and
7 difficult to get in as a home owner to clean their
8 sink; and third is aesthetics.

9 MR. FISHBERG: Thank you.

10 It sounds like there will be some related
11 party issues in this case, so I'd appreciate it if in
12 your post-conference brief you can address those
13 issues.

14 MR. DORN: We'll be glad to do so.

15 MR. FISHBERG: I think we've heard today
16 that it appears the vast majority of imports are from
17 China. Is there any reason you can think of beyond
18 price why that would be the case?

19 MR. ROGERS: We can't think of any.

20 MR. FISHBERG: Are there any non-price
21 reasons that you see that would provide a reason why
22 Chinese imports are necessary in the market as opposed
23 to imports from other countries?

24 MR. ROGERS: I see none. It's price.

25 MR. DORN: Of course this is related to

1 price, but the scale is just so much greater in China
2 than anywhere else. Elkay bought a plant there with
3 the idea of serving the Chinese market, but there's
4 just cut-throat competition there, so they've got to
5 do something with all this capacity. They're
6 competing with each other to serve the U.S. market,
7 and they compete with each other on price, then they
8 naturally undersell the U.S. producers by large
9 margins.

10 MR. FISHBERG: You're probably going to want
11 to do this in your post-conference brief, but in terms
12 of the Chinese plant, can you provide the reasons
13 behind establishing that plant and the reason why
14 there might be exports from that plant, that would be
15 helpful.

16 MR. DORN: We would be glad to do that.

17 MR. FISHBERG: Now going to your Mexican
18 production facility, I believe the testimony was it
19 has never exported, it's only served the home Mexican
20 market demand. Is that correct?

21 MR. ROGERS: It has in the past, in past
22 history supplied I think it was one customer, but that
23 was not inside this -- It was a long time ago. We do
24 not currently supply any sinks to the United States
25 from Mexico.

1 MR. FISHBERG: What's the reason behind
2 that? Is there something to do with the tooling in
3 that plant, or is it that the demand in the Mexican
4 market is so great that they're --

5 MR. ROGERS: We have a very healthy demand
6 business in Mexico that that plant serves. We see no
7 reason to serve the United States from that plant.

8 MR. FISHBERG: Is there anything in terms of
9 the tooling of that plant that would prohibit you
10 from, it would be cost-prohibitive to supply the U.S.
11 market --

12 MR. ROGERS: That plant only produces sinks
13 in 20 and 22 gauge steels. It does not produce 18
14 gauge. 18 gauge is a very popular gauge range in
15 drawn stainless steel sinks. Our Mexican facility
16 cannot produce 18 gauge.

17 MR. FISHBERG: Thank you.

18 I saw in terms of comparison of AUV data
19 between Chinese and other countries, I think the
20 points been made that the AUV data for the China user
21 are well below that of the other countries. The
22 volumes are much less for the other countries.

23 How are we supposed to take into account
24 that, based on the official import statistics, that
25 also includes fabricated sinks that are not included

1 within the scope, and therefore it might not be a true
2 apples to apples comparison since what I'm hearing is
3 that the vast majority of Chinese imports are of drawn
4 sinks.

5 How are we supposed to sort of deal with
6 that issue? I'd like to get your thought on that.

7 MR. DORN: We don't think there's any
8 difference in terms of the proportion of drawn versus
9 fabricated coming from these other markets as well.
10 The same factors that lead to a very high percentage
11 being drawn from China would also apply to these other
12 countries.

13 MS. SHEEHAN: In addition, earlier you
14 referred to the name plate companies for each one of
15 those countries that are importing products, and in
16 our post-conference brief we'll be able to identify
17 the specific company that is behind the import from
18 those other countries. It's basically a one-to-one
19 ratio of companies who import, and those are all in
20 drawn sinks.

21 MR. FISHBERG: Thank you.

22 How would you respond, I guess, to what we
23 heard in the opening today from Respondent's side that
24 you're going to be unable to make the causation case
25 here because if we put an order on China, they're just

1 going to move production to other countries and
2 therefore you're not really benefitting the U.S.
3 industry. It's just going to go to other countries
4 throughout the world. How would you respond to that?

5 MR. DORN: It's a bizarre factual setting to
6 make that argument, when 85 percent of the imports are
7 coming from China, when the Chinese are under-pricing
8 every place else in the world, and given the fact this
9 is a capital intensive industry, with large investment
10 in manufacturing equipment. It's not like textiles
11 where you can just go from one country to another
12 quickly.

13 We don't think much of that argument. If in
14 fact some other country were to spring up and start
15 bringing product into this country, we'd have to take
16 a look at whether that was being done in a fair
17 manner.

18 MR. FISHBERG: I heard some mention to this,
19 the recession that occurred in the United States, and
20 I'm wondering what effects did the U.S. recession have
21 on this industry and in your opinion how does the
22 Commission satisfy itself that alleged injury to the
23 domestic industry was caused by subject imports and
24 are not simply the effects from the recession?

25 MR. DORN: To answer that question I think

1 requires looking at the confidential record and
2 looking at the consumption patterns from 2009 to 2011.

3 I think when you do that and you see that the
4 increase in imports from China in relation to the U.S.
5 market, I think that will answer the question, but I
6 can't do that -- In the confidential record.

7 MR. FISHBERG: That will be fine. Once you
8 look at the numbers you can provide --

9 MR. DORN: We'll be happy to address that in
10 the post-conference.

11 MR. FISHBERG: Thank you.

12 I think I probably know the answer to this,
13 but can you please describe the impact of non-subject
14 imports on the U.S. market currently?

15 MR. DORN: Non-subject imports would be
16 imports from countries other than China.

17 MS. SHEEHAN: That's been the basis for our
18 competition outside of looking at the very low cost
19 sinks or low priced sinks that are coming in from
20 China. WE compete with them on a daily basis. The
21 playing field is fair. We can't look at any of those
22 sinks coming from another country and say how in the
23 world could they possibly be pricing that low. We're
24 definitely on a fair playing field when we look at
25 those other countries.

1 MR. FISHBERG: In the market place have you
2 seen sort of an increase in imports from countries
3 other than China?

4 MS. SHEEHAN: No. No. To the counterpoint,
5 they've been affected just as negatively as we have in
6 the U.S. market.

7 MR. FISHBERG: Thank you.

8 A couple more questions. In terms of the
9 under mount sinks, can you just describe whatever
10 marketing efforts you've made towards China selling
11 under mount sinks to granite fabricators directly?
12 How has that been affected?

13 MS. SHEEHAN: We do have a business that
14 focuses on fabricators. We have a significant
15 business through a major retailer servicing the
16 fabricator market. Where we've attempted to do so
17 we've been completely locked out, though. If you look
18 at our fabricator sales, which we can provide to you
19 direct to that channel, that business has suffered.
20 In most instances we've been completely locked out of
21 that channel due to low prices coming in from China
22 specifically.

23 MR. FISHBERG: Are there any geographic
24 constraints to areas that you can serve?

25 MS. SHEEHAN: In the U.S. market?

1 MR. FISHBERG: In the U.S. market.

2 MS. SHEEHAN: No.

3 MR. FISHBERG: And finally, just for your
4 post-conference brief, any more information that you
5 can provide regarding the factors the Commission
6 traditionally considers in determining threat of
7 material injury, that would be helpful.

8 MR. DORN: We'll be glad to do so. Thank
9 you.

10 MR. FISHBERG: Thank you again. Thank you
11 for your testimony.

12 MS. DeFILIPPO: Thank you, Mr. Fishberg.

13 Mr. Corkran, questions for this panel?

14 MR. CORKRAN: Douglas Corkran, Office of
15 Investigations.

16 Thank you very much for your testimony
17 today. It's been extremely helpful. We always very
18 much appreciate when you take the time and effort to
19 come to our agency to discuss these issues.

20 I'd also like to further thank both Mr. Just
21 and Mr. Rogers mentioned the fact that you produce
22 fabricated stainless steel sinks, so I appreciate the
23 additional information that appears and is being
24 compiled in your questionnaires. We understand that
25 that represents a burden. We also try to do our best

1 to make sure we have a complete record for the
2 Commission. But again, thank you very much for your
3 time and effort on that as well.

4 I was wondering if you could talk a little
5 bit about the marketing and the channels of
6 distribution just a little bit further. We've
7 initially collected data on the basis of classes of
8 customers such as distributors and end users, but I'm
9 trying to get a sense for where big box customers,
10 where fabricators, how this product makes it way into
11 the marketplace, if you could elaborate a little bit
12 on that.

13 MS. SHEEHAN: I guess I'd have to start with
14 the entire process of how a consumer makes a decision
15 when it comes to selecting products for their kitchen
16 renovations.

17 There are a variety of different sources
18 that are out there, everything from the internet to
19 home center big box retailers to going to their local
20 plumber and asking for recommendations to going to a
21 plumbing showroom. There are so many different
22 sources of information. At the end of the day we find
23 that the consumer grabs all these sources of
24 information and makes the choice in the channel that
25 they feel most comfortable in.

1 There have been some instances with, not
2 some instances, but there have been some attractions
3 going into the fabricator channel. Many of these
4 counter top fabricators offer the sink for free with
5 the purchase of the granite counter top. This has not
6 changed sink demand in any way, shape or form. All it
7 does, it's used as a promotional ploy for granite
8 counter top fabricators to compete with each other.
9 So in some instances where the consumer has made a
10 selection, independently they are lured by the low
11 price or in many instances free sink that's given at
12 the fabricator channel.

13 Again, there's a variety of different
14 things, depending on the price of the sink that you're
15 willing to pay for, the features that you want on
16 where you're going to go. But at the end of the day
17 there's probably four different channels of
18 distribution that they can shop through -- internet,
19 counter top fabricators, the big box retailer, and
20 the plumbing show room.

21 MR. CORKRAN: For food service, though, it
22 would be a different --

23 MS. SHEEHAN: I'm specifically speaking to
24 the purchasing decision of a residential sink.

25 The other channels of distribution as far as

1 institutional go or home and health care, many of
2 those are made through specs. A product is specified
3 on a job spec either by the architect or the building
4 manager, the building engineer. Then those products
5 are purchased through, traditionally purchased through
6 plumbing wholesale. Many are going through the
7 internet now. That is an increasing trend. Or a food
8 service distributor specifically who sells food
9 service equipment.

10 MR. CORKRAN: Thank you very much. That's
11 very helpful.

12 Staying on that same general theme, can you
13 tell me a little bit more about the role of trade
14 shows in your industry and how you promote through
15 trade shows or other large meetings like that.

16 MS. SHEEHAN: Paul will probably want to
17 also speak to this a little bit.

18 We have one major industry trade show that's
19 in the U.S. market. It's called KBiz. I referred to
20 that in my testimony. The KBiz trade show has
21 declined significantly since 2008, both in attendance
22 and exhibitor presence. It has traditionally been for
23 our distributor customers to attend. You do get some
24 designers and architects walking through the show
25 floor.

1 Typically speaking, the return at that show
2 has been so low because of the decline in attendance.

3 Trade shows are not that impactful any more in the
4 residential market because of simply the costs not
5 only for us to attend but also for attendees to
6 attend. They've really stopped attending that show.

7 The point really to be made here is that
8 although attendance is down and overall exhibitors
9 have declined, we've seen a dramatic increase in the
10 number of Chinese producers that are attending that
11 show and they market much differently than that show
12 has traditionally been marketed.

13 If you walk down the hallway of Chinese
14 producers that are exhibiting at the show, everything
15 is based on price. They sell their products on price
16 on the show floor. That is a practice that had never
17 been done until the influx of Chinese manufacturers
18 started attending that show, and it's strictly a price
19 game.

20 MR. DORN: I was slow to pick this up, we
21 were talking about this yesterday. You probably
22 picked it up right away. But as I understand it,
23 traditionally folks have gone to these shows and
24 they've been emphasizing their product features and
25 quality and so forth and they don't display their

1 prices at all, but China puts price front and center.

2 MR. JUST: Actually, you walk down these
3 aisles, it's a hard sell. They come right at you,
4 they have the price -- buy a truckload of this
5 particular model, it's \$50, \$50 a unit. It's
6 something that's never happened before. As Mr. Dorn
7 said, we're marketing towards the architects, the
8 engineers, kitchen designers and they want to see your
9 product specifications, the quality of your product,
10 the breadth of your product line. But they're
11 actually kind of changing the ball game on us with the
12 trade shows.

13 MR. CORKRAN: Thank you. That's very
14 helpful.

15 Mr. Just, I'd like to stick with you to ask
16 some additional questions about your company's
17 marketing and channel structure. If it differs much
18 from what we've heard already, as I understand it you
19 have a single U.S. facility and I don't know if you
20 have an international presence, but does your
21 marketing differ somewhat from what we've heard from a
22 multi-facility, multi-national presence in Elkay?

23 MR. JUST: Basically Elkay is very heavily
24 into the residential market. We're in the residential
25 market as well, but not as heavily as Elkay. We're a

1 little more commercially driven.

2 When they sell their commercial product they
3 well it through the same channels that we sell it
4 through, through plumbing wholesalers. You basically
5 market to architects and engineers, get your product
6 specified so when they're designing a building they'll
7 list the manufacturers that they would like used on
8 that project. Then the product is sold through public
9 wholesalers who in turn pass it on. They package
10 things together. Faucets, drains, and kind of market
11 that way.

12 MR. CORKRAN: What has been your experience
13 in selling stainless steel sinks to fabricators? We
14 heard a little bit of that testimony from Elkay's
15 experience. What has been your experience?

16 MR. JUST: WE don't generally sell to sink
17 top fabricators. It's not a market that we've delved
18 into. Elkay is pretty much in every market. That's
19 something we haven't done. We're a small company and
20 we stick to what we know for the most part.

21 We were in the residential, but in terms of
22 all the different market categories, it's hard to,
23 when you have a limited budget from a marketing
24 standpoint it's hard to target every single venue or
25 outlet.

1 MR. CORKRAN: Thank you. Thank you very
2 much, I appreciate that.

3 One of the questions I had looking at
4 Exhibit 2, the company name identified in that exhibit
5 is Amerisink which is also listed on the second
6 attached page as the manufacturer.

7 This is not, my take from the name would be
8 that it might be a U.S. based manufacturer. Who is
9 this company that we're talking about here?

10 MS. SHEEHAN: They're a Chinese
11 manufacturer.

12 Basically on this exhibit we found that they
13 were marketing their sink using our image and we
14 issued a cease and desist letter to them to use their
15 own image. The reason why we submitted this is
16 because it's a very obvious and clear example of the
17 fact that these Chinese manufacturers have knocked off
18 our sinks to the point where they can even use our
19 photography to market their own product.

20 MR. CORKRAN: I'd like to follow up on that
21 point. I think earlier testimony indicated that some
22 maybe many of the models that were offered from
23 suppliers outside the United States incorporated Elkay
24 models either by reference or were similar or exactly
25 identical to Elkay models.

1 Do you see the same dynamic in Canada or in
2 Mexico, that Elkay models are used as essentially the
3 point of reference for sales?

4 MS. SHEEHAN: No, as a matter of fact as I
5 mentioned, if you look at the other major importers
6 that you can associate a company with a name, we have
7 different ways of manufacturing and we have
8 traditionally sold against each other on features, on
9 geometry and features like finish, depth, things like
10 that that differentiated us from each other. And when
11 you have Chinese manufacturers that have come into the
12 market place, knocked off our models and truly are
13 selling only on price, it kind of takes the marketing
14 efforts away from what you can do when we used to be
15 competing on who's got the better features, who can
16 provide more value to the consumer, on all those
17 attributes in combination. Now when you've got a sink
18 that looks exactly like yours because they've copied
19 our top models, it truly is only a price game.

20 MR. JUST: I'd just like to add one other
21 thing. Not only are they doing that, but they're one-
22 upping us as well. As you can see in the exhibit over
23 here, the sinks are virtually identical except theirs
24 is made out of 16 gauge stainless steel which is a
25 much heavier gauge. It's a lower number. When the

1 gauges go down the thickness of the steel goes up.

2 So they're still selling that sink at an
3 incredibly low price, even though it's actually
4 thicker, and they're marketing against us based on
5 that as well.

6 MR. CORKRAN: Here's a question that may
7 well be obvious to you, it isn't to me. In terms of
8 desirability of a sink from a purchaser's perspective,
9 are you looking for a heavier or a thicker steel
10 product? Or are you actually looking for a thinner
11 product? What is more desirable from the purchaser's
12 perspective?

13 MS. SHEEHAN: When you look at a gauge like
14 a 22 or even a 20 gauge sink, there is a very
15 noticeable difference between that and say an 18 gauge
16 sink which has been predominantly used as the high end
17 sink for residential and for other applications.

18 At Elkay we do not believe that the
19 difference between 16 and 18 provides that much more
20 benefit to the consumer, but it has been used as what
21 we would consider a marketing ploy to put out a
22 misnomer that 16 is significantly better than the 18
23 gauge.

24 MR. JUST: Generally 16 gauge is used in
25 more commercial applications where you have very heavy

1 abuse, which unless you have 12 kids you're not going
2 to get that in a kitchen.

3 MR. CORKRAN: My three come close sometimes
4 I think.

5 The gauge difference, is that a distinction
6 that you see in terms of the under mount and the top
7 mount sinks? Or as a general matter do they, are they
8 typically produced from the same gauge steels?

9 MR. ROGERS: Typically the same. It's
10 important to understand that the only difference in
11 the process between a top mount and an under mount,
12 when you saw that video and I described the rim
13 forming operation, that's where the difference occurs.
14 The only different occurs. It's that one process
15 step that is different. You still have to trim that
16 under mount sink to get the dimensions correct. So it
17 still goes through a trimming operation. It simply
18 does not receive a rim operation.

19 The gauge can be, is not a differentiation.

20 MR. CORKRAN: Thank you. I'm just about
21 finished with my questions, but I would like to ask a
22 general question.

23 When you're planning ahead for demand and
24 other competitive factors in the U.S. market, are
25 there particular public sources that you look to, are

1 there particular indices or marketing information that
2 you follow in terms of construction in the U.S., other
3 sort of gauges for demand?

4 MR. ROGERS: On the residential side there
5 are leading and lagging indicators that we track. For
6 example, we look at unemployment and we tend to look
7 at the true unemployment rate, so we factor in people
8 who have left the work force and we do our own
9 factoring. We don't buy the current number, we think
10 it's perhaps even double what is being, so we take
11 that into account.

12 Then we always look at housing starts.
13 That's an indicator of course of new construction. We
14 also look at existing home sales. Then there is data
15 available on remodeling. So those are the principal
16 factors in the residential market that we look at.

17 On the commercial side of the business we
18 look at the ABI the Architectural Billing Index. So
19 we take a look to see what is in the pipeline for
20 planned buildings. Hospitals, schools, office
21 buildings. If the ABI is going up that's a sign that
22 for us, a sink producers, we always look for when is
23 pipe going in the ground. When we see that pipe is
24 going in the ground, then we count forward anywhere
25 from 12 to 18 months and we know that we're going to

1 get work. So that helps to forecast demand for us.

2 We also look at a report called the Dodge
3 Report which is available, I'm sure you've heard of
4 it. The Dodge Report which is tracked by every
5 plumbing rep we have, and they get an early signal as
6 to pipe going in the ground. There's a commercial
7 structure going up, and they're on it.

8 So there are different indicators for the
9 different segments.

10 MR. CORKRAN: Thank you. That is very
11 helpful to look through each of these.

12 I guess the last question I have is, I
13 wondered if you could expand on the testimony that
14 you've already given with respect to your marketing to
15 fabricators. I believe you indicated that the prices
16 at which you could sell to fabricators were such that
17 it puts you in a choice of losing money or losing
18 volume.

19 Can you elaborate on that, and can you tell
20 me is this a long-term trend that you've been seeing?

21 Is this something that's recent? If you can
22 elaborate on your experience.

23 MS. SHEEHAN: Certainly since 2009 we've had
24 many opportunities to participate in that business.
25 But we do have in almost every instance we have to

1 make a very difficult choice about whether or not we
2 want to put volume into the plants at negative margins
3 or if we just simply walk away. The price points that
4 have been established by Chinese manufacturers in the
5 fabricated channel has been so low that it is
6 virtually impossible for us to compete. Certainly
7 from a long-term perspective. Because now that that
8 price point has gotten to where it is, bringing that
9 up, we just can't do that.

10 It's been established in the market place
11 and I don't see that increasing any time soon without
12 some assistance.

13 MR. JUST: That's precisely why we don't go
14 after that market as well. With the limited resources
15 we have we're trying to point towards something we can
16 actually make money at, not lose money.

17 MR. CORKRAN: Thank you. This is my very
18 last question, I promise.

19 The reference to putting volume through the
20 plant made me wonder a little bit about this. We
21 heard testimony earlier today about the number of
22 shifts at some of the facilities and the number of
23 days they were being operated. What is necessary to
24 increase capacity at your facilities and I'm
25 wondering, is it a lumpy operation where you need a

1 fairly large increase in volume to bring on another
2 shift? Or is it something that can be done
3 incrementally with moderate increased volumes?

4 MR. ROGERS: I can give you a fairly precise
5 answer to that in the post-hearing brief. I can't do
6 it off the top of my head right now, but I can give
7 you a pretty precise by facility what that is. It is
8 not linear. It's step-wise. For example, it requires
9 a certain level of volume to bring on another shift,
10 otherwise you can't justify bringing the people back.

11 The facilities are there. The equipment
12 that you saw, that's fixed. It's going to run around
13 the clock if we want it to with proper maintenance
14 applied, but it's the people and that is, as you say,
15 lumpy. In the post-hearing brief we'll tell you
16 exactly what lumpy looks like.

