

UNITED STATES INTERNATIONAL TRADE COMMISSION

In the Matter of:)	
)	Investigation Nos.:
HARDWOOD PLYWOOD FROM)	701-TA-490 and
CHINA)	731-TA-1204 (Preliminary)

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Place: Washington, D.C.

Date: October 18, 2012

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) Investigation Nos.:
 HARDWOOD PLYWOOD FROM) 701-TA-490 and
 CHINA) 731-TA-1204 (Preliminary)

Thursday,
 October 18, 2012

Room 101
 U.S. International Trade
 Commission
 500 E Street, S.W.
 Washington, D.C.

The hearing commenced, pursuant to notice, at
 9:30 a.m.

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CHARLES YOST, Accountant/Auditor

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 and Countervailing Duty Orders:

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P R O C E E D I N G S

(9:31 a.m.)

MS. DEFILIPPO: Good morning. Welcome to the United States International trade Commission's conference in connection with the preliminary phase of antidumping duty Investigation No. 701-TA-490 and 731-TA-1204, concerning Imports of Hardwood Plywood 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, James McClure, the Supervisory Investigator; Fred Ruggles, the Investigator. To my left, Rhonda Hughes, the Attorney Advisor; Cindy Cohen, Economist; Charles Yost, the Accountant/Auditor; and Al Goetzl, 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 microphone. We also ask that you state your name and affiliation for the record before beginning your presentation or answering any 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.

6 Are there any questions? Hearing none, we
7 will proceed with opening statements. Mr. Levin, good
8 morning. Welcome. Please have a seat, and when
9 you're ready, please begin with your opening
10 statement.

11 MR. LEVIN: Good morning, Madam Chair,
12 members of the investigation staff. My name is Jeff
13 Levin, and I am with Levin Trade Law. I have the
14 privilege of representing the Petitioners in these
15 investigations, the Coalition for Fair Trade of
16 Hardwood Plywood and its member companies. The
17 members of this coalition situated in states
18 throughout the country, including Oregon, Virginia,
19 North Carolina, Arkansas, New York, Maine, Vermont and
20 Michigan represent approximately 80 percent of
21 domestic production of hardwood and decorative
22 plywood.

23 I am honored to be joined today by a panel
24 of witnesses representing three of the six petitioning
25 manufacturers who have a combined total of nearly 200

1 years experience in this industry. They know the
2 product, they know domestic manufacturing, they know
3 the market, they know the importers and the
4 distributors and the foreign suppliers, and they know
5 all too well what has happened in this industry at the
6 hands of cheaply priced, directly competitive imports
7 from China.

8 This Commission, too, in its earlier Section
9 332 investigation has documented the havocking role
10 that imports from China have had on the U.S. market.
11 China is now the dominant player in the U.S. market,
12 accounting for nearly half, if not more, of U.S.
13 consumption.

14 The Commission has a difficult job in
15 preliminary investigations because of the tight
16 investigation schedule and because it is often dealing
17 with an incomplete record. These investigations may
18 be particularly complicated because while there is a
19 finite universe of domestic producers, there is a vast
20 pool of foreign producers in China, estimated to be in
21 the neighborhood of 600 companies, perhaps even more,
22 and a wide range of U.S. importers and distributors.

23 The Commission's job is further complicated
24 by the manner in which imports of the product are
25 classified under the harmonized tariff schedule. In

1 our petition and in our supplemental submissions we
2 have tried to identify and clarify these issues to as
3 focused degree as possible.

4 Today you will likely hear from those
5 parties opposed to this petition many arguments: that
6 the struggles of this industry are due to the halting
7 state of the U.S. economy, that the Chinese industry
8 serves a special need, some yearning demand for
9 hardwood plywood with extremely thin veneers which
10 domestic manufacturers cannot, or will not, produce,
11 that Chinese exporters have already done as much
12 damage to this industry as they could and we should
13 just all move on, or that the industry is actually on
14 an up swing.

15 They may be shocked at the temerity of this
16 industry to raise the specter of illegal logging and
17 the integral role that it plays in the pricing of the
18 Chinese product. That's fine. It's certainly in the
19 interests of the petition's opponents to present
20 arguments, although the expectation is that they are
21 valid to the issues presented and that they are
22 supported by evidence.

23 We look forward to squarely addressing their
24 propositions as these investigations continue, but
25 these propositions cannot detract from elemental

1 facts. The volume of subject imports is significant.

2 Subject imports have had, and continue to have, a
3 pronounced adverse impact on U.S. prices of the
4 product, and the injuries suffered by this industry
5 is, to a significant degree, attributable to a tide of
6 cheaply priced, directly competitive, and, we submit,
7 unfairly traded imports from China.

8 This petition has been brought in good
9 faith, not to embargo Chinese products, not to hurt
10 downstream companies, but with the hope that parity
11 and the rule of law will once again be restored to
12 this manufacturing sector.

13 We very much appreciate the Commission's
14 seriousness of purpose and the work of this
15 investigation team. On behalf of the Petitioners, we
16 respectfully submit that the evidence of record will
17 demonstrate that this domestic industry is suffering
18 material injury and is threatened with material injury
19 by reason of subject imports. Thank you.

20 MS. DEFILIPPO: Thank you, Mr. Levin. We
21 will now turn to opening statements by Respondents. I
22 believe it is Mr. Grimson. You can be Mr. Malashevich
23 for a few minutes. Welcome. Sorry about your arm.

24 MR. GRIMSON: Thanks.

25 MS. DEFILIPPO: Please proceed when you're

1 ready.

2 MR. GRIMSON: Thank you very much, and good
3 morning to the Commission staff and the audience here
4 today. I'm Jeffrey Grimson of the law firm Mowry &
5 Grimson, and I'm joined by my partners Kristin Mowry
6 and Joe Kramer, and as well as Tom Rogers from Capital
7 Trade. We represent the American Alliance for
8 Hardwood Plywood which consists of 21 importers of the
9 product and many of those folks play varying roles in
10 the industry, not just as importers.

11 We're also joined today by counsel for
12 individual importers, as well as for a coalition of
13 Chinese producers and exporters. We're pleased to
14 welcome Mr. Dick Titus of the Kitchen Cabinet
15 Manufacturers Association, which are major end users
16 of this product, if not the major end user of this
17 product. It's rare that the Commission sees end users
18 appearing at a preliminary conference.

19 As you'll hear today from our witnesses, the
20 domestic cabinet makers, as well as other American
21 businesses, need the Chinese product because the
22 domestic industry simply does not make it. The
23 Chinese product is fundamentally different from the
24 domestic product in almost every way. China and the
25 United States have different natural resources

1 available for the plywood core stock. Domestic
2 plywood typically is made from softwoods, and the
3 Chinese plywood is made from hardwoods. This has a
4 major impact on the products characteristics and the
5 end uses, as you'll hear today.

6 The core is different enough that even the
7 Petitioners want it very badly. This is why they
8 stopped saying that Chinese veneer core are included
9 in the scope of this case. From what I gather, they
10 want to be able to import veneer cores without any
11 additional tariffs, even cores that they say are from,
12 are subsidized or from a country that they believe is
13 highly risky in terms of illegal logging.

14 Another major difference is the face and the
15 back veneer. Domestic hardwood plywood typically has
16 an outer veneer of .7 millimeters or higher. Our
17 panelists today will discuss how this differs from the
18 Chinese product that has face veneers typically in the
19 .2 to .3 millimeter range. This difference in veneer
20 thickness has a major impact on the end uses of the
21 products.

22 The production process used in China also
23 differs from the United States in ways that affect the
24 final product's characteristics. The domestic
25 producers use kilns to dry their veneer, which the

1 supplemental petition says accounts for 70 percent of
2 hardwood plywood production's energy consumption. The
3 Chinese let their veneer air dry, which saves lots of
4 money, but also results in a product that tends to
5 have a higher moisture content.

6 There are many more physical differences
7 between the products that explain two fundamental
8 points. First, why did Chinese plywood increase
9 faster than domestic plywood as the economy has
10 started to recover? The answer is that buyers learned
11 during the hard times of the recession that they can
12 utilize the thin veneered Chinese products for certain
13 applications when they do not need the thicker
14 veneered product. They don't need the thick face
15 veneer of the domestic plywood for the backs or sides
16 of a cabinet, for example, or for plywood that will be
17 painted. Yet, thick faced decorative veneer plywood
18 is what the domestics make and what they sell.

19 As overall demand for hardwood plywood has
20 improved since the recession, demand for the Chinese
21 product has improved faster. Increased demand for
22 Chinese product has occurred overall because of
23 increased acceptance of the thin face veneered plywood
24 that the Chinese make and the domestic producers do
25 not. They're selling two different products to two

1 different markets.

2 Another very important factor is that a
3 large portion, we think about 40 percent even, of the
4 Chinese imports are for plywood measuring 5.2
5 millimeters or less. This is not a market that the
6 domestic industry competes in at all. It has always
7 been served by imports. What has happened in the past
8 few years is that China has taken over for Indonesia
9 and other South Asian suppliers in the 5.2 and under
10 market.

11 The Petitioners know the products are
12 different. This is why they import them as well,
13 okay? If they're the same products, why would they
14 allow their exclusive distributors to sell the
15 imported product when they would not permit them to
16 sell other domestic producers' products? Does not
17 cannibalize their own production.

18 The data you have is remarkably complete for
19 a preliminary phase. You have robust responses from
20 the Chinese, from the importers and from the
21 Petitioners as well. The picture you see is
22 dramatically different than that which they paint in
23 the petition. This is not consistent with the story
24 of the market that they're telling, that you can have
25 domestic prices and all the domestic indicia

1 increasing at the same time that the Chinese product
2 is increasing. The answer is very simple. They are
3 two different market segments, and they are two
4 completely different products. We look forward to
5 explaining more about that today.

6 MS. DEFILIPPO: Thank you very much, Mr.
7 Grimson. We will now turn to direct testimony, and we
8 will start with those in support of imposition of
9 antidumping and countervailing duty orders. Mr.
10 Levin, if you and your panel would come up to the
11 table, and please proceed when you're ready.

12 MR. LEVIN: Good morning again, Madam Chair,
13 investigation staff. For our first witness this
14 morning I'd like to introduce Mr. Kip Howlett. Kip is
15 the President of the Hardwood Plywood and Veneer
16 Association, the trade association for this industry.
17 Kip?

18 MR. HOWLETT: Thank you, Jeff. Thank you,
19 Commission staff. I'm Clifford T. (Kip) Howlett, Jr.,
20 President of HPVA. I have over 24 years of experience
21 in the forest products industry. I was with Georgia
22 Pacific for 20 years, leaving as Vice President for
23 Environment and Government Affairs, and I've been
24 President of the Hardwood Plywood and Veneer
25 Association, HPVA, for four years.

1 HPVA represents only North American
2 producers of hardwood plywood, engineered wood
3 flooring and hardwood veneer. In addition to the
4 traditional responsibilities for public policy
5 advocacy, HPVA is also a national consensus standard
6 developer under the American National Standards
7 Institute, ANSI, and operates an AIS-accredited ISO 65
8 certification program and testing program that is both
9 HUD and California Air Resources Board, CARB,
10 certified.

11 The U.S. hardwood plywood industry produces
12 over \$600 million worth of product. It's used in
13 kitchen cabinets, residential and office furniture,
14 woodwork, doors, windows, musical instruments, cars
15 and boats and a wide variety of other decorative
16 indoor uses.

17 There are about 20 manufacturers of hardwood
18 plywood in the United States. The average plant
19 employs 50 workers with a payroll of \$1.5 million, and
20 generates average sales of \$10 million annually. In
21 2010, this industry's net profits before taxes were
22 estimated at about two percent before taxes. It's a
23 highly competitive and diverse industry with five
24 companies having a combined 70 percent market share.

25 The current domestic production utilizes

1 less than 45 percent of the available manufacturing
2 capacity. Imports of hardwood plywood account for
3 roughly twice the value in volume of domestic
4 production, and Chinese producers account for about 50
5 percent of the U.S. market. Importantly, too, in the
6 last three years, 25 percent of the U.S. capacity has
7 been shut down. Ten years ago, when the U.S. had
8 greater capacity, capacity utilization was about 67
9 percent.

10 Hardwood plywood, as I mentioned before,
11 it's a decorative veneered panel product. It's used
12 in the manufacture of cabinets, furniture, woodwork,
13 doors and windows, musical instruments, cars and
14 boats, a wide variety of other decorative uses, and it
15 has its own product performance standard, ANSI HPVA
16 HP-1 2009. The most important part of that standard
17 is the specifications for grading the face, back and
18 internal veneers. The HP-1 standard is globally-
19 recognized to characterize this product. It is not a
20 structural veneered panel. The PS-1 standard defines
21 structural plywood that's used in construction of
22 residential and commercial buildings.

23 Strength and the ability to perform in
24 outside exposures is the difference between hardwood
25 plywood and structural plywood. A way to think of the

1 distinction is one product is fashion and the other
2 product is like steel. Hardwood plywood is a
3 component material in finished consumer products for
4 indoor use. The adhesives that are used for internal
5 use products, such as hardwood plywood, cannot meet
6 the strength and outdoor moisture requirements of
7 structural plywood. The one exception for hardwood
8 and decorative plywood is marine plywood, which is a
9 very small segment of the market.

10 The cores of hardwood plywood can be veneer
11 layers or plies over 60 percent of the production,
12 particle board and/or MDF about 30 percent, and lumber
13 and special cores. The thickness of hardwood plywood
14 varies from a quarter inch to over an inch or more.
15 It is made and designed for its end use.

16 Now, what's happened to the domestic
17 industry over the last five years, and particularly
18 the last three? It's a smaller industry due to
19 bankruptcies and plant closures that have occurred
20 recently. Its profits, if any, are small. For
21 example, I heard one of my members, a U.S. producer
22 who used to send two truckloads of hardwood plywood to
23 a cabinet customer, for example, was replaced by
24 Chinese producers who sell in his area 40 percent or
25 more below that of the U.S. producers' price quotes.

1 U.S. producers now provide fill orders when
2 the Chinese product is late. We're becoming producers
3 for the spot market. China is not a fair competitor.

4 China rapidly expanded its hardwood plywood industry
5 over the last 10 to 15 years. The U.S. furniture
6 industry's flight to China moved an important customer
7 base from the U.S. to China, and China's own housing
8 and commercial sector growth provided a foundation for
9 the Chinese hardwood plywood industry.

10 China went from 50 plants to over 600 in a
11 decade, and an integral part of that business strategy
12 was a market component of production for export that
13 would be aggressively exploited. I witnessed that
14 first hand in 11 years in the chemical industry.
15 Through subsidies and dumping, when Chinese demand
16 softens, the growth of China's share of the U.S.
17 market has been a steady march.

18 In a nutshell, China has a voracious
19 appetite for logs. It's the world's largest. It
20 imports \$3.66 billion annually. The U.S. sends \$274
21 million of hardwood logs, Walnut, Cherry, Maple,
22 Hickory and other North American hardwood species, to
23 China to be processed, veneered there for their
24 furniture, hardwood plywood, and ready to assemble
25 kitchen cabinet industries, which are now flooding

1 into the U.S. market. Those logs are veneered in
2 China even though U.S. veneer producers can process
3 those logs in the U.S. and sell them into the Chinese
4 market competitively.

5 It is my understanding that nontariff trade
6 barriers keep our U.S.-produced veneer out of China,
7 so we export \$8 million of veneer to China and we
8 import \$8 million of veneer from China into the U.S.
9 We send \$300,000 of hardwood plywood to China. They
10 ship \$655 million of hardwood plywood to the U.S. Let
11 me reiterate, and you have my fancy exhibit, \$2
12 million worth of logs from China to the U.S., \$274
13 million of logs to China; \$8 million of veneer, \$8
14 million of veneer; \$300,000 worth of hardwood plywood,
15 \$655 million worth of hardwood plywood from China into
16 the U.S.

17 China takes our logs and they mixes them
18 with illegal logs. Chatham House in the United
19 Kingdom, World Wildlife Fund, estimate China is not
20 only the world's largest consumer of logs in the
21 world, it's also the largest consumer of illegal logs.

22 WWF estimates that 17 percent of those illegally
23 sourced logs are destined for their hardwood plywood
24 industry.

25 When you mix legal and illegal logs for

1 their hardwood plywood industry, the raw material
2 costs, by our estimates, are reduced from 63 to 53
3 percent. When Chinese hardwood plywood producers send
4 the finished product hardwood plywood into the U.S.,
5 it ships with a significant cost advantage. Add the
6 other direct subsidies to support China's export
7 strategy and today's U.S. market can be described.
8 Misrepresentations of face species, emissions
9 certification thickness are also evidenced with
10 Chinese import of hardwood plywood.

11 When overproduction of hardwood plywood in
12 China is dumped into the U.S. market, rather than lay
13 off workers in China, the impact is to force U.S.
14 workers out of a job. Social stability in China is a
15 paramount concern, while we in the U.S. lament a
16 jobless recovery. Our case is an example of why.

17 HPVA is 91 years old. Other than the Great
18 Depression in the 1930s has this industry ever faced a
19 starker challenge for its survival. We're blessed
20 with one of the two great temperate forests here, in
21 North America, that supported a great forest products
22 industry, including hardwood plywood. Our success in
23 this case is to create a fair, competitive set of
24 rules, and let the market and efficient producers
25 survive and grow. Thank you.

1 MR. LEVIN: Thank you, Kip. With the
2 Chair's permission, I would like to enter Kip's
3 artistry into the record, and of course we will submit
4 it with our postconference brief.

5 MS. DEFILIPPO: Absolutely.

6 MR. LEVIN: Thank you. Our next witness is
7 Mr. Brad Thompson. Brad is the President and CEO of
8 Columbia Forest Products, the largest manufacturer of
9 hardwood and decorative plywood in the United States.
10 Brad?

11 MR. THOMPSON: Good morning. My name is
12 Brad Thompson. I am the Chief Executive Officer and
13 President of Columbia Forest Products. Today I'm
14 testifying on behalf of some 1,500 U.S. employee
15 owners of our firm here, in the United States. Wave
16 Oglesby, next to me, is our Senior Vice President of
17 Sales, and we both appreciate the opportunity to share
18 our collective perspective of who we are, what we do
19 and why we felt that it was important to cooperate
20 with other firms in our industry to lodge a complaint
21 against Chinese manufacturers for dumping decorative
22 hardwood plywood into the United States.

23 Columbia is built around two core businesses
24 and two core business units: decorative hardwood
25 plywood and decorative hardwood veneer. Our five

1 plywood mills are located in Klamath Falls, Oregon;
2 Trumann, Arkansas; Craigsville, West Virginia; Old
3 Fort, North Carolina; and Chatham, Virginia. Our
4 three decorative hardwood veneer mills are located in
5 Mellen, Wisconsin; Newport, Vermont; and Presque Isle,
6 Maine.

7 Without exception, Columbia mills are
8 located in rural communities where many more families,
9 in addition to our own, are dependent upon Columbia's
10 competitive viability. Land owners, logging firms,
11 veneer producers, resident part suppliers, truckers,
12 distributors and fabricators all benefit from the
13 ripple effect of our mills generate economically.

14 At the market peak in 2004, before Chinese
15 imports gained a foothold in the United States,
16 Columbia Forest Products employed 2,200 people with
17 family wage jobs. Even with its reduced manning of
18 1,700 employees company-wide, Columbia remains a
19 significant driver of family wage jobs as part of the
20 larger fabric of rural America in states where wood is
21 present and abundant for responsible harvest.

22 Columbia grew from one mill to become one of
23 North America's largest manufacturers of hardwood
24 plywood and veneer over five and a half decades by
25 taking a long term view. This perspective included a

1 healthy respect for each other as employees, an
2 appreciation of importance of sustainable forestry and
3 practices, along with driving desire for leadership in
4 the marketplace. This leadership can be seen within
5 our employee stock ownership financial structure,
6 early embrace of FSC certification and green building,
7 which helped propel us towards the successful
8 commercialization of an EPA award winning soy-based,
9 pure bond plywood assembly technology in use today at
10 all of Columbia plywood facilities. Pure bond
11 assembly requires no additional added formaldehyde and
12 lie at the core of the cabinets, furniture, fixtures
13 and millwork manufactured by leading domestic firms
14 here, in the United States and abroad.

15 Columbia is no stranger to the International
16 Trade Commission. In fact, Columbia testified before
17 this body in 2007 as a part of a Section 332
18 investigation into anticompetitive practices which
19 both the hardwood plywood and engineered flooring
20 industries faced here. Together with timber products
21 and other firms, we sat shoulder to shoulder in this
22 same room and articulated our collective alarm at the
23 rapidly increasing presence of cheaply priced Chinese
24 imports in the U.S. market which had first displaced
25 product from other nations and then moved to displace

1 entire value segments of our own industry here.

2 We provided evidence on the pervasiveness of
3 products from China, and produced from suspect or
4 illicit wood sources, and also noted an anything goes
5 approach in regard to unsubstantiated product claims
6 and labeling practices of many Chinese manufacturers
7 at the time.

8 With Katrina as impetus, our industry worked
9 to change federal law to ensure products produced here
10 and imported from abroad met minimum performance
11 levels with regard to formaldehyde emissions. Those
12 rules have yet to be put in place across the U.S.;
13 however, and to this day, high emitting subsidized
14 competition continues unabated, as you will hear from
15 Wave Oglesby. We cannot fault customers in this
16 continuing tough economy for foregoing our products
17 when pricing on Chinese imports are as much as 35
18 percent or more below that offered by domestic
19 manufacturers.

20 At one point, like many other firms in our
21 industry, Columbia reached out to see if there was an
22 opportunity for our firm to acquire productive
23 capacity in China and participate in that economy, as
24 Chinese firms do here. While we examined a number of
25 candidate firms, we were struck by how they appeared

1 to be operating at, or below, cost and whose only
2 source of margin was gained through payments on
3 exported production by the Chinese government in the
4 form of value added tax export rebates. Now, we
5 understand from the WPTO perspective that China has
6 the right to tax its subjects as it chooses, and their
7 choice to rebate taxes are within their purview as a
8 nation, according to the statements made to us by the
9 U.S. trade representative.

10 Speaking of the books, what keeps me awake
11 at night is what this unfair competition is doing to
12 our company. We are barely making enough money to
13 sustain future investment and cringe when we are
14 forced to raise our prices due to uncontrollable
15 increases we've been presented with raw materials,
16 freight, utilities and healthcare. We are called upon
17 to meet regulatory burdens in, our great society
18 places upon us at a time when competing firms in China
19 are not held to the same standards and are aided by
20 government price supports, currency and other
21 policies, which collectively create an unfair
22 advantage for exporting firms.

23 Back home, here, we can't hire more people
24 because expansion of the domestic market is difficult,
25 if not impossible, due to unrelenting price

1 competition, aided with a managed currency and other
2 supports from the Chinese, as the experts have already
3 documented. To be clear, Columbia Forest Products
4 supports and promotes free trade as long as it's fair
5 trade. We look forward to cooperating with the ITC
6 staff as this investigation continues.

7 MR. LEVIN: Thank you, Brad. Our next
8 witness will be Mr. Pat Lynch. Pat is the Plywood
9 Business Director for Roseburg Forest Products. Pat?

10 MR. LYNCH: Thank you, Jeff, and good
11 morning, everyone. I am Pat Lynch, Plywood Business
12 Director for Roseburg Forest Products. I've been in
13 the building products industry for 35 years with major
14 U.S. corporations, Boise Cascade, Weyerhaeuser,
15 Champion U.S. Plywood, Georgia Pacific, and now,
16 Roseburg Forest Products.

17 In my earlier years I was in the sales and
18 distribution end of the segment of the business,
19 calling on cabinet shops, retail lumber companies, OEM
20 manufacturers. In those years I was very close to the
21 end use customer, learning the standard applications
22 for hardwood, domestic and imported plywood. Back
23 then it was primarily domestic manufacturers of high
24 quality, higher end plywood for cabinets, fixtures and
25 commercial applications.

1 In my responsibilities as Vice President of
2 Sales at Georgia Pacific, I was in the manufacturing
3 side of the business selling our company's softwood
4 plywood, oriented strand board and hardwood plywood.
5 I managed the two operations of hardwood plywood that
6 Georgia Pacific owned at the time at Savannah, Georgia
7 and Eugene, Oregon, and we found the competition from
8 Chinese imports on the commodity side of the business
9 to mid price range, we'd call stock panels, to be
10 increasingly difficult to maintain margin.

11 Due to the poor financial performance of
12 those two hardwood plywood plants, in 2005, Georgia
13 Pacific made the decision to exit the hardwood plywood
14 business. We sold the Eugene, Oregon plant to Murphy
15 Plywood, who continues to operate that plant today.
16 However, the Savannah, Georgia plant with its three
17 shifts five days a week employing 150 employees was
18 closed in August of 2005. It was gutted, leveled and
19 the property was sold.