17 MR. CORKRAN: Just, is that similar for you?

18 MR. JUST: It is. It's just about people in
19 terms of equipment and square footage. We're fine
20 there. It's just a matter of getting the people,
21 which there are plenty of people out there.

22 MR. CORKRAN: Thank you all very much for
23 your testimony. I appreciate the time and effort
24 you've spent and in particular your time today. Thank
25 you.

1 MS. DeFILIPPO: Thank you, Mr. Corkran. I'm
2 trying to look through my very messy scratched-out
3 questions because both the panel and staff have done a
4 good job of covering the areas that I was scribbling
5 down questions on. But I do have a couple of things
6 to follow up on and then I'll turn to staff for one
7 last time to see if they have any additional.

8 To follow up a little bit on the discussion
9 you were just having with Mr. Corkran on the different
10 channels. You were just talking about how you were
11 trying to compete in sort of the granite contractor
12 channel.

13 Of the channels that you're selling the
14 product to is there a channel or more than one where
15 you felt a greater pressure in terms of competing with
16 the Chinese? Are there different degrees of
17 competition that you feel within a different channel?
18 Or are you feeling a similar price pressure in all of
19 the channels we've talked about today?

20 MS. SHEEHAN: It's affected all of the
21 channels of distribution and we kind of speak about,
22 one of the very good examples is found in the third
23 exhibit where despite the fact that Chinese companies
24 have come in and established certain price points in
25 various channels like big box retailers which we

1 alluded to in our testimony, like fabricator channels,
2 they've also gone head to head with us or gone after
3 our like products at the very high end of the spectrum
4 where we only sell those products through plumbing
5 wholesalers and plumbing show rooms because of the
6 type of consumer that's shopping and that is willing
7 to pay, in some instances, a higher price for a
8 premium product. Going head to head with those
9 products directly and obviously because they're
10 simply, again, competing on price, not on the other
11 features. Just taking a picture of our sink, a
12 picture of theirs, and undercutting us by substantial
13 margins.

14 So we've seen it everywhere and it's
15 affecting the entire industry as a whole as you look
16 at consumer prices. It's affecting our entire
17 industry as a whole.

18 MS. DeFILIPPO: Thank you.

19 Is it fair to say that there's an equal or a
20 fairly equal presence of the Chinese in all of the
21 markets?

22 MS. SHEEHAN: I think you have a greater
23 number of Chinese producers in a certain channel like
24 fabricators because there are so many fabricators and
25 so many opportunities for a multitude of Chinese

1 producers to hit that channel, because there are so
2 many independent contractors.

3 If you look at big box retailers, there's
4 really only three, and you can't have a multitude of
5 Chinese companies in one single channel. But you see
6 them in every single channel from our large plumbing
7 wholesale distributors to plumbing show rooms who are
8 independently bringing in Chinese imported products to
9 fabricators, to big box. We see them everywhere.
10 Where they're concentrated is based on how many
11 individual companies there are competing in that
12 channel.

13 MS. DeFILIPPO: Mr. Just, did you have
14 anything to add?

15 MR. JUST: No, I agree with that.

16 MS. DeFILIPPO: Are the stainless steel
17 product offerings similar across channels, or are
18 there different, I think you just mentioned that in
19 sort of the higher end product you might see that
20 predominant in a contractor. But in general, are
21 similar sizes, types, et cetera, available along the
22 different channels?

23 MS. SHEEHAN: Yes. It's very similar across
24 the different channels. Again, you do get more of what
25 we call a luxury product going in through plumbing

1 show rooms, but we also sell the same types of
2 products through plumbing wholesale distributors that
3 we sell through all the other channels. It's just
4 that you have a wider range and wider selection when
5 you go to a plumbing show room.

6 MS. DeFILIPPO: Thank you.

7 To the extent that it's not in the
8 questionnaire, and I haven't looked at the
9 questionnaire in a while, in your post-conference
10 brief, if you can provide sort of a general estimate
11 of the breakout of your sales to each of those
12 channels, even just for over the period or for the
13 last year, an estimated percentage would be fine, that
14 would be helpful.

15 In your response you talked about the sort
16 of big box retailers, and we've heard a lot about them
17 in different products. We've been doing refrigerators
18 and washers and I've become assessed with the ads in
19 the Sunday paper on those. One of the pluses of this
20 job is you do learn a lot about different things. In
21 those industries we saw a lot and spent a lot of time
22 talking about sort of these big promotional
23 activities. Black Friday, President's Day, et cetera.

24 Any sort of promotional activity, it doesn't
25 sound like it, but in this industry where you do run

1 promotions at different times of the year? Is it more
2 of a sort of equal dispersion of sales over the course
3 of the year?

4 MS. SHEEHAN: Big box retailers typically
5 don't spend very much time and effort on the sink
6 category. If someone is going in to buy a sink it is
7 usually one of the last things they think about in
8 their kitchen renovation project. Typically they use
9 product categories that really draw consumers in, big
10 spend items like appliances or kitchen cabinets, for
11 example. The sink is almost viewed as an afterthought
12 and doesn't really receive a lot of promotional
13 activity.

14 MS. DeFILIPPO: But very necessary, right?

15 MS. SHEEHAN: Absolutely.

16 MS. DeFILIPPO: Sales of sinks, are they
17 ever bundled with any products, such as faucets, and I
18 don't know if you all make other products such as
19 faucets, but in terms of particularly the sales to big
20 box, do you ever have any bundling of your sales where
21 you're selling the sink along with other types of
22 products that go with it?

23 MS. SHEEHAN: Yes we do, particularly for
24 residential applications. That is one of the things
25 that we also see from some Chinese producers is the

1 toss-in of other accessories, straining kits, faucets
2 in some instances, to make their package more
3 appealing. We offer the same bundled solutions as
4 well.

5 MS. DeFILIPPO: I haven't been in the market
6 for a sink since I did my kitchen about ten years ago.
7 Are there other materials that are used? Cooper I
8 think I've seen, to produce kitchen sinks?

9 MS. SHEEHAN: Even in our own assortment we
10 have copper, cast iron sinks are still in the market
11 place, granite quartz composite, fire clay. You see a
12 variety of different materials in the market place.

13 MS. DeFILIPPO: I think my house originally
14 had a yellow porcelain one which thankfully is no
15 longer there.

16 But are those a much smaller part? Are the
17 stainless steel a significant part, I would expect,
18 that's generally what I've seen around, but is
19 stainless steel the bigger portion of the market?

20 MS. SHEEHAN: Yes, it is.

21 MS. DeFILIPPO: So in terms of substitution
22 or competition against those other materials, do you
23 see much of that?

24 MS. SHEEHAN: Like I said, we do offer other
25 materials, even in our own portfolio because there are

1 consumers who definitely have more of a tendency to
2 want, for example, some color in their sink and not
3 stainless steel. But interchangeability between
4 stainless steel and a colored sink, it's virtually
5 non-existent.

6 There is more switching between materials
7 when you get into colored sinks like going from a
8 granite quartz composite to a fire clay to a porcelain
9 or cast iron sink.

10 MS. DeFILIPPO: Two last quick little
11 things.

12 Ms. Sheehan, earlier I think you made a
13 statement that a loss of an SKU with a retailer can
14 affect losses for years. That might be something that
15 probably is better dealt with in a post-conference
16 brief, but to the extent it's not addressed in a
17 questionnaire, if you could elaborate on sort of how
18 that sales process works. Is it on a contract basis,
19 are they multi-year contract basis? To the extent
20 that they are, how has that impacted your sort of
21 sales both during the period and is there any impact
22 we would see in the near future from sales you may
23 have lost that are multi-year deals?

24 The last thing is, in Mr. Perry's opening
25 statement he made a comment, Elkay missed the biggest

1 change in the market and I think we'll hear more of
2 it, but I'm guessing it has to do more perhaps with
3 some of the granite fabricators. But Mr. Dorn, to the
4 extent that there's something he brings up, I would
5 appreciate your comments or thoughts on it in a post-
6 conference brief.

7 MR. DORN: I'm sure we'll do that.

8 MS. DeFILIPPO: Those are all my questions.
9 I'll look up and down the table. I believe Ms.
10 DiFiore has a couple more questions.

11 MS. DiFIORE: Two more questions, one to
12 follow up on your question.

13 When you sell the sink with other
14 attachments such as faucets or drainage or whatever
15 else, you do not manufacture those components,
16 correct?

17 MS. SHEEHAN: No, we do not.

18 MS. DiFIORE: So you just throw them in to
19 make the sink more appealing?

20 MS. SHEEHAN: Yes.

21 MS. DiFIORE: Excellent.

22 And we also heard this morning that your
23 Chinese operations, the imports from that factory to
24 the United States, I think I heard this morning that
25 it's the fourth largest importer. How are these

1 prices --

2 MR. DORN: There is no basis for that
3 statement. I heard it made, too, but he didn't cite
4 anything that I heard in terms of saying it was the
5 fourth largest importer.

6 MS. DiFIORE: Okay.

7 How are these prices comparing to the other
8 Chinese sinks? Your own operations to the --

9 MR. DORN: We'll address that in the post-
10 conference.

11 MS. DiFIORE: Thank you very much.

12 MS. DeFILIPPO: Thank you.

13 Any other questions from staff?

14 I think we've exhausted you.

15 Again, I thank you very much for coming and
16 providing us with a lot of really helpful information.

17 This panel will be excused and we'll take a
18 ten minute break to stretch our legs and we'll come
19 back at MS. SHEEHAN:50. Thank you.

20 (Whereupon, a recess was taken.)

21 MS. DeFILIPPO: Welcome back, everyone.

22 Welcome Mr. Perry and your panel. We look
23 forward to hearing what you all have to say, so please
24 proceed when you're ready.

25 MR. PERRY: Thank you very much. My name is

1 Bill Perry. I'm from the law firm of Dorsey &
2 Whitney, and I'm here representing a number of the
3 importers in the case. Matt McConkey and his client
4 will also be speaking, another importer.

5 I'd like to make a couple of brief remarks
6 and then I'll have my witnesses speak.

7 Just to correct the record. It's not that
8 it was the fourth largest importer, it was from
9 Chinese export statistics, which we'll submit in our
10 post-conference brief, the fourth largest exporter to
11 the United States.

12 This came from Chinese export statistics.

13 Another point is, one point is they're not
14 just importing from their factory in China. In fact
15 we know for a fact that Elkay is importing from a
16 number of Chinese producers. So it's not just their
17 factory. We know because we're sourcing from some of
18 the same factories.

19 The other thing to point here is that the
20 Elkay brand name, the one thing interesting about the
21 video was the brand name of Elkay. For economists, it
22 commands a premium. In fact some jobs will require
23 that Elkay sinks be placed, so the importers can't
24 compete there. So there is a premium associated with
25 the Elkay name.

1 It's very interesting when they talk about
2 copying, knock-offs, everything. The Commission knows
3 all about that. 337, Chinese Sasanchi, I talk to them
4 all the time about it. So patents, trademarks,
5 copyrights, you can come here, bring your own case,
6 and stop the imports at the border with an exclusion
7 order. So I hear copying all the time, knock-offs all
8 the time. But you know about it. If it's a true
9 knock-off, it's true copying, they've got the right to
10 bring a 337 case and walk in tomorrow. And frankly,
11 there are about ten 337 cases going now for every
12 dumping and countervail. so a lot of people
13 understand that.

14 This is a cyclical industry. As she
15 admitted, it's tied to the housing market. The
16 decline in housing.

17 Take a look at the descent in the recent
18 wood flooring case, Chairman Okun and Commissioner
19 Pearson, they also noticed the decline in the housing
20 market has affected the entire housing industry
21 including sinks.

22 The other thing is, it's kind of
23 interesting, they keep saying we'd like to know how in
24 the world can you have such different prices for the
25 same Elkay product?

1 We'll be submitting this in our post-
2 conference brief. This is from Faucets Direct. This
3 is an Elkay product, a 30.5 inch stainless steel sink,
4 gourmet lustretone, but it's 281610. The price is
5 \$639. But Faucets Direct also has the DXUH-2816
6 Dayton stainless steel 30 inch under mount kitchen
7 sink -- both of them are under mounts -- \$249.

8 That's a huge price gap. That's almost
9 \$400. So it's very interesting that you could have
10 two almost similar sinks from Elkay being sold at
11 dramatically different prices.

12 Finally, I want to make one other point
13 here. You brought up bundling. For economists the
14 key thing about bundling is the granite guys. That's
15 what they're doing. They're bundling the sink with
16 the some of the granite and the counter tops, and
17 we'll get into that in detail.

18 Finally, I want to also correct the record.
19 I see this in every case. Petitioners walk in and
20 say the Chinese are in this segment of the market; the
21 Chinese are in that segment of the market. They're
22 not in the segment of the market. Who's there are
23 U.S. companies importing products from China in the
24 market. That makes a whole big difference. We've got
25 an importer pull here and not an exporter push. These

1 importers are the ones that are servicing the market.

2 So they're going to get it from China. If they can't
3 get it from China they're going to get it from
4 somewhere else.

5 So this is very important to remember.
6 These are U.S. companies, both in the United States,
7 they have their own employees in the United States.
8 They're here serving these markets. And often
9 finding, as they will explain to you in detail, some
10 that Elkay refused to service. This is what's going
11 on.

12 At this point in time I'd like to ask David
13 Spicher of Eclipse ICCI to speak.

14 MR. SPICHER: Good morning. The country boy
15 comes to the big city.

16 My name is David Spicher and I wear three
17 hats. I'm the co-owners of Eclipse Distribution,
18 ICCI which import stainless sinks from China. I import
19 and distribute sinks, and I also own my own granite
20 fabrication company. Solid Surface Specialists,
21 Greensville, North Carolina.

22 I'm the former owner of Etora Corporation.
23 We manufactured solid surface products of which Elkay
24 and Blanco and all the related sinks were installed
25 into through Home Depot to the tune of roughly 300

1 kitchens a week.

2 So I'm a supplier, I'm a distributor, I'm a
3 customer of my own products and Elkay's products.

4 There is an explanation why imports have
5 increased. As a fabricator I can tell you that the
6 overall increase in imported stainless steel sinks is
7 a direct collation to the overall increase in the
8 amount of imported granite, which is up 43 percent
9 since 2007.

10 Beginning in the 1990s through early 2000
11 the average price of natural stone materials was
12 almost twice what it has become today. The retail
13 price of entry level granite pre-recession was on
14 average \$100 per square foot. Those same entry level
15 granites today can be purchased as low as \$25 per
16 square foot making the purchase of natural stone
17 products an option for a much much larger group of
18 purchasers.

19 During the recession the American fabricator
20 has been forced to reduce their prices and profit
21 margins to avoid laying off even more staff or closing
22 their doors completely. Without those same
23 fabricators to cut the whole, polish it, mount it, do
24 the counter top, stainless steel sinks, both imported
25 and domestic, are useless.

1 Prior to 2002 you'd find very few
2 fabricators that sold sinks to their customers. They
3 relied on the customer wh purchased from a supply
4 store or plumbing supply store or big box to deliver
5 the seat to the fabricator to cut the hole. Relying
6 on someone else left the fabricator with no control
7 over their schedule which translates directly to no
8 control over their case flow. They got paid when the
9 job was complete.

10 In order to retain control, fabricators
11 realized they needed to invest in an inventory of
12 sinks to reduce and eliminate back orders and late
13 shipments with a wholesale price of stainless steel
14 sinks at plumbing supply centers generally, very close
15 to or exactly the same price as retail pricing. It
16 left no ability for the fabricator to inventory
17 product and recover the cost of the money tied up in
18 that inventory.

19 Therefore, I started looking for
20 alternatives. This was 2002. We were one of the
21 first people to begin importing these sinks to this
22 market. Because there was no reasonable American made
23 alternative, I started looking overseas and found
24 China. The Chinese are willing to supply sinks to
25 full this void in the market. At the Stone Expo 2002,

1 our both was just a little 10x10 booth and we were
2 testing the waters. We were the first ones out there.

3 We scanned countless leads, sold an
4 incredible amount of sinks, and were probably the
5 busiest booth at the show because the fabricators were
6 desperate for an alternative product.

7 When imported alternatives became a well-
8 made readily available option, fabricators gladly
9 began selling these products to their customers. I
10 believe the vast majority of the imported sinks under
11 mount are sold in that market and previously did not
12 exist after the market is the fabricator market.

13 The negative economic impact on fabricators
14 and their employees will be far-reaching if the total
15 cost of the counter top project increases to the end
16 consumer. Fabricators will close down, lay off
17 employees, many more employees than Elkay and the
18 domestic industry presently employ. There are
19 approximately 26,000 fabricators in 2007. There are
20 16,000 today with approximately 160 to 190,000
21 employees. And the one thing they all have in common,
22 every one of these sinks go through their hands.
23 They're directing the sale.

24 The construction industry has had the
25 highest unemployment numbers of any industry in the

1 U.S., almost 50 percent. Increasing the cost of any
2 product used in home building is only going to delay
3 the recovery. Affordability is what is sustaining the
4 fabricator industry. We can't afford to reduce the
5 potential number of customers by increasing the
6 overall cost of a job, nor can we ask the fabricators
7 to reduce their already rock-bottom margins.

8 In an industry that has experience
9 widespread layoffs, business closings, even losing one
10 customer per week can prove to be fatal. There are
11 9,000 of them gone now.

12 I firmly believe that there are many ways to
13 market steel sinks in the U.S. Elkay has chosen to go
14 the plumbing wholesale distributor model, adding a
15 level of cost to their business. Every supplier must
16 pick one marketing approach. Selling directly to the
17 fabricator cuts out the distributor. Selling on the
18 internet cuts out the fabricator. Selling to the big
19 box store cuts out all the rest.

20 Elkay's approach has the effect of
21 substantially increasing the cost of doing business.
22 Our approach is much leaner. We only sell to
23 fabricators, 100 percent.

24 I have been in the counter top business for
25 20-plus years, and I have never seen an Elkay

1 salesman. But I can tell you if Elkay succeeds in
2 blocking Chinese imports, we're simply going to import
3 from another country.

4 This market is not a situation where Chinese
5 have bene pushing their products on the U.S.. This is
6 an import, a pull market, where the Chinese product
7 has come to the U.S. to fill a void created by Elkay's
8 refusal to service the market, the fabricator market.

9 MR. PERRY: I'd like to ask Michael Wolfe
10 and Matt McConkey to speak.

11 MR. WOLFE: Good afternoon. My name is Mike
12 Wolfe. I'm the President of Compass Manufacturing
13 International which goes by the name of CMI.

14 CMI purchases and imports drawn stainless
15 steel sinks from China. I've been involved in the
16 plumbing industry for some 20 years, basically my
17 entire career. I've been involved in several aspects
18 of this industry, starting out as a manufacturer's
19 representative. Thereafter, various executive
20 positions in the plumbing wholesale industry, with
21 most recently as the President and General Manager of
22 Ferguson Enterprises, the nation's largest plumbing
23 wholesale distributor.

24 Throughout my career I've bene involved in
25 the U.S. market for stainless steel drawn sinks. I

1 appear before you here today mostly to assist in
2 answering any questions that the Commission staff may
3 have for the panel. I thought that my knowledge of
4 the product and the U.S. market would be helpful to
5 this proceeding.

6 However, there are a few issues I would like
7 to raise with the Commission staff this afternoon.

8 One issue is the issue of what this case
9 covers. In the petition Elkay describes the product
10 covered by this as drawn stainless steel sinks, then
11 says, and I quote from page four of the petition, "The
12 steel used in drawn stainless steel sinks is commonly
13 the 300 series grade of stainless steel. These
14 include but are not limited to series designations
15 301, 302, 304, and 316. The chemical breakdown within
16 each type has specific range for the major components
17 -- chrome, nickel and carbon. Stainless steel falling
18 within the 200 series can also be used for stainless
19 steel sink manufacturing. The scope of the
20 investigation and the domestic like product include
21 all grades of the stainless steel used in the
22 production of sinks.

23 However in looking at this issue, I strongly
24 urge the Commission to consider the fact that there is
25 in fact a significant pricing difference between the

1 300 series grade of stainless steel and the 200 series
2 grade of stainless steel.

3 Specifically Elkay produces and
4 predominantly sells the 300 series grade products. We
5 don't in all cases compete with Elkay with that grade
6 here in the United States. Why? Because on some of
7 the lower end products which they are specified on
8 jobs, we are unable to import an exact like product to
9 their specifications. Our pricing is simply too high.

10 I can't import a 33x22 drop in 304 20 gauge
11 stainless steel sink and land it here in the United
12 States and sell it for what they sell that job to the
13 plumbing wholesale distribution. Therefore we
14 predominantly import and sell the 200 series. It's a
15 201. There's roughly a five percent nickel content
16 difference between that and the 304, which the
17 petition seems to add as an after thought.

18 Accordingly, I urge the Commission to
19 collect data on the markets for stainless steel based
20 on the 300 versus the 200 series grade. I believe
21 that such data will show that these are in fact
22 different products, competing for different customers,
23 and as such our 200 series grade sales cannot by
24 definition be injuring Elkay. Which is currently not
25 selling that product.

1 It is important to understand the U.S.
2 demand in order to get a clear understanding of where
3 the import product fits in. Elkay and other domestic
4 manufacturers have long been manufacturing their
5 products and have owned the bid and spec work long
6 with the vast majority of all national and regional
7 new home builders.

8 They have done a very good job of brand
9 recognition, and thus been able to spend a great deal
10 of money in sales and marketing efforts to flat or
11 hard spec their products.

12 The true question to ask is why is Elkay
13 bringing this up now?

14 Since 2006 the economy has taken a
15 significant shift from some of the largest new home
16 building years in history, shifting to existing
17 kitchen and bath repair and remodel.

18 Import-drawn sinks have been provided for
19 almost 20 years in this country. however, Elkay had no
20 issue up to this point as they were riding a very high
21 wave of demand due to the housing boom. They rode
22 this wave so much that up until recently they
23 themselves had a Chinese factory in order to supply
24 this vast amount.

25 Import drawn sinks have not changed their

1 supply chain in all of that time. We are filling the
2 same U.S. demand today that we were filling yesterday.

3 The only different for today is that Elkay's demand
4 has decreased and instead of changing th3eir business
5 model they are using the ITC to help increase their
6 sales on their terms instead of the good of the U.S.
7 consumer.

8 The real issue here is that the demand for
9 drawn sinks has increased at the repair and remodel
10 areas as the typical American consumer is spending far
11 more money on remodeling their kitchen rather than
12 buying a new home.

13 The same consumer is willing to install a
14 200 series sink in lieu of a more expensive 300 series
15 sink to save money.

16 I would challenge this panel to ask Elkay if
17 th new housing market was still as it was in the early
18 2000's. Would you have approached it with these
19 accusations?

20 We are not targeting ElKay's business
21 segment, nor have we ever. We are merely filling a
22 need.

23 Should these proceedings continue and Elkay
24 be successful with disposition, then they will have
25 succeeded in creating a true monopoly in this

1 category.

2 they have U.S. factories for domestic use,
3 they have a Mexican facility just sitting there ready,
4 waiting for this proceeding to slap tariffs on their
5 China manufacturers. Without competition Elkay will
6 be able to charge the pricing they choose and
7 ultimately it is the American consumer that will
8 suffer.

9 I'm glad to see that Just came to
10 participate in this, but understand, in my 20 years in
11 this industry I have never seen a Just kitchen sink,
12 ever. Maybe one or two on a liquidation sale
13 somewhere. They manufacture specifically, and they
14 may have a regional pocket where they're manufactured
15 from, but on a national role they are known for their
16 engineered, specified sinks. That's what they do.

17 Kohler, I don't know where they manufacture
18 a specific -- They're not in the industry of these
19 low-end cheap 33x22 sinks. They're not really in the
20 industry. And Moen, I didn't even know they still
21 made sinks.

22 So if this goes through in essence Elkay has
23 a complete monopoly on certain sectors of this product
24 and this industry without no one to hold them
25 accountable.

1 MR. PERRY: I'd like to ask Serge Magarik of
2 Kraus to speak.

3 MR. MAGARIK: Ladies and gentlemen, thank
4 you.

5 My name is Serge Magarik. I'm the founding
6 partner of Kraus USA. We're an importer of stainless
7 steel kitchen sinks located in Port Washington, New
8 York. Please note our business model may slightly
9 differ from the other importers in this room because we
10 sell Kraus brand sinks to well known on-line
11 distributors as well as major U.S. wholesalers such as
12 Home Depot, Lowe's, Amazon Overstock, Ferguson, as
13 well as many others.

14 Kraus' total sales are approximately split
15 into 70 percent being sold on-line, to on-line
16 vendors, and 30 percent through builders, fabricators,
17 designers, and show rooms.

18 Our goal has and will always remain to offer
19 higher quality products yet for a price every consumer
20 can afford.

21 In search of new and efficient ways to cost
22 effectively operate our business, we have found that
23 eliminating the middleman between the importer and the
24 final retailer in the distribution cycle will enable
25 us to offer our vendors healthier profit margins so

1 they can finally offer an affordable price to their
2 consumer.

3 We maintain our own logistics and operations
4 including warehousing and shipping in the U.S.. Kraus
5 provides jobs to over 50 employees, excluding
6 subcontractors and outside sales reps. Our drop
7 shipping program provides us with the ability to ship
8 products within the same business day directly to the
9 end consumer as well as the retailer showrooms where
10 Kraus products are being showcased.

11 Kraus has set new standards with customer
12 satisfaction reviews. Those are available on any on-
13 line channel that you may see.

14 Our core concept is to passionately reinvest
15 in Kraus to enhance our products and services. In
16 contrary the reason for Elkay's petition is their own
17 mismanagement and failure to adapt to always-changing
18 market conditions on both the internet as well as the
19 wholesale channels of distribution.

20 Before 2000 Elkay was considered a dominant
21 player in the U.S. market. Ladies and gentlemen, that
22 was over a decade ago. With the arrival of the
23 internet, customers are now offered a variety of
24 choices with respect to both new and innovative
25 styles, and more importantly, pricing.

1 Changes in the marketplace have led to
2 drastic changes in the industry. Competition leads to
3 creativity. Creativity to variety and choice.

4 The U.S. consumer has earned that right.
5 They earned the right to have their choice.

6 The way Elkay markets their prices and their
7 products, is significantly different than the way we
8 market and price ours. As a result, Elkay's high
9 overhead has force their selling costs to rise in
10 order to remain operational.

11 Since cost of the production for similar
12 products is quite similar, it is clear their own
13 intent is to raise their competitor's selling prices
14 to their current levels, thus making everyone's
15 product pricing uncompetitive and unaffordable to the
16 end consumer.

17 So my question is, why would U.S. consumers
18 be held liable for ElKay's inability to survive in
19 this competitive market?

20 Just to reiterate, ElKay's rapid increase in
21 operating expenses leads to higher U.S. prices which
22 in fact has nothing to do with the import price,
23 production costs of the products in China. Our pure
24 intention is not to hurt Elkay's business, it is to
25 satisfy the needs of the U.S. consumer.

1 Elkay's desperate attempt is to turn the
2 clock back and reset it to ten years ago before the
3 internet and before the vast change in distribution
4 plans took place.

5 Introduction of Elkay's Dayton line serves
6 as a pure example of them trying to catch up.

7 Elkay's long-lasting tradition of doing
8 business should have no bearing on overall guidance of
9 the entire kitchen sink industry. They want everyone
10 to be less competitive so they can continue to make
11 large profits with outmoded distribution channels.
12 It's hard to imagine someone would even consider to
13 accommodate them in such luxury.

14 With all due respect, Elkay's petition will
15 not serve any benefit since there is on clear evidence
16 that kitchen sinks manufactured and imported from
17 China may cause any material injury to the U.S.
18 economy. However, the question still remains. If
19 Elkay is an American company how can they still remain
20 as the fourth largest exporter from China? Should
21 they succeed Kraus as well as other importers will
22 simply switch from Chinese suppliers to alternative
23 suppliers in South Korea, Taiwan, Philippines,
24 Vietnam, Turkey, as well as many others.

25 Furthermore, we are convinced Elkay does not

1 have the capacity to replace the supply and quality
2 the Chinese currently offer. If they had, they are
3 then asking you to grant them with the right to
4 monopolize the entire U.S. market. AS a result,
5 Elkay's actions and misguidance will further burden
6 the U.S. economy and punish hardworking U.S.
7 consumers.

8 Moreover, if sink prices rise, sales will
9 drop forcing fabricators and other end users to shut
10 their doors. Sales volume generates revenue and
11 income. If this petition goes through product sales
12 will drop because of the rising costs. Thousands of
13 U.S. jobs will be lost and taxes will not be
14 collected.

15 No, rest assured, that will certainly have a
16 negative bearing on the U.S. economy.

17 Our key element of success has always been
18 and will always remain our customers' satisfaction.

19 Ladies and gentlemen, the future of
20 creativity and innovation is now in your hands.

21 I thank you for the opportunity.

22 MR. PERRY: I'd like to ask Jim Olson of
23 ANO. He's a distributor.

24 MR. OLSON: Good afternoon. My name's Jim
25 Olson. I'm the President of ANO Incorporated. I'm a

1 wholesale distributor located in Arlington Heights,
2 Illinois. I service the Midwest for the Eclipse
3 stainless product.

4 I have been a distributor for this company
5 since 2004. I currently have four employees and I
6 cover states in the Midwest.

7 We have looked at all the other brands and
8 tried to follow the trends in the industry.

9 In 2004 when I started this business ten
10 percent of the fabricators sold sinks. The other 90
11 percent didn't have an option to buy sinks or sell
12 sinks, so we have put a lot of effort into building
13 that market. It made it very easy for us because we
14 had supply for the source that was not available prior
15 to that.

16 Fabricators moved to this model for a number
17 of reasons. First, it provides them convenience for
18 their customers so they can shop for their counter
19 tops and sink all at the same time, go home and call
20 it a day.

21 Secondly, if the fabricator has a sink to
22 install there's a lot less time spent waiting to get
23 the job produce, installed. It also eliminates
24 delivery issues. Prior to that, waiting four to six
25 weeks for a sink, holding up a customer job, waiting

1 for it to come in late and find it's damaged. It
2 allows you to cut the hole, but now you've got another
3 four to six weeks before the second one comes in,
4 hopefully not damaged.

5 So this void that we're filling has not been
6 us pushing sinks into the market. Dave Spicher was a
7 frustrated fabricator who helped start the ball
8 rolling. Actually because of Dave we are here today
9 and we have facilitated this void in the market.

10 When you're stocking the sinks in a
11 production situation it's a lot easier when you're
12 cutting the same hole every day and giving your
13 customers an option to pick a product that you have on
14 the shelf instead of being forced to cut a pattern for
15 every single sink that comes in the door, and there
16 are hundreds of models available.

17 Which moves us to the difference between the
18 under mount and the drop in sink. They showed a video
19 of the drop in sink. All brands across the board fit
20 in somewhat of a standards hole so you're not grand
21 specific on a drop in sink. It's a square hole, plus
22 or minus a half inch, drop it in. Homeowners can
23 install it. It's a cash and carry item. It's a do it
24 yourself item. It's real big in the big box stores.

25 A lot of different fabrication methods are

1 involved with that. After you stamp the sinks,
2 welded, there's hulas for the boss, mountain brackets
3 that need to be installed, cash and carry. Everything
4 you need's in the box.

5 When you switch to an under mount sink the
6 flange is set up and designed where it's somewhat of a
7 rough finish so that it can be sealed to the bottom of
8 the stone, solid surface, or manmade product. That
9 cannot be installed by a customer. That has to be
10 installed by a skilled craftsman, that has to go to a
11 frustration shop. You can go buy a cash and carry,
12 you can't do anything with it. But those things are
13 also brand and model specific. Once you purchase a
14 sink and you cut a hole in your solid surface stone or
15 whatever product you purchase, you can only put that
16 same exact model back in the hole should it get
17 damaged or you want to replace it. The alternative
18 is, pull the counter tops out, recut the hole, take it
19 back to -- It was just not something that you can do.

20 A large majority of those sinks have to be
21 dropped into the cabinets before the countertops are
22 installed. Down the road should there be damage,
23 we've had to have kitchen cabinet people dome in and
24 cut the centers out of cabinets in order to replace
25 things, if it got damaged or acid etched by tile guys

1 by mistake.

2 The difference between those two sinks is
3 significant, not only in the manufacturing process but
4 in its end use and who can actually install this
5 product.

6 We focused specifically on the fabricator
7 market just for that reason. This is not something
8 Home Depot does offer them, but I doubt you'll find a
9 customer walking out of Home Depot with an under mount
10 sink because they also sell you the granite. It's
11 part of their package deal. They have it on the shelf
12 for you to look at. I doubt that anybody's ever
13 really walked out the door with one.

14 Moving forward, the process that's involved
15 with all this has put us in the position today where
16 we have take over and we now control that market.
17 Because we have put a lot of time and effort into
18 servicing these people. Again, it's already been
19 stated. Dave has been in business 20 years, has never
20 seen an Elkay sales rep. My gentleman that's
21 currently on the road for business and marketing
22 development, we've recently surveyed our customers in
23 light of this in the last 72 hours. Nobody's seen
24 sales reps from Elkay and a lot of the other domestic
25 competitors or companies that are in the market. They

1 don't call on these people. So they're not even -- If
2 we've been at this since 2003, and we're in 2012, and
3 they see us chiseling away at this segment of the
4 market, how come they don't even have anybody knocking
5 on the door going hey, we're still here, what about
6 us? They're not even calling on this segment of the
7 market. But yet they're coming after us for
8 disrupting their world.

9 In conclusion, I just want to say to the
10 Commission, if you decide in favor of this thing it's
11 going to force everybody at this table as an importer,
12 the reality is there's a lot of other countries that
13 we have options to go to. China happened to be the
14 first one. I guess Eclipse, ICCI can take credit for
15 it. We taught them how to produce a sink that's
16 acceptable in the United States. Obviously once it
17 took off, everybody started following us because one
18 company can't keep up with the demand that exists.
19 Just like we're considering the fact that Elkay might
20 not be able to produce and fill the void if we
21 disappear.

22 So moving forrard, taking everything into
23 consideration, it would be nice if we looked at the
24 amount of jobs that will be affected on a situation
25 that we didn't create, we filled the void.

1 MR. PERRY: Thank you.

2 I'd like to ask Todd Simpson to speak.

3 MR. SIMPSON: Good afternoon. My name is
4 Todd Simpson and I'm the President and Owner of Soci,
5 LP located in Dallas, Texas. I'm here today to help
6 you understand why the U.S. domestic sink industry and
7 Elkay Manufacturing in particular is not materially
8 injured or threatened with material injury of imports
9 of steel sinks from China.

10 Let me start by telling you that I've been
11 in the granite importation and distribution business
12 for 12 years. Around 10 years ago I started seeing a
13 shift in the industry because the granite fabricators
14 started talking about the need to have sinks on hand
15 in their fabrication shops. Up to that point the
16 consumer had no choice but to go to a plumbing supply
17 company or big box store to buy their sink.

18 The fabricator would have to wait until the
19 sink was delivered to the consumer who then brought it
20 to the granite company. Once the granite company had
21 the sink they would use the template in the box to cut
22 out the sink hole in the granite and were able to
23 finish the job.

24 This process added weeks of additional
25 production time and additional cost due to having to

1 program their machines to cut out all the different
2 sink holes. If there was a problem with the sink it
3 could also delay it two or three more weeks while they
4 ordered another special order sink in.

5 The fabricators kept telling me that if they
6 had three to five standard sized sinks that they could
7 stock and program into their machines, they could
8 increase their production and cut down their costs and
9 install more jobs.

10 When I heard the same story enough times, I
11 started doing some research and realized that this was
12 a market that was simply ignored by the U.S. producers
13 who were focused more on supplying the plumbing
14 companies and box stores. They had zero interest in
15 the fabricators as a customer and neglected this
16 segment of the market. With that realization, of a
17 major void in the distribution channel that needed to
18 be filled, I started researching manufacturing
19 opportunities and found that I didn't have any in the
20 U.S. for production. With that said, I looked around
21 the world to find a production facility willing to
22 produce high quality sinks for me.

23 After six months of research I came to an
24 agreement with a factory in China and began importing
25 and supplying the niche fabrication market I had

1 identified. It's now eight and a half years later. I
2 have fourteen employees that depend on my company to
3 provide for them and their families.

4 Elkay and the rest of the U.S. manufacturers
5 continued with their strategy of supplying plumbing
6 companies and box stores. They had never sold to the
7 fabrication industry and continue to neglect them to
8 this day.

9 My customers employ approximately 20 to
10 30,000 people around the country and they all have
11 families to provide for. Without access to my sinks
12 and a domestic sink industry that won't supply my
13 customers, jobs will be lost at the fabrication
14 companies because the number of projects will go down.

15 The fabrication industry will have fewer options and
16 be set back by ten years by the decisions you make
17 here today.

18 With this case and the unknowns on the
19 horizon, I am already looking for alternatives,
20 flyers, and other countries besides China, out of
21 fear, really.

22 Let me make it clear that I don't think
23 China's a problem here. The problem is a shift for
24 them, is a shift in buyer tendencies and preferences
25 and a failure of Elkay to adapt to a changing market.

1 In my view Elkay's high overhead business
2 model is broken and they are trying to manipulate the
3 market to their advantage by stomping out healthy
4 competition.

5 I have a couple other points that I just
6 wanted to, from their testimony earlier, just to make
7 a couple of statements.

8 One is that it seems very interesting to me
9 with the slide show and the presentation that Elkay
10 keeps talking about U.S. production when they're one
11 of the largest importers from China. Is it China, or
12 is it that their business model is just broken and
13 they just can't compete, there are too many layers?

14 Elkay says our sinks are all the same, and I
15 don't agree with that. We have different thicknesses,
16 different gauges, and in the words of Paul Just
17 earlier, "they one-upped us".

18 So is it our fault that someone produced a
19 better mouse trap? That someone's doing something a
20 little different. That someone cut out some of the
21 steps in a process to get a product to market. The
22 fact that maybe we have better customer service,
23 faster ship times. The most important would be that
24 our route to market is completely different. That's
25 not our fault. It's a choice that they made to

1 neglect that market. Why should we be penalized
2 because of it?

3 I would also like to point out that Elkay
4 produces a portion of their sinks in the same factory
5 I do in China. How is that my fault that they can't
6 compete?

7 As Andy said earlier, from Elkay, and I
8 quote, "Elkay tries to sell to the fabricator through
9 a major retailer." Again, they add layers, they add
10 expense. They can't compete. Not our fault.

11 Why doesn't Elkay engage the fabricators
12 directly? Cut out the retailer like we do. It's not
13 a secret. It's a decision they made and we shouldn't
14 suffer because of the decisions made by Elkay
15 management.

16 I jotted down some notes for you because
17 this information would be considered confidential but
18 I think Elkay needs to hear it.

19 For instance, my drawn stainless steel sink
20 business this year is down 15 percent. Compared to
21 last year. It should be up. The market's getting
22 better. But what is up, my kitchen copper sinks, up
23 45 percent. My granite composite sinks up 57 percent.
24 My fabricated stainless steel sinks up 80 percent.

25 My point is, distribution channels have

1 changed. Consumer preferences have changed and
2 continue to change. They have to evolve. You have to
3 evolve. That's America.

4 Thank you for your time.

5 MR. PERRY: I would like to reiterate, it is
6 not the Chinese selling in the markets. This is U.S.
7 companies selling imported products in the U.S.
8 market. That's a big difference.

9 Thoms Mu?

10 MR. MU: Good afternoon. Thank you.

11 My name is Thomas Mu and I am the Vice
12 President of Operations of ICCI, an importer of
13 stainless steel sinks from China.

14 When we entered the under mount stainless
15 steel sink business ten years ago there were around
16 30,000 fabricators like Dave. The under mount
17 stainless steel sink require a professional fabricator
18 to install. Often the homeowner would bring the sink
19 to the fabricator, the fabricator would cut the hole
20 in the granite to fit the sink. Each job is
21 customized and required additional cost. So the sink
22 is part of the complete product, the counter top.

23 Without the sink, the job is unfinished and
24 the fabricator doesn't get paid.

25 So at that time the domestic under mount

1 sink manufacturers did not market to the fabrication
2 industry. We recognized an unfilled need for the
3 fabricator to offer the stainless steel sinks as part
4 of the granite.

5 Prior to the availability of imported
6 stainless steel sinks, fabricators often had to wait
7 sometimes weeks to complete a job, as you've heard.
8 Furthermore, the quality and the availability of
9 various under mount stainless steel sink models were
10 limited.

11 There were only a few 16 gauge models. The
12 16 gauge stainless steel is thicker and more desirable
13 than the 18 gauge stainless steel.

14 We've heard from the Petitioners that 16
15 gauge stainless steel is not a factor in purchasing.
16 However, about 50 percent of our sales now are the 16
17 gauge. to the best of my knowledge Elkay does not
18 produce a line of 16 gauge under mount stainless steel
19 sinks.

20 In short, Chinese producers via importers
21 such as ICCI supply the needs of an industry the U.S.
22 manufacturers neglected.

23 Because of the limited supply of under mount
24 stainless steel sinks ten years ago, it's exorbitant
25 cost contributed to very high complete granite counter

1 top costs, basically making a new granite counter top
2 affordable only to the wealthy.

3 Over the past ten years while Chinese
4 factories continue to invest in technology and to
5 improve their quality, the granite price had
6 decreased, making granite counter tops affordable to
7 the masses.

8 According to some data I found from the ITC
9 the U.S. imports of granite, as Dave said earlier,
10 increased 40 percent over a couple of years. But if
11 we think about the fact that most kitchens are getting
12 smaller, there's actually less granite used per
13 kitchen on average.

14 The actual demand for the stainless steel
15 sinks is greater than 40 percent you would think.

16 So the decreased granite cost led to
17 increased affordability of granite counter tops
18 creating significant increased demand for under mount
19 stainless steel sinks and the need for Chinese
20 imports.

21 So imports therefore increased because the
22 Chinese imports filled a market niche, a market niche
23 Elkay did not pursue.

24 Elkay wants to turn back the clock and
25 return to a market where they can choose the customers

1 they want to supply. They want to force the
2 fabricators to return to the days when a missing part,
3 the sink, can cause delays and dramatically increase
4 project costs.

5 In today's economic environment, the
6 consequences can jeopardize a fabricator's business
7 and force more employee layoffs.

8 In fact Elkay has a production factory in
9 China, as we've heard, and purchase things from
10 multiple Chinese suppliers.

11 It is the Department of Foreign Trade of
12 Guangdong who has said that Elkay's exports out of
13 China into the U.S. is the fourth, by import value.

14 So I would not be surprised if U.S. import
15 data also proved Elkay to be a significant contributor
16 to any increase in the imports that they have claimed
17 that's hurting the domestic market.

18 In Elkay's petition they claim that Chinese
19 imports has caused domestic production declines and
20 capacity utilization. However it appears any declines
21 are self-inflicted, evidenced by the fact that Elkay
22 is a major importer from China.