20 I'd like to point out that the GP Savannah
21 hardwood plywood plant was located on the East Coast
22 gateway of imported Chinese plywood located at the
23 Port of Savannah. It is a major port, a major input,
24 and we competed directly with that as a manufacturer
25 in that same location. We were ground zero for a

1 domestic manufacturer trying to compete in an unfair
2 environment.

3 At Roseburg Forest Products I have the
4 responsibilities for both softwood and hardwood
5 plywood. Roseburg has a billion feet of annual
6 capacity of which 10 to 15 percent is hardwood
7 plywood. At Roseburg we have a unique look at the
8 overall market for both hardwood and softwood plywood,
9 and we've sold into an ever increasing competitive
10 environment on the hardwood plywood side of the
11 market. We've lost business to low cost, chase to the
12 bottom business in the low to medium price range.

13 As a West Coast manufacturer, we must
14 compete in a mix of products, including high end A
15 grade specialty items, down to the D grade more
16 commodity-oriented volume items. The commodity-
17 oriented items have been dominated by the Chinese
18 imports as high end sales are lost due to the chase to
19 the bottom on the commodity pricing. Typical
20 shipments from Roseburg are 50 to 70 percent commodity
21 in order to build volume on car loads destined for the
22 East Coast. There are simply not enough specialty
23 items, high margin items in order to make those
24 railcar orders profitable throughout the country.

25 We cannot continue to serve in the present

1 hardwood plywood environment. The employees of
2 Roseburg Forest Products, including the plant
3 operators, the office staff, the supporting
4 businesses, need help to level the playing field with
5 the Chinese imports. We've continued to invest. This
6 is not a 75 year old antiquated company. We have 12
7 robotic arms, high speed rotating driers, brand new
8 curtain coater systems. We have not spared a dime in
9 trying to compete in this environment. So I would ask
10 you to let a 75 year old American icon company prosper
11 and serve our customers in the community for years to
12 come. Thank you.

13 MR. LEVIN: Thank you, Pat. Our next two
14 witnesses are both well-seasoned veterans of the
15 battle in the trenches. Our first is Mr. Wave
16 Oglesby. Wave is the Vice President for Sales and
17 Marketing for Columbia Forest Products. Wave?

18 MR. OGLESBY: Good morning. I'm Wave
19 Oglesby, and I'm testifying as the Vice President of
20 Sales and Marketing for Columbia Forest Products, a
21 North Carolina-based producer of hardwood plywood.
22 I've worked at Columbia now for 28 years and am very
23 acquainted with the sales and marketing of hardwood
24 plywood that's produced in North America, Europe,
25 China and elsewhere across the world.

1 We've been competing with the Europeans for
2 decades in a very open and honest manner, and with the
3 Chinese for 11 years in a very different and very
4 disturbing way, if you can even call it competing.
5 It's more like suiting up for a football game every
6 day and having the sleeves of your jersey sewn behind
7 your back. Today our customers, the woodworking shops
8 that are still in business in the United States, are
9 operating at levels less than half of their capacity
10 and many feel they have to use the cheapest priced
11 product they can find just to stay afloat. Under
12 these conditions, imported Chinese products continue
13 to take market share, and with it, American jobs.

14 I estimate that the Chinese have taken 40 to
15 50 percent of the market for hardwood plywood in the
16 United States. It is extremely difficult to develop
17 business and market a product when you have the
18 Chinese underselling these market prices by some 30
19 percent day in and day out. The Chinese have
20 successfully penetrated the low grade segment of our
21 industry. That alone is playing havoc with the rest
22 of our system like a virus. Allow me to explain.

23 When we take a log, normally about eight
24 feet long, we spin it on a lathe and peel off a
25 continuous layer of veneer, much like a roll of paper

1 towels unwinding. Our industry has organized
2 definitions for the decorative grades of wood veneer
3 that result from this process. We have high grades A
4 and B, and mostly used in visually important areas,
5 like much of it in this room, the sides of the
6 cabinets, and walls and panels and that kind of thing.

7 Low grades, like C and D, are often used as shelves
8 and in the back of cabinets where their less than
9 premium looks are not so exposed.

10 When we peel a log we get a certain amount
11 of all these grades and we must find a home for all of
12 it or the pricing structure of the industry gets
13 completely out of balance. As you might expect, the
14 low priced Chinese plywood we're battling is making it
15 extremely difficult to move our low grade veneer.
16 Thus, it has upset the domestic industry's need to
17 distribute all the grades that come off our logs. It
18 is becoming a vicious cycle where we have to charge
19 more and more for the high grades since the value of
20 the Cs and Ds have been held below normal prices by
21 this artificial low priced Chinese product. At this
22 rate, it is unclear how long we can keep up this
23 imbalance.

24 We respect and are quite adept at using our
25 country's magnificent renewable hardwood resources

1 responsibly, but that kind of thing doesn't seem to
2 happen or occur to the Chinese. Many hardwood plywood
3 plants have shut down and no longer exist in the
4 United States because of the pricing of these Chinese
5 products. What the Chinese make and ship into the
6 U.S. is directly substituted for domestically
7 manufactured hardwood plywood, but with prices being
8 artificially supported by the policies of the Chinese
9 government and through the use of illegally logged
10 timber resources, it is difficult to compete, if not
11 impossible.

12 Our former customers who use these Chinese
13 products where they used to use our domestically
14 manufactured hardwood plywood do so because they can
15 buy it for 30 to 40 percent cheaper. We don't blame
16 our customers for choosing less expensive products.
17 Our industry is lucky to be operating in the black,
18 although barely, yet we invest what cash we have into
19 equipment and methods that will help us hold or reduce
20 our operating costs. In the face of rising log
21 prices, fuel costs, transportation charges, labor and
22 benefits, we have been forced to keep our prices as
23 stable as we can without going out of business like so
24 many of our competitors.

25 We do blame a lot of our domestic industry's

1 predicament on what we describe as unfair trade from
2 China. Namely, their ongoing ability to dump their
3 products here at prices that are below the true
4 mathematical cost to produce and ship such things.

5 So where is it going? We have seen
6 companies in the U.S. move from buying this product
7 through importers to now buying it direct from Chinese
8 mills. This eliminates the profits the importer makes
9 as it plays into the long term Chinese game plan. The
10 cost of their hardwood plywood hardly goes up when
11 ocean freight jumps. Our inland freight here,
12 transportation costs, increase. The Chinese
13 mysteriously absorb these costs and keep the same low
14 prices in the marketplace. I'm not sure how a
15 manufacturer does this without some sort of subsidy
16 from a government. We've seen pricing stay flat to
17 low over the last three years when gas and oil costs
18 have gone up drastically all over the world.

19 My primary concern is what will we do when
20 we have lost all the hardwood plywood manufacturing in
21 the U.S. to these low prices? That will be the end of
22 another manufacturing industry in the United States.
23 Thank you.

24 MR. LEVIN: Thank you, Wave. Our last
25 industry witness will be Mr. Mike Clausen. Mike is

1 the Vice President of Sales for Domestic and
2 International with Timber Products Company. Mike?

3 MR. CLAUSEN: Thanks, Jeff. Good morning.
4 My name is Michael Clausen. I commonly referred to
5 just as Mike. I'm a Vice President of Sales for
6 hardwood plywood, both domestic production and
7 imports, for Timber Products Company of Springfield,
8 Oregon.

9 Timber Products started business in 1918 and
10 is a vertically integrated company and has eight
11 manufacturing facilities throughout the U.S. Hardwood
12 plywood is our primary product line.

13 I have been involved in the hardwood plywood
14 industry for 35 years also, in both the domestic and
15 import sides of the business and in manufacturing and
16 sales. Prior to joining Timber Products, I held
17 senior management positions for over 20 years for the
18 Penrod Company, one of the largest wood products
19 import companies in the United States, headquartered
20 in Virginia Beach, Virginia. I'm very familiar with
21 the market realities of the import plywood business,
22 as well as the issues that domestic manufacturers are
23 facing.

24 As the hardwood plywood manufacturing
25 industry in China has grown, so has the volume of

1 imports into the U.S. and the share of the total U.S.
2 market captured by these products. This market shift
3 has fundamentally altered the hardwood plywood market
4 in the United States and continues to pose very basic
5 threats to the competitive viability of the domestic
6 hardwood plywood industry.

7 In just the past three years, Timber
8 Products has experienced significant reductions in our
9 domestic demand. Our bottom line continues to suffer
10 despite our best efforts to reduce manufacturing and
11 other costs. We have had to lay off more than one
12 half of our workforce in our Corinth, Mississippi
13 facility, 25 percent at our Grants Pass, Oregon
14 facility, and we had reduced the pay of our production
15 employees by up to five percent. Our capacity
16 utilization rate is below 35 percent. To a very
17 significant degree, this is directly attributable to
18 the unfair competitive pressures we are experiencing
19 with Chinese hardwood plywood imports.

20 Through the course of Timber Products' long
21 history we have seen hardwood plywood markets in both
22 good times and bad. We survived through the Great
23 Depression, world war and numerous recessions, but the
24 playing field, quite frankly, has changed. The very
25 real concern on our part and the part of our 890

1 workers and on the part of our communities in which we
2 live is survival.

3 Initially, the Chinese manufacturers were
4 only looking at attacking our low end market. In the
5 last few years, we have seen the Chinese going after
6 the high end hardwood panels as well. These high end
7 panels made of hardwood veneer from the U.S.,
8 including species like Walnut, Red and White Oak,
9 Maple, Cherry and many others. This causes us to
10 continually to see our market eroded by the Chinese
11 imports.

12 My position at Timber Products puts me face
13 to face with our customer base. I am talking directly
14 with wholesale distributors, large OEM manufacturers
15 in primarily the kitchen cabinets arena, and the mass
16 merchandise, or retail sector. I'm in their plants
17 and stores. I see both domestic and imported hardwood
18 plywood in many different applications in my daily
19 routine. Today we are seeing comparable hardwood
20 plywood products from both areas.

21 I spoke earlier about Timber Products being
22 vertically integrated. I'd like to explain how that
23 helps us. The core for our plywood products comes
24 from our 114,000 acres of privately-owned timber lands
25 in northern California and from public timber sales.

1 We take those logs and peel them into veneer at our
2 Yreka, California facility and then transfer the core
3 veneer to our hardwood plywood plants in southern
4 Oregon. We also have a hardwood veneer plant in
5 northern Michigan. This plant peels primarily hard
6 Maple veneer for the face and back of our hardwood
7 plywood. That veneer, and other purchased face
8 veneers, are transferred to our facilities in
9 Mississippi and in Oregon where the components are
10 assembled into hardwood plywood.

11 The reason for my story of our vertical
12 integration is purely this. Timber Products is one of
13 the low cost producers in our industry, so therefore,
14 I can't explain the following. The cost of our
15 manufacturing hardwood plywood are primarily in the
16 raw materials. Approximately 65 percent of our
17 product cost of a three-quarter inch Birch plywood
18 panel lies in the raw materials of just the face, the
19 back, the adhesive and the core. The balance of the
20 costs are labor, SG&A, transportation, and, when
21 possible, some small profit.

22 China is well-known for cheap labor. Toys,
23 clothing and the like, where labor makes up a huge
24 percentage of the product cost, are very competitive
25 in the PRC. In hardwood plywood, labor is estimated

1 at 15 percent. When the Chinese are producing U.S.-
2 grown fancy hardwood round logs in Maple, Walnut and
3 Oak, just to name a few, shipping across the ocean to
4 China, converting it to veneer at 50 percent moisture
5 content in weight, even at half of the veneer
6 thickness that we use in the U.S., and then
7 manufacturing the plywood, sending it back to the
8 U.S., adding ocean freight and then selling for 30 to
9 35 percent less than we can manufacture our products
10 for right here, in America, something just isn't
11 right.

12 We are not on a level playing field.
13 Chinese panels of comparable grade selling for at, or
14 close to, our cost of raw materials. This is the
15 issue of our petition. In addition, it is becoming
16 common practice for some U.S. importers to cheat in a
17 number of ways on their Chinese imports. It is common
18 to see packaging marked with a grade of C2 and then
19 see copies of purchase orders when we go over to China
20 that say the lower grade of DE and then mark the
21 bundles as C2, or a purchase order with specifications
22 of .12 millimeter -, + zero millimeters in thickness
23 tolerance marked bundles as 18 millimeter.

24 When purchasing overseas we deal in cubic
25 meter measurements. This thickness differential to

1 16.8 millimeter can amount to a seven percent savings
2 in cost and in freight. It becomes a question of the
3 importer's ethics to play in this arena or not. Most
4 Chinese manufacturing facilities will mark your
5 bundles of plywood with anything the buyer requests.

6 In summary, Timber Products has had a 94
7 year history in the wood products industry, and, in
8 particular, in the hardwood plywood business. Yes, we
9 do import a small percentage of our total business
10 from China. We do this to meet the request of our
11 customers that might otherwise get the product from
12 another source. It's an economic imperative. This is
13 strictly to round out our price point offerings. We
14 simply cannot compete with the prices of the Chinese
15 products with our domestically-produced products.

16 The greatest and very real danger is that as
17 the economy hopefully turns in the coming months, the
18 hardwood plywood manufacturing industry will struggle
19 to retain a viable competitive future. Should housing
20 begin a recovery, it's more than likely that any
21 market expansion will be dominated by cheaply priced
22 imports of hardwood plywood from China. On the other
23 hand, should the economy remain stagnant or deflated,
24 domestic manufacturers will continue to lose market
25 share to these cheaply priced imports from China.

1 Thank you much for your time and attention this
2 morning, and I look forward to answering any questions
3 you may have.

4 MR. LEVIN: Thank you, Mike. Our next
5 witness will be our economic expert, Mr. Bruce
6 Malashevich. Bruce is the President of Economic
7 Consulting Services. Bruce?

8 MR. MALASHEVICH: Thank you. Good morning,
9 everybody. In case you missed it, I'm Bruce
10 Malashevich of Economic Consulting Services,
11 testifying on behalf of Petitioners in this case. The
12 Commission's own Section 332 study published in 2008
13 essentially establishes the foundation of the injury
14 case in this preliminary investigation, and does it
15 well. As time has marched on, the injury to the
16 domestic industry by dumped and subsidized imports
17 from China has gotten even worse, and further injury
18 is threatened.

19 I ask that staff and the Commission consider
20 the following conditions of competition that it found
21 only a few years ago and which remain true today.
22 There's a tendency to link the demand for hardwood
23 plywood to new home construction. You see it on the
24 street side all the time, on the sides and roofs of
25 new houses. Their link seems obvious, but it's not as

1 strong as some might think because the plywood that
2 one typically sees in new homes in progress is so-
3 called structural plywood, which is not a part of this
4 case and a completely different animal from the
5 relevant like product.

6 Demand for the like product is much more
7 closely linked to what goes inside the home, or
8 office, or hotel, schools, through remodeling
9 activity, construction of RVs, manufactured homes and
10 furniture, cabinetry, so one should not get too caught
11 up in the housing bust, as we call it, of recent
12 years. Certainly it had an adverse impact, but the
13 action in other segments of the market relevant to
14 this industry was very different, as I'll show you.

15 The structure of U.S. demand is essential to
16 understanding the severity of subject imports' adverse
17 impact on the domestic industry. Please turn to my
18 Exhibit 1, which I hope you have before you. It
19 provides the relevant data. It's based on statistics
20 compiled annually by HPVA, the trade association, in
21 the normal course for North America, including the
22 USA, Mexico and Canada, but the data that go into
23 Exhibit 1 were modified to exclude production in
24 Mexico and Canada, leaving U.S. production as the net.

25 Exports are less than one percent for the

1 U.S. industry, so basically, production and shipments
2 are practically identical. Historically, and at
3 present, distributors, and, to a much lesser extent,
4 OEM purchasers, have served as the principal loci of
5 competition between the domestic industry and subject
6 imports, collectively accounting for, as you'll see,
7 the great majority of total U.S. industry production
8 and shipments, with purchasing decisions closely
9 focused on price.

10 Demand indicators for hardwood plywood, such
11 as the remodeling market index from the National
12 Association of Home Builders and data on shipments of
13 new manufactured homes from the Census Bureau, show
14 that demand for hardwood plywood improved from 2009 to
15 2011. I ask you to look through my Exhibits 2, 3 and
16 4 for the relevant data.

17 In the first and fourth quarter of 2011 the
18 remodeling market index hit 48, the highest reading
19 since 2006. In general, the index from 2009 to 2011
20 displayed a steady improvement in market sentiment.
21 The trend is parallel in the data for shipments of new
22 manufactured homes, which increased steadily after
23 2009. In 2011, the amount of shipments increased by
24 four percent when compared to 2009.

25 Notwithstanding, or perhaps because of, the

1 Great Recession, these indicators have been very
2 positive. After all, it's generally known when the
3 housing situation is difficult, as it was, many home
4 owners turned to remodeling the existing home instead
5 of selling theirs and buying a new one. Very common
6 practice.

7 The end uses are primarily served by the
8 distributor and OEM channels. The pressure from
9 unfair imports into these channels explains why
10 domestic producers are not enjoying, as the Commission
11 normally would expect, higher prices and higher
12 profitability that they normally would achieve in an
13 expanding marketplace. Domestic producers have been
14 progressively deprived of these market opportunities.

15 According to the petition, the share of apparent
16 consumption supplied by the domestic industry is now
17 in the minority, with an increasing share occupied by
18 China.

19 By the petition's calculations, the Chinese
20 now have more than half the market and are expanding.

21 The Commission's Section 332 report agreed, stating,
22 "This increase in market share indicates a possible
23 decline in the competitive position of the U.S.
24 industry, particularly vis-a-vis the Chinese
25 industries, which are now the largest foreign supplier

1 of these products and the most significant competitors
2 to the U.S. industry and the U.S. markets for hardwood
3 plywood". That comes directly from the report at page
4 ix.

5 According to the petition and third party
6 data, profitability of the domestic industry is anemic
7 and prices are flat. These views are consistent with
8 the Commission's findings in the Section 332
9 investigation, only now they've become more severe.

10 The 332 report noted, "Wood flooring and
11 hardwood plywood prices on average did not keep up
12 with the increase in prices received by producers of
13 other materials and components used in residential
14 housing construction, despite the boom during the
15 2002, 2006 period. Increased competition from imports
16 moderated both price and production increases for
17 hardwood plywood and wood flooring during this period,
18 resulting in low rates of growth and producer prices
19 for these products". That comes directly from the
20 report at page 6-13. Absent unfair import
21 competition, these facts make no sense.

22 In its Section 332 investigation, the
23 Commission found that the domestic industry has ample
24 access to domestic raw materials. U.S. manufacturers
25 reported that the domestic resource base provides them

1 with a competitive advantage over most other producers
2 of wood flooring and hardwood plywood. Raw materials,
3 as you heard, comprise 62 to 66 percent of the
4 domestic industry's average total production costs, so
5 our industry should be in an excellent competitive
6 condition, but it is not. The conditions of
7 competition have been shifting so as to favor even
8 more unfair imports at the distress of the domestic
9 industry.

10 A big part of the change involves the large
11 distributors and so-called big box stores that
12 circumvent traditional distribution systems and
13 benefit from low import pricing and logistical
14 support. The Commission and staff has confronted this
15 issue in at least a dozen recent investigations over
16 the last three or four years. The big box stores
17 exercise considerable market power. The 332 report
18 alludes to this effect. "The reportedly increasing
19 market power of large domestic retailers, coupled with
20 their logistical ability to source products overseas,
21 contributed to the further erosion of the domestic
22 market share of the U.S. wood flooring and hardwood
23 plywood industries, and they also have put downward
24 pressure on U.S. producer prices". That's taken from
25 the report at page xi.

1 The key fact is that the retail channel, and
2 I call your attention back to my Exhibit 1, please,
3 which consists primarily of the big box stores,
4 currently wields a disproportionately severe impact on
5 pricing, as we say in economics, at the margin,
6 despite the channel's relatively low share of total
7 domestic shipments, roughly 11 percent according to
8 Exhibit 1. This 11 percent behaves very differently
9 from others.

10 The large retailers' entry into this
11 business dates from the 1980s, but only a handful of
12 years ago the big boxes, owing to certain changes in
13 top management, began to leverage their purchasing
14 power so as to switch large volumes between subject
15 imports and domestic producers, sometimes quite
16 suddenly, causing disruption along the supply chain
17 and extreme volatility of pricing throughout the
18 marketplace. This volatility hurts U.S. demand, and
19 so the fortunes of U.S. producers.

20 Another reality is that while in some
21 instances U.S. producers have one back market share
22 with individual big box purchasers, it has been
23 invariably at the cost of a lower price, and it could
24 be lost the following year. The Commission thus must
25 consider carefully and study the role of the big box

1 stores as a significant condition of competition in
2 this case despite the fact that they receive a
3 minority of domestic shipments. It's in this context
4 that I request that the Commission consider why the
5 domestic industry has suffered despite growing demands
6 in end use segments important to its health and
7 bountiful supply of raw materials.

8 The effect on the domestic industry's
9 condition is palpable. Prices have been flat despite
10 increases in demand. The combination continues a
11 trend observed by the Commission in the 2008 report.
12 The profitability of U.S. producers is very low and
13 has been throughout the POI based upon my review of
14 questionnaires received to date. A primary reason is
15 the price suppression generally throughout the U.S.
16 market which naturally has suppressed profits as well.

17 Another reason is the Chinese forced
18 exclusion of U.S. producers from their lower grade,
19 high volume products on which the domestic industry in
20 the past has depended. The industry witnesses touched
21 on this before and it's very, very important to
22 understanding this industry's economics. Four U.S.
23 producers have exited the business, according to the
24 petition, and you heard earlier that not all parts of
25 the log are suitable in the most demanding grades but

1 must be sold into other applications if U.S. producers
2 are to remain viable. Nature simply does not deliver
3 a log that can be made into all AA quality material.
4 It's a mix. You have to do something with the lesser
5 quality suitable parts of the log in order to be
6 viable. It's perhaps in that respect that the
7 producers have been most severely harmed by subject
8 imports, past and present, shoving them out of the
9 lower grades and making the cost of producing the
10 higher grades ever greater.

11 In closing, I believe staff will face some
12 challenging issues in compiling a complete and
13 accurate statistical record in this preliminary
14 investigation. The official U.S. data regarding the
15 volume and value of subject imports, and, as a
16 consequence, apparent domestic consumption and
17 relative market shares are, should I say, fuzzy. That
18 is, there is some unknown volume of nonsubject imports
19 entering into the subject import HGS categories, and
20 some volume of subject imports entering into the
21 nonsubject import categories. The degree of
22 statistical error is unknown to me, but the Commission
23 recognized this problem in its Section 332
24 investigation and it remains the case. Nevertheless,
25 it's obvious that whatever data you look at, that the

1 penetration of subject imports is significant, and it
2 should be regarded as such.

3 A second statistical challenge arises from
4 the major differences used by the domestic industry
5 versus subject importers in measuring volume in the
6 normal course of business. Domestic producers analyze
7 and report their volumes in terms of square feet.
8 Subject imports, and at least some nonsubject imports,
9 normally measure their volume in terms of cubic
10 meters. The difference on a per unit basis is very
11 large, roughly 900:1. Errors in conversion are
12 likely, especially among nonparties in this case, and
13 potential distortions can be very significant. The
14 petition at page 25 details the conversion factor
15 normally used within the domestic industry. Who knows
16 what the others will be using.

17 The Commission's questionnaires issued in
18 this case clearly employ square feet as the ruler in
19 measuring volume, consistent with U.S. industry
20 practice, but a large potential for erroneous and/or
21 incomplete reporting exists.

22 Yet another challenge concerns the pricing
23 data requested. Unit volume is specified in terms of
24 square feet, thereby incorporating all the risks I
25 just described in converting units of measurement in

1 general.

2 Now a further risk arises from the practice
3 on the part of some importers who alter the dimensions
4 and/or grade of the Chinese product so as to purchase
5 the goods by an importer according to one
6 specification and then reinvoice to the U.S. customer
7 as meeting a different specification. Petitioners in
8 this case have told me this practice is almost routine
9 in the marketplace and likely will create many
10 headaches for staff and parties in compiling the
11 traditional price and underselling data.

12 Nevertheless, there's enough anecdotal and
13 other evidence being submitted in this investigation
14 to take up any slack and compel an affirmative
15 determination in this preliminary phase. This is a
16 case in which the Commission need not expend valuable
17 time in make an affirmative determination based on its
18 2008 Section 332 study and the facts of record in this
19 case. Thank you.

20 MR. LEVIN: Thank you, Bruce, and again,
21 Madame Chair, with your permission, we'd like to enter
22 ECS's exhibits in the record, and we will submit them
23 as part of our post-conference brief.

24 MS. DEFILIPPO: WE will accept that as an
25 exhibit, and thank you for including it. Does that

1 conclude your direct testimony?