23 So this is not a story of protecting U.S.
24 production from Chinese imports. I do not believe
25 Elkay intends to replace its Chinese imports with U.S.

1 production. I believe Elkay intends to replace the
2 Chinese imports with their Mexican imports. In fact
3 they said they do not import right now, but they do
4 own EB Technica. According to LK.com, EB Technia is
5 the national leader in stainless steel sinks in
6 Mexico.

7 In Elkay's petition, it reported over three
8 million units imported from China last year.

9 We all question whether Elkay's U.S.
10 capacity can support the enormous demand.

11 We therefore would be forced to turn to
12 third country imports such as Vietnam, Korea or
13 Mexico.

14 Again, I thank you for the opportunity.

15 MR. OLSON: I would like to touch base on
16 the granite import portion of this, just based on some
17 of your reaction.

18 If the granite sales went up 40 percent,
19 just to put it in, let's get away from the
20 percentages. When new construction was going on there
21 were a lot of homes being built with islands and wet
22 bars and all this stuff. So your average granite job
23 would be two, two and a half, three slabs.

24 Now we're in the remodel phase. You're
25 stuck in our home, you can't go anywhere. Most

1 people, percentage wise, aren't in brand new homes.
2 You bring in a thousand slabs of granite and you're
3 doing one slab per kitchen, you've just got 1,000
4 kitchens versus before you were doing a lot less. You
5 were doing 300 kitchens or 250. So percentage of
6 granite increase of 40 percent, and most of them are
7 one slab and slab and a half jobs. Dave could
8 probably tell you more. That 40 percent, you can
9 pretty much double that number as far as the amount of
10 kitchens that are being produced out of that 40
11 percent increase, which reflects a 60 percent increase
12 in stainless because if you moved on, remember the
13 other alternatives to stainless steel are also going
14 up.

15 MR. PERRY: I'd like to ask Ian Drew to
16 finish up.

17 MR. DREW: Thank you for the opportunity.
18 My name is Ian Drew. I'm the marketing director for
19 Nantucket Sinks, USA.

20 We are a small company that started seven
21 years ago in New York with two containers of sinks and
22 a van. Today our distribution facility is in North
23 Kings Town, Rhode Island. WE have seven employees and
24 a national dealer representative network.

25 We sell toe fabricators, kitchen show rooms

1 and internet distributors. Everyone at this table
2 here testifying today has been instrumental in growing
3 this market. Back in 2005 the market was Static and
4 specific, and so too were the channels of
5 distribution.

6 Elkay, the market leader, was similar to the
7 very early dais of Ford and the Model T. You could
8 have any sink you wanted as long as it was a seven
9 inch depth, double equal bolt.

10 Now obviously they have other styles, but
11 they're not marketed well.

12 We gave our dealers the ability to offer
13 sinks that were more than just for utility. They were
14 affordable and available, and in days as opposed to
15 weeks.

16 We offered different debts. We included a
17 drain in alternative gauge steel. We provided
18 templates to the fabricators they could use over and
19 over again so they could keep production flowing.

20 We offered accessories similar to the
21 European Scent companies. We followed trends and
22 looked for new sales opportunities to increase market
23 share. Elkay did not. If they had, we would not be
24 here testifying today.

25 We gave our dealers the options of

1 affordable luxury. They wanted it and we sold it to
2 them. We opened the market to more buyers and it
3 blossomed.

4 The sales did not come easy. It required
5 extensive hand-holding. We had to explain the
6 benefits of stocking sinks and offering a product line
7 to their customers. Obviously it got easier when the
8 other companies saw the benefits.

9 Desirable European inspired sink lines were
10 available in China. The factors that we made our
11 first purchase from were already creating the styles
12 that we were looking for. The styles that we were
13 looking for were not new to them. The variety, the
14 quality, the convenience was there. Obviously if we
15 have the same opportunity to purchase those things for
16 the United States, we would have.

17 There's no doubt that this market is viable
18 and growing annually. We have defined the avenues of
19 growth. We should not be penalized for sales
20 innovation.

21 The internet market is real. The change in
22 consumer behavior is real. Sales on social media
23 evolve in a daily basis. It is imperative to evolve
24 with it.

25 What I would like to tell Elkay is that the

1 bully on the playground will eventually get punched,
2 even though you ran to the principle to get us in
3 trouble. The principle will find ut the truth.

4 I can promise that we're not going anywhere.

5 If our sinks don't come from
6 China they will come from some other country. We have
7 begun our search in case we receive an unfavorable
8 duty decision.

9 We know our customers and we know that
10 thanks to all the people here that customers have
11 become more educated about sinks. I have a phone call
12 about gauges probably three or four times a week.
13 They ask us about chromium and nickel content.
14 they're educated. In Elkay's testimony they said the
15 sink was the last thing the customer thinks of during
16 the renovation process. Thanks to us here, that level
17 of importance has risen. By the way, you're welcome.

18 I invite you to ask me questions regarding
19 the gauge debate for dropping the higher gauge. I have
20 sales experience that lends itself to the testimony.

21 To sum up, we are American company hiring
22 Americans. Buying quality Chinese products. We are
23 proud of our growth under dire economic times. Our
24 commitment to customer service and innovation has been
25 the key to our success.

1 In closing, if I could say one thing to
2 Elkay it would be "Welcome to 2012".

3 MR. PERRY: Thank you very much. We're
4 ready to take any questions you might have.

5 MS. DeFILIPPO: Thank you, Mr. Perry.

6 Thank you, Mr. Perry, and thank you to all
7 of you for coming today and providing us with a lot of
8 useful information. As I stated earlier today I know
9 it's hard to get away from your businesses, but it
10 really helps us put together a sound report for the
11 Commissioners to make a decision. So we appreciate
12 that.

13 I will turn to my right, to Ms. Pozzi
14 Porter, and ask her to begin our questions.

15 MS. PORTER: Hi, good morning. Good
16 afternoon.

17 I will ask you the same question I asked the
18 Petitioners. "Can the U.S. industry satisfy the
19 market demand for the subject product?"

20 MR. PERRY: We don't think so. They seem to
21 think so, but we certainly don't.

22 MR. SPICHER: If there's an increase in
23 imports, and we know all those things are being
24 installed somewhere. If you took all of the imports
25 away, it would still be more business than what the

1 pre-downturn for Elkay's experience.

2 So if they were running anywhere near
3 capacity, and now because of the popularity of the
4 surfaces that these things go into, they would have to
5 increase their capacity exponentially to keep up with
6 that.

7 I don't know their business and I can't say
8 for sure, but it certainly appears that it would be
9 difficult to do at best.

10 MR. MAGARIK: If I may, I'm going to quote
11 Steven Rogers, CLLK. He stated that they assume they
12 can because they have before. Well before was a while
13 back and this is a very different market,
14 substantially larger than it was before.

15 MS. DeFILIPPO: If I could just ask a quick
16 favor. Since it is a large panel, if you could just
17 state your name before you speak so it makes it a
18 little easier for our court reporter, that would be
19 great. Thanks.

20 MR. MU: Again, my name is Thomas Mu with
21 ICCI. I'd like to add that I do not believe that Elkay
22 will be able to supply the domestic market.
23 Especially if they acknowledge that they don't care
24 much about the 16 gauge. About half of our sales now
25 are 16 gauge and that's because the consumers want the

1 thicker, they want the better quality. And if Elkay
2 is not making it, and I believe Just also said they do
3 not make the 16 gauge, so where would they get it?
4 Where would the consumer get it?

5 MR. OLSON: My name is Jim Olson. I'd like
6 to expand on that 16 gauge as well.

7 Part of what's driving the 16 gauge market
8 is it's much heavier. Basically what we have is we
9 have a commercial grade steel with a residential
10 finish. Part of what pushed that through is the
11 wannabe commercial kitchens in residential
12 applications. Thanks to the Cooking Channel, people
13 have much larger kitchens, and they've got the big
14 giant eight-burner, whatever, and when you start using
15 your commercial professional chef cookware, which is
16 no obtainable by the consumers because it's much
17 cheaper where they have the three-eighths inch thick
18 steel bottom for even heating and all that, 18 gauge
19 sinks don't hold up so well against that when you try
20 to clean them and drop them in there.

21 So Eclipse, ICCI was the first one in this
22 country to introduce a full line of 16 gauge sinks
23 which pushed us right to the top, and then everybody
24 followed.

25 So we offer a number of 16 gauge product and

1 that's part of what motivated it between the Cooking
2 Channel and the larger kitchens going in, and in the
3 Midwest, Thomas feels at a corporate level they're 50
4 percent. In the Midwest I'm probably 85 percent as
5 far as 16 gauge product and I cover five states.

6 So geographically that percentage of 16
7 gauge product is going to increase, I believe, versus
8 the national average and corporate.

9 MR. MAGARIK: Serge Magarik, Kraus. We are
10 predominantly selling 16 gauge sinks. And the
11 difference is not that 16 gauge is a only commercially
12 used grade. 16 gauge is offered, we sell to
13 residential homes 16 gauge. The difference is 16 gauge
14 is a lot more expensive to produce, and Elkay doesn't.
15 They just don't make it because if they start making
16 16 gauge sinks their price is going to be
17 significantly higher form where it is now, which is
18 already unaffordable. Which is why they are where
19 they are.

20 MR. SIMPSON: I'd like to add that probably
21 -- Todd Simpson from Dallas, Texas, Soci. Probably 90
22 percent of my sales in the Stainless are 16 gauge.

23 MS. PORTER: My other question is, what's
24 your opinion on using official DOC statistics?

25 MR. PERRY: I think we have a problem there

1 because, as we explained yesterday, the official
2 statistics include the hand made sinks. This is why
3 you're seeing this vast difference in price between
4 China and the other countries, because you're not
5 comparing apples to apples. We intend, this is where
6 the Bratsk issue will come up. We intend to submit in
7 our post-conference brief and later if this case moves
8 forward in the final injury investigation evidence of
9 prices from other countries which are very close to
10 China. Five to ten percent. Not that much off.

11 So what's happening is they're targeting all
12 of China, but it's going to be targeting the rest of
13 the world.

14 MR. OLSON: When you're assessing, trying to
15 compare apples to apples it's very difficult because I
16 can put two oranges up here, one organically grown and
17 one chemically grown. Drastic difference in price.
18 Also drastic difference in taste, but on the surface
19 they look the same.

20 Elkay touched base on the surface finish on
21 their sink. They have what we call a microfine
22 finish. Rub your hand across, it almost feels like
23 this formica counter top.

24 We have a course brush finish or heavier
25 brush finish which is easier to deal with, it has the

1 ability to be repaired should it get scratched of
2 damaged outside of dents. That manufacturing process
3 they're using, they said they tried and got away from
4 it because it still didn't work. They're not -- I
5 don't want to speak about their operation. Our
6 experience is this. We tried to match that finish
7 because that was the industry standard. It's very
8 costly. Your rejection rate is very high because
9 there's nowhere to hide your flaws.

10 So by going to the heavier brush finish, you
11 can bury imperfections in steel with the brushing,
12 your rejection rate is not zero because nothing is,
13 but it's really really close. So when they come back
14 with it costs us extra to produce a sink, excluding
15 their marketing and overhead, the manufacturing
16 process themselves, they're eliminating people,
17 they're investing a lot of money in equipment, they're
18 not producing the same product.

19 We are producing a product that requires
20 less labor. Which we offset by increasing the heavier
21 steel and a better steel. So gauge is critical. It's
22 being driven by customers. It's quieter. You bought
23 a 16 gauge sink, bolt it up, hook up all the plumbing,
24 it's almost as quiet as porcelain. Versus the 20 and
25 the 18 gauge product, it sounds like a garbage can

1 lid.

2 So there's multiple reasons why we went into
3 that. They're going to be giving you numbers on a
4 product that takes more machining and finishing and a
5 lesser steel that's more labor intense, and we're
6 going to give you a product that has more steel and
7 less labor.

8 MR. McCONKEY: Matthew McConkey from Mayer
9 Brown.

10 This may be something that if we do go to
11 the final, but the import statistics, obviously you're
12 seeing different ways here this afternoon that this
13 product can be sliced and diced. The import
14 statistics obviously are not capturing the difference
15 between an under mount and a drop in sink, and it's a
16 significant issue in this case. We're also hearing
17 the different gauges appears to be a significant issue
18 with this. Whether that be a like product issue or an
19 issue of competition, I think will be fleshed out.
20 And in addition with my own specific client, the
21 series. It's a 300 series versus a 200 series. I
22 think eventually that is going to be information the
23 Commission's going to have to get and look at to
24 determine what's going on here.

25 MS. PORTER: My last question is if you

1 wanted to add something about the scope of the
2 petition including both under mount and drop in sinks.

3 MR. PERRY: They've carved out the
4 fabricated sinks, basically the hand made sinks. That
5 sort of stuff. We are saying, obviously, that the
6 under mount and the drop in sinks are different like
7 products and we'll be making that argument in our
8 brief.

9 We basically touched on some of that in our
10 testimony, but I'll ask some of the other people to
11 reinforce it. They're very different products,
12 different animals, different distribution. You can't
13 sell an under mount sink directly to the customer
14 because the customer can't install it. It's got to be
15 installed.

16 MR. SPICHER: The other thing too that we
17 didn't touch on, their approach to market. A lot of
18 it is the kitchen and bath shops.

19 Keep in mind, every display that's in that
20 kitchen and bath shop has a counter top in it and
21 somebody had to fabricate that counter top and that
22 relationship between that fabricator and their
23 customer and our customer is different. They're
24 seeing them every day. The KNB is making money off
25 the fabricators' work. If they come back in and say

1 hey, this is great, you can save me a lot of headache
2 not having to wait on a sink or chase a sink or drive
3 wherever you've got to go to pick it up because it's
4 late or whatever, sell these sinks for me.

5 There's a push from the fabricators because
6 it fits their business model.

7 There was discussion before about some
8 fabricators giving away sinks. Yes, they do.
9 Absolutely. Some market are so competitive that
10 they'll use it for a closer, just to get that customer
11 to sign on the bottom line before they're walking out
12 the door.

13 Another issue, as soon as you turn that
14 customer loose, they go back to a KNB, somebody's
15 working at that KNB. You know what? My brother does
16 granite, go down there and see him. He'll do a good
17 job. The job was already sold.

18 This has happened to me in slab yards.

19 It was all ignored totally until we came
20 along. Fabricated sinks which we call zero radius,
21 incidentally. Another terminology for those sinks.
22 They are different from the rest of them, but I really
23 think that you need to take a hard look at what
24 they're saying because it's commercial grade and I
25 don't know, we don't do anything in economical, but in

1 the residential end, and Serge can attest to this too,
2 he sells quite a few of them, they're popular.
3 Contemporary kitchens, they look great. You put the
4 big dishwasher faucet over them and they're quite
5 attractive.

6 But it's a market that they admit that
7 there's nothing there and they're not doing anything
8 with it. But there is a market there, absolutely
9 there's a market there. And they do sell for more
10 money and there is more margin on them.

11 MS. DeFILIPPO: Thank you, Ms. Pozzi Porter.
12 Ms. Sherman?

13 MS. SHERMAN: Thank you.

14 Several of you on the panel today stated
15 that if duties were imposed on stainless steel sinks
16 from China that you would import from another country.
17 And some of you stated Vietnam, Korea, Mexico. Have
18 you looked at these markets? Do you know what
19 capacity there is to produce sinks specifically for
20 the U.S. market in these countries?

21 MR. PERRY: One thing to understand here is
22 that when the sinks came in, especially for the
23 fabricators, it was the importers working with the
24 Chinese producers to produce the sinks for the market.
25 It was a joint work. So yeah, it will take time.

1 In the wooden bedroom furniture case last
2 year, furniture from Vietnam went via China. It
3 eventually happens. The importer ends working with
4 the suppliers in the third countries and they'll come
5 in and be replaced.

6 You're assuming it's the Chinese producing
7 the sink for the U.S. market when what's really going
8 on is the importer is finding the market niche, going
9 to China, working with the Chinese producer to create
10 the sink for the U.S. market. That's going to happen
11 again. There are other suppliers out there and these
12 guys are already starting to look.

13 MR. OLSON: Jim Olson here.

14 Being an independent distributor, not an
15 importer, I looked at other alternatives to add to my
16 product line for the last three years.

17 The U.S. manufacturers will not private
18 label anything. They won't even talk to you. They
19 can control my price, they can control my cost so I
20 can't be competition to them. And you can't even get
21 a meeting to even discuss it. If you call up and say
22 I want to talk to you about private labeling product.

23 I'm sorry. Click.

24 Productivity in other countries. It's
25 there. But ICCI and Eclipse stated in '02. The

1 learning curve that we spent for 24 months to dial it
2 in to be acceptable for U.S., that time has already
3 been spent. The owner of ICCI feels that he can turn
4 around in six months and produce the same product in
5 about six months should he have to. And since he's
6 been notified he has been aggressively pursuing
7 alternatives which he looked at before but he had
8 already had connections in China is the reason he
9 landed there.

10 MR. MAGARIK: Serge Magarik, Kraus.

11 We actually have looked at Taiwan and Korea.
12 We'll tell you yes, they are capable of producing
13 significant amounts, labor cost is the same. However,
14 there will be a transitional period that you have to
15 keep in mind, and during this transitional period it
16 takes time, as you know in any business, to develop a
17 business relationship. It takes time to perfect any
18 product. We are, Kraus is about perfection.

19 With that being said, we must make certain
20 that products are perfect and the consumer is
21 satisfied. That's our key element of success.

22 With that being said, there will be a
23 transitional period and during that transitional
24 period the customer, the end consumer, will suffer.
25 And in the early stages as the products begin to come

1 out of the factories, it will be time to again perfect
2 the time. It will take a significant amount of time,
3 hopefully sooner than later, but nevertheless the
4 customer is the one that's going to end the suffering.

5 My question still remains, as
6 I've mentioned in my testimony, why? Because they
7 can't change, they weren't able to change? Weren't
8 wise enough to change and adapt to the current market
9 conditions? WE are all here today because of their
10 inability to adapt.

11 MR. PERRY: I would like to add something.
12 This goes to the legal issue. I know he pooh-pooh'ed
13 Bratsk.

14 I would suggest you read the Court of
15 Appeals to the Federal Circuit decision again. Look to
16 the cites. It was really surprising, I found this in
17 the wood flooring case when I was my brief. All of a
18 sudden IS tarted to read the Supreme Court cases that
19 were being cited by the Court of Appeals. In the
20 Supreme Court cases, one of the justices in dissent is
21 saying without the but for case test there is no
22 causal link. That was a pretty strong statement and I
23 quoted it. I'll be quoting it back to the Commission
24 again.

25 The Commission is saying a commodity

1 product, the products have got to be here. Don't get
2 caught up in trade speak. This is basic causation
3 law. We're talking Prosser now, Palzgraph.

4 What the Supreme Court, and this really
5 opened my eye, was when the Justice says without the
6 but for test there is no cause.

7 The question that the commissioners I still
8 think have to pose to themselves is but for the
9 Chinese imports, would the U.S. industry be better
10 off? My submission to you, as from these importers,
11 no way. What's going to happen is the importers are
12 just going to go to another country and bring it in
13 that way. Again, it's not the Chinese selling here,
14 it's the importers pulling it in. These are U.S.
15 companies, importing products, employing Americans,
16 bringing products into the U.S. market. That's not
17 going to change.

18 MR. OLSON: One more thing on that note.
19 The reason this panel is so large, because even though
20 ICCI led the parade in getting into this, we couldn't
21 fill the void. We couldn't fill the void in the
22 entire country. No one country I don't believe can.
23 That's why there's many of us in various locations
24 across the United States.

25 No one company at this table or in this room

1 can jump up and say okay, we're going to put them all
2 out of business. It doesn't work that way. It can't
3 happen. Everybody's got different sources, everybody
4 has different altitudes. That's why this table is so
5 large. Because we couldn't fill that void but we
6 filled a large portion of it.

7 MR. MU: Thomas from ICCI.

8 To answer your question, we are looking. We
9 started ten years ago with China. We actually started
10 with Turkey. At that time when we were in China the
11 factor pressed the things for us but the finishing
12 wasn't good enough. So we actually set up our own
13 finishing line adjacent to the factory.

14 The president of the company of ICCI is
15 Brent Koln and he's not here because he's actually
16 meeting our distributor in Mexico, in San Luis where
17 the Elkay factory is. And we are, because we have to
18 prepare. We have to prepare if we want to be in the
19 business for ten years, twenty years, we have to
20 prepare and they are looking at a plot of land, but
21 that's going to take a lot of investment, a lot of
22 time.

23 But it's a commitment that we have as a
24 company to go forward because we know that this is a
25 business that supports many people, many of us depend

1 on this business.

2 Thank you.

3 MS. SHERMAN: I think as a follow-up
4 question, if production moves to other countries, how
5 easy would it be for Chinese producers to move, could
6 they move their equipment or their tooling to any of
7 these other countries?

8 MR. MU: No. I've been in the factories in
9 China as well as my colleagues here. These presses
10 are huge and I think it would just cost millions just
11 to move this equipment. There are so many, they're
12 like 18 trailers maybe even heavier. So it's not that
13 easy.

14 MS. SHERMAN: Thank you.

15 I was hoping you could clarify for me the
16 roll of fabricators in regards to under mount sinks.
17 A few of you have stated that the fabricator actually
18 adheres the sink -- The customer brings the sink into
19 the fabricating shop and that's where the sink is
20 installed or attached to the granite counter top. Is
21 that common practice? Did I understand that wrong?