2 MR. LEVIN: I've got to say a few things.

3 MS. DEFILIPPO: Sure. You still have time.

4 MR. LEVIN: I want to wrap up our witness
5 panel by just touching on a few of the legal issues
6 presented in this proceeding, first subject
7 merchandise and domestic like product. As you know,
8 we have clarified the scope language retitling the
9 subject merchandise to hardwood and decorative plywood
10 to eliminate any confusion to the extent that any
11 confusion actually existed as to the product we're
12 talking about. It was not intended to expand or in
13 any way modify the scope of the Petition as was
14 initially submitted on September 27.

15 Additionally, the use of the conjunctive
16 term "and" in the revised title is not intended to
17 imply two different products, but rather to clarify
18 the universe of subject merchandise known in the
19 market and in the trade by the term "hardwood and
20 decorative plywood." As we detail in the petition, we
21 submit that there is a single domestic like product
22 that encompasses all hardwood and decorative plywood
23 since there are no clear dividing lines among the
24 range of hardwood and decorative plywood products.

25 When the Commission had the occasion to

1 investigate the hardwood plywood industry a few years
2 back in a Section 332 proceeding, it was clear, as
3 best as I can tell, the everyone knew what product we
4 were talking about, and it was clear that the range of
5 hardwood plywood products were viewed as a single and
6 indivisible universe.

7 The second issue is how to accurately gauge
8 the volume of subject imports. The classification of
9 hardwood and decorative plywood remains a morass under
10 Chapter 44 of the harmonized tariff schedule, much as
11 it did when this Commission very finely addressed this
12 very same issue in the investigation of multi-layered
13 wood flooring. At this point in time, I feel
14 comfortable in saying that few people in this country
15 are more anxious for a cleaner division of the
16 divergent products within subheading 4412 than am I.
17 Perhaps someday.

18 For the petition, we used published data
19 from the foreign agricultural service database for the
20 "hardwood plywood product category" and removed from
21 that compilation data for two subheadings that
22 specifically cover wood flooring. We understand that
23 this is not a perfect statistical pool, but we believe
24 it to be the best publicly available information. We
25 hope that the questionnaire responses that the

1 Commission receives will provide an accurate and
2 comprehensive total for subject imports.

3 One thing I feel certain will be very clear,
4 the volume of subject imports is significant both in
5 absolute terms and relative to production and
6 consumption in the U.S. and it has increased
7 substantially over the period of investigation. Why?

8 Because of price. In the petition, we document
9 substantial margins of underselling, and we document
10 large sales volumes that have been lost by domestic
11 manufacturers because of price. This is expressed
12 clearly by three affidavits attesting to the
13 competitive conditions in the U.S. market by three
14 officials of three major U.S. market participants.

15 The dominance of subject imports is not
16 rooted in the development of some sort of specialty
17 market based on very thin veneers. There are no
18 hardwood and decorative plywood products that Chinese
19 manufacturers sell in the U.S. that U.S. producers
20 cannot themselves produce. What U.S. producers cannot
21 do is make and sell the product at the prices which
22 they confront and remain on viable financial footing.

23 One last point regarding factors other than
24 subject imports, there are two factors that
25 potentially come into play here; non-subject imports

1 and other economic factors. On the non=subject import
2 issue, China so dominates the import share that we
3 assert it is not plausible that the injury suffered by
4 this industry can be attributed to non-subject
5 sources. The other issue is whether the struggles of
6 this industry can be properly attributed in whole or
7 in part to general economic conditions, not subject
8 imports.

9 Yes, the plunge in home prices and the
10 sliding consumer confidence all impact this industry.

11 However, two facts remain. First, notwithstanding
12 the difficult economic environment, imports from China
13 have increased dramatically. That is due to the very
14 low prices at which such imports are sold in the
15 market, which in turn is due to a significant degree
16 to unfair trade practices.

17 Second, as the Commission notes, the
18 statutory scheme clearly contemplates that an industry
19 may be facing difficulties from a variety of sources,
20 including non-subject imports and other factors, but
21 the existence of injury caused by other factors does
22 not compel a negative determination if the subject
23 imports themselves are making more than an incidental,
24 tangential or trivial contribution to material injury,
25 and that is most certainly the case here. Subject

1 imports have certainly made more than an incidental,
2 tangential or trivial contribution.

3 On behalf of the Petitioners' panel, we
4 respectfully submit that the facts in evidence
5 presented in these preliminary investigations strongly
6 support an affirmative determination. I would like to
7 thank my industry witnesses, several which crossed the
8 country to be here today. Thank you, gentlemen.
9 Thank you, Bruce. Thank you, Kip, and thank you,
10 Madame Chair and investigation staff. We're happy to
11 respond to any questions you may have.

12 MS. DEFILIPPO: Thank you, Mr. Levin, and I
13 join in that thank you to the industry witnesses. I
14 realize it is difficult to get away from your jobs to
15 come here, but it's incredibly helpful to us to have
16 you here and to present to us and to answer our
17 questions, so I very much appreciate that. I will
18 turn first to questions from our investigator, Mr.
19 Ruggles.

20 MR. RUGGLES: Good morning. Thank you.
21 Just a couple of quick, more administrative than
22 anything else. Okay. Let's get with the conversion
23 factor. Bruce used 990 square feet to a cubic meter?

24 MR. MALASHEVICH: That's what the petition
25 uses, yes, based on the formula on page 25.

1 MR. RUGGLES: Okay. We used 1,046 square
2 feet to a cubic meter. Okay. I'm going to ask the
3 same of the Respondents. I want to know what
4 everybody feels one should be using official
5 statistics. We use Commerce. We went through each of
6 the HTS numbers and pulled them out. I'm going to
7 check them against what Commerce finally issues, but
8 we use those, and that was the conversion factor we
9 used. That's what we have.

10 Looking at it that way and everything from
11 what I got on importer questionnaires, we ended up
12 with 58 percent in 2009, 64 percent in 2010 and 62
13 percent in 2011. That's responding importer
14 questionnaires, what they put down for square footage
15 versus what we had from official, so do you
16 understand? In other words, we don't have 100 percent
17 from the importers.

18 MR. LEVIN: Okay. The 58, 64 and 62 is the
19 percentage of importers response based against
20 official statistics.

21 MR. RUGGLES: The official statistics as we
22 converted them.

23 MR. LEVIN: Okay. Right. At the 1,046
24 conversion factor?

25 MR. RUGGLES: Yes.

1 MR. LEVIN: And may I just add? I know that
2 in the Section 332 investigation, the Commission used
3 a specific conversion factor. I can't find that
4 anyplace in the report, or else I would have been
5 happy to use that as the basis. The 990, the basis
6 for that, was detailed in the petition.

7 MR. RUGGLES: And I understand that, I just
8 want to make sure that both sides understand at this
9 point, I'm using official statistics. You got what my
10 conversion factor is. If you have something that
11 compels me to use something different, lay out, okay?

12 MR. LEVIN: Absolutely.

13 MR. RUGGLES: Well, I think everybody will
14 get that rather rapidly, I would hope. Plants have
15 closed during the period of investigation. I sent out
16 21 producer questionnaires. If anybody out there that
17 I didn't send a questionnaire to, even if they've
18 closed, I'd like to know who they are and where they
19 were, okay?

20 MR. LEVIN: We'd be happy to identify the
21 four companies that closed down since the 332
22 investigation.

23 MR. RUGGLES: Okay.

24 MR. LEVIN: We've identified all the
25 manufacturers that --

1 MR. RUGGLES: Right. Again, Respondents if
2 you have some that you think that we didn't hit, let
3 me know, okay? Just so everybody knows at this point,
4 I sent out approximately 350 foreign producer
5 questionnaires by email and by fax. Now, if there are
6 600 out there, obviously I didn't 250 of them. We got
7 quite a few in at this point, and what I'm looking at
8 on that is I'm looking at 49, 46, 45 percent of
9 official statistics from the foreign producer
10 questionnaires of exports to the United States, okay?

11 That's what we're looking at at this point,
12 so again, it's very critical that you guys understand
13 what I'm using for imports because that's going to hit
14 everything. That's going to be consumption, trade,
15 everything, okay?

16 MR. LEVIN: Ruggles, may I ask a question
17 for clarification?

18 MR. RUGGLES: Sure.

19 MR. LEVIN: What official statistics are you
20 using?

21 MR. RUGGLES: Commerce. Department of
22 Commerce, right off the HTS numbers. The official
23 statistics that Commerce produces for importer numbers
24 from the HTS numbers.

25 MR. LEVIN: I guess my question is which

1 numbers?

2 MR. RUGGLES: What do you mean which
3 numbers?

4 MR. LEVIN: Which subheadings?

5 MR. RUGGLES: The ones that were all laid
6 out in their scope.

7 MR. LEVIN: Got you. All right.

8 MR. RUGGLES: There's, I believe, what we
9 have at this point, prior to whatever they officially
10 announce, I have 66 HTS subheadings that use cubic
11 meters, and then I have another five that have a
12 second unit of cubic meters.

13 MR. LEVIN: I got it.

14 MR. RUGGLES: All right. So you see what
15 I'm --

16 MR. LEVIN: Yes, yes.

17 MR. RUGGLES: Respondents, I'll ask you this
18 again, but just so everybody understands, this is
19 going to be very important in this case to my mind to
20 make sure everybody's on the same page as to what
21 we're using for import numbers, okay? That takes care
22 of what I need at this point. Thank you.

23 MS. DEFILIPPO: Thank you, Mr. Ruggles.
24 I'll now turn to Ms. Hughes. Questions for this
25 panel?

1 MS. HUGHES: Okay. First of all, I
2 apologize for my voice. This is me sounding a lot
3 better than I was last week, so if you don't
4 understand me, just keep asking until you do. I'm not
5 sure if I should just direct this to Mr. Levin or to
6 whichever gentleman, but I'm going to start with
7 domestic like product. Okay. We're going to assume
8 not only that I can't speak, but that I don't
9 understand.

10 I'm a 12-year-old child, so I need basic
11 information, not industry parlance as to what the
12 difference is in say hardwood plywood and decorative
13 plywood. Is decorative just another name for
14 hardwood? Is it a subset? We'll just start with
15 that. The clarification may not be so clear for me.

16 MR. LEVIN: I'll start with the simple
17 answers, and then I'll turn to Kip for the more
18 sophisticated answers. He is my mentor, thank the
19 good Lord. Hardwood and decorative plywood, *hardwood*
20 *and decorative plywood*, and there's confusion.
21 Obviously, there's been a little confusion over the
22 last few weeks. The terms are synonymous.

23 MS. HUGHES: They are two different things?

24 MR. LEVIN: No, they're synonymous. They're
25 one thing.

1 MS. HUGHES: One thing?

2 MR. LEVIN: It is usually called hardwood
3 plywood, but the term hardwood plywood was giving the
4 Commerce department some difficulties because
5 notwithstanding the word hardwood, it can and often
6 does contain some softwood species, but that's the
7 term of art. It's a well-recognized term in the
8 market, in the trade. It is synonymous with
9 decorative plywood.

10 MS. HUGHES: So if I want to say I want to
11 use decorative plywood for shelves, is that something
12 I might say, or would someone correct me and say you
13 mean you're using hardwood plywood for shelves?

14 MR. LEVIN: I would suggest that it depends
15 on who you talk to, but they mean the same thing.

16 MS. HUGHES: All right.

17 MR. LEVIN: The difference is between the
18 synonymous terms hardwood and decorative plywood over
19 here, and softwood or structural plywood over here.
20 Those are used in the market and in the trading, and,
21 Kip, please jump in if I'm going off the reservation
22 here. Those are used synonymously in the trade,
23 different trade, different market, different industry.

24 MS. HUGHES: We'll move into softwood next.

25 MR. LEVIN: Right. And that in turn

1 presents is own confusion because the product called
2 softwood plywood can contain hardwood species. I
3 didn't make this stuff up.

4 MS. HUGHES: No, you couldn't possibly.
5 Well, this is what I really don't understand because
6 in your clarification, I guess it's in the proposed
7 scope, it says that the term "hardwood plywood" can
8 consist of only softwood and contain no hardwood,
9 which I know is giving some people fits more than me.

10 MR. LEVIN: Right. And it can. And it can.

11 MS. HUGHES: Okay. I don't understand how
12 that is, so please explain.

13 MR. LEVIN: Kip, why don't you --

14 MS. HUGHES: And if I don't understand that
15 means the Commission's not going to understand.

16 MR. LEVIN: Understood. Understood.

17 MS. HUGHES: Okay.

18 MR. HOWLETT: This is Kip Howlett with HPVA.

19 There's a part of the market that might like their
20 decorative faces with a softwood species, for example,
21 knotty pine, particularly out west. If you've got a
22 mountain cabin or something like that, that might be
23 what you'd like your cabins to look like, so you can
24 have the inner plies of hardwood plywood made by a
25 West Coast manufacturer will have a softwood in the

1 inner plies, and rather than in this case where you've
2 got a birch face could have a knotty pine face, and
3 the kitchen cabinet manufacturer will use that, so the
4 species isn't really the driver here. What really is
5 the driver is the ANSI HPVA HP1 standard for hardwood
6 and decorative plywood because what it specifies in
7 the bulk of this standard, and I'll let you take a
8 look, I mean, half the pages in here are basically
9 grading tables so that --

10 MR. LEVIN: And, Kip, if I may interrupt?
11 That standard as well as the standard for structural
12 plywood are on the record as part of one of our
13 supplemental petition submissions.

14 MS. HUGHES: Okay. I was going to ask you
15 to put them on the record.

16 MR. HOWLETT: Okay. So this is kind of
17 critical. Hardwood and decorative plywood has its own
18 standard. It's largely driven by the grading, but it
19 also has some performance requirements. In other
20 words, when you manufacture veneer plies in the
21 plywood, you don't want it to delaminate or come
22 apart, so there are performance requirements in here.
23 They are formaldehyde emission requirements in here.
24 This is the softwood plywood standards, PS1, and it
25 also covers OSB and other things.

1 This is softwood plywood. You really don't
2 care what it looks like because you're really going to
3 put this on the roof, on the walls, on the subfloor,
4 and in fact, if you look, the knots really aren't all
5 that pretty, but it doesn't really matter when it's on
6 the roof of a house. Nobody's going to look at that.

7 It's absolutely critical with hardwood plywood, and
8 as the other witnesses mentioned, God didn't create a
9 AA tree. He created a tree that will have maybe five
10 percent or less AA, five percent, 10 percent, A, B, C,
11 and then there are D, Es 1, 2s and 3s, and you got to
12 find someplace to utilize the entire log.

13 You'll see in hardwood plywood, and this is
14 you've got the grain going this way, grain going this
15 way. What give this its structural integrity is the
16 veneer plies are put at right angles common to both
17 soft and hardwood plywood, but you see here, you can
18 put the knot, and every tree's got branches. Branches
19 yield knot holes. You can bury this into the middle
20 and not affect the look of the hardwood plywood.
21 Contrary to what I heard in the opening statement of
22 the Respondents, this is U.S.-made hardwood plywood.
23 This is Chinese-made hardwood plywood. They look the
24 same. They are the same.

25 They're decorative hardwood plywood, and I'm

1 happy to share this. This happens to be red oak
2 veneer. I've got business cards that I'll give to you
3 that are thinner than that. You can veneer however
4 you want. The one thing that will affect how thin or
5 how thick you cut the veneer is the amount of sanding
6 that's going to occur in the final finishing. You're
7 familiar with the multi-layered floor case. You can
8 see the wear layer veneer there has got to be at least
9 thick enough that golf shoes and high-heeled shoes
10 aren't going to go through the wear layer.

11 I defy you to use that thin of veneer on
12 engineered wood flooring. It's going to be a little
13 bit thicker, but for decorative hardwood plywood on
14 the fact of like these desks right here, it doesn't
15 really matter. Like on that lectern, it doesn't
16 really matter.

17 MR. CLAUSEN: This is Mike Clausen. I would
18 like to make one other point, and that is with the
19 core on hardwood plywood, it's not always softwood
20 veneers. A tremendous percentage of the U.S.
21 manufacturer of hardwood plywood uses a hardwood, be
22 it poplar or gum or, I don't know, a number of other
23 species could be in the inner plies, and it isn't
24 necessarily just softwood, and that was said earlier.

25 MR. THOMPSON: I'll clarify that. Columbia

1 Forest Products uses various species. I'm Brad
2 Thompson. Excuse me. Columbia Forest Products uses
3 various species within its mills. We use White Fir, a
4 Douglas Fir core in the west. We use Tulip Poplar in
5 the East, which is similar to what the Chinese use.
6 We use Aspen in Canada, and we routinely move those
7 core types between our mills and use them
8 interchangeably, so I think that should help the panel
9 understand the distinction.

10 MR. LEVIN: The terminology is confusing.
11 The HTS classifications don't help matters at all, and
12 I'll go through this a little bit more in the brief.
13 Once you dig into the HTS classifications and what FAS
14 does under hardwood plywood and softwood plywood makes
15 it even more confusing, but with the Commerce
16 Department's urging, we have spent a lot of time, and
17 Kip especially, in drilling down to be able to
18 identify to the greatest degree humanly possible in
19 tangible words the difference between the product that
20 we're talking about and other plywood.

21 Fortunately, there are two separate and
22 distinct standards. One that applies to one; one that
23 applies to the other with different and distinct
24 specifications, and the Commerce Department said okay,
25 if you had to point out one specification difference

1 between the two that really differentiates the
2 product, what would it be? The type of adhesive
3 that's use because, Kip, am I too far out here? Okay.

4 Because the adhesive that's used for
5 structural plywood is much, much more often than not
6 exposed to the elements and therefore has to withstand
7 humidity and moisture as well as the test of time
8 because these things are used for walls and roofs and
9 things that are going to stand for a long time. The
10 adhesive that's used for hardwood plywood is of a
11 completely different sort because it's not really
12 exposed to the elements. It's for predominantly, if
13 not exclusively, indoor decorative purposes where
14 lashing rain and temperature changes and all of that
15 sort of stuff is not really that much of a concern.

16 MS. HUGHES: Is there ever any overlap?

17 MR. LEVIN: Between the two products?

18 MS. HUGHES: Well, with respect to the
19 adhesive that's used for say the one that's going to
20 be exposed ever being used in the more decorative --

21 MR. LEVIN: Kip educated me so well that I
22 could actually probably answer that question, but I'm
23 not going to. No, no, because you can describe. It's
24 the Venn diagram thing. All right. There is a
25 product called marine plywood, which is the only

1 product where if you look at two Venn diagrams, it's
2 the only intersection between what would be "hardwood
3 plywood" and "softwood plywood" because it's used for
4 marine craft.

5 It's like decorative sides, interior sides,
6 I believe, not the outside of the boat, so there is
7 some exposure to the elements. It's an extraordinary
8 small proportion of the industry, so that overlap,
9 such as it is, is minimal.

10 MS. HUGHES: So it's the glue that's used
11 for that that differentiates the marine plywood from
12 the other?

13 MR. HOWLETT: Yes.

14 MS. HUGHES: Because I was going to ask
15 about the marine plywood now. Okay.

16 MR. HOWLETT: Now, you're going to be an
17 expert when this is all done.

18 MS. HUGHES: I hope not.

19 MR. HOWLETT: Whether you like it or not,
20 Ms. Hughes. If you look at the structural plywood
21 standard, the key tables in here deal with structural
22 load. If I'm going to use this on a floor, and I've
23 got either 12- or 16- or 24-inch joists, I want to
24 make sure that it's not going to bow or somebody's
25 going to fall through it. If it's on the roof, it's

1 got to perform for 20 years or 100 years.

2 The glues that are used in this product,
3 whether it's structural softwood plywood or OSB or
4 wafer board, which are all used in outdoor
5 applications and all have to conform to the PS1
6 standard in order to be used in construction, they all
7 use phenol-formaldehyde resins. The thing about
8 phenol-formaldehyde resin is twofold. It takes a
9 longer cure time, and it takes a higher temperature.

10 Georgia Pacific had a resin division, and we
11 made phenol-formaldehyde, urea formaldehyde and other
12 resins into the building products industry, and GP
13 made both structural plywood as well as hardwood
14 plywood, as Pat indicated. Phenol-formaldehyde is
15 also, because it comes from phenol. It's kind of
16 purple. It looks like iodine, and when you cure it
17 (1) high temperature and a longer press time, so you
18 basically slow down the production cycle of any
19 production facility because you've got to have the
20 board cook longer.

21 The phenyl requires that. The purple
22 becomes less problematic. May I approach the staff
23 and have you take a look at this? It might help.

24 MS. DEFILIPPO: Yes, please. That would be
25 helpful.

1 MR. HOWLETT: If you take a look at the
2 structural plywood, look at the face and back veneers.
3 You'll see that they're all the uniform thickness, and
4 the face and back veneers are thicker, so the purple
5 bleed-through is not an issue. If you look at a face
6 veneer on hardwood decorative plywood, it's thin. The
7 purple will bleed through, so I want a birch color.

8 That's maple that's been stained, but I want
9 it to be this color to start with, and then the
10 cabinet or furniture company can decide how they want
11 to stain it. This one just happens to be stained a
12 darker color. The last thing I need is purple
13 blotches. I don't need it to look like it's got a bad
14 outbreak of psoriasis. All right. Let me show you
15 what you've got here.

16 This shows you how hardwood plywood is
17 constructed with the inner ply veneers at right
18 angles, and you can see how you take care of the
19 lower-grade materials by using the entire tree by
20 burying the less-aesthetical pleasing into the middle,
21 give it the performance that you want, but utilize the
22 entire tree.

23 MS. HUGHES: Grades are designated by the
24 letters, is that right?

25 MR. HOWLETT: Yes. AA, A, B, C and then --

1 MS. HUGHES: Which are the higher grades?

2 MR. HOWLETT: AA.

3 MS. HUGHES: Okay. Of course.

4 MR. HOWLETT: Yes. Unfortunately, God
5 didn't create an entire AA tree. Why tried to
6 genetically engineer it, but we haven't been able to
7 do that yet.

8 MS. HUGHES: The God-wood. Okay.

9 MR. HOWLETT: This is U.S.-manufactured
10 decorative hardwood plywood. This is Chinese-
11 manufactured decorative hardwood plywood. I'm also
12 going to give you a sample of red oak veneer and also
13 give you a business card to show you the various
14 thicknesses that you can veneer at.

15 MS. HUGHES: I can't smell anything. Okay.
16 This has been stained.

17 MS. DEFILIPPO: Stained. Right. Thank you.
18 That may be helpful if we have briefings with
19 Commissioners. I like the business card.

20 MS. HUGHES: Okay. That's it for my like
21 product questions, and that's been extremely helpful.
22 Thank you. I really appreciate that. Okay. You
23 just explained to me about the high grades and the low
24 grades and that kind of thing. Are they all made the
25 same way? It's just a matter of what wood you start

1 out with, or how does that work?

2 MR. HOWLETT: Part of the tree?

3 MS. HUGHES: Yes, what part of the tree.

4 MR. THOMPSON: This is Brad Thompson again,
5 and your question was does it come from the same part
6 of the tree?

7 MS. HUGHES: Or what distinguishes the low
8 grades from the high grades basically?

9 MR. THOMPSON: Typically, the veneer comes
10 from the different parts of the tree. It's all the
11 same manufacturing processes Wade described. If you
12 look at a lathe that takes a log, and it essentially
13 spins the veneer like a roll of paper towels, and the
14 initial roundup, the taking off of the bark is used
15 and chipped and generally used as fuel in our mills,
16 and then the outer portions of the log are generally
17 the highest-grade of veneer, and as you work towards
18 the center of the log where the branches may have
19 been, it depends upon the tree, you begin to see more
20 and more wood with knot holes and other kind of
21 things. We can't throw that away. We've got to
22 utilize the whole tree, so it's a characteristic of
23 the log, and it varies by species, and I --

24 MS. HUGHES: Are certain species exclusive
25 higher grade or lower grade? I'm just trying to get

1 an idea how muddled this --

2 MR. THOMPSON: All species have various
3 grades from what we would say A to D, to A to E, I
4 think, is the fair assumption, yes.

5 MS. HUGHES: Okay. And can you give me some
6 idea, probably you'd have to do that in a post-
7 conference brief, as to maybe what percentage of the
8 market is attributable to the various grades?

9 MR. THOMPSON: I think the post-hearing
10 brief.

11 MR. HOWLETT: Yes, that's going to be
12 company specific.

13 MS. HUGHES: And price differentials?

14 MR. HOWLETT: Yes. Can I just add on to
15 Brad's answer to you?

16 MS. HUGHES: All right. Please.

17 MR. HOWLETT: And I'm going to give you this
18 too so you can take a look at it, but when I was a
19 young attorney starting out at Georgia Pacific in
20 1974, I went to Mr. Lynch's plant in Savannah,
21 Georgia, and I saw firsthand the most important person
22 in that plant, and it was a lady who sat in the most
23 comfortable leather lounge chair, and she was
24 suspended over the plywood production line, and as the
25 plywood sheets came out underneath her, they would

1 stop for like a second.

2 She would look at it, and she would make a
3 determination with her thumb how it was going to be
4 graded. Now, let me tell you how she graded it
5 basically determines the profit margin for a plant,
6 but let me tell you how smart that lady was. This is
7 out of the ANSI standard. Table 3.1 is a summary of
8 hardwood face grades for Ash, Beech, Birch, Maple and
9 Poplar. She had to look at sap, hardwood, natural;
10 color, streak, spots and variation.

11 She had to look at small, conspicuous burls
12 and knots, conspicuous burls, conspicuous pin knots
13 judging by their size, scattered sound and repaired
14 knots, mineral streaks, bark pockets, worm tracks,
15 vine marks, cross-bars, and if you're AA, you're not
16 going to have much of those things, but if you're E,
17 you can have cross-bars, vine marks, worm tracks, bark
18 pockets, mineral streaks, six per square meter,
19 repaired sound knots, maximum size 38 millimeters. I
20 mean, that lady was looking at that stuff, and that's
21 for Ash Beech.

22 Now, Pat's plant had all different sorts of
23 faces going through, so Mahogany Hanger McCorry
24 Suppelli (ph) have got different grade marks. Pecan,
25 Hickory have got different grade marks. Ash, Beech,

1 Birch, Poplar, Mahogany, okay. That's the door scans.

2 Let me get back in. Red and White Oak have different
3 standards. Walnut and Cherry have different
4 standards, and then you get into the softwood species,
5 Red Alder. Well, Red Alder's a hardwood, but you've
6 got decorative knotty pine, and obviously there are
7 more knotty pine by it's very difference it's going to
8 have more knots, but it's different than Doug Fir and
9 Redwood.

10 The person who's the grader has all that
11 information in the back of their head and can see it
12 on the face panel of a board in a nanosecond, grade it
13 and send it on its way.

14 MR. THOMPSON: I can't resist asking.
15 Whatever happened to that lady?

16 MR. LEVIN: As she slowly goes insane.

17 MS. HUGHES: Okay. Let's see.

18 MR. HOWLETT: It's an art, but you can see
19 there's 16 pages of it.

20 MS. HUGHES: It's definitely an art. Let's
21 hope she doesn't sneeze. Okay. Totally off this
22 topic, but I need to ask it anyway, from the data
23 we've gotten to date, there are related parties, and I
24 think we had some reference to that here anyway, can
25 you give us information in the post-conference brief

1 or state here if you believe the Commission should
2 exclude the producers from the domestic industry that
3 are related parties and why or why not?

4 MR. LEVIN: For the six petitioning
5 producers, we went into that in the petition. No, we
6 do not believe that any of the producers should be
7 excluded from the domestic industry under the related-
8 party provision. We haven' seen the other producer
9 questionnaires as of yet, so let me just say if we can
10 withhold judgement until we see that, we doubt very
11 much that there's a basis to do so, but I need to see
12 those responses.

13 MS. HUGHES: Okay. Thank you. Is there a
14 business cycle in this industry, or perhaps seasonal?

15 MR. THOMPSON: Yes. We find that our
16 busiest time is between January and June, and things
17 then taper off in the second half of the year I think
18 would be the correct statement in general, yes.

19 MS. HUGHES: Is that tied to something in
20 particular?

21 MR. OGLESBY: Well, in the remodeling
22 business, nobody tears their kitchen up between
23 October 15 and January 1 because usually you have
24 Thanksgiving and Christmas, and you don't want to
25 destroy your house during that time if you want to

1 stay married.

2 MS. HUGHES: Unless you don't want your
3 relatives there for the holidays.

4 MS. DEFILIPPO: Unless you don't want to
5 cook.

6 MR. OGLESBY: Exactly, and it's hard to cook
7 a turkey on a hot plate, and then in the summertime,
8 in the shops across North America, they're not air-
9 conditioned, and so consequently in the south, in the
10 southwest where the heat goes up to 100 plus degrees,
11 a lot of these shops will start production at 6:00 and
12 stop at 1:00 or 2:00, and so productivity drops in
13 those shops.

14 Then, the other thing too is that in the do-
15 it-yourself market, when you're a DIY-er, the do-it-
16 yourself market, you're going to work on things
17 inside, and then about March, April, May, everybody
18 moves outside and starts planting grass and flowers
19 and stuff, so that expandable income drifts from an
20 inside project to an outside project, and so in the
21 summertime, that business basically goes that way.

22 MS. HUGHES: Okay.

23 MR. CLAUSEN: Obviously, Wade doesn't live
24 in Oregon. We don't get started until about June on
25 those outdoor projects, but we experience the same

1 kind of timeframe. However, it's not a huge
2 seasonality for our company. I mean, we see busier
3 times, but we may run one less shift or one less day a
4 week or something like that, and it does drop off that
5 in let's just say July through Christmas time period,
6 but it's not a huge significance for our company.

7 MS. HUGHES: Okay. Thank you. Also in the
8 post-conference brief, could you just go through what
9 you believe the conditions of competition are that the
10 Commission should consider?

11 MR. LEVIN: Be happy to.

12 MS. HUGHES: And also the threat factors
13 that the Commission has to analyze, if you could
14 discuss them as well?

15 MR. LEVIN: Absolutely.

16 MS. HUGHES: And if you could give us an
17 idea? Mr. Clausen, I think it was, had mentioned that
18 the Chinese have been moving from the low end of the
19 market to the high end. If you could give us an idea
20 of how this move has occurred? I don't know if we're
21 talking the last couple of years, the last decade or
22 whatever. Maybe you could give some numbers as to
23 where it was in the market whenever the beginning of
24 the period was until 2011 or something like that. I
25 think that would be helpful.

1 In terms of volumes and maybe market share,
2 I don't know how it is in your head when you say
3 they're moving if they're just increasing volumes or
4 taking greater market share as well, whatever you can
5 give us on that would be helpful, I think.

6 MR. CLAUSEN: I'd be happy to.

7 MS. HUGHES: Okay. And I think that's for
8 me for now. Thank you.

9 MS. DEFILIPPO: Thank you, Ms. Hughes.
10 Before we turn to Ms. Cohen, Mr. Levin, have you heard
11 from Commerce or has Commerce published its
12 initiation? I don't think we have heard yet.

13 MR. LEVIN: I have not heard.

14 MS. DEFILIPPO: Okay. Just checking.

15 MR. LEVIN: Let me see if there's a voice
16 mail. There's no voice mail. I mean, it's usually
17 done around noon.

18 MS. DEFILIPPO: Noon. Right. Okay. Just
19 checking. Now we'll move to Ms. Cohen.

20 MS. COHEN: Good morning. This is Cindy
21 Cohen from the Office of Economics. I'd like to thank
22 all the witnesses for their testimony this morning. I
23 have a few questions. Following up on Rhonda's
24 question about the grades, I'd like to know if the
25 different grades, the AA, A, B, C, D, are they used in

1 different end uses? I know there was some testimony
2 about the kitchen cabinets and that end use could have
3 different grades. What about the other end uses?

4 MR. OGLESBY: Historically, the grades would
5 be used, the higher grades, would be used in parts
6 that are seen, sort of like these modesty panels that
7 are in front of us or on the podium. The lower grades
8 would be used inside a cabinetry where you don't see
9 it, like the back of the cabinet or the bottom or what
10 is commonly called a dead end, which would be an end
11 that goes against the wall. Nobody would ever see
12 that, so a lower grade is used for that, and that's
13 primarily where we use most of the low-grade product
14 is in products that are not seen.

15 The other thing is that our product is
16 graded on the full sheet, which is 32 square feet, and
17 manufacturers take it and cut it up into small pieces,
18 and so consequently some people would cut it up into
19 smaller pieces and just throw away the lower grades of
20 knots and that kind of thing, but primarily what it
21 amounts to is the high grades are used on exposed
22 portions, and the low grades are used on the unexposed
23 places.

24 MS. COHEN: I think kitchen cabinets are the
25 main end use for this product, is that correct? It's

1 at the highest volume?

2 MR. CLAUSEN: This is Mike Clausen. Yes, I
3 would say that kitchen cabinets are one of the larger
4 areas, probably the largest area. However, there's
5 the fixture business, for instance, store fixtures.
6 If you go to a Macy's, and you go to buy shirts, and
7 you see a box which the shirts laid out on top of it?

8 That's frequently hardwood plywood or decorative
9 plywood used there. There's also the millwork
10 business where things like a courthouse where there's
11 wall panels and that sort of thing and school
12 auditoriums or theaters would be another area where
13 the millwork industry would be using it.

14 MR. OGLESBY: We estimate that the kitchen
15 cabinet business takes about 40 to 50 percent of the
16 production of hardwood plywood.

17 MR. HOWLETT: This is Kip Howlett with HPVA.
18 One of the things that probably help us ride through
19 the explosion of the housing bubble was that
20 commercial building did not dip as deep as
21 residential, and a lot of our products go into the
22 woodworking industry, so the foyers of office
23 buildings, libraries, conference rooms, I mean,
24 obviously we're surrounded by our products in this
25 room, so that helped as well, and the woodworking

1 industry is a significant customer group as well as
2 furniture and cabinets.

3 MS. COHEN: Okay. Thank you. If there's
4 any data for post hearing that you can provide on how
5 much hardwood plywood goes to each of the end use
6 industries, that would be helpful. There were some
7 references to our 332 report. In that report, the
8 report stated that the U.S. hardwood plywood industry
9 does not generally compete for sales to the
10 manufactured home and RV industries, which use thin
11 plywood. Would you agree that this is the case today
12 or that it was the case in 2008 when we published our
13 report?

14 MR. LYNCH: This is Pat Lynch. Just so I
15 understand your question, you're saying that our
16 products are not used in the RV industry?

17 MS. COHEN: That's what the report said that
18 the RV and the manufactured home industry general do
19 not use U.S. produced plywood.

20 MR. LYNCH: There are uses for it. One of
21 the largest markets in the U.S. right now is Elkhart,
22 Indiana. I mean, that's where the RV capital of the
23 world, and there is a lot of our products used in
24 those RVs, so these are not the old RVs that your mom
25 and dad have. These look like Jon Bon Jovi should be

1 coming out of them. I mean, they're \$800,000 units,
2 and they do have our plywood in there, so yes, we do
3 have it.

4 MR. CLAUSEN: And also, Ms. Cohen, one of
5 the questions you asked earlier about the high grades
6 that are starting to come in from China, one of the
7 areas in particular where that is taking place is in
8 the RV business taking away our high-end market share
9 of thin panels in Cherry, Red Oak, Maple and being
10 replaced by that high-grade panel out of China at
11 significantly lower prices, significantly lower, much
12 more than the 30-, 35-percent numbers that we were
13 talking about earlier in the low grades.

14 MS. COHEN: And for manufactured homes, do
15 you sell to that industry?

16 MR. CLAUSEN: Same thing. Same exact. The
17 higher-end manufactured homes use domestic hardwood
18 plywood.

19 MS. COHEN: I'm sorry, Mr. Levin.

20 MR. LEVIN: Ms. Cohen, can I just ask you
21 for the cite of that? Do you have a page number?

22 MS. COHEN: I don't, no.

23 MR. LEVIN: Okay. I'll find it. I just
24 don't know offhand where that information is coming
25 from.

1 MS. COHEN: I'll try to find that after I
2 finish my questions and get back to you, and what
3 about the thinner --

4 MR. CLAUSEN: The thinner face veneers?
5 I've been in this business for 35 years, and I've
6 never had a customer ask me for thinner veneers.
7 They've always said thicker, please. We've tried to
8 peel thinner veneers for the market, and the customers
9 are very unwilling to take thinner veneers, and it's
10 predominantly because of the reworking of those
11 products when they get into a manufacturing facility
12 whether it be a kitchen cabinet plant or a furniture
13 manufacturer or the like. Thin veneers make it very
14 difficult to sand the thinner they get, and if you
15 sand too much, you go right through that face veneer
16 into the core veneers, and because of the way the
17 Chinese manufacture their product, they make basically
18 a platform and then apply the face veneer on top of
19 that. We do that as well, but mainly the higher
20 percentage of our product mix is in what we call a one
21 step where we're actually gluing the inner plies as
22 well as the face ply at the same time. Therefore,
23 there's a little bit more variation in thickness
24 before sanding, and so we can take off a little bit
25 more of that face veneer in the sanding procedure.

1 MS. COHEN: Okay.

2 MR. LEVIN: If I may add? I know Thomas
3 tied in a prelim, but we would be thrilled to have the
4 staff and the Commissioners come and visit one of the
5 plants. It's pretty cool.

6 MS. COHEN: Thank you. Yes?

7 MR. THOMPSON: I'd like to add to that. The
8 reference I think said earlier that somehow these
9 thinner veneers, that they're different product. It's
10 not true. I mean, what you see in this modesty panel,
11 you don't look at the side of the plywood to see how
12 thick the veneer is. You're interested in what you
13 see, and the products are directly substitutable, and
14 I think my colleague said it best. It's a
15 relationship to manufacturing process, and that alone
16 we do predominantly in one step.

17 Columbia Forest Products is one of the
18 largest, is the largest rotary veneer producer in
19 North America, and we peel at various thicknesses
20 routinely, and as the industry has evolved, and as our
21 ability to make core more smooth, our veneers have
22 gotten thinner, and today, the reference that it was
23 .7 millimeters, we've peeled as low as .4 millimeter
24 in our mill, so to suggest that we can't produce that
25 here is not true, so it's, I think, inappropriate to

1 think about the face thickness because again, you
2 don't look at the side of the plywood. That's not
3 what you're selling. You're selling what you see, the
4 appearance of the panel itself.

5 MS. COHEN: Okay. Thank you for those
6 answers. A couple of questions for Mr. Malashevich.
7 On the data you provided for some of the indicators,
8 do you have that data for 2012 as well? I see you
9 only go into 2011.

10 MR. MALASHEVICH: This is Bruce Malashevich.
11 We didn't arbitrarily cut off the data for any
12 reason. We just went as far as we could with what the
13 source had.

14 MS. COHEN: That's fine.

15 MR. MALASHEVICH: That was also true for the
16 statistics at Exhibit 1. I think, if I remember
17 correctly, Kip, 2012 of your statistics will not be
18 available until February or something like that? It's
19 done annually.

20 MS. COHEN: And, Mr. Howlett, your group's
21 report, annual report that's referenced in here, do we
22 have a copy of that on the record? Is that in the
23 petition?

24 MR. HOWLETT: Yes, we can submit that.

25 MS. COHEN: For the post hearing.

1 MR. HOWLETT: That is a proprietary
2 document, but we can put that under the record.

3 MR. LEVIN: Yes, and that's what I was just
4 going to say. I'll yield to Kip's direction as to how
5 to handle that, but it is a proprietary document.

6 MS. COHEN: Well, the whole document we
7 would love, but any information in there that would be
8 relevant that you can provide?

9 MR. HOWLETT: And we can submit it for the
10 three years subject to the investigation, and as Bruce
11 indicated, we go out with the surveys in December and
12 should have the 2012 report available by the end of
13 February.

14 MS. COHEN: Okay. Thank you. And your
15 comment on the pricing data, I'm sorry. I actually
16 didn't quite get that because I heard you talk about
17 the trade data, and then I started thinking.

18 MR. MALASHEVICH: Sure.

19 MS. COHEN: Anyway. So again, do you have a
20 suggestion on something that we need to do at this
21 point on the reliability of that data for this
22 preliminary investigation?

23 MR. MALASHEVICH: Bruce Malashevich
24 answering your question. First, let me say that the
25 separate discussion of the pricing data stems from the

1 first discussion of volume totally. So, in the first
2 case, when you're measuring the volume of subject
3 imports, you're not worrying about dimensions or
4 grades or anything like that. It's just cubic meters
5 and square feet, period.

6 And just in discussion with Mr. Ruggles
7 earlier, you can see that the Commission and we are
8 using different conversion factors and I have no idea
9 what other parties or nonparties would be using, so
10 that's one level of potential confusion.

11 When you get to the pricing data, you are
12 talking about dimensions and grades and very specific
13 things, and there is substantial anecdotal evidence
14 that certain of the Chinese producers are answering a
15 purchase order -- and this is hypothetical --
16 answering a purchase order to them that's for a grade
17 let's say C, but it's used to meet an order for a
18 grade A. So there is a distinction between what's
19 bought and what's sold after being imported and that's
20 been very frustrating for the domestic industry that
21 does not work in that manner.

22 But if you drill down the pricing date,
23 particularly for the imports, you confront these
24 additional potential complications. Is what was
25 reported physically made to that specification or was

1 it re-invoiced as something else?

2 MS. COHEN: So if we're looking at resales
3 on the importer side --

4 MR. MALASHEVICH: Which you typically do.

5 MS. COHEN: Right, which is what we asked
6 for. So you're saying they could have reported it as
7 -- if these allegations are true, that they could have
8 reported it as the wrong grade that was reported by
9 the Chinese producer or anything --

10 MR. MALASHEVICH: The physical
11 specifications of the product could be different from
12 what was invoiced as the product requested in the
13 questionnaires.

14 MS. COHEN: Okay.

15 MR. MALASHEVICH: Now can I -- do I know the
16 questionnaires? No. The questionnaires we received
17 thus far -- I have two exhausted colleagues in the
18 back of the hearing room, the first thing we do is
19 just enter all the numbers and cross check. We
20 haven't yet done what I would call a sanity check for
21 data that look like outliers, for example, based on
22 comparison with other questionnaires. We just haven't
23 had the time to get to that stage yet, but we will
24 between now and the brief. And anything we discover
25 as potentially this sort of practice of course we'll

1 bring to your attention in the post-conference brief.

2 MS. COHEN: And if this goes to a final,
3 maybe you have suggestions on how we might address
4 that in a final investigation.

5 MR. MALASHEVICH: Most definitely.

6 MR. LEVIN: If I may add, the specific
7 circumstance that Mr. Clausen alluded to in his
8 testimony about the changes in the thicknesses and the
9 changes in the grades, we have the paper on that.

10 MS. COHEN: Okay. Okay, thank you. And one
11 last question. I didn't hear a lot about non-subject
12 imports from non-subject countries. I know Mr. Levin
13 addressed it a little bit. And my question is how do
14 the imports from countries such as Indonesia and
15 Russia -- are you competing against those products in
16 your market and how do those products compare to the
17 Chinese and to the products you sell?

18 MR. CLAUSEN: I would say that they're quite
19 different. The Russian product, although it's birch
20 plywood in most cases, is a very specific -- it's
21 probably the highest quality plywood manufactured
22 anywhere in the world for the price. It's a multiply
23 construction similar to the Chinese product. However,
24 it is a much higher quality and it's a much higher
25 priced product.

1 It is used for specific applications,
2 usually where there's the ingrain of the plywood is
3 exposed. For instance if you pull out a drawer and
4 you have a drawer side and there's usually a bullnosed
5 edge on the drawer side where you see the multi -- you
6 can see the plies. It's a very solid core. And if
7 you look at the sample of the Chinese product that Kip
8 Howlett passed through earlier, it had a lot of
9 waviness in the core and a lot of overlaps, which is
10 quite typical of the Chinese product. And that would
11 not be a good application for that unless it was in a
12 lower quality piece of furniture.

13 So the Russian is quite different.
14 Indonesian plywood typically is a redwood. There's a
15 little bit or a small volume of lighter species, but
16 in fact the psoriasis species that are grown
17 predominantly in Indonesia and Malaysia have been also
18 -- the logs have imported into China and they're
19 actually peeling some of those logs and making merbau
20 and a few other species in China using those logs.

21 The Indonesians for years manufactured a
22 tremendous volume of thin plywood, a lot of which was
23 used in wall paneling in the old style mobile homes
24 and in RVs. And a lot of that product was either
25 painted or paper overlaid, quite a different product

1 than what we are talking about here with an exposed
2 face.

3 MR. HOWLETT: And one thing I think you'll
4 observe if you look over the market share of the
5 different countries that export into the U.S. market,
6 China's share has been growing at a steady rate and
7 displacing countries like Indonesia. Canada was
8 particularly hard hit. There used to be a fairly
9 robust trade of hardwood plywood out of Canada into
10 the U.S. and it's particularly suffered, but so is
11 Indonesia, Brazil, and other countries.

12 MR. MALASHEVICH: Ms. Cohen, if I could add
13 --

14 MS. COHEN: Yes.

15 MR. MALASHEVICH: -- just one thing,
16 reminding you that Mr. Clausen's case among the
17 industry witnesses, he spent a very substantial part
18 of his career on the importing side of this business.

19 And his crossover into manufacturing gives him good
20 knowledge of both sides of the business so to speak.

21 MS. COHEN: Okay, thank you. That's all I
22 have.

23 MS. DEFILIPPO: Thank you, Ms. Cohen. We
24 will now turn to Mr. Yost.

25 MR. YOST: Firstly, I'd like to join my

1 colleagues in thanking you, very much, for your
2 testimony today. I just have a couple of questions
3 and the first one is regarding the structure of the
4 industry. Now Mr. Clausen, I believe, indicated that
5 his firm is vertically integrated by which I assume
6 you have your own timberlands. You own at least part
7 of the logs that you then consume. Are there any
8 other members of this group that are vertically
9 integrated?

10 MR. THOMPSON: Columbia Forest Products is -
11 - although we don't own timberland, we have in the
12 past. We're vertically integrated from the hardwood
13 veneer face all the way through the manufacturer of
14 the hardwood plywood, the core, and the adhesive. In
15 Canada, we do have provincial rights to certain
16 forests there. But we -- typically in the east, we
17 harvest from small landowners, which we have some 20
18 plus foresters that work with landowners in our
19 logging base to move wood to our mills. And in the
20 west, similar to timber products in Roseburg. We buy
21 fee timber also.

22 MR. YOST: I'm going to ask for purposes of
23 the post-conference that you provide additional detail
24 on how you purchase the logs that you consume in your
25 plants. I would understand, for example, if you said

1 you buy them at market from through the foresters from
2 the independently owned lands. But the logs that you
3 -- or the timberlands that you own, I would suspect
4 that you're bringing those in at cost, at least that's
5 how the questionnaire asked you to do it. But if you
6 would confirm that fact and lay out how you buy logs
7 from the other sources, that would be very helpful.
8 Thank you.

9 My other question is, Mr. Lynch indicated
10 that his company does a fair amount of capital
11 investment and I would ask that each of the companies
12 represented here today for purposes of the post-
13 conference indicate what the focus is of their capital
14 investment, what the equipment is going into, whether
15 it's revamping your sawing operation or your veneering
16 operation, sanding, et cetera, et cetera.

17 MR. LEVIN: We'd be happy to, Mr. Yost.

18 MR. YOST: Okay. And then the third
19 question is you made reference to differences in the
20 glue between the hardwood and decorative plywood and
21 this piece of plywood that you passed around, the
22 structural grade. Is the glue stronger for the
23 structural grade or is it just that it doesn't bleed
24 through purple?

25 MR. HOWLETT: No. This is Kip Howlett. No,

1 it is stronger. I mean, you've got -- if you look at
2 the PS1 standard and you look at the five tables that
3 describe the performance requirements that a
4 structural plywood or structural panel like OSB or
5 wafer board have to meet, one of the keys is going to
6 be its relationship with moisture, humidity, and the
7 outdoors. You can put a piece of softwood plywood,
8 for example, over an open manhole cover and it can
9 stay out there over a season, a year, whatever, and
10 you can walk across it. You're not going to fall in
11 the hole.

12 I don't know that I would take decorative
13 hardwood plywood and similarly with urea, formaldehyde
14 or soy base, or PVA or melamine adhesives that I would
15 be walking over that open manhole with that product.
16 It's not designed for that kind of use or application.
17 It's not structural.

18 MR. YOST: That's reassuring. I recently
19 used a couple of pieces for a marine application after
20 I coated them with epoxy. But that concludes my
21 questions. Again, thank you very much.

22 MS. DEFILIPPO: Thank you, Mr. Yost. Mr.
23 Goetzl, questions for this panel?

24 MR. GOETZL: Good morning and again, thank
25 you very much for your testimony. I have a number of

1 questions related to kind of the manufacturing process
2 and some of the markets for the subject product. I
3 guess I'd like to start though with just a
4 clarification on the scope. I think I heard Mr.
5 Grimson in his opening statement say something about
6 Chinese veneer cores were not included in the scope
7 and I may have misheard that. Mr. Levin, would you
8 like to clarify that, please?

9 MR. LEVIN: Sure. We removed the veneer
10 cores from the scope. We did that not for the reason
11 that Mr. Grimson alluded to because the allegation was
12 we wanted continued access to that and we somehow
13 benefit from it. If that was the case, I can assure
14 you that in the months of preparation of the petition
15 that would have come to light when we initially wrote
16 the scope.