22 MR. PERRY: That's what the fabricators,
23 what this group came into. This was the old method.
24 Then as a result a number of jobs went down by the
25 granite, the fabricator. There was often something

1 wrong with the sink and you'd have to make different
2 holes for different sinks. So what happened, what
3 these importers did was they realized that void, they
4 went to the fabricators, and they said here, sell the
5 sink. When you sell the sink with the granite, all of
6 a sudden the number of jobs goes up exponentially.

7 More importantly, your selling standard
8 sinks so it's much easier to carve the holes, much
9 less waste.

10 I think Dave can go into that.

11 MR. SPICHER: Would you like to know exactly
12 how it's done? Okay.

13 Top mount sink, you've got a square. Drop
14 it in there. It can be over-sized, they can miscut,
15 it doesn't have to be one hundred percent exact.

16 An under mount sink, most suppliers
17 including Elkay, thank you very much, provide what's
18 called DFX files. If you have a CNC machine what that
19 will do is you load that hole size into that machine,
20 it will core a hole, take a diamond bit, and it traces
21 the outline of the sink all the way around. If it's
22 shaped like a U or if it has one-third, two-thirds, it
23 will have a drop in to it, it's very difficult to do.

24 Some fabricators that do not have that
25 machinery, of which they should know that they have

1 the expensive equipment. There's a lot of fabricators
2 do too. A CNC machine is \$300,000. That's a lot for
3 a little guy. \$100,000 in the tooling just to do
4 that. A lot for a little guy. I'm talking about a
5 guy with eight, ten employees.

6 So once that's done the top is obviously too
7 heavy to transport with the bowl in it so they'll
8 transport it to the job, set it in the sink base, set
9 the top on, crawl in the bottom and hold it up there,
10 then the clips are all fastened, the silicone's put on
11 there, that's how you get that nice pretty polished
12 cut out.

13 It's not just cutting, it's polishing it so
14 it's the same as the top. It's involved. It's not
15 something that any home owner could do. Even if you
16 tried to do it yourself, with a hand tool it would be
17 off-cut or whatever, plus the blade would cost you
18 \$300 or \$400, and a fabricator would do it for \$200.

19 It's kind of back to the same point. Every
20 one of these sinks, the controlling factor is the
21 fabricator. Whose sink are they pushing? What are
22 they doing? When they look at the under mount being
23 no difference between the two, the biggest
24 distinction, if you're selling sinks is that that guy
25 has his hands on every single one of them whether he

1 profits or not, and right now they would rather
2 profit. Consequently, fabricators are selling sinks.

3 MR. OLSON: On that under mount situation,
4 prior to this whole thing the fabricator was
5 responsible for 100 percent of that sink's life once
6 it got in his hands from the shop. Cutting the hole,
7 getting it to the job and installing it without
8 damaging it, but he made no money.

9 When you look at Elkay's distribution where
10 they're going through all these other people to get it
11 back to the fabricator, all we've done is shift who's
12 making the money. Instead of forcing the fabricator
13 to go to the big box store we're selling it right to
14 the fabricator and then he can then make it up.

15 It's not getting to the consumer any
16 cheaper. We've just repositioned who's making the
17 money.

18 Are we undercutting Elkay? No. We just cut
19 their distributors out of the middle. We've
20 eliminated three to five people in the middle of the
21 process, and passed all the savings on to the
22 fabricator who can then pass savings on to the
23 customer.

24 But we also aren't spending millions of
25 dollars a year in marketing trying to brand ourselves.

1 WE'RE doing it the old fashioned way by going hello,
2 we're here. Who's here? We are, here's our
3 information. We're doing it old school. Then you
4 follow it up by social media.

5 So the distribution chain has moved, who's
6 making the money. It's not any cheaper, the consumer
7 isn't paying any less for it.

8 MR. DREW: Ian Drew from Nantucket Sinks.

9 Can I go one step further? You're talking
10 about fabricators and under mount sinks. And that is
11 the bulk of our argument right now.

12 But Elkay's argument is also drop in sinks.
13 And I'm not sure, but I'm sure maybe some of you used
14 to have the orange formica top back in the '70s with
15 the drop in sink in it. That was the standard sink of
16 the day. Granite was a luxury item. Nowadays it's
17 more available to people. So the under mount market
18 took off. But the drop in market is the largest
19 market in this country. And when it comes to drop in
20 sinks, you need to consider that that's going to be
21 the bulk of the sales. These guys are selling under
22 mount sinks and they're selling them for a good price.
23 It's not really affecting Elkay. It's affecting the
24 way that Elkay markets to the people, but the sinks
25 are getting to the consumers and the job is done

1 right. These guys are all talented.

2 The other thing is under mount sinks, there
3 was a reference that gauge is not a big deal, but how
4 many of you have been in a rental unit and you have
5 turned the faucet on in your drop in sink. It sounds
6 like rain hitting a gutter. You hear that ting, ting,
7 ting, ting. That's probably a 22 gauge sink.

8 What we started to do was bring in 18 gauge
9 crop in sinks which eliminated a lot of that, partly
10 because of the under coating and the rubber pads that
11 are placed and those pads are under there to obviously
12 deaden the sound. It reduces vibration.

13 With the different gauges, it's very
14 competitive. Once you start dropping gauges, that
15 becomes a lot less expensive, and the Dayton line for
16 elkay is very competitive. If I walk into a plumbing
17 supply house and I say would you like to buy an 18
18 gauge drop in sink they laugh at me. No. Obviously
19 with the mortgage collapse, people are getting kicked
20 out of their homes and they're renting properties,
21 where are the renovations going? They're going to
22 rental units.

23 What's the first thing they do? They
24 replace out a sink, drop in a faucet.

25 The contractor that's been told to go in and

1 fix that apartment is told, get a sink that's going to
2 hold water. That's about it. It's price. So when I
3 thought I was doing the consumer a favor of buying 18
4 gauges stainless steel so they'd have a really nice
5 drop in sink, it's not really a big deal. They really
6 just want something that's affordable. Elkay I think
7 has positioned itself to own that market.

8 I'm really having a problem with figuring
9 out what this argument is about. I can't compete with
10 them. It's tough. To bring in a 22 gauge sink. On
11 the drop in, not on the under mount. The under mount
12 is a different story. This is drop ins. These are
13 the Dayton Line which I believe is Chinese
14 manufactured. I can't be quoted on that. I don't
15 know. But that's my opinion.

16 MR. MAGARIK: Just to reemphasize, Kraus is
17 a company, we don't sell directly to the consumer. We
18 sell through vendors. WE have channels of
19 distribution, Overstock, Amazon, Home Depot.com,
20 Lowes, et cetera, where we sell products through them
21 and they sell it to the end consumer.

22 With that being said the business model, and
23 I must clarify this for you guys to understand.

24 In this business they've missed the boat
25 with the on-line market. What I mean by this is they

1 have what we call skeletons in the closet. They have
2 current distribution channels where they are still
3 continuously, they have been, they are, and they will
4 be doing business with which they cannot break.

5 Therefore, if they go on-line and reduce the
6 price what's going to end up happening is they will
7 completely destroy all the relationships they
8 currently have with their current vendors because they
9 will be selling things on-line cheaper than what
10 they're selling to their current competitors. That
11 business model is not such that offers them that
12 ability at the present point, which is why they came
13 up with the Dayton Line. The example that Bill has
14 presented you buys with is where you have two nearly
15 identical sinks, both manufactured by Elkay, one is
16 \$600 on-line, one is \$269. They purposely came up
17 with another brand which is also manufactured by Elkay
18 I must emphasize just so they become competitive in
19 the on-line market, thus not ruining the relationships
20 they currently have with their vendors.

21 Thank you.

22 MR. OLSON: Elkay's name is not on that
23 Dayton sink anywhere that I've seen. It's just a
24 Dayton Sink. Nobody really -- The consumer doesn't
25 really know what that sink is other than it's a

1 Dayton and it's inexpensive.

2 MR. SIMPSON: I'd like to add to the drop
3 ins, I actually got out of that market, the drop-in
4 sinks, because I could not compete. So it seems to me
5 they want to take the one thing I have left which is
6 the under mounts. I have a granite distribution
7 company so I know the granite fabricators. I have a
8 good relationship with them. I support their business.
9 They don't.

10 MR. SPICHER: He's right. The top mount
11 sink's very competitive. Extremely competitive. Very
12 few people make very much margin handling those
13 products. Consequently we don't handle them at all.
14 But the flip side is the under mounts, they definitely
15 do have more margin in them. You see an Elkay sink
16 for \$650, it's an under mount sink.

17 Part of the problem fabricators had all
18 along and as long as I've been doing this I could
19 never understand it, is that why did a top mount sink
20 cost differently than an under mount. Same amount of
21 steel. Three, four, five hundred dollars more? They
22 were treating these products like jewelry. The markup
23 on it was tremendous.

24 A typical Ferguson, Moen, Elkay, off the
25 shelf sink coming out of a plumbing supplier was \$700

1 plus dollars ten years ago. And remember, it's not
2 done there. The fabricator will has to cut the hole
3 so it's another \$200 or \$300 for that.

4 With a granite job that is installed, if
5 you've got \$2000 in granite and \$1000 more just for
6 the sink, that's what it used to be. That's how
7 business was done.

8 Some of the sinks that people are giving
9 way, I may not use them. They may not be certified.
10 That's a choice that we make with our products that we
11 provide to our customers. Consequently a sink that
12 costs a fabricator \$75, \$100 whatever they're paying
13 for it, and they install that into a job, they're
14 taking a risk with their own reputation.

15 Good fabricators are buying quality
16 products. I will say this. The rest of these people
17 may kill me for this. I will say this, that if they
18 could give me a reasonable alternative and were
19 willing to sell this market, I am willing to pay more
20 for their product than what I'm buying myself to get
21 their name because it's worth a lot. I would.

22 All that being said, I think we're back to
23 the same thing. You're beating up on us about
24 something that they overlooked.

25 Thank you.

1 MR. DREW: To touch base one more time with
2 the distribution channels and to single out the
3 internet here. The internet is an animal. Social
4 media is an animal. There are countries, there are
5 governments going down thanks to Twitter and Facebook.

6 And when you type in stainless steel sinks, into
7 google, you're going to find Kraus. I applaud them. I
8 wish I could do it.

9 Whoever actually has the insight to do it is
10 going to be on the top of that list. It takes a
11 little bit of money, it takes investment, but it takes
12 the right talent and I just need to clarify that.

13 MR. PERRY: I might add investment in the
14 United States.

15 MR. MAGARIK: I've mentioned this in the
16 testimony, but the U.S. consumer has the right and must
17 have that right to choose. It's not, if you have
18 friends in Germany or Italy this moment is going to be
19 able to buy these products for a cheaper price, why
20 shouldn't the U.S. consumer? They earned that right.

21 MS. SHERMAN: Just one final quick question.

22 In regards to the new engineered stone
23 counter tops, do you typically use an under mount?
24 Same process -- Okay, thank you.

25 MS. DeFILIPPO: Thank you, Ms. Sherman.

1 Ms. DiFiore?

2 MS. DiFIORE: Good afternoon. Thank you all
3 for coming and for this great panel here.

4 I have the same questions I had this morning
5 about demand. How has demand changed within the
6 United States for stainless steel sinks since January
7 1, 2009 and what are the current demand trends since
8 January 1, 2012? Data that is not covered by the
9 questionnaires.

10 MR. WOLFE: According to McGraw Hill and the
11 Dodge Report which is the service that we all use to
12 track a lot of this, Elkay probably has better
13 research than any of us. But they were right on.
14 It's pretty flat the first quarter. Some of us are
15 trending down, some of us are trending up, depending
16 on different types of products, but we look for a
17 small increase to the second and third quarter.

18 Again, mainly in the repair and remodel and
19 with new home sales being up in certain sectors of the
20 United States.

21 16? The industry is pretty much like a
22 pizza pie. The question is, it comes to quality and
23 pricing of the product as well as the brand
24 recognition.

25 We have seen the demand increase and that's

1 because we're able to offer great quality product for
2 the affordable price. Which is why the demand points
3 into affordability. Due to the current economic
4 conditions which you're all aware, it points to
5 pricing is a huge element in this entire puzzle
6 because regardless of where the customers want to buy
7 the sink it's a question of whether they can. When
8 someone has three kids and barely makes it from month
9 to month, the least leisure they are able to afford is
10 a kitchen sink. Why would we take it away from them?

11 We just offer something that people can afford.

12 MR. OLSON: I can add in the Midwest that
13 despite the fact that our sales are slowly growing,
14 the percentage of business we're losing to other than
15 stainless steel is increasing. We've had people
16 remove stainless steel from their showroom and offer
17 granite and other things because the trend is heading
18 in many directions because there are so many
19 alternatives other than stainless that despite the
20 increase in stainless, alternative sinks are chiseling
21 away at that. So we're back to the percentage of
22 granite coming in the country. A thousand slabs is
23 almost a thousand jobs versus four years ago a
24 thousand slabs was 300 jobs.

25 MS. DiFIORE: Thank you.

1 Are you aware of demand outside the United
2 States?

3 MR. PERRY: I know that in the wood flooring
4 case the interesting thing was there was more demand
5 in China than there was in the U.S. because of the
6 increasing housing starts in China. And I think
7 that's why some of the companies we know of that are
8 household names are not here, because they're doing a
9 lot of business in China. The Chinese producers
10 aren't here, but that's what I gather is going on.

11 MS. DiFIORE: Thank you.

12 Is this market subject to a business cycle
13 or seasonality?

14 MR. PERRY: It's not seasonality but it's
15 definitely cyclical because it's tied to the housing
16 starts. They said it's not cyclical, but then she
17 says oh yeah, but we're tied to housing starts. So
18 what's happening in the housing market is affecting
19 them. So when housing collapsed it really hit them
20 right between the eyes.

21 MR. SPICHER: New construction in our
22 business is off 50 percent. It's better than it was
23 last year. New construction just kind of comes
24 whenever it comes around. The only thing that would
25 be seasonable about it is usually the fall because

1 people want their kitchen done for Thanksgiving or
2 Christmas or that type of stuff. There's usually a
3 good crunch. Or people trying to finish houses before
4 the end of the year for the builders purposes.

5 Other than that, it's hard to tell where
6 it's coming from anymore. You used to be able to
7 predict what was there. Remodel can come at any time.

8 They just get tired of looking at it. I'm going to
9 go get new tops.

10 Again, remember every one of these under
11 mount sinks that are sold have to get a new kitchen
12 counter top with it. Every single one of them. They
13 can't just go buy a sink, take it home and slap it up
14 into what they have.

15 It's a component of the entire kitchen.

16 MR. MAGARIK: We have not noticed for Kraus
17 a decline in our sales in the past four years despite
18 the marketing, despite the housing problems. The
19 reason for that is because mostly the way we foresee
20 this is if a person can't sell a house Because their
21 mortgage is upside down, the least they can do is
22 renovate. They seek the cheapest possible product
23 they can afford.

24 If you're able to offer a 16 gauge sink for
25 a cheaper price than 18 gauge, the person who is

1 barely making his mortgage payment, if he is, then
2 that is what we're here to do. By changing our model,
3 business model as we have, finding new and innovative
4 ways to run a business, we were able to succeed.

5 There is an expression. It's not how rough
6 the sea is, it's how good the captain is. Evidently
7 we have a better captain.

8 MR. SPICHER: Good point. The other thing,
9 the sink being more affordable and the granite being
10 more affordable it's obviously created a lot more jobs
11 in that sector. If the sink is too expensive and we
12 go back ten years and it's not affordable, then it's
13 going to drive people to a different product all
14 together. Maybe solid surface or laminate or
15 something like that. So this is a key issue to the
16 16,000 people that do this in this country, and it is
17 going to affect them and the affordability of the
18 overall job.

19 MR. SIMPSON: Me being in the granite
20 business as a distributor, I can assure you it will
21 affect my customers and my business. It's all one and
22 the same and they're all intertwined together. It's
23 been ten years of being the same way.

24 MR. PERRY: Bundling. I don't think
25 bundling is so much when the sink goes up, but when it

1 goes to the granite guy, this is a big deal. He's
2 selling this as a whole project. It's being bundled
3 that way. That's what's the big difference, that's
4 why it's such an interesting niche market.

5 MR. SPICHER: That was the next step in the
6 evolution for the fabricator. They've got the sink,
7 they can cut the hole. The fabricator controlling the
8 sink and having it on site and controlling the process
9 of the install, but now it's the faucet. They get to
10 the job, the faucet's not there. Guess what, the
11 fabricator has to drill a hole through the granite for
12 the faucet. They don't know what it is. Is it one
13 hole, three holes? Is there a sprayer? What ends up
14 happening, can't drill it, take the fuel, drive back
15 to the shop, pay two guys and a truck to do this, put
16 it back on a schedule, the plumber'
17 s screaming because he wants to get the sink hooked
18 up, he's got it done but he doesn't have the faucet.
19 it's not his problem. \$20 an hour each for each guy,
20 driving in a truck to go out and drill a hole. That
21 wasn't the fabricator's problem.

22 Now it's become easier, and that's the next
23 evolution. Fabricators are all going to sell faucets.
24 It's all there, it's all in the truck, it all goes to
25 the job, it gets done once.

1 MR. SIMPSON: That has already happened. We
2 already import faucets. Now I'm curious, are we going
3 to be in here for faucets next? We already import
4 faucets and sell them as well as I have evolved into
5 the mosaic backslash tile, the floor tile, glass
6 bowls, granite composite sinks, copper sinks. It's
7 about evolution, it's about changing as the customer
8 changes, as the market changes, that's what the
9 fabricator needs to do their business. That's what
10 I'm bringing in.

11 MR. MAGARIK: Should this pass the only
12 thing that's going to happen, Elkay will not reduce
13 their pricing, monopoly will be created, consumer will
14 not be able to buy the sinks, not because they're not
15 of great quality, Elkay has a good quality and I'll
16 compliment them on this. But besides that they just
17 will not be able to buy them. The industry as a whole
18 will be destroyed for the time being until we're able
19 to shift elsewhere to produce in another country.

20 MS. DiFIORE: Thank you.

21 Typically, and this is for the entire panel.
22 When you sell the sink, do you include the
23 attachments, the faucet and everything so they don't
24 get into the problem of not knowing where the hole is?

25 MR. MAGARIK: We in fact we have kitchen

1 faucets, bathroom faucets, glass sinks, ceramic sinks,
2 accessories for both kitchen and bathroom so we have
3 the entire line. It's an option.

4 We provide bundles such as for better, for
5 further benefit to the consumer. We have a faucet, we
6 have a sink, and therefore a customer can then further
7 benefit with a further discount.

8 On the kitchen sink line we do offer in
9 every single sink, we offer free drains,
10 complimentary. We actually include Kraus kitchen
11 towel.

12 With that being said, customers no longer
13 have to go elsewhere and spend more money which is a
14 significant amount by the way, they collect a
15 ridiculous profit margin on those grids and drains and
16 they're sold separately. WE don't. We include them
17 for free. Why? So the customer can benefit.

18 MR. SPICHER: We have a product called Total
19 Eclipse that is pick your sink, pick your faucet, we
20 throw in the grates, we throw in a basket strainer,
21 and a soap dispenser, everything all in one box. We
22 sell it to the fabricator, the fabricator has the
23 whole thing on his shelf. The customer comes in, says
24 look at the quality. they're all stainless steel
25 sinks and faucets, great quality, I've got a deal for

1 this. If you buy my counter tops today I'll knock
2 \$200 off this package. It's a marketing tool for
3 these guys but it also saves them time and saves them
4 money ultimately.

5 This has happened many times. A fabricator
6 will get in a hurry to get a job done. Got a plumber
7 that's waiting. The sink's not there. They give them
8 the model number of the sink. They download the file
9 for the sink. Guess what, somebody turned two numbers
10 around. You just ruined 3,000, 4,000 dollars worth of
11 tops. You cut the whole wrong. You've got to have it
12 there to physically inspect it, make sure that it's
13 correct and what you're cutting is that sink. If it's
14 not there, it's a whole different deal.

15 It is a lot easier. The customers like it.

16 MS. DiFIORE: Thank you very much.

17 Are you aware of the trends in raw material
18 prices? Have they changed recently? Are they going
19 to continue these trends?

20 MR. MAGARIK: They have been rising
21 consistently, therefore deteriorating our profit
22 margins. We have chosen over the past couple of years
23 to stay true to our pricing and therefore we have not
24 changed in adjusted prices. We suck the profit margin
25 up. How did we do it? We found new and innovative

1 ways, again, to overcome that and still leave the
2 consumer untouched. But yes, the prices on both ends
3 are rising steadily.

4 MS. DiFIORE: Thank you very much for your
5 answers.

6 MS. DeFILIPPO: Thank you, Ms. DiFiore.

7 Mr. Tsuji?

8 MR. TSUJI: I have a few questions about top
9 mount versus bottom mount stainless steel sinks.

10 The technical details about how the bottom
11 mount sink is attached to the stone counter top or
12 composite stone counter top. I heard that they're
13 clipped and then sealed. Is the bottom mount sink
14 first of all attached with like an epoxy glue and then
15 the clips are also attached with the epoxy or similar
16 type adhesive?

17 MR. SPICHER: There are three different ways
18 to do it. One way that some fabricators use is
19 there's a thing called a T-bolt. There's a machine
20 that will rout this out and it puts a slot in their
21 work, a bolt can slide into the slot. Then you've all
22 seen sink clips, they slide it over the threads and
23 thread it up on there.

24 There is never a hard bond other than
25 silicone between the sink itself and the top.

1 The second way is they manufacture, it's a
2 glue-on clip that's a two-part epoxy. Very simple to
3 use. mix it up, stick it up on there. You've got the
4 stud for the piece to fit over, put the silicone on
5 there, screw it up to the top.