17 We removed it because we did not want to as
18 we were dealing with the hardwood and decorative
19 plywood issue versus structural plywood issue have to
20 also within the tight timeframe of the initiation
21 period deal with any possible domestic industry issues
22 on that product. And we had made the determination,
23 you know something, it's not that important to us. So
24 instead of mucking up the works and getting into a
25 whole complication while we're dealing with these

1 other issues, let's just drop it. It's not a
2 fundamental importance.

3 MR. GOETZL: Okay, thank you.

4 MR. LEVIN: That's the reason. It was
5 practicalities.

6 MR. GOETZL: All right, thank you for that
7 clarification. So, okay, can I use the term "core"
8 and "platform" interchangeably or is there a
9 difference?

10 MR. HOWLETT: Well, when I think of core, it
11 could be veneer core. It could be particle board,
12 MDF, lumber core. It could be combi-core, which would
13 be layers of veneer with a high density fiber board as
14 a cross band, which allows you to have a very, very
15 smooth surface. Because high density fiber board or
16 medium density fiber board are fibers much like used
17 to manufacture paper, but glued together with the same
18 kinds of adhesives that we use to make hardwood
19 plywood, but the surface is almost glass like. So you
20 can put thinner veneers on that because you don't have
21 the potential for the wavy material in the cross band
22 that you might with a veneer. That's still less than
23 five percent, but with the thinner veneers in use
24 that's one of the ways that you can utilize that
25 material. You see it more in engineered-wood

1 flooring.

2 But a core in a platform is just a veneer
3 core without the face in back veneer is on. And when
4 I send you the stock panel report, we do collect that
5 information and there are a number of countries that
6 are not subject obviously to this proceeding that
7 source that material. It would just have added a lot
8 of confusion, as Mr. Levin indicated, without a face
9 in the back.

10 I mean, Ms. Hughes, you thought you were
11 confused with structural plywood and hardwood and
12 decorative plywood. That would have added another
13 degree of substantial confusion. We know what it
14 means, but it's a minor percentage right at this
15 point.

16 MR. GOETZL: Okay, thank you. Do most
17 domestic manufacturers of hardwood and decorative
18 plywood produce both core/platforms, if you will, as
19 well as the final product? Or do some manufacturers
20 purchase the platforms or cores and then apply the
21 veneers for the final product? Yes, please, you can
22 answer that question in a post-conference brief.

23 MR. THOMPSON: We'll answer in the post-
24 conference brief.

25 MR. GOETZL: All right, fair enough. As I

1 understand it both rotary cut veneers are used, as
2 well as sliced. I've got a few questions related to
3 that. Are certain species more likely to be used as a
4 sliced veneer, as compared to a rotary veneer or does
5 it matter at all?

6 MR. THOMPSON: This is Brad Thompson,
7 Columbia Forest Products. Typically birch, maple, and
8 oak are peeled in a rotary sense, although you can get
9 plain sliced oak, plain sliced maple, and plain sliced
10 birch. But typically those three species are
11 generally the majority of the rotary market. Sliced
12 woods generally, although some of them are peeled in
13 rotary form, generally cherries, walnuts, you name
14 them, those types of species are sliced.

15 MR. GOETZL: Mr. Thompson, since you
16 answered that question, in the one-step process where
17 everything I assume is fully automated, are the face
18 veneers sort of introduced into that system or are you
19 slicing the log for the face veneers as well in
20 addition to the platform, the veneers used for the
21 platform?

22 MR. THOMPSON: Well, again typically, if I
23 understand your question correctly, regarding slicing,
24 are we slicing the decorative facing?

25 MR. GOETZL: Well, as I picture the process,

1 you're peeling the log, making the veneer, and it's a
2 continuous system. So you're peeling it, you're
3 cutting it, you're layering it, putting adhesives
4 between them, and then pressing it. Is the same log -
5 - are you using -- when you do that, are you making a
6 product that the face veneer is the same species as
7 the inner core? Or are you making the inner core sort
8 of with that log and then introducing a face veneer to
9 apply onto that?

10 MR. THOMPSON: Well, generally, decorative
11 faces, the thinner piece of material that is what you
12 see is peeled in a different process and put together.

13 And generally the core material is a completely
14 different process, generally end up in the plywood
15 mill itself and generally a different species. As we
16 mentioned, white fir, douglas fir, tulip poplar, aspen
17 are all used in the inner core lines of the product.

18 MR. GOETZL: Okay. Cindy and Rhonda and
19 Chip I think asked some questions about the market and
20 asked about kitchen cabinets and RVs and so forth.
21 And perhaps at post-conference brief, could you
22 provide some estimates as to what the market shares
23 for the various end uses might be? I don't know if
24 there's available information on that, that's reliable
25 and credible. But if you have any data on that, that

1 would be helpful.

2 MR. LEVIN: We'll certainly look for it.
3 I'm not familiar offhand that would be able to provide
4 by end use what percentage is domestic, what
5 percentage is from China, what percentage is from
6 another source. But if there's something, we'll put
7 it in. And the earlier question, of course, is a much
8 simpler thing to do, what percentage of our product is
9 going into each of the end uses. But we'll look.
10 We'll do the best we can if it's feasible at all.

11 MR. GOETZL: Thank you.

12 MR. MALASHEVICH: Excuse me. This is Bruce
13 Malashevich.

14 MR. GOETZL: Yes.

15 MR. MALASHEVICH: I'd just like to add a
16 bit. I looked for much of the same data
17 unsuccessfully. But one reason is that you'll see
18 from my Exhibit 1, there's a very large chunk of
19 distribution as measured by the trade association that
20 goes to large and small distributors. So we know what
21 we sell to distributors, but don't necessarily know to
22 whom they on sell and it's really the people they're
23 selling to that differentiate kitchen cabinets and
24 toilet vanities and that kind of thing. So I think --
25 we'll do the best we can, but I think whatever we can

1 provide would be very rough.

2 MR. LEVIN: Yeah and that's a terrific point
3 especially since such a large percentage goes to
4 distributors as opposed to end users. Thank you,
5 Bruce.

6 MR. GOETZL: On the conversion issue, the
7 product conversion issue, am I right to assume that
8 the metric that's most commonly used at least in the
9 United States for hardwood plywood is on a three-
10 eighths inch basis, in other words an equivalent to a
11 three-eighths inch basis?

12 MR. LYNCH: Yes. We have for Roseburg
13 Forest Products and most industry, yeah.

14 MR. GOETZL: Okay. In the petition on
15 materials, you made mention of FSC certified product
16 that is sold in the U.S. market. Would any of you
17 care to comment about kind of trends in certified
18 product and your ability to -- first of all, the
19 demand for certified product as compared to non-
20 certified product, your ability to provide certified
21 product, and how that compares for domestic production
22 versus the availability of certified product in terms
23 of imports from China?

24 MR. HOWLETT: All of our manufacturers offer
25 sustainably certified materials, whether it's FSC

1 primarily, but FSI and others. The demand is
2 obviously determined on a customer basis. One of the
3 things that we have observed I think over the last
4 three years at least is there has been a substantial
5 amount of publicly-funded commercial construction,
6 universities, libraries, courthouses, that sort of
7 thing and in there, there is a requirement that they
8 use green building system like LEED, which only allows
9 FSC certified. So our companies who are represented
10 here at this table all offer that because that's been
11 an important segment of the market, particularly in
12 the last couple of years.

13 I mean obviously, Mr. Goetzl, you're
14 intimately familiar with hardwood forest landownership
15 pattern, which includes hundreds of thousands, if not
16 millions, of small landowners and it becomes a
17 challenge for them to get into FSC certification
18 systems because it's not inexpensive. But you've got
19 states like Indiana, Wisconsin that have developed
20 programs that their entire state and private-owned
21 forest within those states bear that certification.
22 So it's been demand drive by the growth in the green
23 building market.

24 MR. GOETZL: And with respect to imports
25 from China, is FSC or certified material of any kind

1 available from China based on your experience or your
2 knowledge?

3 MR. CLAUSEN: It is available in small -- a
4 small percentage of the production from China is
5 available in FSC.

6 MR. GOETZL: Is that primarily made of
7 species that are imported into China from the United
8 States, to your knowledge?

9 MR. CLAUSEN: I don't know that answer.

10 MR. GOETZL: Okay. Is there a price premium
11 in the marketplace for certified hardwood plywood?
12 And you can answer that in a post-conference brief if
13 you'd like to do that.

14 MR. HOWLETT: From what I hear on the street
15 is that --

16 MR. GOETZL: I hear stuff on the street too.

17 MR. HOWLETT: -- as dearly as you'd like to
18 pass on the increased costs that are associated with
19 that, this market will not allow that.

20 MR. GOETZL: Okay.

21 MR. THOMPSON: This is Brad Thompson. One
22 other addition to that, I think that people at this
23 table, it's more than just passing it along. We think
24 it's the right thing to do and it's becoming a
25 philosophy amongst the industry to prove the

1 sustainability of the wood that we use.

2 MR. GOETZL: Mr. Malashevich, you noted that
3 the housing market may not be the main driver for
4 hardwood plywood demand. That has to do with what
5 goes into houses primarily. But isn't there also a
6 relationship between the housing market and also
7 demand for things like furniture and kitchen cabinets?

8 MR. MALASHEVICH: Oh, sure. It's a matter
9 of portion. There is a relationship because
10 presumably new homes are constructed with the kitchen
11 and at least one toilet. So there would be cabinets
12 that enter into that. But during the period we were
13 talking about, the new home construction, new home
14 construction from a lot or a tear down was -- I'm
15 going from memory, I'll have to check this -- but less
16 than 20 percent of the market for hardwood plywood.
17 The balance was in the applications that I discussed
18 in my testimony.

19 MR. GOETZL: Do you have any information
20 regarding how much of the market for hardwood and
21 decorative plywood is commercial related versus
22 residential?

23 MR. MALASHEVICH: I would have to turn to
24 our industry witnesses on that point. I do not have -
25 -

1 MR. GOETZL: I mean architectural woodwork
2 that's used in like for store fixtures and for hotel,
3 ITC hearing rooms or the ITC meeting rooms, what have
4 you.

5 MR. MALASHEVICH: I would turn to the
6 industry experts on that. I have no such information.

7 MR. HOWLETT: I'll pull that together. I
8 mean another thing is also, and again in the
9 commercial sector, restaurants, McCormick & Schmidt's,
10 you think about all the wood in there, that's us. So
11 we can break that down. But the woodworking industry
12 are two very, very important segments for us.

13 MR. GOETZL: In your view or experience, are
14 the imports, subject imports garnering equal
15 penetration market share in all those segments or is
16 there some difference? So is architectural woodwork
17 as affected by imports as might be kitchen cabinets?

18 MR. HOWLETT: Again, it's anecdotal on my
19 part, as I've talked with woodworking companies. But
20 because they had enjoyed relationships with architects
21 and other things, it gave them sort of a unique
22 relationship, that they've observed that there are
23 manufacturers of architectural woodwork in China that
24 are now significantly coming into this market and that
25 wasn't their, you know, their competitors in the past.

1 The same way in the kitchen cabinet
2 industry, they're ready to assemble kitchen cabinet,
3 which basically was, you know, a non-entity five or
4 six years ago, has been growing at a significant share
5 every year and obviously has significant components
6 made from hardwood plywood and that's all sourced
7 within China into those ready-to-assemble kitchen
8 cabinets that then come into the U.S. and compete with
9 the U.S. kitchen cabinet manufacturers.

10 MR. GOETZL: Thank you. Have any of you,
11 any of the panel members visited Chinese hardwood
12 plywood plants, might you comment on differences
13 between your production processes and those that seem
14 to be -- are common in China?

15 MR. CLAUSEN: The basic construction of the
16 hardwood plywood is very similar from the standpoint
17 of you take veneer, you dry it in some form or
18 fashion. You then assemble the plies with adhesive
19 and put it into a press and press it for a certain
20 amount of time and you come out with a sheet of
21 plywood. Then you trim it.

22 I would say that there are -- in the mills
23 that I have seen, the amount of labor that's used and
24 the amount of small pieces of veneer that are pieced
25 together like a jigsaw puzzle almost and put together

1 uses a tremendous amount more labor, as opposed to the
2 kind of factories that most of us here -- all of us at
3 this table, but most of our whole industry uses quite
4 an automated process compared to the Chinese,
5 obviously much, much less labor.

6 MR. GOETZL: Is the type of machinery though
7 for that part that -- for what's not labor driven, is
8 the type of machinery similar? I mean, they're using
9 same sorts of presses and those kind of things?

10 MR. CLAUSEN: Very much so. The presses are
11 similar. The laves, I've seen hand-cranked laves
12 actually, but there's the full gamut. Now they're
13 beginning to have a lot of the factories with some
14 very sophisticated equipment in them today and the
15 bigger factories with UV pre-finished lines to do, you
16 know, a finished, UV finished, clear finished on the
17 products that are second to none Italian equipment.
18 It's amazing.

19 MR. GOETZL: Anyone else want to comment on
20 that?

21 MR. HOWLETT: Kip Howlett. I mean a lot of
22 our machinery supplier members have opened offices and
23 sell into the Chinese markets. So, I mean, it's more
24 commonplace.

25 MR. GOETZL: I think it was Mr. Thompson who

1 described the one-step process in manufacturing. Are
2 all U.S. producers manufacturing using a one-step
3 process and if not kind of what's the distinction
4 between a one-step process and a multi-step process?

5 MR. THOMPSON: I think the best -- this is
6 Brad Thompson, Columbia Forest Products. We make both
7 -- and as I think my colleagues do, we make what's
8 called a platform, a veneer core platform that we lay
9 up line-by-line at a spreader and glue it together and
10 then we calibrate it for a couple of reasons: where
11 finishability is extremely important in high-key
12 places, meaning the stain has to apply correctly;
13 where thickness tolerance has to be very exact. And
14 so many times we'll use -- make a platform and so it's
15 making -- essentially that plywood you see, but
16 without the decorative faces. So we'd make the
17 plywood and then we'd run it through a sander,
18 calibrate it and sometimes patch it, and then we'll
19 put a high-end veneer. Many times walnuts and very
20 thin veneers, we'll use that calibrated platform to
21 make that product.

22 In addition to that is the one-step process.
23 Typically the majority of our plywood is made in that
24 way. And the nature of our core allows us to do that
25 because of the nature of our equipment. It's very

1 highly technical and produces a smooth core. And then
2 we take the decorative face and we lay it all up all
3 at once. I think the majority I think would agree of
4 our product.

5 MR. GOETZL: Okay. And then one final
6 question regarding formaldehyde standard and
7 formaldehyde missions and products. Now as I
8 understand it, the national standard has not been
9 issued yet. Is most production, U.S. production
10 currently meeting the CARB standard in California for
11 which I understand the national standard will be
12 largely based upon?

13 MR. HOWLETT: This is Kip Howlett with HPVA.
14 As I mentioned in my testimony, HPVA Laboratories is
15 an IS accredited facility both for ISO-65, which is
16 called the controls programs, which the California Air
17 Resources Board, as well as the HP-1 standard require
18 that if you're going to certify to the HP-1 standard
19 or you're going to certify that you meet the CARB
20 limits, you have to go to an accredited ISO-65
21 organization, such as ours. You have to have the
22 boards tested in a ISO-17025 accredited laboratory.
23 And the inspectors that go in and randomly pull
24 product that are going to be tested are ISO-17020
25 certified.

1 We have all those accreditations. We're an
2 officially recognized third-party certifier by
3 California. We're TPC-8. There are over 40
4 certification agencies globally that have been
5 recognized by the State of California. We're an
6 officially recognized HUD certification agency. We've
7 been doing formaldehyde emissions for HUD for over 20
8 years now.

9 To answer your question specifically, we
10 certify all but two U.S. mills, hardwood plywood
11 mills, so we have firsthand knowledge. All of the
12 U.S. and for that matter North American produced
13 hardwood plywood does meet the CARB phase two emission
14 limits. The Federal legislation that was passed two
15 years ago basically incorporated those same identical
16 emission limits for regulated products, particle
17 board, MDF, fin MDF, and hardwood plywood.

18 The hardwood plywood emission values, CARB
19 and U.S. EPA are the lowest emission requirements of
20 any panel product that's regulated. It's analogous to
21 the most stringent global emission limit -- it's equal
22 to it. It's the Japanese four-star emission limit. A
23 hundred percent of the hardwood plywood manufactured
24 in North America is CARB certified. Over 60 percent
25 is so low that it's achieved exemption status under

1 CARB.

2 So our emission limit is .05. They're
3 having to operate below .04. In order to do that,
4 you've got to really be safely manufacturing below
5 .03. We have had four different resin systems
6 basically qualify for exemption status, soy, ultra low
7 emitting, formaldehyde, melamine, and PVA resin
8 systems are all employed and have achieved exemption
9 status.

10 Addition to hardwood plywood, we also do
11 engineered-wood flooring. We have 10 companies and
12 their plants in the program and they have a similar
13 track record, not only compliant, but so low that
14 they've achieved exemption status.

15 MR. GOETZL: And is it your experience or
16 observation that imports -- I mean do they also meet -
17 -

18 MR. HOWLETT: They claim certification.
19 There are 400 hardwood plywood plants in China that
20 are listed on the CARB website as producing certified
21 product and certainly it comes in with paperwork and
22 claims that it's CARB certified. I'll just leave it
23 at that.

24 MR. GOETZL: All right, thank you. That --
25 do you have something else?

1 MR. LEVIN: Kip was I think very
2 diplomatically stating the nature of the situation.

3 MR. GOETZL: Okay. Thank you very much.
4 That concludes my questions, Cathy.

5 MS. DEFILIPPO: Thank you, Mr. Goetzl. Ms.
6 Cohen, did you have a question or point to make?

7 MS. COHEN: Yeah, just quickly for Mr.
8 Levin. This is Cindy Cohen. I wanted to give you the
9 page cite from the 332 you had asked about. It's page
10 3-25. Thank you.

11 MS. DEFILIPPO: Thank you, Ms. Cohen. Mr.
12 McClure, do you have any questions for this panel
13 today?

14 MR. MCCLURE: Jim McClure, Office of
15 Investigations. I have no questions. My colleagues
16 have done a great job of taking care of the issues of
17 concern to me. I just want to reiterate Fred's
18 earlier request that both sides put their thinking
19 caps on, on the conversation factor and what
20 statistical database we should use, so hopefully we
21 come to a kumbaya moment and we can not worry about
22 that anymore. Other than that, thanks for coming. I
23 know flying in from Portland, as I did three weeks
24 ago, it's hard to get there to here on a direct
25 flight. Anyway, thanks.

1 MR. MALASHEVICH: Mr. McClure, if I may ask,
2 Bruce Malashevich, just a clarification, because I
3 understood from Mr. Ruggles initial comments that he
4 was going to use the conversation factor of 1,000,
5 whatever it was, and official import statistics. So
6 again speaking as the guy that's probably going to
7 worry about this, my intention was just to go along
8 for purposes of administrative convenience, just go
9 along with Mr. Ruggles --

10 MR. MCCLURE: That would be what we prefer.
11 But if --

12 MR. MALASHEVICH: I just wanted to clarify
13 that.

14 MR. MCCLURE: Yeah. I'm not asking you to
15 throw any curves in there, but just please pay
16 attention to what he said --

17 MR. MALASHEVICH: I always try to throw
18 straight.

19 MR. MCCLURE: -- because he's big. Thanks.

20 MR. LEVIN: Let me just add something. When
21 we were preparing the petition, we did do the imports
22 on different conversion factors and we -- I had opted
23 to use a conversation factor that's a hybrid of two
24 different thicknesses. And I ran the numbers to see,
25 you know, all right, what gives me the best number, I

1 mean quite honestly. And in the end because the
2 rates, the patterns, the trends are the same
3 regardless of what conversion factor you use, I said,
4 okay, let me use something that's a combination
5 because not everything is going to be one thickness,
6 so a combination just sounds like the most
7 straightforward to me. But the trend lines are the
8 same, perhaps at lower absolute numbers if you use a
9 higher conversation factor. But you're going to look
10 at the same picture.

11 MS. DEFILIPPO: Thank you, Mr. McClure. I
12 echo the statement that the staff has done a great
13 job. I usually sit here and cross out all the
14 questions and most of mine are crossed out. If I do
15 stumble on one that has been asked, I apologize for
16 that. So I only have a couple of things that I think
17 did not get asked.

18 We talked a little bit about logs and I
19 think Mr. Yost asked a question for post-conference
20 submissions about how you purchase logs. Do the
21 prices of the input logs determine what species is
22 used? I assume that there's different prices for
23 different types of logs and that they may move
24 differently in the market at different times. Or is
25 the decision on what species of log to use based on

1 the characteristics of that species of log?

2 MR. THOMPSON: Well, we're speaking of two
3 logs now. The first log that use to spin in to core,
4 the inner plies of the material, does have a cost
5 influence. I mean, we look for species that work
6 suitably with core material. But nature grows -- God
7 grew fir in the west, he grew aspen in Canada, and he
8 grew tulip poplar in the east. And so we have to
9 utilize those species based on where our mills are
10 located in the market.

11 From the decorative side, that's determined
12 by the fashion that Kip talked about. People want
13 cherry. They want walnut. And the demand on those
14 logs is based on market and it's a traditional supply
15 and demand. The more that it's desirable, the higher
16 the cost generally is or the scarcer the wood,
17 generally the more expensive it may be. Like walnut
18 is more expensive than maple and I think that's true
19 of furniture and products that go along with it.

20 MS. DEFILIPPO: During the period that we're
21 looking at, were there any instance where -- you
22 mentioned sometimes some species are more scare than
23 others. Were there any instances where you had
24 difficulty in getting the desired log, whether it be
25 for the core or for the decorative part of the

1 product?

2 MR. HOWLETT: This is Kip Howlett with HPVA.

3 As Mr. Thompson indicated, you're dealing with two
4 different sources in terms of your raw material. One
5 of the things that will affect supply/demand, fashion.

6 Oak was popular maybe much more five, 10 years ago
7 than what is popular now. Obviously cost can
8 influence too if you can create fashion demand. All
9 of a sudden hickory becomes very attractive for, you
10 know, whatever variety of reasons.

11 But the other aspect of it is
12 infrastructure. You need loggers. You need logging
13 trucks to bring the trees out of the forest into the
14 plants. And a lot of those people are logging trees
15 that would go into structural plywood, as well as
16 would go into hardwood plywood. That would be common
17 in the west.

18 As loggers and all have gone out of business
19 and as imports have taken greater and greater share
20 and demand has been reduced in the U.S., the
21 infrastructure to bring those things out can also have
22 an impact on the cost.

23 In addition, we compete in the hardwood
24 industry for hardwood logs. The lower grade will go
25 into things like pallets or railroad ties, whatever.

1 Medium grade can go into hardwood lumber. The veneer
2 core log is the highest premium log and we get 70
3 times the yield out of a tree, as you do if you cut it
4 into dimension lumber in terms of the face that's
5 available. So the advantage of yield that our
6 industry gives, as well as by engineering at the cross
7 bands, you get a stronger product. I mean that's why
8 there's a hardwood plywood industry.

9 MS. DEFILIPPO: Thank you. That was very
10 helpful. The other question I had was for Mr.
11 Malashevich. On your Exhibit 1 where it talks about -
12 - it displays the different channels of distribution,
13 and I believe in your testimony you talked about the
14 big box channel, size being small but influence being
15 bigger -- I'm paraphrasing, but I think that was
16 generally what you were indicating -- are the Chinese
17 -- are the U.S. producers competing against the
18 Chinese in all of these different segments and is
19 there that same price pressure and all of them?

20 I mean you were focusing a little bit on the
21 pressure in the big box, I think, from the perspective
22 of the size of the big box stores and having the
23 ability because of their size. But are the Chinese
24 competing in all of these segments or are they
25 predominantly in one more than the other?

1 MR. MALASHEVICH: I'll give a general answer
2 and request that any of the industry representatives
3 provide greater detail than I'm in a position to do.
4 But my understanding is that there is vigorous
5 competition with subject imports in what's called here
6 the retail channel, which is -- Kip, correct me I'm
7 wrong -- not all, but almost all of the big box
8 stores.

9 The rest of the competition with subject
10 imports is in the distributor channel. Here I have
11 combined what were separate lines for large and small
12 distributors just to simplify things. And also
13 there's vigorous competition of sales directly to
14 OEMs. I'm not in a position to characterize
15 differences in degree, but I invite responses from my
16 colleagues.

17 MR. HOWLETT: Well, let me give a general
18 answer because we collect data from the industry and I
19 went back over the last 10 years to help look at how
20 changes in market segmentation worked both between
21 unfinished, pre-finished, as well as over the years,
22 and there's some fluctuation.