6 A third way is there are devices called sink
7 rails. It's a rail that runs from the front of the
8 cabinet to the back of the cabinet. It has two bolts
9 on it. You set the sink in there, put the top over
10 it, and then use those bolts to force the sink back up
11 to the top.

12 That's the easiest part of the whole thing
13 is the actual installation. Cutting and polishing the
14 hole is a whole different ball game.

15 MR. TSUJI: Is it technically feasible for a
16 customer to request that a top mount sink be mounted
17 on top of a stone counter top?

18 MR. SPICHER: Sometimes they will. Very
19 very very rarely because an under mount sink is afar
20 more desirable than a top mount sink because you don't
21 have the crud collector around the top. Everything
22 just pushes into the sink.

23 I can't imagine, maybe one job in a thousand
24 might do a top mount sink in granite.

25 MR. SIMPSON: I would agree with that. I

1 got out of the drop in business one, because I
2 couldn't compete price wise with Elkay. And as well
3 as top mounts are seen as a lower end, more for
4 apartments and laminate and things like that. Under
5 Mount is seen as a higher end, a nicer sink that goes
6 with granite.

7 MR. DREW: We actually imported what we call
8 our pro serious which is a zero radius sink. It's got
9 the square corners. It's a fabricated sink. but it
10 was as top mount And this was one trial and failure,
11 but we thought the possibility would be that because
12 it looked so beautiful that someone would actually use
13 it as a drop in sink. We thought we might be able to
14 hit the New York market when they're just trying to do
15 a quick rent out and they're trying to make it
16 designee. That was a failure.

17 But we also learned that the fabricators
18 would definitely hate it because the standard size for
19 a drop in sink is 33x22. When you make that whole
20 you're leaving them with very little amount of stone
21 on the front and back. So when they bring that stone
22 in if they're replacing it out, you put that stone on
23 the counter top. Crack. So now they have to go back
24 and recut that stone and drop a sink in.

25 So don't follow our lead. Don't buy a

1 deluxe drop in sink for the drop in granite market.
2 It doesn't work.

3 MR. SPICHER: That's a very good point, and
4 one last thing on that is that we'll actually cut a
5 trough and eighth inch wide into the granite where the
6 thin rail is once the cutout's there, front and back,
7 and we epoxy steel into that opening to reinforce it.
8 Another reason the customer can't do it.

9 MR. TSUJI: Okay. Thank you very much.
10 Roughly what is the cost share of the drawn stainless
11 steel undermount sink compared to the total cost or
12 for the package of the countertop?

13 MR. SPICHER: If we go back 10 years,
14 probably a third. Where it's at right now with the
15 sink cut out, maybe 12 to 15 percent would be the
16 total amount, and of course it depends on what size
17 kitchen you're putting it against. A 50-square-foot
18 kitchen at our prices for a fabricated product would
19 be \$2,500, sink at \$100, the cutout at \$200, so you
20 figure it out. It's about 15 percent.

21 MR. TSUJI: Okay. Thank you. This may be
22 more suitable for following up in the post-hearing
23 briefs for both the Respondents as well as for the
24 Petitioners and that is if both parties could
25 elaborate, compare and contract, the steel grades as

1 well as the steel gauges for top-mount since versus
2 bottom-mount sinks and then domestically produced
3 versus the imported sinks from China, okay?

4 MR. OLSON: Excuse me. Jim Olson. What are
5 you looking for in reference to comparing U.S. to
6 Chinese what? Gauge?

7 MR. TSUJI: Both the gauge and the grade,
8 i.e., the type of stainless steel.

9 MR. OLSON: That's company specific. Elkay
10 has honed in on the 300 series. They could be made
11 out of anything. It's your choice. We can order
12 whatever we want. It's just based on customer demand.

13 If you have a large project, whether we're talking
14 through Ferguson, where there are strictly numbers,
15 you specifically order for that job in a 201 steel,
16 for example, so as far as a standard line, we're all
17 in the 304 stainless as a minimum for stone in an
18 undermount.

19 As far as getting it in all these other
20 steels, that's job specific, so new construction being
21 down, I don't know how useful other than the cash and
22 carry is huge right now because a lot of do-it-
23 yourselfers. I personally would be curious as to the
24 percentage of drop-ins that Elkay's doing versus
25 undermount. I don't think they've ever had a large

1 portion of undermount, and they've not pursued it all.

2 I think their whole business is based around drop
3 ins, which is drastically being effected by big-box
4 stores.

5 MR. TSUJI: Okay. Thank you, and which
6 types of sinks do you see more variation among sizes,
7 the undermounts or the drop-ins, and again, this is a
8 question for both the respondents as well as the
9 Petitioners. You can followup in your post-hearing
10 briefs as needed.

11 MR. SPICHER: David Spicher. I would say
12 it's not so much size as it is shapes. I think the
13 undermount sinks have more shapes to them. Again,
14 your back to a square hole. They can make an even
15 double in a top mount. They can make a one-third, two
16 thirds or a 60/40. They can make them different
17 depths. I think it's Kohler has one out that looks
18 like a flowing river. It's a sink. It looks like a
19 horse trough. It's an undermount.

20 It's more creative, and back to the same
21 thing you've got to have a C&C machine and the ability
22 to be able to cut that hole and put it in there, but I
23 would say the undermount would be more.

24 MR. TSUJI: Okay. Thank you very much.
25 Last question. This is the same one that I asked of

1 the Petitioners, but I'd also like to ask of
2 Respondents. Again, you could respond in the post-
3 hearing brief, and that is if you could identify the
4 other countries, non-subject countries that could be
5 providers of imported drawn stainless steel sinks as
6 well as if you're familiar with what their production
7 capacities would be, that would be most helpful for
8 the Commission. We like to always hear from both
9 sides when we query the industry.

10 MR. MAGARIK: Serge Magarik, Kraus,
11 speaking. You guys are more than welcome to visit Ali
12 Baba and you can see all the sources from all the
13 countries. It's information that's available for
14 everyone. Go to alibaba.com, but overall, it's
15 Taiwan, Korea, and we can just keep on going, Mexico,
16 and so on and so forth, Turkey. There are several
17 countries that will be able to accommodate. The
18 question is the transitional period, cost efficiency
19 and the overall effect that's going to have on the end
20 consumer during the transitional period, which is, I
21 can assure you, is going to be a negative one.

22 MR. PERRY: I mean, I looked at the Ali Baba
23 things, and we'll try to give you the website links
24 and put it in our post-conference brief, but I was
25 amazed because they had like 20 different countries

1 with numbers on each. It's not as hard as you think.

2 MR. TSUJI: Okay. We'd be interested in
3 what are the larger producing countries as opposed to
4 every possible producing country, and then who are the
5 major producers within these larger countries, same
6 question that I asked of the Petitioners.

7 MR. PERRY: Well, one reason Korea's
8 mentioned or Taiwan is mentioned is because of
9 stainless steel, but, I mean, India's another
10 alternative. One of the things I ran into recently in
11 another case, I was in India working with an importer,
12 and we were going to different companies in India, and
13 the Indian supplier says by the way, do you want to
14 want steel wire garment hangers, too? IKEA has moved
15 half of its sourcing of house supplies from China to
16 India, so the Indians are targeting, so when they see
17 a trade case against China, they come in as the
18 alternative supply.

19 MR. OLSON: Just for the record, I don't
20 know if you're aware that a larger majority of the
21 stainless steel that we use for sinks, and everybody
22 does, does not come out of China. It comes out of
23 Korea and Japan.

24 MR. MAGARIK: Serge Magarik, Kraus. Guys,
25 as long as there's a demand, the rest will be

1 fulfilled, and there is a demand, so therefore the
2 question really points out to where, machinery and
3 staff who's going to be able to perfect the product,
4 the working force, which the labor cost is the same,
5 yet they're going to be trained, and the transitional
6 period is what I mentioned earlier is when the U.S.
7 consumer is going to suffer.

8 MR. PERRY: One thing I just want to
9 mention, and I think all of the people can testify,
10 prices have gone up from China because of the change
11 in the exchange rates, and I saw this recently when I
12 was at Vietnam. Labor costs are lower in Vietnam than
13 China, so what's happening, because of the United
14 States' demanding changes in currency and that the R&B
15 go up in value vis-à-vis the dollar, it's happening,
16 so prices in China are rising. All of you can say
17 that right?

18 MR. DREW: Ian Drew, Nantucket Sinks.
19 Including labor costs.

20 MR. SIMPSON: With the market changing over
21 there, their labor costs increase monthly from what I
22 hear from them, and they have a very hard time finding
23 employees now even know there's 1.3 billion of them,
24 but costs are increasing, and I keep giving them a
25 hard time that they'll be America someday.

1 MR. SPICHER: In regards to locating a sink
2 factory, as Thomas said over there, my partner is
3 presently in Mexico right now doing groundwork.
4 Obviously, the transition here and who falls off the
5 cliff before they can get this done is going to be a
6 big advantage for somebody, but there's also the
7 possibility that we could all group together. We can
8 open our own factory. It's not that difficult.

9 I know that things are expensive, but I've
10 done manufacturing for many years, and there is
11 significant cost, and there is significant training,
12 but all of those avenues exist, so don't count out.
13 We don't need to go buy from another factory. We'd
14 just do it ourselves.

15 MS. DEFILIPPO: All you all set, Mr. Tsuji?

16 MR. TSUJI: Yes.

17 MS. DEFILIPPO: Okay. Mr. Fishberg?

18 MR. FISHBERG: Good afternoon, David
19 Fishberg from the Office of the General Counsel. I'd
20 like to thank this panel as well for their expertise
21 and their passion about this product. Again, just
22 hearing the term Palsgraf, I actually think back to
23 first-year torts, which is unpleasant memory in trains
24 and clocks and performance is Palsgraf, but anyway, I
25 guess we'll hear more about her going forward.

1 Just a couple of things for Mr. Perry first.

2 I know you're going to be raising some like-product
3 arguments, if you could just sort of address those in
4 your post-conference brief, looking at the factors the
5 Commission traditionally looks at. That would be very
6 helpful.

7 MR. PERRY: By the way, I was stunned too
8 when I followed the Bratsk decision and followed it
9 through and then all of a sudden realized my God, the
10 Supreme Court Justice is talking about traditional
11 causation, and it stunned me, and this is going to be
12 an interesting brief to write.

13 MR. FISHBERG: Okay. I look forward to it.
14 The other thing, it appears there will be some
15 related party issues here potentially, so any thoughts
16 you have on related parties, I'd also appreciate
17 seeing that in your brief.

18 MR. PERRY: It will be the Chinese, and
19 we'll be talking about that. To related parties
20 issues, I don't think we'll be talking about it too
21 much.

22 MR. FISHBERG: Just be talking about the
23 domestic industry and their relationships and whether
24 or not they should be included or excluded from the
25 domestic industry. Anyway, I look forward to that in

1 your brief. One thing I just want to clarify with Mr.
2 Spicher. I though I heard you say earlier that in
3 terms of the sink itself, there wasn't usually a
4 difference between the undermount and the drop-in
5 sinks. Did you mention that, or did I get that wrong?

6 MR. SPICHER: No, no. That was Elkay.

7 MR. FISHBERG: Well, I thought you mentioned
8 that at the fabrication.

9 MR. SPICHER: I commented to that because
10 they seemed to take offense that there's really no
11 difference in those two sinks, and there's a
12 tremendous difference in those two sinks.

13 MR. FISHBERG: Okay.

14 MR. SPICHER: That was my issue.

15 MR. FISHBERG: Okay. Thank you. I
16 understand the point you were making about there being
17 sort of a void in the market that you weren't sort of
18 attuned to in terms of going directly to fabricators
19 and that fabricators wanted to have the flexibility of
20 being able to stop their shows. I was just wondering
21 what was it about China?

22 Why is everyone here importing from China as
23 opposed to anywhere else in the world because again
24 from what I heard this morning, for the Chinese
25 domestic market, they make different sizes of sinks,

1 so in order to go to China, they apparently would
2 probably have to retool their factories and make
3 products specific for export to the United States, so
4 I'm just wondering what was it that caused everyone to
5 sort of go to China as opposed to anywhere else in the
6 world, I guess.

7 MR. PERRY: If I might add something? Sixty
8 to 70 percent of my clients are importers, many of
9 whom import products from China, and one of the
10 reasons is not price, but it's frankly relationships.

11 It's so much easier for many importers to do business
12 in China, and frankly, I had importers laugh
13 hysterically that India was considered more free
14 market than China.

15 They would laugh hysterically that this is
16 what the Commerce Department was using as a surrogate
17 country, as "market economy" country and say forget
18 it, and they were saying it was so much easier to do
19 business with the Chinese. I mean, they could do a
20 deal, and I think that was why a lot of people ended
21 up in China.

22 MR. SIMPSON: This is Todd with Soci. For
23 me, it was, I guess I could say, the path of least
24 resistance. I looked internally first in the U.S. and
25 no one would produce I'm assuming because I was going

1 to be a competitor, so I looked on the Internet and
2 started researching and finding factories who were
3 willing and able to produce a product that I needed to
4 fill a need.

5 MR. FISHBERG: Mr. Simpson, can I just
6 follow up with you? When you say you looked
7 domestically first to see, and you couldn't get a
8 product that could be produced domestically, do you
9 mean it wasn't produced, or they wouldn't sell it to
10 you?

11 MR. SIMPSON: Basically, they wouldn't sell
12 it to me. It's kind of funny, even Justin, the sinks
13 that was here, I emailed them a couple of weeks ago,
14 and I can't get a response. I was just curious what
15 their price would be because I had never even heard of
16 them. It took me, like Blanco, I wanted to sell their
17 products, which is a major brand, five years it took
18 me to finally get them to let me sell their products.

19 A lot of people when they see us, they see us as some
20 kind of enemy, and they don't want to embrace us.
21 They want to crush us.

22 MR. FISHBERG: Mr. Olson?

23 MR. OLSON: Yes, my personal opinion having
24 been involved with this early on, for the most part,
25 Eclipse Stainless paved the way for this whole thing

1 to happen, and the sinks that were first coming out of
2 there in '02 were not acceptable as Thomas Mu had
3 pointed out. They had to move the finishing line over
4 to get acceptable finish that the American consumer
5 would buy. Once we trained the factory and paved the
6 way, then there came a reverse engineering, and people
7 moved from one plant to another, and it just shared
8 ideas, and little by little we couldn't keep up with
9 the demand as a company.

10 Competitors moved in, and we were already
11 set up. We already trained them. We already tuned
12 them into what the American's needed, so the path of
13 least resistance. We opened up the market over there,
14 so everybody went there, and now we're being forced to
15 look elsewhere.

16 MR. PERRY: I should just add one thing. I
17 mean, the reason they're all importers from China is
18 because this case is against China. I mean, they
19 self-selected. All these importers are down on the
20 importer's list in the petition, so obviously that's
21 why you're going to have importers from China, and,
22 Serge, do you want to add?

23 MR. MAGARIK: I would assume at this point,
24 I can't truly comment on why it happened years ago,
25 but now, they have the state-of-the-art machinery.

1 They are well equipped, well spoken. We have great
2 communication with them, and overall, we care about
3 quality of the products, so therefore they have spent
4 so many years, to have so much money spent on
5 perfecting this quality to where it is right now that
6 now they're at that point, which is they're chosen.

7 MR. FISHBERG: Okay. And maybe you can tell
8 me if I'm right or wrong here in my statement, and you
9 can probably elaborate further on it, but is the
10 argument really that it's not the domestics don't have
11 the capacity to produce these types of products. It's
12 just that they're producing them, but for a different
13 channel of trade that they've sort of made their bed
14 with the big-box retailers and the others and that's
15 why they will not sell this type of product to you, is
16 that the argument?

17 MR. PERRY: Well, that's part of it. I
18 mean, part of it is lack of capacity, but also the
19 experience of all the people here is that Elkay
20 doesn't want to sell to them, and one reason, I think,
21 Serge mentioned the best was that Elkay was bricks and
22 mortar, and basically, this was their own-line
23 distribution. They've got relationships with plumbing
24 supply companies and distribution channels and stuff
25 like this. These guys broke the mold, and that's what

1 happened. They went around, and they cut out layers
2 of distribution. Well, that's what Walmart does.
3 This is Marketing 101.

4 MR. MAGARIK: If I may? Serge Magarik,
5 Kraus. It's the way we advertise that differs from
6 the way they advertise. Why? Because we found better
7 and more efficient in doing so. We advertise through
8 online vendors which have an exposure beyond what
9 Elkay has at the present point, and if you go through
10 major sites, such as Source Direct, which is one of
11 the larger ones in the industry, Build.com or
12 eFaucets.com or as well as many others, you're not
13 going to see Elkay's logo on the home page, and
14 there's a clear reason for that. They don't sell.

15 They don't sell not because they don't have
16 a great product. They don't sell because their price
17 is unaffordable. Therefore, we found new techniques
18 and found new ways to overcome any and all obstacles
19 that we had in our way, and therefore, we've
20 succeeded, and that's pretty much where we are, so as
21 I've mentioned earlier, it's not about Elkay's pricing
22 at this moment that if this goes through that Elkay's
23 going to reduce price as to make it affordable. No,
24 that's not going to happen.

25 They're just going to have larger bonuses,

1 continue running their ridiculous operating expenses
2 they are, and that's pretty much what's going to
3 happen, and that's going to be unfair, and they're
4 going to monopolize the market.

5 MR. PERRY: It was interesting. Again, look
6 at the decent in Wood Flooring with Chairman Okun and
7 Commissioner Pearson, and this was in the public
8 version. When they noticed the profitability, they
9 said the real problem the domestic industry has is
10 high SG&A and overhead. I thought that was a very
11 interesting point because I think that's really the
12 problem here.

13 MR. FISHBERG: Okay. One other question. I
14 mean, it seems to me I think we've heard before the
15 price of granite dropped pretty precipitously and that
16 in the past, years ago, these types of countertops
17 were sort of luxury items, and when prices dropped, it
18 sort of opened up a wider audience to people who could
19 sort of afford that. Would you say now sort of that's
20 in part where you came in?

21 There's sort of a more price conscience
22 broader audience that fabricators now have to cater to
23 in order to sell the entire product. Therefore,
24 that's why they were looking for some other channel to
25 sort of help service that because they couldn't afford

1 the prices for the sinks that the domestics were
2 selling?

3 MR. OLSON: Jim Olson. From a distributor
4 standpoint, what happened is when we got into this,
5 granite was still, I think, \$65 to \$85 a square foot
6 when I entered the business, so the segment of the
7 market getting granite was your higher-end homes,
8 which was a small percentage. Prior to that, go back
9 two years before we existed, like Dave was saying, a
10 stainless steel sink was a third of the cost.

11 The number of sinks they were selling was so
12 few they had to stockpile them in the corner, and then
13 someday they would sell them, so their prices were
14 through the roof, so they neglected that market and
15 invested zero time in it. The home market was drop-in
16 sinks for the most part, and then Corian came along.
17 Still, a higher between granite and Formica or
18 laminate tops.

19 As granite increased in popularity, and the
20 costs came down, the sinks demand went up. We were
21 there for that. The whole time new construction was
22 booming, Elkay's cranking sinks out as fast as they
23 can make them. They've gone around and given all
24 their books to the colleges and the architects and the
25 builders so they're specking their products so you can

1 only put that in.

2 If you're not familiar with building, when
3 an architect says you must put this Elkay sink in,
4 there is no alternative. You will put that sink in,
5 so getting your product specked in 400 homes and 700
6 condos, that's how they made their money, running
7 around the delivering truckloads. They have semis
8 drop them right on the jobsite.

9 While they're focusing on the new
10 construction world, granite was slowly rising because
11 the cost was going down, competition moved in, and all
12 of a sudden, the undermount sink market became viable.

13 The whole time we're building it, they're focused on
14 other things. It was never a high-volume product for
15 them. As it became and built into a high-volume
16 product, they were asleep at the week focused on new
17 construction and drop-in sinks. We then took over.

18 Now we control the undermount sink market,
19 and now new construction stops, so they're getting
20 killed on their drop ins. We were never a factor for
21 them until new construction stopped, and now we
22 literally own these distributors. I will step up and
23 say that I feel we own that market because of our time
24 and money and efforts we spend on marketing and
25 catering to these people and providing a service they

1 never had while they were focused on other things, and
2 now that they're in trouble, they want to undo what we
3 have.

4 Again, it's not a matter of price. If you
5 look, the end consumer is still paying depending on
6 the model and the side, \$350 to \$600 for the sink.
7 We've changed who's making the money. They chose to
8 go through two or three or four distribution channels
9 so that the fabricator can't afford to buy from them.

10 Because these channels have been set for 20, 30, 50,
11 however long they've been in business, they can't undo
12 those, so where are they?

13 They're stuck with a distribution chain
14 where they can't now come back. They've had to come
15 up with new brands and new models to kind of try to
16 back-door and try to recoup a little bit of that
17 market but have put little to no effort into it. We
18 tried it. It didn't work. Okay. How long did you
19 try it? Six months, a year, 90 days? Like I said,
20 recently, with the short I've had to prepare to get
21 here, we've surveyed a lot of our customers. They
22 don't see any of the major manufacturers come into
23 them right now today, including Elkay, that are U.S.
24 manufacturers.

25 MR. MAGARIK: If I may add? This is Serge

1 Magarik, Kraus. That's why they came up with the
2 Dayton line because Dayton line right now could be
3 offered at a significantly cheaper price. They're
4 kind of rebranding Elkay because Elkay is being sold
5 through the layers of distribution who they can no
6 longer jeopardize their relationship with, yet they
7 create Dayton, which is in Elkay's line, identical
8 sink for significantly cheaper cost, which they can
9 advertise then online. It's a mismarketing, but
10 nevertheless, apparently, it's there.

11 MR. LEVI: Russell Levi with Kraus. I just
12 want to back up to China history or about 10 years ago
13 how it happened because I start to go to China around
14 2002 because this started as faucets, sinks and
15 accessories. You move to kitchen sinks later on, so
16 what happened at that time, it were only few factories
17 who are supplying kitchen faucets, so it was a huge
18 demand on the U.S. market. At that time, it was
19 either cheaper or very cheap products around \$100,
20 \$120, or it was like over-expensive high-end products,
21 \$500 and up, so it was a gap at that time.

22 We started creating our products, better
23 value, better quality and a great price. At that
24 time, other China factories saw the demand, so they
25 started building another factory. U.S. people saw how

1 the demand is, so they started going more to China, so
2 it was organic growing on the both ends, and then
3 kitchen sinks started. You are teaching them. You're
4 bringing them designs and models, which ones we need
5 for U.S. market, so they were doing exactly by our
6 sketches and designs, and you control the quality
7 because we have office in China.

8 We have about 20 employees in China that we
9 currently have. We control the whole production cycle
10 and the quality control and the packaging just to give
11 a more history of how it was.

12 MR. FISHBERG: Okay. Thank you. I think
13 I've heard testimony today that again if an order's
14 put in place, imports might go away for a little
15 while, but they'll reappear from some other country.
16 Is the thought that this product would then not be
17 available to the domestics or not be available at a
18 price which would make it worthwhile for fabricators
19 to install these countertops, is that --

20 MR. PERRY: Maybe I'm wrong, but Elkay
21 hasn't shown any interest. I think they'll try to
22 stick with their old distribution channels, and
23 meanwhile, there will be a short period while these
24 guys gear up the third countries, and then eventually
25 they'll come back in, and so what will happen is

1 you've got to ask yourself. I mean, we'll try to
2 provide you as much evidence as possible.

3 We'll come in and comment on the
4 questionnaires in the final and ask you to ask the
5 Bratsk questions and see if you ask them. Wood
6 Flooring they didn't. That's one of my issues on
7 appeal, but we're going to try to get the Commission
8 to ask those questions and try to found out from the
9 importers how many of you do have commitments from
10 third countries, and I think a lot will by that time.
11 People are moving. They realize.

12 I mean, you've got to understand it's
13 retroactive liability. Five percent doesn't mean a
14 damn thing. The wooden bedroom furniture importers
15 racked up \$500 million to \$1 billion in liability.
16 That's U.S. importers here. What do you think is
17 going to happen? These guys are going to move, and so
18 what's happening is there's a tremendous change
19 because of the way the law is written because you have
20 retroactive liability.

21 You're the only country in the world that
22 has retroactive liability in dumping cases, and these
23 guys now know it, and once you know it, your business
24 is at risk, so you're going to move. Yes, some of the
25 other companies can get into big trouble over this,

1 but the real problem, I have to give this lecture to
2 these guys, so I'll give it to you. When a dumping
3 case is filed, the target is not China. The target is
4 them, the U.S. companies that import products because
5 they're liable under the law, and they're
6 retroactively liable, so that's why things will
7 change, and they'll change dramatically.

8 MR. LEVI: And one more thing I want to add.
9 It will be hard to rebuild, but we will rebuild.
10 It's going to take maybe a year or two because in
11 order to get to the same production levels we have
12 currently in China is going to take time. It's going
13 to take a lot of investment. It's going to take a lot
14 of money. But if the action going to be in effect, a
15 lot of small companies are going to be wiped out but
16 they're going to be able to afford.

17 MR. SIMPSON: Todd Simpson with Soci. What
18 I see on this end is even if we're gone tomorrow, I
19 don't see Elkay or Blanco or whoever going to those
20 fabricators. I see them trying to force the consumer
21 to go back to the way they want to do business 10
22 years ago. They want to them fewer choices, make them
23 go back to the box stores and to plumbing distributors
24 the way they had it, they way they like, the way
25 they're comfortable with instead of reinventing

1 themselves and evolving and adapting to a changing
2 market.

3 MR. MAGARIK: But in the meantime, this is
4 Serge Magarik with Kraus, thousands of U.S. jobs will
5 be lost because of this, and the U.S. consumer will
6 get punished because the prices will increase, and
7 they will buy them time to develop Dayton or whatever
8 it else they're going to launch to catch up to us just
9 so they can have a fair game because that's something
10 they messed up on.

11 MR. DREW: Ian Drew, Nantucket Sinks.
12 Historically, the housing market has brought us out of
13 bad economies, and this is a step backwards.

14 MR. FISHBERG: I guess going to sort of the
15 housing market and sort of the recession, again we
16 heard this morning, I think everyone recognizes, that
17 it did have some effect on this industry. I think I
18 also heard testimony this afternoon that it also had
19 an effect on fabricators and that there are a lot less
20 fabricators today than there were a few years ago.
21 Help me understand. I mean, there are less
22 fabricators, but the imports from China increase. Do
23 have less fabricators buying more of the product?

24 Try to help me understand sort of what the
25 dynamic is. I would think if there were more

1 fabricators, there would be more desire for the
2 product if this is sort of a fabricator-driven pull.

3 MR. SPICHER: That's like the same thing
4 with the granite imports. If you're looking at the
5 economy and home building's off 90 percent, how can it
6 possibly be going up, but what the granite fabricators
7 have done is that they're actually producing more jobs
8 with less businesses because the price is so rock-
9 bottom low.

10 They want to talk about dumping. My God,
11 the fabricators are dumping on themselves because
12 there's absolutely no money left in that business.
13 From \$100 a square foot to \$25 a square foot, but what
14 a deal. Any one of you could probably go get your
15 kitchen done for less than \$2,000 now. Ten years ago,
16 it would have been \$8,000, so that is the reason why
17 those numbers actually reversed themselves.

18 MR. FISHBERG: Okay. Based on your
19 testimony, I'm going to make sure my wife doesn't read
20 the transcript because I'm going to be out some money.

21 MR. OLSON: One more thing.

22 MS. DEFILIPPO: It's long past time.

23 MR. OLSON: One more thing.

24 MR. FISHBERG: Mr. Olson, yes.

25 MR. OLSON: Jim Olson, again. In the

1 Midwest, we have two accounts, and one of them is just
2 a wholesale fabricator. They don't do any
3 installation. You send them your cut sheets, they cut
4 your stone. They either deliver it to you or you pick
5 it up. They cover seven states, so you have offices
6 and showrooms that literally are brokers, but they
7 have several hundred customers. One giant 40,000
8 square-foot fabrication shop, so you have the fingers
9 out there in 200 showrooms with a 40,000-square foot
10 shop, you don't have 200 fabricators out there.

11 You just have brokers selling the product
12 for them, and that seems to be a trend in the Midwest.

13 There are three places like that where all they do is
14 cut stone and send it out the door, and then everybody
15 else just does their showroom satellite office and
16 they basically broker for the wholesale fabricator, so
17 the number of fabricators isn't increasing, but the
18 facilitating of subcontract fabrication is becoming a
19 big thing in our area.

20 MR. FISHBERG: Okay. I just have two more
21 questions. You heard this morning statements from the
22 Petitioner that drawn stainless sinks are sold on,
23 primarily it's all about price, primarily on the basis
24 of price. Selling directly to fabricators, is there
25 any sort of non-price reasons that you could go into

1 that a fabricator would choose one, I guess, importer
2 over the other? What non-price reasons do customers
3 tell you are the reason why they went with your
4 product. Is there anything out there?

5 MR. MAGARIK: This is Serge Magarik with
6 Kraus. When it comes to us, Kraus is a brand.
7 They're a well-recognized brand at this moment, so we
8 have made a substantial investment in our own
9 marketing campaign, our internal infrastructure. We
10 employ over 50 people in New York alone, and I'm not
11 talking about subcontractors and outside sales reps,
12 so we do what they do. We just do it in a more
13 efficient way. Therefore, can we increase price?
14 It's not about pricing. It's not the fact that we're
15 trying to destruct and destroy they're business
16 Elkay's not even in the picture.

17 The point is that we are doing this because
18 we are taking this out of our own profit margin and
19 finding new ways to exist in the market. It's about
20 finding the price the consumer is able to afford.
21 Otherwise, everything comes to a dead stall because if
22 you really look at it, what would happen if a Ford now
23 becomes a \$150,000- or \$250,000-vehicle. Will it be
24 purchased? No, because people are not able to afford
25 it.

1 Therefore, we find ways, and we invest
2 continuously into seeking ways to exist, and every
3 single year, you guys ask the question whether the
4 cost is rising. Yes, the cost is rising for both
5 labor and products and steel, so for that matter, if
6 the cost is rising, but yet we're able to leave our
7 prices untouched, what does that tell you? That tells
8 you we are taking this out of our pocket and
9 sacrificing this for the benefit of the consumer.

10 MR. SIMPSON: I would tell you, this is Todd
11 with Soci, from my aspect, when people are looking at
12 who to choose to buy, it's the gauge of the sink, the
13 depth of the sink, the distance you are from the
14 fabricator. They want to have it quickly. The next-
15 day shipping is what all the states in my particular
16 state get. They want to know what their terms are.
17 Your return policy. They want to know your
18 availability, what do you have in stock, can I get it,
19 can I order any time, do you run out all the time,
20 which we never run out.

21 I mean, I can say never, and our customers
22 now that, and they can depend on us, and they know if
23 there's a problem, we don't ask questions. We replace
24 it. This isn't all about price. It's about the
25 service level and that we're giving them a 16-gauge

1 sink and that they can have it the next day and the
2 fact that we come visit them, and we ask for their
3 business and tell them thank you.

4 We don't just demand that they go to a
5 plumbing center or to Home Depot to buy their sink.
6 We are trying to help these people build their
7 companies, and I always tell my customers I want to be
8 a resource to you. I want you to see me as an asset
9 to your company. When they need something, they don't
10 hesitate to call me and say I'm doing this, I'm doing
11 that. I need to work a program for this or that, a
12 new way to angle their business, a way for their
13 business to evolve. It's another way of doing things,
14 and we're better on a lot of aspects.

15 MR. MAGARIK: Kraus. We offer 16-gauge
16 sinks for both fabricated and hand-made and breast,
17 but with that being said, what would you tell a
18 customer the customer wants? A 16 gauge, and in our
19 case, that's what they're looking for. They're
20 looking for high quality premium gauge, for instance,
21 16 gauge and 16 gauge is considerably better than 18
22 gauge in this case, and we are able to offer and
23 maneuver this at a price that's still considerably
24 cheaper than an Elkay's 18, so with that begin said,
25 if the customer is looking for a 16-gauge sink, they

1 won't be able to get it. Then what?

2 MR. DREW: I would just like to add, this is
3 Ian from Nantucket Sinks, the irony here is that
4 fabricated sinks from Elkay's testimony are, I could
5 be wrong, I don't know if I heard this correctly,
6 cheaper to make than the drawn stainless steel sinks.

7 Now, the fabricated sinks sell for a higher price.
8 The drop-in sinks I know for a fact cost a lot more to
9 make and therefore a lot more to buy.

10 The cost on that sink is a lot more to buy,
11 but the perception of that sink is a lower end, and
12 those sinks would go into the lower end of the
13 consumer market, so cost-wise, it's just a strange
14 irony, and we're all faced with these dilemmas.

15 MR. LEVI: You're talking about top-mount
16 sinks, right? Top mount?

17 MR. DREW: Top-mount sinks.

18 MR. LEVI: Not fabricated, top mount and
19 undermount. Top mount is the same thing. It's harder
20 to make, but it costs cheaper.

21 MR. FISHBERG: One question, and this might
22 be more appropriate for the post-conference brief. I
23 don't know. When you go from a 22- to a 20- to and
24 18- to a 16-gauge, how much does that increase the
25 cost of what you're producing, so it might be

1 something more appropriate for post conference. You
2 can answer it here. I don't know, and I'd also like
3 to hear from Petitioners as well what the sort of
4 price difference is.

5 MR. LEVI: It's around 10, 12 percent I
6 would say, right?

7 MR. MAGARIK: It's 15 percent.

8 MR. LEVI: 15 percent of 16 gauge to 1.5
9 millimeter stainless thickness. 18 gauge is 1.2. 20
10 gauge is 1 millimeter. 22 gauge, it's .8 millimeter,
11 and so it takes .2 as gauge goes up or down, so
12 thickness is a big difference.

13 MR. MAGARIK: And it's about 15 percent from
14 16 to 18 and so on and so forth per grade.

15 MR. LEVI: Plus also, cost of production
16 more expensive because you need to have bigger press
17 to punch those things, so the bigger the gauge, you
18 need the bigger press.

19 MR. MAGARIK: So, Mr. Fishberg, just to sum
20 up the answer to your question, yes, besides price
21 point, there's a difference in gauge thickness, in
22 quality of the steel, design, shape of the sink, top-
23 mount installation, undermount installation. All
24 these are important factors when it comes to making a
25 decision for the consumer to buy. It provides them

1 with a choice, and they are very, very sinks.

2 MR. FISHBERG: And I think I heard Mr. Olson
3 say before that you can offer a lower-gauge, but you
4 make up the cost differential in other areas, is that
5 correct?

6 MR. OLSON: If you saw in their video, when
7 you have a top-mount sink, it has a very large flange
8 around it. They're drilling holes in it for the
9 faucet. They have to crimp and finish the edge so
10 when it lays on the counter, it's got a rolled-
11 finished edge so it's not sharp. Well, on an
12 undermount sink, which they didn't show, it's a one-
13 inch flange all the way around the top that's rough-
14 finished. Yes, right there. There you go, so there's
15 no exterior finishing.

16 The difference in the cost, when your
17 minimum, as a rule for stone, you use 18-gauge
18 undermounts. They're dropping down to 20- and 22-
19 gauge top-mounts. There's more labor involved, but
20 there's thinner steel, so it doesn't make sense for
21 the amount of additional rails and mounting systems
22 and the flange. Well, they laser the holes now,
23 whatever technology, but there's a lot more processes
24 involved in that sink, but yet it's less money just
25 strictly due to the thickness of the steel.

1 There's that much of a difference in the
2 cost of steel that's offsetting the labor, so for us
3 to offer a 16-gauge product with a brushed finish
4 versus what we call the micro, real fine, finish,
5 which I guess the gentleman that was sitting in this
6 sit, I didn't catch his name, but from Elkay, he said
7 that well, we tried that and went back to it because
8 they didn't like it.

9 They tried the brush finish, but it didn't
10 do anything for them, so they went back to their micro
11 finish. Well, that's a very unforgiving surface that
12 now that the consumers are more educated, plastic
13 silverware will pretty much scratch that. It's very
14 unforgiving if you use it, so we put a brush finish in
15 there that's a lot less labor, a lot less rejects
16 because you can hide things with the heavy brushing,
17 and there's no finish work really around the flange.

18 Their undermount sink compared to ours,
19 they're doing more work finishing it and putting less
20 steel in it. We're putting more steel in it, but less
21 work finishing it.

22 MR. SIMPSON: This is Todd with Soci. It's
23 also the little things. Like we talk about our road
24 to market and our distribution and that we don't have
25 all the middle men. Even the little things like

1 boxing whereas they may use one sink per box, I do
2 three. There's different ways to cut out some of the
3 cost where you don't have to charge those prices if
4 you just cut out the middle men, trim down your
5 expenses, cut out some of the CEO's pay that makes a
6 million dollars a year for what? It doesn't make
7 sense.

8 MR. FISHBERG: All right. Thank you. Just
9 a final question mainly for the attorneys. In your
10 post-conference brief, could you please address the
11 factors that the Commission traditionally considers
12 for its threat of material injury analysis? That
13 would be helpful, and with that said, I appreciate
14 your testimony. Thank you very much.

15 MS. DEFILIPPO: Thank you, Mr. Fishberg.
16 We'll now turn to Mr. Corkran for his questions for
17 this panel.

18 MR. CORKRAN: Thank you all very much. This
19 has been a tremendously informative panel, and I'm
20 also indebted to my colleagues because they've asked
21 virtually all the question that I had. Actually, one
22 of the questions that struck me, if I can characterize
23 this panel, and I hope I don't mischaracterize it,
24 it's principally U.S. importers that carry inventories
25 of undermount stainless sinks for fabricators. That's

1 a very broad characterization.

2 I was actually wondering if I could turn to
3 Mr. Wolfe because I believe you were formerly with
4 Ferguson, is that correct?

5 MR. WOLFE: Yes, sir, that's correct.

6 MR. CORKRAN: Can you give a little insight
7 into other companies that occupy a space in the
8 distribution channel and if they also stock
9 inventories of these products because from the very
10 beginning of the testimony, that was one of the key
11 characteristics I was hearing about stocking
12 inventories for fabricators.

13 MR. WOLFE: So let me understand that
14 question exactly. You want me to identify other
15 companies because other than myself, the rest of the
16 people on this panel are strictly in the fabrication
17 section of the sink industry where I do sell some of
18 those customers. That is predominantly not my direct
19 source of supplying sinks to the United States, so are
20 you asking me to identify other people that import
21 sinks other than the fabrication?

22 MR. CORKRAN: Not necessarily so much import
23 as but just generally. What is the role other
24 companies that stock and distribute in the market?

25 MR. WOLFE: I think the sales and marketing

1 associate from Elkay went over several of the
2 different KOBs or Kinds of Businesses, meaning the
3 plumbing wholesale industry, the fabrication industry,
4 the box stores. Some builders, I know that they may
5 sell directly to, but the other is the hardware
6 wholesale industry, Tru-Value, Ace Hardware, Orgill
7 Bros., Wallace Hardware, and these are small to
8 medium-sized hardware distribution companies that
9 supply the mom-and-pop lumber companies and things of
10 that nature.

11 There's a handful, the mobile home industry,
12 the RV industry, some of these higher-end, \$300,000-,
13 \$400,000-, \$500,000-dollar RVs. When you go into
14 them, they have undermount sinks in there. They're a
15 different size and shape, but they're smaller, but
16 that's another entity that would import or buy the
17 same products. A lot of regional plumbing wholesale
18 groups deal directly with brokers and buy product from
19 all over the world.

20 There's several, Menards, Lowe's, their
21 private-label products, which they're not represented
22 here, and you could just go down the list of the top
23 plumbing wholesalers in the United States, Ferguson,
24 Hajoca, Winnelson, and it just keeps going on down to
25 regional people like Morrison in Texas, which is where

1 I'm from, so there's a handful of other areas that
2 this product can be distributed from other than just
3 the fabrication side.

4 MR. PERRY: I might just ask that Serge also
5 speak to this. Serge is not --

6 MR. CORKRAN: I'm sorry, sir, I can't hear
7 you.

8 MR. WOLFE: In an eCommerce side.

9 MR. PERRY: Serge is really not serving. he
10 serves some fabricators, but he's selling to Home
11 Depot, Lowes and all the other ones.

12 MR. CORKRAN: Just repeat that. The court
13 reporter couldn't pick up with you said.

14 MR. PERRY: Okay. Just what I was going to
15 suggest was that Serge also answer the question.
16 Serge is not really serving the fabricators. It's one
17 of his client groups, but he's also selling to Home
18 Depot, Lowe's, the big companies.

19 MR. MAGARIK: This is Serge Magarik, Kraus.
20 As mentioned earlier, our business model is in some
21 ways, I guess, similar to Elkay's, only just a lot
22 more advanced with it comes to online. We sell
23 through major online distributors, which you guys all
24 know and shop on a daily basis, such as Overstock,
25 Amazon and HomeDepot.com, Lowes.com, Faucet Direct,

1 which is owned by Ferguson, which is owned by
2 Wellesley and so and so forth.

3 I can just keep on going on. I'm sure you
4 don't have the time for that, but with that respect,
5 yes. Major supply chains may stock up on it on a
6 daily basis. Therefore, the business model itself, we
7 still have mid-channels of distribution. We are also
8 layered somewhat, just not as layered as they are
9 because we have significantly less skeletons in the
10 closet than they do.

11 Therefore, we were able to structure
12 internally our infrastructure as a company to find
13 ways to be able to offer products to the distributors
14 where they still are able to make the profit margin
15 and still offer it at a reasonable price to the
16 consumer. We have found the way to do this. They
17 haven't, which is why we're all here today.

18 MR. LEVI: We started with internet business
19 from the beginning, so we did not have any skeletons
20 in the closet like they did, and what happened, we
21 have drop-shipping model, so we stock all the products
22 in our warehouses. Yes, some customers buy from us
23 that are actually on pallets, containers, but most of
24 the products we stock in the warehouse.

25 It's called drop-shipping model, so when

1 you're buying product on the Overstock, Amazon, Home
2 Depot or anywhere else, we stock the product. We ship
3 the product as the invoice, so they don't have to
4 purchase the product before it's sold, so all the big
5 companies love this model because they don't have to
6 pay for inventory. We do it. We have the inventory
7 in stock.

8 We have about two or three months' supply at
9 any given time, and as orders come in, we ship it with
10 their label to the consumer, so if a customer buys
11 from HomeDepot.com, it comes with Home Depot label, so
12 customers have no idea it came from us direct. He
13 knows it's a Kraus sink, but he don't know it came
14 from us, so it's a different business model than
15 everybody else.

16 MR. MAGARIK: Just to clarify, when Russell
17 said we sell directly to customers, customers at this
18 moment we consider distributors and consumer. We do
19 not sell direct. That would create a conflict of
20 interest, so we sell to vendors. Vendors sell to
21 their clients. Some of our vendors do stock our
22 product, most popular models, and the reason they do
23 this is to expedite the shipping process.