23 One, I would say that the Chinese imports
24 are present in all of the key market segments. I
25 would invite you to go to Home Depot or Lowe's and

1 take a look at -- you will find pallets of one of my
2 member companies sitting on the floor and you'll see
3 Chinese-produced hardwood plywood right next to it and
4 you will observe firsthand the price discount and
5 differentiation that we're here talking about this
6 morning. And you see that across everything and
7 including, as I mentioned before, in areas where you
8 had thought you would not have penetration, like
9 architectural woodwork. Even they're observing it
10 now.

11 MS. DEFILIPPO: That actually answered my
12 other question, which was to the extent that you are
13 aware, you know, are these purchasers dual sourcing
14 their product and having multiple offerings, such that
15 they have different price points, and it sounds like
16 your answer was yes.

17 MR. HOWLETT: And it is because you never
18 want to have your future hung to one source.

19 MS. DEFILIPPO: True. Just one
20 clarification. I think it was -- I'm not sure now
21 based on my notes, but it might have been early on in
22 someone's testimony or even in opening statement,
23 someone used the term "exclusive distributors." Was
24 that from this panel? It wasn't a term I was
25 particularly used to, so I didn't know if that meant

1 they only carried one product, but I'll figure that
2 out.

3 Ms. Hughes, I think you indicated to me you
4 had one more question.

5 MS. HUGHES: Just a quick question. We had
6 talked about the use of the product in remodeling to
7 some degree and then of course it got mentioned in use
8 of new housing. I was just trying to get an idea, and
9 maybe you need to do this in post-conference brief, as
10 to how important one segment is versus the other, or
11 maybe it's pretty much an even split.

12 MR. LEVIN: We'll be happy to provide the
13 information on that again with the caveat to the
14 extent possible. Going back to the very good point
15 that Bruce made before, since so much of this goes
16 through distributors, the manufacturers don't often
17 know where it's eventually going.

18 MS. HUGHES: Understood. To the extent you
19 can, we'd appreciate it. Thank you.

20 MR. LEVIN: Happy to.

21 MS. DEFILIPPO: Estimates are fine. I don't
22 know if this was asked earlier, but along those same
23 lines as Rhonda was asking, if there's any estimates
24 of sort of the size, commodity versus sort of high
25 end. I believe someone said that the high end market

1 was smaller and wasn't able to sort of sustain a
2 company, if they were just focusing solely on that,
3 but any sort of estimates on the relative sizes of
4 those two.

5 That concludes my questions. I'm going to
6 look up and down and see if anyone else has questions
7 on our panel. Seeing none, I will take this
8 opportunity again to say thank you very much. The
9 direct testimony was very helpful, as was you being
10 very patient with our learning of this product through
11 our questions. So I thank you very much. I'll
12 adjourn this panel. We'll take a 15-minute break, so
13 people can stretch their legs and get some fresh air.
14 We'll come back at 12:40. Thank you.

15 MR. LEVIN: Thank you very much.

16 (Whereupon, a brief recess was taken.)

17 MS. DeFILIPPO: Thank you for coming back,
18 and welcome to this panel. We look forward to your
19 testimony, so please proceed, whoever is starting
20 first, when you're ready.

21 Mr. Grimson, whenever you're ready. Thank
22 you.

23 MR. GRIMSON: Thank you very much, and we
24 have been informed that Commerce has initiated, so we
25 are not all going out to lunch right now. We don't

1 have any other detail about it. I haven't seen those,
2 but anyway, we are off.

3 Again, I'm Jeffrey Grimson from Mowry &
4 Grimson here on behalf of the 21 members of the
5 American Alliance for Hardwood Plywood. Joined by my
6 partner Kristin Mowry as well as Tom Rogers from
7 Capital Trade. Together with multiple counsel for
8 individual importers and the Chinese producers we've
9 assembled a panel here of folks with decades of
10 experience in all aspects of timber -- sourcing,
11 importing and distributing, and hardwood plywood
12 manufacturing. And we are welcoming Mr. Dick Titus
13 from the Kitchen Cabinet Manufacturers Association who
14 is an end user association group.

15 Hearing the Petitioners' main panel this
16 morning I was struck by how many things we actually
17 agree on. And as you hear our presentation, some of
18 those things will ring true to you as well, I hope.

19 The first one being demand. Mr.
20 Malashevich's exhibit about demand showed growing
21 demand. We may use that exhibit in our brief because
22 clearly you have to recognize that if you start from
23 the beginning of this POI, 2009, as opposed to ten
24 years ago or 20 years ago that they've been talking
25 about, things have gotten a lot better.

1 But the real story is not overall demand, it
2 is demand for this product that the Chinese are
3 making. It is a thin-faced veneer product, and by
4 thin, we mean something a lot different than what the
5 Petitioners talked about this morning.

6 You will hear a lot of testimony about this
7 as we get into the data.

8 I'd like to turn first to Mr. Shawn
9 Dougherty of Northwest Hardwoods who will help us
10 understand the natural resources and raw material
11 sourcing.

12 We do have every once in a while a slide
13 which is behind you. The way the room is set up, I'll
14 give you the high sign if there's a slide back there.

15 Also we may be jumping around a little bit
16 between witnesses. So the folks who are testifying,
17 please state your name.

18 Take it away, Shawn.

19 MR. DOUGHERTY: Good morning. Thank you for
20 the opportunity to speak.

21 My name is Shawn Dougherty. I'm the
22 Director of Asia for Northwest Hardwoods. Northwest
23 Hardwoods is one of the largest producers of hardwood
24 lumber in the United States with 16 facilities and
25 annual production of approximately 350 million board

1 feet.

2 As with the Petitioners, we sell hardwood
3 lumber to manufacturers of cabinetry, furniture,
4 flooring and mill work. We are also one of the larger
5 hardwood exporters in the U.S., and China is our
6 largest overseas market.

7 We also import hardwood plywood from China
8 and other countries to provide a diverse product
9 offering of panels to meet our customers' changing
10 needs in the U.S..

11 Because of my background in the hardwood
12 lumber and plywood industry, 16 years with
13 Weyerhaeuser combined with 20 years of direct work
14 experience in Asia that includes living in the region
15 for nine years, Chinese language fluency and due
16 diligence work on timberland acquisitions in China, I
17 have been asked to speak about differences between the
18 U.S. and Chinese industry in terms of natural
19 resource.

20 As with any primary producer of wood
21 products, the location of the mills in relation to the
22 natural wood resources is critical to an operation's
23 success. Much of China's hardwood industry is located
24 near small tree plantations in the eastern, southern
25 and southeastern provinces of Shandong, Jiangsu,

1 Zhejiang, Fujian and Guangdong. Important plywood
2 production and resources also found in northern China
3 in Hubei province.

4 Key components that aided the development of
5 this industry which is clustered along the coastal
6 areas in the east are a continued focus to grow more
7 plantation wood such as poplar and eucalyptus, and
8 improved access to log imports through major ports
9 where new infrastructure and low ocean freight rates
10 allow a broader mix of raw materials to be used to
11 meet changing customer demands.

12 Raw materials are naturally critical
13 components of panel products and are generally
14 consumed based on the availability and customer demand
15 of the finished products. The raw material costs for
16 a panel are approximately 70 percent of the panel's
17 total cost.

18 There has been a large increase in China in
19 the development of plantation timber, particular
20 species such as poplar and eucalyptus. These are
21 unique species with fast growth cycles. Poplar is 8
22 to 10 years to get to a 20 centimeter diameter log;
23 and eucalyptus is 5 to 7 years. Softwood species used
24 in the United States by hardwood plywood producers
25 include softwood species like Douglas fir, which has a

1 40 to 60 year growth cycle.

2 On the exhibit you can see by species the
3 various years from basically seedling to maturity and
4 by geographic region across the world.

5 The various wood baskets available in China
6 are broken down as follows. Main domestic species
7 grown in China include poplar, Chinese birch,
8 eucalyptus, Chinese fir, Chinese pine and Falcutta.

9 Imported specifies, generally for face and
10 back applications, include Russian birch, radiata pine
11 from New Zealand, red oak, white oak, maple, cherry,
12 alder, ash, hickory -- all from the East Coast of the
13 United States.

14 It is important to note that the relevant
15 Chinese mills which are less than 125 mills, are
16 located in the heart of the poplar plantation growing
17 regions with the birch resource just to the north.
18 Having this readily available volume of raw material
19 in close proximity to the operation has naturally
20 enabled the Chinese industry to expand.

21 In conclusion, improved domestic wood
22 resources and close proximity to these resources
23 combined with the greater diversity of face and back
24 species have put the Chinese mill in a competitive
25 position globally. These advantages are the reasons

1 that they have focused on certain products. These
2 products are different from the U.S. producers as we
3 will talk about at length today.

4 Thank you.

5 MR. LOE: Good afternoon. My name is Ryan
6 Loe. I am the President of Shelter Forest
7 International based in Portland, Oregon. Shelter
8 Forest is a supplier of wood products including
9 hardwood plywood. However, Shelter is much more than
10 just an importer. Shelter is actively engaged in
11 supply chain management by providing specialized
12 expertise in fiber management, production and
13 processing. Shelter has some exclusive arrangements
14 with several mills in China that have agreed to follow
15 Shelter's approach in production of hardwood plywood
16 using these sustainable resources.

17 I have traveled to Washington to be here
18 today in order to address a few important points that
19 I believe are critical to the proper understanding of
20 the competitive dynamics of the U.S. hardwood plywood
21 market.

22 The first point is that hardwood plywood is
23 not an interchangeable commodity. From reading the
24 petition you would think that all Chinese plywood is
25 an acceptable substitute for all U.S. produced

1 hardwood plywood and vice versa. This is inaccurate
2 on a number of levels.

3 First of all, the demand for U.S. hardwood
4 plywood panels far exceeds the production capabilities
5 of the U.S. producers. My understand is the data that
6 the U.S. producers can only supply about one-third of
7 the total U.S. demand. Accordingly, by definition,
8 many imported panels cannot possibly be considered as
9 stealing sales from U.S. producers.

10 Secondly, and perhaps more importantly, the
11 vast majority of Chinese hardwood plywood are
12 physically different than the majority of U.S.
13 produced hardwood plywood.

14 As noted in this slide, Chinese hardwood
15 plywood is made from different species of trees and
16 manufactured to different specifications compared to
17 the U.S.-produced hardwood plywood.

18 Appreciating this requires an understanding
19 of the product and its usages. From a customer
20 standpoint the critical components of plywood are A,
21 the makeup of the core; and B, the wood species used
22 for the face veneer. What is really important to
23 understand is that both the face and the core affect
24 the characteristics of the panel and therefore will
25 influence the customer's decision.

1 Specifically, the types of species used for
2 the core will dictate four performance factors of the
3 hardwood plywood. We list this on the next slide.

4 A is weight. How heavy the panel is. B is
5 the bending strength which refers to how much weight
6 that panel can support. C is the bending strength
7 which refers to the elasticity and flexibility of the
8 panel. D is the average screw withdrawal which gets
9 to the ability of the plywood to hold a screw.

10 You can see from the next slide there is a
11 huge difference in physical properties among the
12 species. For example, the Douglas fir sample had less
13 than half of the strength of a birch core sample.

14 Perhaps most important in comparing the
15 different species between the Douglas fir used by the
16 U.S. producers and the hardwood cores available from
17 the Chinese plantation, in practical terms these test
18 results confirm that Chinese core will actually
19 perform better than the U.S. produced cores in those
20 applications requiring higher strength and screw-
21 holding ability, especially in those applications that
22 need the benefit of 25 percent savings in weight such
23 as RV and marine.

24 I note that in this comparison chart that
25 came from a study done by Oregon State University, and

1 I have provided the actual study as a part of
2 Shelter's questionnaires response. The type of
3 species used for the face veneer is also significant
4 in the end use application. Certain species such as
5 cherry, walnut, hickory, oak and maple are prized for
6 their color and their grain and texture. These
7 species are primarily used for the high end decorative
8 segment of the market which customers want to show off
9 the wood.

10 These veneers are exposed, they're finished
11 with traditional oils and lacquers with the intent of
12 the beauty of the hardwood to be exposed and
13 appreciated.

14 None of the decorative hardwoods are native
15 to China. China cannot and does not compete in the
16 decorative segment of the market. The U.S. producers
17 have this high end segment to themselves.

18 The veneer species from China such as birch
19 and poplar are considered paint grade because they are
20 utilized for applications in which the face veneer
21 will be painted, and so the beauty of the wood is less
22 important. Paint grade is useful in multiple
23 applications where the strength and performance of the
24 entire panel is more important than the face grade.

25 In addition to the species, the thickness of

1 the face veneer also influences the application and
2 therefore the purchasing decisions. Hardwood panels
3 destined for the high end decorative segment of the
4 market must have a thicker face veneer, typically .5
5 millimeters and above, in order to highlight the
6 brilliant color of the wood.

7 If the face veneer falls thinner than 15
8 millimeter, it is likely that the substrate or the
9 platform on which the veneer is being placed will show
10 through the face. Needless to say, if the substrate
11 shows through the face it is more difficult to
12 highlight the natural beauty of the veneer. This is
13 why all face veneers that might be used for the
14 decorative segment of the market must be over .5
15 millimeter.

16 Conversely, if the end use application does
17 not need to show off the beauty of the wood, that is
18 the application requires a paint grade or lamination
19 grade, it is possible to utilize a much thinner
20 veneer.

21 That stated, practically the utilization of
22 thinner veneer requires a stronger true hardwood core.

23 Otherwise the panel would not meet the customer's
24 machinery requirements.

25 What is important to understand is the

1 innovations that Chinese suppliers have introduced
2 over the last few years is that the hardwood plywood
3 with a much thinner veneer on the face of a true
4 hardwood core.

5 As can be seen on the next slide, whereas
6 the typical hardwood face of a U.S. produced hardwood
7 panel would be thicker than the .5 millimeter even for
8 paint grade applications and put on a softwood or
9 Douglas fir core.

10 The typical face veneer thickness of
11 hardwood panels coming from China is only .25
12 millimeter. It s laid up on a true hardwood core like
13 poplar or eucalyptus.

14 The reason for the difference is that the
15 Chinese suppliers are not attempting to compete in the
16 decorative segment of the market. Therefore they do
17 not attempt to peel veneers over .5 millimeter.
18 Rather since the Chinese know that their product will
19 be destined for paint grade or lamination grade
20 segments of the market they have told their peelers to
21 peel extra thin veneers in order to get more miles out
22 of the face veneers from a single log. They do this
23 because they are placing the thin veneers on a
24 hardwood core. Again, such physical differences comes
25 from the available species that are much different

1 characteristics between hardwood and softwood and
2 poplar and fir.

3 I hope my discussion helped you understand
4 that the typical U.S. product and the typical Chinese
5 product are not identical substitutes for each other.

6 There are very real performance characteristic
7 differences that matter to customers and those
8 differences and physical characteristics are why the
9 Chinese product has become more popular with some U.S.
10 customers over the past few years.

11 My time is running short, but I invite you
12 to ask any questions in the question and answer
13 session about the samples I have brought and some real
14 world examples of how Shelter has been able to
15 distinguish physical characteristics of Chinese panels
16 to increase market share in the U.S. market from other
17 import sources.

18 Thank you.

19 MR. SIMON: Good morning, and thank you for
20 the opportunity speak to you today.

21 My name is Greg Simon. I am the co-chairman
22 for the American Alliance for Hardwood Plywood and
23 Vice President of Far East American.

24 Since graduating from UC Berkeley with a BA
25 in international political economy I've spent my

1 entire professional career in international business.

2 I've worked in both the customs brokerage and break
3 bulk shipping fields, and for the past 21 years at Far
4 East American.

5 My professional experience at Far East
6 American has covered all aspects of the import plywood
7 business, from logistics to procurement to sales and
8 marketing to management.

9 Far East American is headquartered in Los
10 Angeles, California and specializes in the
11 distribution of imported plywood and wood products
12 from China, Russia, Indonesia and Malaysia. Since our
13 inception in 1984 we have focused on providing
14 industrial wood products distributors, building
15 material distributors, cabinet industry distributors
16 and large specialty manufacturers hardwood plywood
17 products from sources worldwide.

18 Far East American has two partnerships in
19 joint venture Chinese hardwood plywood factories.

20 Today you've already heard testimony
21 regarding the hardwood plywood production process and
22 the difference in raw materials. What I will testify
23 to is the fact that there are key differences in the
24 production of U.S. and Chinese hardwood plywood and
25 those differences have a definite effect on the

1 quality and functionality of the two products.

2 As I go through the differences, keep in
3 mind the background of why I'm explaining it.
4 Generally speaking, the U.S. product is used in
5 applications where the beautiful, thick, high quality
6 face veneer is designed to be predominantly displayed.

7 These decorative applications require the use of high
8 end, thick faced veneer products produced
9 domestically.

10 The Chinese product, on the other hand, is
11 used in applications where their face veneer is either
12 not visible, is surface-covered with a paper laminate
13 of paint, or is not critical aesthetical.

14 Here are the key elements of the plywood
15 production process which will show on the PowerPoint
16 presentation.

17 With respect to the core veneers used in
18 plywood production, in China you're starting with face
19 veneers of approximately .22 millimeter in thickness
20 that are dried first by air, and then are redried in a
21 hot press.

22 By contrast, in the U.S. the veneers are
23 dried in a jet dryer.

24 This divergent process leads to an enormous
25 difference in energy consumption and cost.

1 The petition states that kiln drying of
2 veneer accounts for some 70 percent of the thermal
3 energy consumed in plywood production and
4 approximately 60 percent of the mill's total energy
5 requirement. The difference in these two methods also
6 results in finished product with differing moisture
7 content. Chinese moisture content is typically 10 to
8 16 percent while the domestic product is typically 8
9 to 12 percent.

10 The use of the hot press for drying the
11 veneer also allows the Chinese factories to use lower
12 quality veneer in the core. Veneer that is splitting
13 or tearing cannot be run through a jet dryer as done
14 in the United States. However this lower quality
15 veneer can be dried in a hot press in the manner as
16 they produce in China.

17 For our next slide I will address the core
18 composition between the two processes. When the
19 veneers have been dried they're conveyed to a lay-up
20 operation where they are repaired and taped together
21 by hand into sheets, or occasionally with rudimentary
22 machines to splice the long grain core.

23 The Chinese are able to use much lower
24 quality veneer components by manually taping the
25 veneer together. The domestic industry, in contrast,

1 uses core composers to create the sheets so it will be
2 used in the plywood core, as the slide will show.

3 As you can see in your typical Chinese
4 factor, you're forming together many plies. Chinese
5 production is typically 11 plies of hardwood core
6 whereas the U.S. is typically 5 plies of a softwood
7 core.

8 In the next slide we'll discuss the cold and
9 hot pressed process.

10 The Chinese use a two-step lay-up process.
11 The domestic producers, as you've heard, use a one-
12 step process. The core or platform as it might be
13 referred to in this case, is produced and then sent
14 through a calibrator where it's sanded after the
15 calibration is repaired and a base coat is applied to
16 the veneer that will be under the face.

17 A base coat is needed to minimize defects
18 showing through the thin faces of the Chinese
19 production. The face and back is then glued onto the
20 core platform and the panel sent back to the cold
21 press and hot press again. This process is necessary
22 because of the use of the thin faces.

23 The next slide will demonstrate the
24 calibration and face veneer application.

25 Core composers and veneer dryers all require

1 decent core veneer or they won't work. When you
2 compose veneer by hand the factory can use fairly low
3 quality, low cost veneer. The cost of the core
4 components themselves make up the biggest single input
5 on Chinese production, so the cost savings gained
6 through the manual assembly process significantly
7 impacts the bottom line.

8 The automation process used by the domestic
9 not only drives up energy costs, but it also drives up
10 raw material costs. The savings in the core are
11 equally as important to the thin faces.

12 Next we'll look at the panel repair process.

13 Plywood is then taken to a finishing process where
14 edges are trimmed, the faces and backs may or may not
15 be sanded smooth, depending on the end desired
16 product. At this stage some face defects are repaired
17 by workers. The Chinese are hand sorting and
18 repairing the panels while the domestics are using an
19 automated process.

20 The U.S. produced product is designed and
21 engineered to be sanded by the end user because it has
22 thick faced veneer. The Chinese product cannot be
23 used in applications that require sanding because the
24 face veneer is simply too thin to sand.

25 Finally, we'll look at the panel inspection

1 process. In the Chinese factories, as you can see,
2 workers are manually inspecting plywood panels for
3 face and core defects. As you can see in this slide
4 in a modern domestic factory like the one featured
5 they use sophisticated laser scanners to detect core
6 voids, core lapse, delamination and moisture content.

7 As you have seen, there are major
8 differences in the raw materials, the production
9 processes, and the product offerings. This explains
10 clearly why there are two separate products that fill
11 two distinct and separate market segments.

12 Thank you.

13 MR. WILKINSON: Good morning, or I guess at
14 this point it's this afternoon.

15 My name is Gregg Wilkinson. I'm co-chair of
16 the Alliance for Hardwood Plywood and Senior Vice
17 President of Liberty Wood Products.

18 I've worked in the wood products industry
19 since my graduation from Louisiana Tech University in
20 1986 and throughout my career I've worked in both the
21 industrial and commodities segments of the U.S. forest
22 products industry. I've also gained vast experience
23 in both sales and manufacturing, not only domestically
24 produced products but in basic raw materials produced
25 in South America, Asia, Europe and the Middle East.

1 My current responsibilities at Liberty Wood
2 include overseeing the entire process of international
3 plywood procurement from manufacturing, distribution
4 into the U.S..

5 I've also proudly served on the boards of
6 the International Wood Products Association, and on
7 the board of the International Wood Products and
8 Western Wood Products Association.

9 Liberty Woods was formed in 1985. We're
10 headquartered out of Carlsbad, California, and have
11 since become an industry leading importer of hardwood
12 plywood from all areas of the world. We currently
13 supply distributors, laminators and OEM manufacturers
14 all over North American, the Caribbean, and Mexico.

15 So far this afternoon my colleagues have
16 explained the difference in raw material, the
17 production process, the finish process of the plywood
18 in question. So now I'd like to discuss how the
19 material is marketed both domestically and importedly
20 through distribution channels within the U.S..

21 Most hardwood manufacturers follow a rigid
22 distribution system where distribution rights are
23 rewarded or awarded exclusively into large
24 metropolitan cities or other set geographic areas by
25 one branded distributor. This system excludes all the

1 other companies that are in that particular area from
2 buying direct from that producing mill. This
3 eliminates the opportunity for those distributors in
4 these assigned market areas to carry U.S. produced
5 commodities competitively.

6 These distributors usually stock imported
7 plywoods and distribute them.

8 Secondly, these exclusive distributors also
9 recognize the two non-competing product lines both
10 domestically produced and the imports and carry both
11 domestic lines like that are produced by Columbia
12 Forest, Roseberg, and Timber Products.

13 So if these product lines are identical, or
14 were identical, how could these distribution companies
15 maintain these distribution relationships with their
16 U.S. supplier mills?

17 Let me give you some examples of this.
18 Columbia Forest, Timber Products and Roseberg have
19 distribution partnerships with some of the largest
20 distributors in North America. Like Distributor
21 Services, Atlantic Plywood, Dixie Plywood, Hood
22 Industries, Georgia Hardwoods, and Blue Links.

23 Secondly, U.S. cabinet and furniture
24 manufacturers rely on importers to stay competitive in
25 this global market.

1 In fact today the KCMA is here to personally
2 address this later in this presentation.

3 Due to the decline in the economy, these
4 OEMs have drastically reduced or eliminated many items
5 from their stocking inventories and now rely on
6 inventories carried by importers and their just-in-
7 time delivery service to run their factories.

8 Import inventories today consist of hundreds
9 of different inventory items from different countries,
10 all different and complementary to what is being
11 produced in the U.S. market today.

12 So a typical customers will call up an
13 importer and order 15 different items on a truck and
14 then expect and get delivery to his facility within 24
15 hours. There's no way a U.S. manufacturer can compete
16 with that delivery cycle.

17 So our colleagues have shown you that the
18 raw material and the production process and the
19 products are totally different. And now I've shown
20 you that our petitioners' best customers and their
21 distributors have also confirmed that they are totally
22 different.

23 In these products they are stocking a full
24 line of complementary imported plywood products with
25 the full knowledge of their domestic suppliers all

1 while maintaining their distribution relationships.

2 Thank you very much.

3 MR. GRIMSON: That's Great.

4 MR. SIMON: This is Greg Simon again.

5 Gregg Wilkinson just addressed the
6 differences in the way Chinese and domestic products
7 are marketed and distributed throughout the United
8 States. The fact of the matter is that the Chinese
9 products fulfill a demand that the domestic industry
10 cannot.

11 As I stated in my earlier testimony, these
12 two different products serve separate markets in the
13 United States. Again, generally speaking, the U.S.
14 product is used in applications where the beautiful
15 decorative face veneer is designed to be predominantly
16 displayed. We can look around this room and see
17 examples of that.