24 Therefore, if they have a facility located
25 somewhere in Utah, and the order comes from Utah or

1 California, it takes one business day to ship instead
2 of coming from New York. For others, we ship directly
3 on their behalf, which is we employ people in New York
4 to drop-ship for them, but everything points down to
5 expedited shipping time for the benefit of the
6 consumer, but our consumer is not the end consumer.
7 It is the vendor, whether online or a distributor.

8 MR. OLSON: Jim Olson. In the Midwest, the
9 way I'm set up I don't push inventory on anybody. We
10 ship daily. I bring in containers into a warehouse.
11 When you send your purchase order in today, it ships
12 tomorrow. Ninety-five percent of my territory is in a
13 one-day range, so for the most part, they're not
14 stocking anything. It's being ordered per job in the
15 undermounts just because customers can't do anything
16 with it, and when they sign the contract for the job,
17 it takes one to three to five days to get the stone to
18 the building, so their sinks and faucets are there
19 before it.

20 The beauty of our program, much like they
21 are, stock nothing. Put in one display. Order as you
22 need it. Let me be your warehouse. Those two things,
23 (1) you don't have to have to inventory to keep it,
24 and (2) it's a lot harder for me to get stuck if you
25 go out of business, if you're not putting pallets of

1 product in your building, so for the most part, a
2 large majority of us are not pushing bulk inventory on
3 anybody. We are the warehouse.

4 MR. CORKRAN: Again, I want to thank you all
5 very much for your testimony. It's been very helpful,
6 and I appreciate it, and I have no further questions.

7 MS. DEFILIPPO: Thank you, Mr. Corkran, and
8 I thank both staff and the panel. I've crossed out, I
9 think, all of my questions, so I don't know if I have
10 anything that hadn't gotten covered. Perhaps just
11 one. Mr. Perry, the panel's provided a lot of
12 information from their perspective of being
13 fabricators and looking at the undermount sinks, the
14 cases on drawn stainless steel sinks which includes
15 drop in and the undermount.

16 Do you have, and we may be able to get some
17 from the pricing data in the questionnaire. I'm not
18 sure that we'll have a full picture of the percentage,
19 but do you have a sense of the total, sort of the big
20 picture, of Chinese imports that are coming in what
21 percent are the undermount versus what percent of top
22 mount?

23 MR. PERRY: It's not so much the percent of
24 the imports. I've heard what the role is in total
25 market that it was like 75 percent drop in, 25 percent

1 undermount. That's what I heard generally, but these
2 were just statements bandied about estimates. Yes, I
3 wish there were a lot more people here, but at least
4 we're here.

5 MR. OLSON: One other thing on the drop ins,
6 most of the drop ins coming in from China, it's my
7 understanding, is Elkay's bringing those in from China
8 is what I have heard, and/or Mexico, which they've
9 acknowledged their plant, although they said they're
10 not bringing them into the states, but as far as the
11 people here bringing in drop ins, our percentage for
12 me is zero. That's not who we're showing.

13 MS. DEFILIPPO: So it would be a different
14 set of importers that are probably playing in that
15 part of the market?

16 MR. OLSON: I mean, there's a few people
17 here that offer the, but the percentage is so low.
18 They're collecting dust.

19 MR. WOLFE: That's the largest percentage of
20 our sales, by the way, are the drop in, not the
21 undermount, so again, two different sectors, two
22 different types of businesses.

23 MS. DEFILIPPO: Does the size of the drop in
24 versus undermount affect your argument if it's one
25 like product?

1 MR. PERRY: Well, obviously it's more
2 difficult if it's one like product, and all of a
3 sudden yesterday during our conversations I thought
4 maybe there is an argument here that they're separate
5 like products because there's a lot of differences
6 between the two sinks, and so we'll see. We'll make
7 the argument and see what the Commission does, but the
8 point is yes, it's obviously very difficult.

9 I mean, the problem is obviously between
10 Home Depot and Elkay and other people, the big-box
11 stores may be one of the problems that Elkay has, but
12 I think the overall problem of Elkay not moving with
13 the distribution channels, not catering to markets, I
14 think what we're doing is indicative of a problem they
15 have. They haven't moved, and the problem isn't in
16 China.

17 The problem is here in the United States
18 with their own marketing, their own distribution
19 channels, and just looking at the Faucet Direct when
20 they have a price for the same damn sink and one is
21 \$600 and one is \$249, so the problem with China is not
22 their problem. Their problem is their own model.

23 MR. LEVI: I just want to clarify one more
24 thing. This is Russell. Between top-mount sinks and
25 undermount sinks, there is not much difference in how

1 they're made. There's a difference how they're
2 installed, type of installation. They're made very
3 similar.

4 MS. DEFILIPPO: Okay.

5 MR. LEVI: They join together. There's a
6 top lip on the top mount, but 80 percent of the
7 process is the same, but they're mounted differently.

8 MS. DEFILIPPO: Yes, I don't think I could
9 put in either one, and I have an undermount, and I
10 appreciate that certainly a consumer could not do
11 that. I'll check around to make sure others do not
12 have any additional questions. I thank you all very
13 much. I think we've learned a lot both this morning
14 and this afternoon, so thank you for your presentation
15 and answering the numerous questions we had. We will
16 break until 2:45 to give you guys time to do your
17 closing statements, and then we'll come back for that.
18 Thank you.

19 (Whereupon, a short break was taken.)

20 MS. DEFILIPPO: Welcome back, Mr. Dorn, and,
21 court reporter, are you ready?

22 THE REPORTER: Yes.

23 MS. DEFILIPPO: I should have asked that
24 first. Please proceed with your closing statement.

25 MR. DORN: Thank you. Let me start with a

1 couple of areas of agreement between all the parties
2 in the room today. Nobody is arguing that drawn and
3 fabricated sinks are one like product, so I think that
4 issue is beyond us. There was the issue raised about
5 top mount versus undermount sinks, but there we have
6 agreement in the room, I believe, that they're made
7 using the same facilities, same production equipment,
8 same production processes, same employment skills, and
9 we'll address all the six factors in our post-hearing
10 brief.

11 Bottom line, the scope of the articles
12 subject to investigation includes all drawn stainless
13 steel sinks, and what best matches that is all
14 domestically-produced drawn stainless steel sinks.
15 There's no clear dividing line to break up that
16 continuum in the product, so we'll address that post
17 conference. With respect to conditions of
18 competition, I think it's very clear from the
19 testimony today that everybody in the room agrees that
20 price is very important in the purchasing decision. I
21 never heard it said so strongly by my opposition in an
22 anti-dumping case.

23 There is a disagreement about the aggregate
24 demand elasticity, and in our view, it's very clear
25 that aggregate demand is price in elastic. Folks

1 don't decide to build a new house containing a kitchen
2 because the price of sinks has gone down, and they
3 don't decide to remodel a kitchen because stainless
4 steel sinks have gone down. It's a very small
5 percentage of the overall construction project.

6 Turning to the statutory criteria, we also
7 have agreement on the very first factor, which is the
8 volume of imports. Nobody in this room told you that
9 imports from China are not significant in relation to
10 imports from all countries in relation to U.S.
11 consumption in relation to U.S. production, clearly a
12 significant factor in the market. Also, you didn't
13 hear anybody contest the fact that the increase in the
14 volume of imports is clearly significant, 60-percent
15 jump from 2009 to 2011, agreement on that point.

16 Let's turn to adverse price effects, and the
17 Commission starts there with underselling. There's no
18 disagreement there of course. They use euphemisms.
19 They didn't say there's price underselling. They use
20 different terms. They say the Chinese product is
21 affordable. How many times did you hear that, and
22 that Elkay's sinks are unaffordable, correct? What
23 are they saying? They're saying that the Chinese
24 sinks are a heck of a lot cheaper than domestically-
25 produced sinks. I never heard a clearer admission of

1 price underselling across the board in any case in
2 which I participated.

3 They even admit that Chinese 16-gauge sinks
4 are cheaper than Elkay's 18-gauge sinks, and they're
5 here because they say if duties are imposed, the
6 prices they pay are going to go up. Market prices are
7 going to go up. They should go up. We're here filing
8 an anti-dumping subsidies case because prices are
9 unfairly depressed in the U.S. market due to
10 underselling by the Chinese. We want to eliminate the
11 underselling and return to fair market prices in the
12 United States.

13 The third factor, adverse impact. Again,
14 there's no disagreement regarding the state of the
15 industry and its decline. Their only arguments are in
16 regard to causation, and there we heard a lot of false
17 testimony today, some of which repeated many times.
18 How many times did you hear these witnesses say the
19 Dayton brand was just recently introduced by Elkay and
20 that it's imported from China? You heard that, right?
21 How many times did you hear it? It's false.

22 Elkay's been making that product for over 25
23 years here in the United States. They've never
24 imported the Dayton brand, but you hear that contrary
25 statement multiple times. They say we don't sell to

1 private-label customers. False. Elkay sells to
2 private label customers. They say we don't sell to
3 fabricators. We used to have a fabrication business
4 until recently, and we do sell to fabricators, and the
5 other point is, we're happy to sell to fabricators
6 today.

7 We would like to have a meeting this
8 afternoon, and we will talk about pricing. We'll
9 offer everybody that sat at this table Elkay sinks,
10 and we'll talk about price, and let's cut a deal.
11 We've got plenty of excess capacity. We're ready to
12 sell you all the sinks you want direct to you as
13 fabricators. With regard to internet channel, we're
14 there. Google us. Google Elkay. You'll find tons
15 and tons of references. Look at Amazon, same thing.
16 We're in that channel of distribution big time.

17 The other point they made is that we
18 wouldn't be able to supply the U.S. market if duties
19 were imposed. You heard the testimony from Mr. Just.
20 You heard the testimony from Mr. Rogers. None of
21 these plants are working at even a full single shift,
22 and there's plenty of extra capacity to bring online,
23 and keep in mind that these plants were operating at
24 much higher rates prior to the downturn in the economy
25 in the housing market, so I know they can get these

1 plants back up to where they were.

2 Also, we're not trying to block all imports,
3 right? All we're trying to do is to offset the
4 dumping margins and the subsidy rates with duties to
5 level the playing field with respect to China. If
6 there are fairly-traded imports coming from other
7 countries, so be it. We've got no problem with that.

8 That's the way the law's supposed to work. Now, this
9 argument about Bratsk, I'm scratching my head. I
10 haven't talked about that in a while because I thought
11 the Middle Steel case by the federal circuit sort of
12 put Bratsk to bed.

13 I think Mr. Perry's the only one that's
14 still talking about Bratsk because I don't think it's
15 still good law, but as I said before, this is not a
16 candidate even for a Bratsk test because clearly the
17 Chinese or the 900-pound gorilla in the U.S. market,
18 there's nobody else. There's no other foreign
19 supplier that's just standing there waiting to come
20 in, and we'll address that in our post-conference
21 brief as well.

22 Let me just look through my notes here and
23 see if I've got a couple more comments from my
24 clients. There were a few comments about Elkay having
25 high SG&A and other things. I don't know where

1 they're getting that information. You'll have the
2 data. You'll look at it. You'll look at our
3 financial information, and it doesn't take a brain
4 surgeon to figure out that the reason that the U.S.
5 industry is hurting right now is lost production
6 volume going through these plants, which are capital
7 intensive.

8 As you heard the testimony today, to
9 minimize per-unit fixed cost you have to feed these
10 plants with a lot of volume. Look at the aggregate
11 data, and you can see that this industry is losing
12 volume through imports from China. Look at Elkay's
13 questionnaire response. Look at the instances of lost
14 sales that are reported there. The other thing you
15 know is that the Chinese products are priced lower
16 than domestic products, and that's having a downward
17 effect on prices in the Unites States, and as you
18 heard from the testimony.

19 As you can see from our confidential
20 submissions, this is a classic case of price
21 suppression where stainless steel prices have gone up.
22 You heard admissions from the other side on that, but
23 Elkay could not increase its prices to cover the
24 increasing cost of stainless steel in an environment
25 where it's already being undersold by the Chinese. In

1 fact, you heard the importers say that they're so
2 focused on selling on the basis of price that they're
3 not going to raise their prices.

4 They're just going to shrink their margins.

5 That's what they said because that's how they go to
6 market. Their business model is based on underselling
7 the domestic producer, and it's nothing else than
8 that. We heard sort of conflicting testimony about
9 grades of steel, but the fact is that a very large
10 percentage of the imports coming in from China are 300
11 series, and a very small percentage would be 200
12 series.

13 All these arguments about grades and gauge
14 and so forth is a side show. You heard it from them.

15 It's all about price. They say the Chinese price is
16 affordable, and Elkay prices are not affordable.
17 They're admitting that the domestic industry's prices
18 are higher than those of the Chinese, and that's the
19 reason they're displacing U.S. production, increasing
20 their market share at the expense of the Elkay and the
21 other producers.

22 Finally, as Ms. Defilippo correctly pointed
23 out, what you're hearing today on this argument is
24 really -- if they say it's 25-percent of the market,
25 what about the other 75 percent where we're losing

1 sales in the big-box retailers and the other channels
2 of distribution. This is not all about fabricators
3 and countertops. The Commission's got to look at the
4 injury to the entire industry and consider the whole
5 product market for drawn stainless steel sinks. Thank
6 you very much for your attention.

7 MS. DEFILIPPO: Thank you very much, Mr.
8 Dorn. Mr. Perry, will you be giving the closing
9 statement?

10 MR. PERRY: We're going to kind of do it
11 jointly if that's all right.

12 MS. DEFILIPPO: Perfect. Why don't you
13 both --

14 MR. PERRY: Much the same.

15 MS. DEFILIPPO: We'll be happy to have both
16 of you join us, and when you're ready, please begin.

17 MR. PERRY: Bill Perry, the law firm of
18 Dorsey & Whitney. I'm here representing several of
19 the importers. Obviously, we will be arguing that
20 there's a clear dividing line by top-mount and
21 undermount sinks. Basically, what he's saying is that
22 the fabricators are focused on the undermount sinks.
23 That may indicate that there's a dividing line because
24 there's a very different way in the way they're sold.
25 I think the other point we're trying to make here is

1 this is an attenuated competition situation.
2 Obviously, Joe Dorn is a very good lawyer, and he's
3 basically pounding away saying it's price, it's price,
4 it's price. Well, our people said we can't compete
5 with their Dayton line. We can't sell. That's called
6 mixed overselling and underselling. Also, the
7 important point is he kept screaming price, price,
8 price, but the importers went into detail that their
9 customers at least were asking for a lot of different
10 issues. It wasn't just price. It's quality, supply,
11 how long can you maintain it, are you a reliable
12 supplier or not, so there's a lot of issues. More
13 importantly, as we said before, it's not the Chinese
14 companies coming here to push product into the U.S.
15 market. It's importers looking to serve voids in the
16 market and going to China because it seems to be the
17 easiest to try to get products to serve that void.
18 This is an importer poll, not an exporter push. The
19 other point is when we talk about price, the issue is
20 why is there underselling? I mean, if the
21 underselling is because the Chinese are being dumped
22 and subsidized, well he's got a point, but if
23 underselling is because we changed the changed the
24 distributions and cut out layers, that's a whole
25 different situation. If what we're saying is the

1 issue is the U.S. market, not the Chinese situation,
2 then that's a whole different situation, and I think
3 that's what they're saying here. When Serge says yes,
4 prices have gone up, but I found a way to collapse my
5 margins, he's not talking about what he's doing with
6 the Chinese price or anything else like that. He's
7 saying what I'm doing is working on the U.S. side of
8 my distribution channels. This is exactly what
9 Walmart is doing, UPIs. The whole thing is marketing,
10 and you've got to move into the new world. I mean,
11 Joe would love to go back, his client would love to go
12 back 10, 20 years, but that isn't going to happen. It
13 is 2012. He talks about the state of the industry,
14 but frankly, I don't know yet. I haven't seen the
15 questionnaire responses. I don't know what it's going
16 to be. When we write our brief, we may get some idea,
17 and we probably won't really know until we see your
18 staff report from the prelim whether the industry is,
19 and I'm always surprised. I never know for certain.
20 Again, there is a brand, the Dayton brand, the whole
21 point that Elkay was selling this lower-priced brand
22 and then selling a higher-priced brand maybe at the
23 same website, but the importers are saying we can't
24 compete with their lower-priced brand. I love it when
25 Joe says we're not trying to block all the imports

1 here. Joe Dorn is a very good domestic trade lawyer .
2 His objective, especially if I could ever see his
3 dumping margins in his petition, I bet you they're
4 well over 100 percent. He wants to get rid of them
5 all. He's being paid to do that, and he's damn good
6 at it. Give him credit where credit is due, so we're
7 not talking about a level playing field here. We're
8 talking about wiping the imports out from China if you
9 can and seeing what he can do from there, and as I
10 said before, the other problem is importers have to
11 deal with reality, and the reality in the Unites
12 States, the emperor has not clothes here, is
13 retroactive liability. Because of retroactive
14 liability, five-percent dumping rates are not five-
15 percent dumping rates. They're five-percent cash
16 deposits. The actual dumping duty is determined in a
17 review, and if it goes up, which it goes up a lot, the
18 U.S. importer is retroactively liable for the
19 difference, plus interest, and can owe easily
20 millions, so what's going to happen? They're going to
21 start looking for alternatives, and this was where
22 Bratsk does come into play because what the Court of
23 Appeals and the Federal Circuit is saying but for the
24 Chinese imports, would the U.S. industry be better
25 off? We're saying if the Chinese imports aren't here,

1 other imports are going to replace the Chinese, and
2 the U.S. industry is going to be the same exact
3 situation that it was before, why its big problem
4 isn't the price of the Chinese. Its big problem is
5 its own distribution channels and its failure to
6 modernize and move ahead and come into the era of
7 2012.

8 MR. McCONKEY: Matthew McConkey from the
9 Mayer Brown law firm representing CMI. I think the
10 one thing that we've all learned today, which wasn't
11 readily available looking at the petition, this is a
12 much more complicated case than it would first appear,
13 and the conditions of the industry are more
14 complicated than it would first appear. It's a more
15 complicated process, and it's surprised me over the
16 last few days, and in fact, you sort of have two
17 different groups sitting up here. You have Bill and
18 his Serge coalition. Serge was a little bit
19 different, but CMI, for the most part, we have very
20 different products. Very different products, very
21 different types of customers, and so this is something
22 I don't think we're going to resolve in the next weeks
23 unfortunately. It's the way the process works, and we
24 understand that, but I think going forward, and
25 especially for the final, the Commission does have its

1 work cut out for it, and I do urge you to really look
2 at this, and I do think it's not a side show these
3 issues of undermount and overmount. Petitioners came
4 in today, and I think they were caught off guard a
5 bit. I think they were completely expecting this was
6 going to be a day of drawn sinks versus fabricated
7 sinks, and I think they were a little bit shocked that
8 wasn't raised as an issue here. The issues are
9 undermount versus overmount or drop in versus
10 undermount, and even with those categories, I do think
11 that the series of the stainless steel is an issue,
12 and there is an impact, and as CMI had mentioned in
13 Mike's testimony that he can't compete to drop in 300
14 series built by Elkay. He can't compete with that.
15 He can't bring in product from China that meets that
16 same 300 series and compete with Elkay on that, so
17 certainly going forward, I think it's something for
18 the Commission. You really need to slice and dice
19 this product to get down to it to see exactly what's
20 happening, what is the U.S. market, what are imports,
21 and what is the interplay between those because right
22 now, we don't have that information. You don't have
23 it, the questionnaires aren't capturing it simply
24 because the nature of the process, but you will be
25 able to capture that going forward, and I urge you to

1 do that. Thank you.

2 MS. DEFILIPPO: Thank you very much, Mr.
3 Perry and Mr. McConkey. On behalf of the Commission
4 and the staff, I would like to thank the witnesses who
5 came here today as well as counsel for helping us gain
6 a better understanding of the product and the
7 conditions of competition in the drawn stainless steel
8 sinks' market. Before concluding, please let me
9 mention a few dates to keep in mind.

10 The deadline for submission of corrections
11 to the transcript and for submission of post-
12 conference briefs is Tuesday, March 27. If briefs
13 contain business proprietary information, a public
14 version is due on Wednesday, March 28. The Commission
15 has tentatively scheduled its vote on these
16 investigations for Friday, April 13 and will report
17 its determinations to the Secretary of the Department
18 of Commerce on Monday, April 16. Commissioner's
19 opinions will be transmitted to Commerce on Monday,
20 April 23. Thank you again for coming. With that,
21 this conference is adjourned.

22 (Whereupon, at 3:04 p.m., the hearing in the
23 above-entitled matter was concluded.)

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25 //

CERTIFICATION OF TRANSCRIPTION**TITLE:** Drawn Stainless Steel Sinks from China**INVESTIGATION NO.:** 701-TA-489 and 731-TA-1021**HEARING DATE:** March 22, 2012**LOCATION:** Washington, D.C.**NATURE OF HEARING:**Hearing

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: March 22, 2012

SIGNED: LaShonne Robinson
Signature of the Contractor or the
Authorized Contractor's Representative
1220 L Street, N.W. - Suite 600
Washington, D.C. 20005

I hereby certify that I am not the Court Reporter and that I have proofread the above-referenced transcript of the proceeding(s) 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 proceeding(s).

SIGNED: Rebecca McCrary
Signature of Proofreader

I hereby certify that I reported the above-referenced proceeding(s) 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 proceeding(s).

SIGNED: Christopher Mazzochi
Signature of Court Reporter