18 In contrast, where a face veneer is either
19 not visible or it's surface is covered with paper,
20 laminate or paint, or where a thin face can be used,
21 you'll see an import product.

22 Some examples, when we talk about the
23 cabinet industry, cabinet manufacturers will use
24 products of Chinese origin for the cabinet backs and
25 panels, drawer sides, cabinet bottoms, and shelving.

1 In other words, for the functional structure.

2 By contrast cabinet manufacturers use
3 domestic plywood for the exposed faces of the cabinet
4 because it requires a clean, pleasing appearance.

5 With respect to the laminated products such
6 as those used in recreational vehicle, kitchen cabinet
7 and officer furniture industries where the veneer is
8 covered up with laminate, foil, vinyl or other surface
9 covering, the Chinese product is not only used but
10 preferred to do its thin face and multi-ply core
11 construction.

12 Domestic plywood with a thick faced veneer
13 would not be the product of choice in laminated
14 applications.

15 For light weight products, in applications
16 where the weight is important such as the recreational
17 vehicle, travel trailer, aircraft, marine, and knock-
18 down case good furniture industries, Chinese product
19 is highly beneficial and there is no suitable domestic
20 substitute.

21 As previously stated, due to factors
22 including fiber sources and the manual manufacturing
23 practice employed by the Chinese, these panels have
24 significantly thinner veneers than any hardwood
25 plywood manufactured in the U.S.. For businesses that

1 manufacture products requiring a thinner veneer
2 imports are their only viable options as the product
3 is simply not available from U.S. hardwood plywood
4 manufacturers.

5 At this point I'd like to turn the
6 discussion to the impact of the recession on customer
7 sourcing considerations.

8 The recession caused a significant shift in
9 the products U.S. consumers were demanding from their
10 plywood suppliers. As I will explain, as economies
11 improve demand for plywood imported from China has
12 improved faster. All of those in the room today well
13 understand that in 2008 the U.S. economy plunged into
14 arguably the deepest most severe recession since the
15 Great Depression of the 1930s. There already was a
16 trend underway towards alternative non-domestically
17 manufactured plywood products prior to the economic
18 downturn. The recession further accelerated this and
19 amplified this trend faster and deeper as most
20 customers sought out product that filled their most
21 basic requirements.

22 The net result is that as we have started to
23 come out of the recession, plywood product from China
24 has grown in acceptance faster than it would have
25 otherwise. Here are some specific examples.

1 From 2008 to 2009 sales of Chinese plywood
2 at my company specifically was reduced by 32 percent.
3 This dramatic drop changed the market conditions in
4 the past few years. For example, the panel thickness
5 continued to drop. On 18 millimeter, for instance,
6 some customers began to accept panels that are 17
7 millimeter in thickness compared to 17.5 or 18
8 millimeter back as early as 2009. This has continued
9 an industry trend that's been going on for over 20
10 years.

11 Contrary to the Petitioners' testimony,
12 customers began to accept even thinner faces.

13 In 2009 and prior the face veneer thickness
14 was on average between .3 and .4 millimeter. The
15 common face thickness now is between .22 and .28
16 millimeters and is widely accepted.

17 Customers increasingly look to buy lower
18 grades. On Chinese plywood, for instance, the demand
19 for C-grade was drastically reduced and increased
20 significantly on D, E and F-grade panels.

21 In tropical hardwoods the demand increased
22 in overlay grades and dropped in the higher BB, CC
23 grades.

24 It's important to note that these lower
25 quality grades are estimated to only represent

1 approximately 15 percent of the domestic production
2 available today.

3 Additionally, customers began to accept UV
4 finished panels produced in China that are able to use
5 a thin face. Larger and more sophisticated
6 manufacturers like those manufacturers represented
7 today by the KCMA began to increase their purchases of
8 Chinese plywood. In many cases these manufacturers
9 had specific needs and requirements. This led to an
10 increase in different species than used in the cores,
11 different quality cores, and different glues.

12 The diversity of items being produced by the
13 Chinese plywood factories is much greater today than
14 it was back in 2008, 2009. More products began to
15 move from Southeast Asia to China.

16 Over the last two to three years imports of
17 5.2 millimeter from Malaysia, a product that domestic
18 manufacturers do not even produce, has drastically
19 been reduced as companies switched to Chinese
20 production instead.

21 U.S. buyers consolidated the numbers of the
22 SKUs they would carry during the economic downturn
23 because they could not have easy access to credit.
24 They found that thin faced birch plywood was able to
25 meet the needs of multiple SKUs they previously

1 carried in other imported products. Chinese birch
2 plywood during these years, for example, increasingly
3 offered business the ability to carry one panel in
4 each thickness to effectively serve the paint grade,
5 lamination grade, utility panel, low end cabinet panel
6 and UV pre-finished markets. Customers simply wanted
7 to carry fewer inventory items in stock.

8 This incredible versatility in challenging
9 economic times is a significant component in the story
10 of the usefulness and necessary role Chinese plywood
11 played and continues to play in the recovery of the
12 U.S. economy.

13 As a result in this tidal shift in demand
14 from the high end of the market to both the moderate
15 and low end segments of the U.S. plywood market
16 between 2008 and 2009, U.S. manufacturers, retailers,
17 industrial and building product distributors and
18 contractors made the rational necessary move to
19 products such as Chinese birch plywood that offered
20 intrinsic value and was good enough for their changing
21 needs.

22 This is a market segment that the
23 Petitioners could not serve with their thick faced
24 plywood, nor did they rapidly adapt to the growing
25 demand for thin faced hardwood plywood.

1 In sum, the recession and then the recovery
2 together resulted in increased demand for the unique
3 product from China. This explains why the Chinese
4 have gained more market share. It is because of a
5 shift in product preference from one distinct product
6 to a completely different product that had not
7 previously been accepted.

8 MR. WILKINSON: This is Gregg Wilkinson,
9 Liberty Woods. I'd like to talk about a little more
10 detail on the underlayment and thin panel market.

11 5.2 underlayment grade plywood is a flooring
12 substrate applied to residential and commercial floors
13 prior to installing like a vinyl flooring or a
14 hardwood floor or a tile floor.

15 U.S. hardwood manufacturers had limited
16 production capacities or capabilities. They cannot
17 produce any panels thinner than 6 millimeter. Within
18 the petition filed, the scope includes 2.7 millimeter,
19 3.6 millimeter and 5 millimeter products which the
20 Petitioners manufacturing cannot even produce.

21 The majority of these thin panels are now
22 imported from China and are servicing this flooring
23 underlayment market and to a small degree the RV
24 mobile home industry. This material is predominantly
25 marketed through distributors, retail and big box home

1 centers.

2 In my company the import volume of low grade
3 underlayment panels have drastically increased over
4 the past few years as China production has replaced 95
5 percent of the underlayment material that has been
6 traditionally exported into the U.S. from Southeast
7 Asia.

8 So as China's import numbers increased into
9 the U.S., Southeast Asia export numbers have
10 drastically decreased to offset, and these imports or
11 shifts in supply have no affect or relevance to the
12 filing.

13 Overall, we believe that there's been a 20
14 percent increase in this import product category
15 overall from China. This has come from shifting our
16 supply and others like me from Southeast Asia into
17 China.

18 Secondly, at Liberty Woods based on our own
19 experience as one of the top importers from China, we
20 estimate that more than 40 percent of all Chinese
21 imports into the U.S. fall into this thing panel
22 category, 5.2, 3.4, or 2.7 millimeter thickness range
23 that again is a product category that U.S. producers
24 cannot manufacture. And this percentage has grown,
25 obviously, since 2009.

1 Secondly, in our own case in these thin
2 panels Liberty Woods imports of Chinese thin products
3 has grown much higher than what we anticipate the
4 industry average of 40 percent.

5 Bottom line is there is a large portion of
6 Chinese imports coming into the U.S. servicing a
7 market that the domestic producers can't even
8 manufacture, specifically 5.2 millimeter and thinner
9 panels.

10 This is something that the Commission needs
11 to understand clearly and separate from the issues
12 we've discussed earlier regarding the face veneer
13 thicknesses and other differences in thicker panels.

14 Also let's be clear. There's less than one
15 percent of the RV market that is marketed to an
16 \$800,000 RV and more.

17 So generally the other market segments the
18 domestics are not competing in is this 5.2 and
19 principally the 2.7 and 3.4 millimeter veneer core
20 plywood that goes into the RV and mobile home industry
21 and the lamination application.

22 The demand for these products has grown.
23 The RV and mobile home industry volumes have
24 increased. But again, these thicknesses are included
25 within the scope of the filing but the manufacturers

1 within the U.S. cannot produce this thickness.

2 I want to talk about third country supply
3 and what we forecasters see as a result if these
4 duties are implemented.

5 If prohibitive duties are imposed on
6 importers and the plywood from China, a chain reaction
7 we believe will commence.

8 U.S. customers of Chinese imported plywood
9 would turn to domestic producers to find that their
10 demand far exceeds their production capacity. Not to
11 mention that they cannot produce the products in the
12 grades, the composition or the thickness that they're
13 currently buying from import suppliers.

14 As a result of that they'll immediately
15 start searching and consumers would look for alternate
16 sources from countries like Brazil, Indonesia,
17 Malaysia, India, Russia and Chile.

18 The shortage of raw material will hurt U.S.
19 manufacturers like the ones represented here today by
20 the KCMA.

21 The shortage would allow foreign
22 manufacturers in other countries to produce finished
23 goods like kitchen cabinets and import those into the
24 U.S. with a huge advantage over our own U.S.
25 manufacturers, all while still leaving a supply

1 shortage of both the thinner panels and the lower
2 grade plywoods that U.S. manufacturers cannot produce
3 and supply into the U.S. market. Thank you.

4 MR. SIMON: This is Greg Simon again.

5 Finally, I would like to address the
6 domestic industry's importing activity with you by
7 pointing out that two of the six Petitioners had in
8 the recent past or currently have strong import
9 plywood divisions with a significant presence in the
10 Chinese plywood market.

11 Both of these companies have been sizeable
12 volume importers of Chinese product and have been
13 formidable competitors in the product segment. This
14 can only be explained by the fact that the Chinese and
15 domestic products are fundamentally different.

16 Petitioner Columbia Forest Products is
17 itself an importer from China. It previously called
18 itself a "leading importer of Chinese plywood".
19 Columbia was unsuccessful, however, in importing from
20 China.

21 This venture failed and they closed their
22 import operation in 2009.

23 Prior to the closure of their much-touted
24 international division, Columbia expressly stated that
25 they were, and I quote, "one of the top three panel

1 importers in North America." Offering the unique
2 ability to offer customers, and I quote, "A mixed
3 match of domestic and imported panels" to complement
4 their domestic product line.

5 They further state that the uses for Chinese
6 plywood imports is for, and I quote, "utility panels,
7 shelving, frame stock, laminating, backs and bottoms."

8 Again, they're entirely correct. These are
9 hardly the applications for which their domestic
10 manufactured products are suitable and are products
11 ideally suited for Chinese plywood.

12 Columbia Forest Products goes on to state,
13 and I quote, "end users are extremely flexible and
14 that Chinese multi-ply panels has the same edge look
15 as Russian birch."

16 Both these points are extremely valid and
17 further highlight the point that Chinese plywood is
18 serving a niche market that the domestic manufacturers
19 cannot, and is at the same time satisfying the needs
20 of the U.S. market for such items.

21 Petitioner Timber Products has had a
22 decades-long presence as a plywood importer and
23 remains an active participant in the importation of
24 Chinese plywood today. In fact in 2011 to expand
25 their import division they acquired assets and hired

1 personnel from the Panel Division of the Penrod
2 Company, a major importer of Chinese plywood and
3 platform stock at the time.

4 Much like fellow Petitioner Columbia Forest
5 Products, Timber Products recognized the unique
6 property values and differences Chinese plywood has to
7 offer and the niche market it serves.

8 You don't have to take our word for it that
9 the Chinese imports are a different product than what
10 the domestic plywood manufacturer produce. In their
11 own blog Timber Products' procurement manager
12 expressly stated that, and I quote, "We learned long
13 ago that the Chinese hardwood plywood filled some
14 customers' needs at a different level than we produce
15 domestically."

16 He goes on to state, "China has mills that
17 can produce a wide range of quality and grades."

18 Both of these are excellent points and
19 entirely true, and both points are the reason why
20 Chinese plywood is needed to fill a niche market that
21 cannot be served by their company or other U.S.
22 domestic plywood manufacturers.

23 In their own view, Chinese plywood is
24 clearly a product that is in demand by the U.S.
25 consumer and one that cannot be sourced domestically.

1 Lastly, States Industries, Columbia Forest
2 Products, Timber Products and other domestic hardwood
3 plywood manufacturers import either directly or
4 through third parties Chinese platform stock.

5 They do so to offer an alternative product
6 to their U.S. customers which has a unique combination
7 of a multi-ply core construction and value that are
8 simply not available domestically.

9 The domestic plywood manufacturers and some
10 Petitioners even rely on Chinese platforms as a key
11 component of their product offering and have indicated
12 their intention to continue to offer this product as
13 base panels for some of their decorative faces.

14 Thank you very much.

15 MR. NEELEY: I'm Jeff Neeley from Barnes,
16 Richardson & Colburn here on behalf of the China
17 National Forest Products Industry Association.

18 I want to talk today primarily about the
19 foreign producers and trading companies' responses
20 that we've put in and that were also put in by some
21 others.

22 I think it's fair at the outset to say that
23 the responses that have been put in were really
24 extraordinary. I've been doing these cases for a very
25 long time. I don't remember in any case from any

1 country getting this extraordinary number of responses
2 and certainly not from China.

3 We now have something on the order I think
4 of about 115 responses, somewhere around there. About
5 95 of those I think are from our association and went
6 through them, and then maybe another 20 from other
7 folks.

8 The companies did this, frankly, in the face
9 of kind of a manipulation of the filing of this case
10 which was filed, pretty obviously, right before the
11 Chinese holiday. October 1st is like the 4th of July
12 in China. It's pretty obvious what they were doing
13 here.

14 Despite this, the Chinese companies really
15 stepped up to the plate and got everything together
16 and filed their responses. I think you have a lot of
17 very good and very useable data.

18 I would remind the staff, and I think you're
19 aware of it, that this is an industry that has been
20 cooperative with the Commission since, really back
21 since the 332 case. Again, that's unusual. The
22 Chinese would participate in the 332 case, would be
23 cooperative -- It has been an industry that has been
24 interested in working with the Commission on data and
25 continues to do so.

1 The industry responded both in terms of
2 trading company data and producer data. We were very
3 careful to make sure that we didn't double count, so I
4 think the Commission has very clean data that's very
5 useable for this case.

6 I'll talk in a moment about the coverage,
7 but we think the coverage is really quite good.

8 I understand what Mr. Ruggles has been doing
9 in terms of coming up with 48 or 50 percent or
10 whatever it is. I think it's probably actually more
11 substantial than that and it actually is quite
12 representative of the industry in any event.

13 First, though, I'd like to talk a little bit
14 about what the responses show. You've got a good data
15 base here in front of you.

16 What it shows is really that there's no
17 threat of material injury which is fundamentally why
18 you've gathered the data to start with.

19 First of all, let's take a look at capacity
20 utilization. It's high. It's actually been high over
21 the years. While we see that capacity does rise a
22 little bit over time, what we also see from the data
23 is that it rises in line with the demand for the
24 products. So this is not an industry in China that is
25 building a bunch of factories and building a bunch of

1 possible production in the hope that some day there's
2 going to be some sort of demand. It's very much in
3 line with where the demand is.

4 So you have good high capacity utilization
5 year in and year out.

6 Of course we see that the demand is, as
7 we've heard this morning and this afternoon now, is
8 for, in any event, for very different products than
9 the U.S. producers are making. So in any event one
10 wonders does it really matter? But even if these are
11 products that somehow compete with the U.S. industry,
12 we see that they are building demand and that capacity
13 utilization is very much there.

14 In terms of the shipments, again we see
15 similar things. While shipments to some extent grew
16 in the U.S., this grew as a U.S. market for the
17 products grew, as we heard the testimony. These are
18 products which do not compete with the U.S. products
19 and as they grew of course there's to some degree an
20 increase in shipments.

21 We also see in the data that there's also a
22 great deal of demand for export markets. We see that
23 these companies that have responded are selling
24 strongly in export markets and in addition, that there
25 is, as we know, a very strong home market in China.

1 China is the largest market for hardwood
2 plywood in the world. So there's a very strong market
3 there for the product.

4 What I would also, just to kind of finish
5 the point of the responses and threat, the last thing
6 I guess I would mention is inventories. We see
7 inventories, basically they move up and down a little
8 bit, but basically what we see in inventories are more
9 or less a month's worth of shipments. It's not an
10 extraordinary amount of inventories. It's very much
11 in line with what you'd expect companies to have .
12 It's not like they've got a whole lot of inventory
13 sitting around in the company. So it's a pretty
14 modest inventory amount over all, I think is what
15 you're seeing there.

16 Getting to a couple of critical points.
17 What have we accounted for? We've got 115 companies,
18 what does that really account for?

19 We think it really is the vast majority of
20 the Chinese companies who sell to the United States.
21 WE'VE herd I think this afternoon from Mr. Dougherty.
22 He said something like 125 companies. We think
23 that's roughly correct. It may be a little more, a
24 little less. It's not a whole lot more than that.
25 There just are not that many Chinese companies that

1 are qualified to sell to the U.S. based on what my
2 clients are telling me.

3 I realize the figures that you're coming up
4 with, Mr. Ruggles, are showing something different
5 based on the import statistics. I think that probably
6 tells us more about the import statistics than it
7 tells us about our responses. I think our responses
8 in fact really capture the bulk. I wouldn't say it's
9 100 percent, I think that would be overstating it.

10 But it's a really high percentage of what's
11 coming to the United States. If you look at the
12 importers, what the importers have put in, what we've
13 put in, I think you've really captured the bulk of
14 what's going on. You have had a lot of cooperation
15 from both sides.

16 We've heard, of course, the typical horror
17 stories from the domestic industry of there's all
18 these Chinese out there, there's 600 companies,
19 there's 6,000 companies, whatever it is.

20 The reality is that there are very major
21 barriers to entry into the United States. There are
22 other companies out there, for sure. There's no doubt
23 about that. You're -- You'll see there are other
24 plywood manufacturers in China.

25 However, what you have to keep in mind is

1 it's not so easy to sell the United States because you
2 have to find customers. One of the major barriers
3 that my clients tell me about, in the United States is
4 something that we heard a lot about in the 332 case
5 and we didn't hear quite as much about today. But the
6 Lacey Act. We're all very aware of the Lacey Act.
7 Importers are very aware of the Lacey Act. They're
8 very aware of their obligations under the Lacey Act.
9 They're very aware of the civil penalties that they
10 could be subject to, and even the possible criminal
11 penalties.

12 So yes, that's one other possibility.

13 Secondly, qualifications. It's extremely
14 important to get the products qualified either through
15 a formal qualification process which many of these
16 larger importers have, or if not a formal
17 qualification process, then informally because the
18 product simply will be rejected in the United States
19 market.

20 So for those reasons, all of these companies
21 that theoretically are out there really are not
22 companies that can sell to the United States.

23 With that I will leave it. I think we've
24 really accounted for the bulk of the companies. I'll
25 be glad to answer any questions. Thanks.

1 MR. GRIMSON: Thanks Jeff.

2 Mr. Titus, from the KCMA. We're anxious to
3 hear from you.

4 MR. TITUS: It's very important for you to
5 understand the importance of this matter to our
6 industry. We hope there's no collateral damage to our
7 industry as a result of some decisions that you -- I
8 applaud your care and I know you're going to do a very
9 thorough job and go through the economics and other
10 factors.

11 I've heard so many references to what we do
12 and what our suppliers -- And I might add, you can
13 readily see that we support a global supply chain. We
14 support the domestic suppliers. They know us well.
15 We have great relationships with them. We support our
16 importer supply side. They have great knowledge of
17 our industry and they have responded to needs that we
18 have and opportunities. So there's a very good
19 relationship there.

20 We're the national trade association for the
21 manufacturers of kitchen cabinets and bath vanities.
22 We were founded in 1955. We do many of the same
23 things that Kip referred to as standards. We have a
24 certification program, ANSI-approved; a certification
25 program of performance standards for cabinets, which

1 by the way all of these products are tested to. Shelf
2 deflection was mentioned at one point in the
3 conversation. That is one of our tests. I can tell
4 you, can report to you that we have no unusual
5 failures in that regard. In fact our products tested
6 to 500 pounds and we have at this point very, very few
7 failures in our independent labs that do that testing.

8 We don't mark the failures according to
9 Chinese or domestic, they're just a failure. Then the
10 company, our company has to take procedures to fix
11 that. But we haven't had any serious problems. We
12 haven't had any incidents of any problems at all
13 hardly to report.

14 We're a major consumer, you've heard this
15 repeatedly, of plywood in the U.S. and we do purchase
16 hardwood from domestic, foreign sources, China and
17 other countries.

18 As a general matter, I would just summarize
19 what you've been hearing. As a general matter, the
20 domestic and Chinese hardwood plywood are purchased to
21 use in different applications when making cabinets.
22 The domestic and Chinese hardwood plywood often have
23 different physical characteristics. Most KCMA
24 companies who use imported hardwood plywood use 50
25 percent or less Chinese plywood in their product. I

1 think it's been described to you the most frequent
2 places where you're likely to find Chinese versus
3 domestic and the reasons therefore.

4 The bottom line is that our industry is able
5 to produce a very competitively priced product in the
6 marketplace for cabinetry and we're part of the global
7 economy. That's I think a clear example of it.

8 I did refer to our economy is suffering just
9 as much as those that you heard before. Everyone is
10 suffering in today's economy, so we're suffering the
11 same. We're hoping for an upturn beginning to appear.
12 We're not sure.

13 We understand you're going to be making a
14 legal determination as to whether the hardwood plywood
15 industry is being unfairly injured. Based on our
16 recent experience, a reduction in hardwood plywood of
17 50 or 60 percent over the past four years due to the
18 U.S. economic downturn with no relation to Chinese
19 imports would not be surprising.

20 I would also add, you all were interested in
21 remodeling versus new housing. In our industry
22 remodeling is probably 70 percent of the market now,
23 70 to 75 percent even, and new construction the
24 remainder.

25 That trend was already beginning to appear

1 before the economic downturn, so that's where we are
2 in that one.

3 If our members are cut off from access to a
4 large supply of essential raw materials which is
5 likely to happen if the request for a 300 percent
6 increase -- and by the way, when our members heard 300
7 percent increase, it created a collective gasp from a
8 large number of them who are actually involved. It
9 would have a huge negative impact on our industry.
10 There would be shortages, and we're just concerned
11 about that aspect of it.

12 Let me mention a couple of other things so
13 you understand us a little bit better, some of the
14 other conversation.

15 We do have the standard, we do the
16 deflection test amongst 25 others.

17 MS. DeFILIPPO: Unfortunately the red light
18 is on. Can you wrap up in a few --

19 MR. TITUS: Just a comment that we supported
20 the Lacey Act along with many others in the industry,
21 and we supported the formaldehyde legislation that was
22 approved by Congress.

23 Thank you. I'm sorry I went over.

24 MS. DeFILIPPO: Thank you very much. I'm
25 sure it was one of the lawyers earlier that took too

1 much time.

2 (Laughter.)

3 MR. GRIMSON: That's always the case.

4 I just wanted to point out for the Q&A that
5 Tom Rogers is here and has a lot to speak about in
6 terms of the economic analysis and we welcome
7 questions in that regard because we have, with the
8 number of speakers we have run out of time so we are
9 happy to answer your questions.

10 MS. DeFILIPPO: Thank you, and I will take
11 this opportunity to thank all of you in this panel.
12 As I mentioned earlier, I know it's difficult to get
13 here, but it's extremely helpful to us to have
14 information on both sides and to have such
15 knowledgeable witnesses. It really helps us
16 understand this product more.

17 I will turn to Mr. Ruggles for any questions
18 from him.

19 MR. RUGGLES: Good afternoon, thank you.
20 We'll start with the imports.

21 Looking at what just came out, I'm going to
22 drop, it appears, one, two, three, four numbers and
23 add two. Okay? Just so you know. So when you guys
24 are looking at this stuff, please if you're not sure
25 I'll send you my list which basically is the list that

1 came out on this today. You've got my conversion
2 factor. I want to know what the difference is. This
3 is how I'm going to go with it at this point, okay?

4 So unless somebody's got something that's a
5 lot better, it would be nice if everybody would say
6 yeah, we like whatever conversion factor you're using.

7 I'd like to get it all unanimous, but if you don't
8 want to do that today please get it to me by Monday,
9 no later, okay?

10 At this point I have no other questions
11 because I know where the other questions are coming
12 from at this point, so I'll let it go from there.

13 MR. ROGERS: This is Tom Rogers.

14 Excuse me, Mr. Ruggles, were you going to
15 specify the HDS Categories that you were going to drop
16 from this list?

17 MR. RUGGLES: The four that I dropped?

18 MR. ROGERS: Yes.

19 MR. RUGGLES: The four that I dropped at
20 this point are 4412943160, 4412943121, 4412943141, and
21 4412943171.

22 MR. ROGERS: Thank you.

23 MR. RUGGLES: The two that I'm adding are
24 4412315135 and 4412993130 in the scope.

25 I know. That's why I didn't want to get

1 into that.

2 MR. ROGERS: Okay.

3 MS. DeFILIPPO: For clarification, you're
4 matching what you're doing to these numbers that are
5 in the Commerce --

6 MR. RUGGLES: Yes. Whatever Commerce just
7 put out, that's what I'm going with at this point.
8 Okay?

9 MR. ROGERS: Okay.
10 If I may, I just have a couple of comments
11 on that.

12 First of all I understand the petition lists
13 many, many tariff numbers, and that doesn't
14 necessarily mean that's all subject merchandise for
15 the Commission's consideration here.

16 I might also note that Petitioners, I
17 believe, as they admitted this morning have an
18 incentive not to exclude any potential Chinese
19 imports.

20 Then when you look at what they put in the
21 petition, they identified 42 HDS categories as
22 effectively capturing the Chinese volume here.

23 So I think what we need to do is use that as
24 a starting point.

25 Then I also note in the petition they said

1 well we think of those 42 categories, we think there's
2 non-subject merchandise in there as well.

3 So I think looking at the 42 HDS categories
4 would in effect be an upper bound on the total volume,
5 but we'll go into that in our brief.

6 The other issue I just wanted to raise
7 concerns in the wood flooring case, the Commission
8 faced a similar issue. In that case they evaluated
9 the categories and they looked at the import volumes
10 coming in and at the end of the day they decided that
11 they had pretty good coverage from the importers and
12 they went that way. I think as you heard from Mr.
13 Neeley in terms of the foreign exporters and I think
14 the importers may even exceed those numbers, that you
15 have great coverage in this case.

16 MS. DeFILIPPO: Thank you, Mr. Ruggles.

17 Ms. Hughes? Questions from you for this
18 panel?

19 MS. HUGHES: I would take umbrage with Mr.
20 Ruggles' comment but for the fact that it's true. I'm
21 sure I will have most of the questions.

22 Starting with product questions.

23 Mr. Loe, looking at the slide we were
24 talking about earlier, grades D, E, and F are
25 typically in the painted laminated category you have

1 here.

2 Would you just divide up the grades into
3 these segments generally? Or is this something more
4 specific to this presentation? Is there like a paint
5 laminate grade that the industry understands and it
6 comprises grades D through F?

7 MR. LOE: The biggest difference is the
8 intention when they start to peel it.

9 So from the very beginning of the supply
10 chain there's an intended end usage. So for a lot of
11 the Chinese product, it's intended to be a paint
12 grade, to be finished with paint or laminated or paper
13 covering. The face grade, to use a thick or a
14 decorative panel would be a very big waste of
15 resources.

16 So from the very beginning of the supply
17 chain we choose veneers that they can peel extra thick
18 to get a lot of miles out of those veneers and get
19 good coverage and save the fiber in those face
20 species.

21 Comparatively on the domestic veneers, they
22 do peel those thicker because the intention is to be
23 like a desk or a cabinet or something that's going to
24 be exposed. They need a thick veneer because the
25 wood's going to show through. It's not going to be

1 covered up. So there's just a real inherent difference
2 in the end use and that goes all the way through the
3 supply chain to the beginning.

4 What you see here is, it's a thin peeled and
5 it's more of a mill run grade, whereas the domestics
6 are peeling the thicker panels and they're really
7 designing that for a decorative use.

8 Did that answer your question?

9 MS. HUGHES: I'm not smarter than a 5th
10 grader. I think I understand what you're saying.

11 I think I follow what you're saying.

12 MR. LOE: You don't really care too much
13 about the grade if you're going to cover it up.

14 MS. HUGHES: I understand all that part.
15 I'm just trying to figure out if the industry has some
16 understanding that these grades D, E and F, whether
17 it's the Chinese or the domestics or the French or the
18 Germans or whoever is making the stuff, that the
19 grades are typically used for these applications. But
20 it sounds like you're saying not necessarily. That's
21 not necessarily universal. The Chinese may have their
22 own interpretation of it depending on how they produce
23 it. Even though they have certain end uses in sight.

24 MR. SIMON: If I may add, I think the way to
25 look at it is A is better than B.

1 MS. HUGHES: I understand that.

2 MR. SIMON: Industry has a clear
3 understanding of where they can use the grades in
4 their applications.

5 MS. HUGHES: All right. So the domestics
6 would use the C, the D, E, and F in a paint, laminate
7 kind of procedure, just as the Chinese would. I guess
8 that's the most basic question I have on that.

9 MR. SIMON: Or in certain applications where
10 their D, E and F would have a thicker face, they may
11 be able to use it in other applications that could not
12 be used on the imported product.

13 MS. HUGHES: Okay.

14 MR. WILKINSON: I'd like to add, you are
15 correct. The Chinese have their own interpretation of
16 that grade as it pertains to their manufacturing.

17 MS. HUGHES: Okay.

18 I'm going to ask the domestic industry to
19 comment on this line of questioning to the extent you
20 might want to. Anything that can help clarify it for
21 me is welcome at this point.

22 MR. PORTER: Ms. Hughes? I just want to
23 make a comment.

24 Suggestion not to get too obsessed about
25 grades and rather listen to what the industry guys are

1 saying, that there's a clear dividing line. Are you
2 going to highlight the beauty of the wood or are you
3 going to cover it up? An that's the dividing line
4 that is really, really clear.

5 As you're hearing whether something is a B-
6 or a C+, you might get different interpretations, but
7 it's clear from the outset, are you going to highlight
8 the beauty of the wood or are you going to paint it or
9 lam and cover it up? That distinction is probably the
10 most important.

11 MS. HUGHES: Understood. I'm sort of
12 segueing towards that.

13 Which kind of gets me to like product here.

14 It doesn't sound like you guys are taking issue with
15 the domestic's proposal for the Commission's
16 definition of like product, meaning there's just one.

17 Maybe it's sort of a continuum or whatever, but your
18 argument seems to be more towards participation in
19 various market segments. Is that correct or what is
20 your take on the like product arguments that they
21 proposed?

22 MR. GRIMSON: Our take is that we are not
23 challenging that definition for this preliminary case.
24 That we have a great story. In this case it comes
25 right out of the data and the testimony about these

1 products selling in two different markets. So there's
2 a tiny weighted competition.

3 If you look at it, even on the terms that
4 they presented to you under like product, we still
5 think this case should be terminated at the
6 preliminary stage.

7 MS. HUGHES: All right.

8 MR. WILKINSON: I'd also like to add, the
9 confusion in my mind from the case the Petitioners are
10 wanting to recapture this D grade or low grade market.

11 My manufacturing background, mill production people
12 work their butt off all week not to produce a D grade
13 reject or shop panel because that affects the overall
14 profitability. Unless industries have changed, my
15 personal opinion is that mills try to run their
16 manufacturing with less than 10 percent reject. So
17 why are U.S. producers trying to gain a product that
18 is not profitable for them that they don't want to
19 make?

20 MS. HUGHES: So are only the rejects the
21 ones that are the painted laminated materials?

22 MR. WILKINSON: The consumer has found an
23 appetite for a lower grade product that comes out of a
24 foreign country that typically is not made in the
25 U.S.. U.S. producers have a different face thickness,

1 their grades are cut off, where the Chinese product
2 typically is brought in in that grade segment. And
3 there's really no overlap.

4 MR. DOUGHERTY: Shawn Dougherty with
5 Northwest Hardwoods.

6 Although the hardwood lumber industry is not
7 exactly the same thing as the hardwood plywood
8 industry, on is very square, the other one is very
9 random width, random length in its production.
10 However, from 2007 to 2010 we saw a decrease by 50
11 percent as all wood product -- in the hardwood lumber
12 industry we saw a decrease by 50 percent as all
13 hardwood industries also curtailed their consumption.

14 This kind of goes to the point. There has
15 been a reversal of product consumption of grade lumber
16 in the United States by the consumers.

17 What was once 60 percent consumption of
18 grade lumber, meaning grade lumber that comes out of a
19 log once it's cut, is now 40 percent consumption. So
20 the consumers are figuring out ways to do more with
21 less raw material.

22 This comes through better handling processes
23 at the facilities, optimizing machinery to identify
24 where defects are. So there's no elephant in the room
25 saying hey, there wasn't a big economic downturn. We

1 all know that. Our industry has been impacted
2 significantly. Prices during that period dropped 43
3 percent. This is real.

4 So consumers are absolutely doing more with
5 less.

6 There are a couple of ways to address it.
7 You can either say housing, remodeling is going to
8 come back; or you can get out and increase your
9 product offering. You can make a strategic business
10 decision to increase your product offering. As Timber
11 Products said, it's difficult to get high grade panels
12 from the West Coast of the United States here to
13 Washington, DC or some place on the East Coast.
14 Products can't travel that far. And as customers
15 order files decrease, you need to increase your
16 product offering, right? All of us had to reinvent
17 how we go to business, how we go to market.

18 MS. HUGHES: Mr. Neeley had talked to some
19 degree about certification that's required. If in the
20 post-conference brief we could get more details about
21 exactly what is required for certification in terms of
22 time, procedures, and maybe what costs are involved,
23 to the extent you can give them. Even ranges,
24 estimates, would be helpful I think.

25 Also regarding related parties. The same

1 question I asked the domestics. If you could comment
2 on whether you think the Commission should exclude
3 these from the domestic industry and why or why not,
4 using the factors the Commission typically considers.

5 We'd appreciate that.

6 Business cycle. I had asked the domestic
7 industry to comment on that so if you could do the
8 same.

9 Then we sort of segued into the remodeling
10 market, the new housing market. Not just for kitchen
11 cabinets. Thank you for that figure. Very helpful.
12 But if you could also give us the information that we
13 asked them I'd appreciate that.

14 Same with conditions of competition in the
15 industry that you think the Commission should
16 consider. Certainly one is the overarching argument
17 you're making, that consumers are wanting something
18 different than what the domestics are supplying, and I
19 get that. But if there's anything else you think the
20 Commission should consider, please let us know.

21 On page 55 of the petition, the Petitioners
22 claim that exports by the Chinese hardwood plywood
23 industry are not materially affected by U.S. emissions
24 regulations. If you could comment on that we'd
25 appreciate that. You can do that here or in the post-

1 conference brief as well. Whatever detail with your
2 answer you can give, we'd appreciate it.

3 I gather later. Okay.

4 MR. TITUS: I can respond to that. The
5 regulations for the federal legislation that would --
6 The CARB regulation because the federal regulation.
7 The regulation according to statutes go into effect in
8 January and of course there will be a period to come
9 into compliance and some other stuff, but if they meet
10 that schedule the whole country will be then subject
11 -- including all exports, will be under the same
12 regime.

13 MR. SIMON: If I may add, this is Greg Simon
14 again.

15 As one of the larger importers of plywood in
16 the country, we're fully compliant with all
17 regulations in the United States as they exist today
18 and will remain fully compliant no matter what the
19 standard is.

20 As an example, when we sell to member of the
21 Kitchen Cabinet Bath Association, their requirements
22 for us as an importer all meet CARB standards, which
23 we do, and my colleagues and their companies do as
24 well. If we're selling to someone who does not
25 require CARB and is not asking for it, we're still in

1 full compliance with whatever glue we're providing
2 within U.S. regulations. If the regulations change,
3 we'll comply with the regulations.

4 In other words, for our customers that are
5 not asking for a soy-based glue or a CARB glue, these
6 higher grade, lower emission glues, we provide them
7 with what they're asking for.

8 MR. TITUS: But come January they will all
9 be subject to the same requirement. And with our
10 certification program which we put into effect a year
11 ago, it requires all composite wood to be CARB
12 compliant. So we have about 100 companies that are
13 already doing that and they're not having any serious
14 problems finding compliant materials.

15 MR. NEELEY: I would just add that certainly
16 these guys are absolutely right, that they're all in
17 compliance.

18 The other question which we also will
19 address is the other Chinese companies that are out
20 there, who cannot sell to the U.S. because of those
21 standards, and there are a number of them, which is
22 one of the things I was addressing in my testimony.
23 We'll deal with that as well. Thanks.

24 MS. HUGHES: I wasn't meaning to suggest
25 anybody wasn't compliant. I was just trying to get an

1 idea as to whether it's affected the level of exports.

2 I'm assuming everyone is compliant. Does that mean
3 that you are, because of your procedures, your
4 processes, in order to meet U.S. requirements,
5 whatever, that means you're exporting less to the U.S.
6 rather than what you were doing before. That's the
7 kind of thing I was getting at.

8 Apparently the domestics are saying you're
9 doing it at the same level that you were doing before
10 the regulations went into effect. That it's not
11 affected you at all. The logical thought would be
12 there would be some affect, whether it be small or
13 large. I'm just trying to get an idea.

14 MR. DOUGHERTY: In my testimony I referred
15 to there's probably around 125 mills that are
16 relevant. This on behalf of the importers fits that
17 criteria. Do they have third party certification
18 capabilities to assist in the CARB or whatever the
19 glue standards are for the U.S. market.

20 So there are many more mills, but there are
21 a few that we think can fulfill our needs for the U.S.
22 market.

23 MS. HUGHES: Thank you.

24 MR. WILKINSON: And yes, as California
25 converted over to CARB there was a certification

1 process and a process in lag and making sure that we
2 met CARB to be compliant, to supply those panels into
3 that state. So yes, there was a small hiccup or to
4 make sure on our side that we're fully compliant as an
5 importer to meet the regulations and that our supply
6 chain from global sources meets that criteria.

7 MS. HUGHES: Thank you.

8 Lastly, if you could discuss in your post-
9 conference brief the threat factors the Commission
10 must consider in making its decision.

11 Thank you.

12 MS. DeFILIPPO: Thank you, Ms. Hughes.

13 Ms. Cohen, questions for this panel?

14 MS. COHEN: Just a few. Good afternoon.

15 This is Cindy Cohen from the Office of Economics. I'd
16 like to thank everyone on the panel for your testimony
17 today.

18 Just a couple of questions for Mr. Rogers.
19 I'd like to give you an opportunity to comment on the
20 presentation by Mr. Malashevich and specifically on
21 the demand data that he presented. And if you think
22 those are the correct indicators that we should be
23 looking at? Is there something different or
24 additional?

25 MR. ROGERS: We'll address certainly in our

1 brief the whole issue of the housing market and the
2 remodeling and those other factors that were
3 enumerated.

4 At the outset I think I'd like to comment on
5 Mr. Malashevich's approach which is basically to say
6 gee, there are lots of problems with the data. It
7 seems to me he's saying I don't like the way the data
8 looks. It's not good for my case so I'm just going to
9 shoot it all down.

10 I think the Commission in this case, as I
11 referenced regarding the imports, has really quite a
12 good database in this investigation. I think you have
13 all the information you need to do a full analysis and
14 an accurate analysis of what's going on in this
15 industry.

16 With respect to demand, I think it's
17 correct, and I'd let the industry people speak to it
18 as well, but these products are going into new home
19 construction and they are going into the remodeling
20 sector and the remodeling sector may be a little
21 heavier weight for a lot of the uses, but I think both
22 of those sectors consume a lot of this product.

23 I don't disagree with the general thrust of
24 the demand picture.

25 MR. PORTER: What we heard this morning from

1 Petitioners I would characterize as their mission. In
2 a sense, two things.

3 One, Petitioners admitted that they were
4 much more heavily focused on the decorative end of the
5 market, the market where you want to expose the wood.

6 Then Mr. Malashevich admitted that the
7 demand is different for different segments. And that
8 is exactly of course our point as well. That I think
9 it's a little bit wrong to say well there's a housing
10 bust, there' new starts. You need to look segment by
11 segment because that's where the products are headed.

12 So taking those two together, if the
13 Petitioners which have this high end segment all to
14 themselves and there's something going on there with
15 respect to demand that's different from the other
16 segments, the Chinese have nothing to do with that.
17 So to the extent that whatever financial woes they're
18 claiming, and by the way we don't believe they have
19 financial woes. But if they are claiming financial
20 woes, it has to do with something that the Chinese
21 aren't a part of . So I think they essentially
22 admitted that this morning.

23 MS. COHEN: To the extent you can provide
24 any data on how much Chinese product is sold in each
25 of the end use segments. You may not have that. We

1 didn't ask that in questionnaires. We would
2 appreciate any information on that.

3 MR. PORTER: At the risk of annoying the
4 table here, I think we can promise to say for the
5 people at this table to provide at least as much as
6 they can which segments. Is it the so-called
7 decorative end or the paint grade segment where the
8 Chinese are going. I would ask that you ask the same
9 of Petitioners. Then you could see to the extent
10 there's overlap.

11 MS. COHEN: I'd ask the same of Petitioners,
12 please.

13 In terms of the kitchen cabinets and Mr.
14 Titus, maybe other members of the panel, you claim
15 that the domestics are only for the declarative side
16 and the imports are used for the other parts of the
17 kitchen cabinets. How long has that been the case?

18 MR. TITUS: A long time. It's been
19 developing, but that's been true for some time.

20 MS. COHEN: And the domestics don't compete
21 at all for those other, or not --

22 MR. TITUS: I don't know that to be -- I'd
23 have to defer to this morning and this afternoon's
24 presentations.

25 Unfortunately the association used to do a

1 materials usage survey. We had some numbers, some
2 data. Our members said it really wasn't that useful to
3 them. They knew what they were doing and what was
4 happening in the marketplace. We weren't helping them
5 any. Which also meant they didn't really want to take
6 the time to fill it out. But that's another aside.

7 Al was laughing at that because he's been
8 through some of that.

9 But anyway, we stopped doing it probably a
10 decade ago. And it's very unfortunate because I think
11 it might have had something constructive to add to
12 this.

13 So I really can't get into the detail.

14 MR. SIMON: If I can add, in the early '90s
15 our company supplied a lot of Indonesian or Malaysian
16 plywood that was used in kitchen cabinets and
17 bathrooms, and that business has graduated to China as
18 well. So it's a trend that's continuing, as Mr. Titus
19 pointed out.

20 MS. COHEN: Also on the kitchen cabinets, do
21 you track data of kitchen cabinet shipments or
22 production? If you can provide any data on that it
23 would be helpful for post-conference.

24 MR. TITUS: I would just qualify it that
25 it's limited to those who participate, and I can give

1 you the numbers on that and you have an idea. But it
2 is representative and --

3 MS. COHEN: That would be helpful.

4 MR. TITUS: It's not the whole industry.

5 One of the things you need to know about the
6 kitchen cabinet industry is that we represent all the
7 major manufacturers, which is great, but there are
8 thousands, literally thousands of little small mom and
9 pop operations across the country. I don't really
10 know, some of these folks would have a better feel. I
11 have every reason to believe that they also are using
12 some degree of imported hardwood plywood and the
13 impact on them would be even more dramatic than on our
14 companies who may be a little more flexible. I think
15 that's important for you to be aware of the impact
16 downstream.

17 MS. COHEN: Are your members facing
18 competition from imported cabinets?

19 MR. TITUS: Yes. That was alluded to
20 before. We're seeing what we call ready to assemble,
21 what you know of as IKEA type things. You buy a flat
22 pack. That is coming into the country and that is a
23 concern that if the tariff goes up, that gives that
24 imported product a huge advantage and it hasn't been
25 something that we're threatened, our business is

1 threatened that much, but it's continuing to grow and
2 we think as the economy improves, we will probably see
3 more of it. So that is definitely something we have
4 concerns about.

5 MR. DOUGHERTY: On the hardwood lumber side
6 earlier I mentioned that China is our largest export
7 market. One segment that we have continued to see
8 grow is the kitchen cabinet industry in China. And
9 we're starting to feel we're approaching a tipping
10 point because the average consumer in China is getting
11 a little more sophisticated, they're liking hardwood
12 lumber. So we're thinking more cabinet shops are
13 going to be making product for the domestic China
14 market. That's a good story. Right? However, as
15 you're saying, if the industry were to be devastated
16 on its raw material access in North America, they
17 might take aim into that void that would be created in
18 the U.S. marketplace.

19 MR. SIMON: If I can also add. In the last
20 few weeks I've talked to multiple executives at
21 kitchen cabinet companies who have all expressed the
22 number of people that they employ in their states
23 where they operate their major cabinet operations, and
24 all of them have concerns that they're going to have
25 to take their operations overseas where those cabinets

1 would be produced overseas at the expense of those
2 jobs that re currently in the United States.

3 MS. COHEN: Thank you.

4 MR. TITUS: The domestic furniture industry
5 has largely gone to China. I think you all have heard
6 about it.

7 The U.S. cabinet industry is still U.S.
8 based and we use the global supply chain, has helped.
9 WE'VE adopted new technology which makes some of the
10 products that the imported products more amenable to
11 what we're doing and what have you. It's a very
12 competitive situation and that's why I go back to the
13 very important that the supply chain not be unduly
14 impacted.

15 MS. COHEN: I was just curious, Mr.
16 Wilkinson, you mentioned the underlayment panels. You
17 said a 20 percent increase in shipments for those. I
18 was just wondering how significant a product that is.

19 MR. WILKINSON: Significant a product?

20 MS. COHEN: In terms of shipments, hardwood
21 plywood and shipments going for that.

22 MR. WILKINSON: In terms of volume? I'll
23 have to gather data, but there's hundreds of
24 truckloads of thin underlayment product that's
25 imported into the U.S. on a monthly basis. It goes

1 heavily into the remodel. Every time you replace your
2 floors, you pull the vinyl up, they put down the
3 subfloor, so there's something to glue to, whether
4 it's any type of flooring application.

5 As the RV industry has increased, the RV
6 industry they still use a 2736 Southwest Asian panel
7 predominantly for the wall panels and the higher end
8 application, but they're using that for subfloors
9 where they're laying two layers of the 52 on top of
10 each other.

11 So as that industry has exploded as compared
12 to the bottom that they were in in 2009, it's kind of
13 a disproportionate amount of growth. Economically,
14 the U.S. economy is growing at a slower pace, but that
15 industry has really increased 20 or 30 percent as
16 compared to some of the other markets. People have
17 got a little bit more disposable income, RVs are lower
18 cost units. When I talk to the industry they're
19 selling a lot of smaller units where five years ago,
20 six years ago it was larger units. The same thing on
21 housing for the mobile home industry.

22 MS. COHEN: Thank you everyone for your
23 answers.

24 MR. LOE: I've got one more piece to add to
25 that, if you don't mind.

1 I've got a sample here of a quarter inch
2 panel that's made in China. This is made of
3 eucalyptus or polar core that's a hardwood core. It's
4 a five ply. So it's a quarter inch thick, five ply.
5 This holds a nail, so for underlayment applications or
6 the screw holding that we referred to earlier, it's
7 got a lot of properties that make it unique as a thin
8 panel.

9 These are panels that had been for 20, 30
10 years came from Indonesia and Malaysia where they use
11 these old growth 200 or 300 year old trees.

12 We've very excited about these products, the
13 fact that we can build these now with seven year old
14 trees from seedling to finished product. It's
15 something that really performs for the underlayment
16 and the specialty markets.

17 The domestics just don't have the fiber
18 resources to make those thin panels.

19 This is the closest thing they have
20 commercially available which is an MDF core with a
21 fancy decorative, you can see the difference between
22 the two.

23 As you're passing samples around, the
24 thicker panels actually is unique as well. The one
25 that you have in your hand there is a domestic made

1 product with a fir core; and the second one is our
2 plantation hardwood cores. So you can see the
3 difference just physically picking them up. The
4 weight difference between them.

5 So imagine you're an RV dealer or RV
6 manufacturer and you've got to conserve weight for
7 conserving fuel, those two thicker panels, if you pick
8 them up you can tell a noticeable difference between
9 the two in weight.

10 That thinner panel just absolutely cannot be
11 produced here because we don't have a fiber available
12 in the U.S. to produce those light weight panels.

13 MR. PORTER: I'd like to just add,
14 Petitioners this morning had their own panels and
15 samples and they tried to say here's the U.S. and he's
16 a China. I didn't look at the panels. I'll take
17 their word that something came from China. But when
18 you asked about what's significant volume, the volumes
19 you're comparing are, see where it says maple, Mr.
20 Yost's right hand; and what Ms. DeFilippo is holding.
21 Maybe the one Mr. Ruggles has there. That's the
22 higher volume China product. It's quarter inch. What
23 Mr. Yost is holding there, that's the higher volume
24 U.S. product. They're not the same. Okay?

25 When they said go to Home Depot, go to

1 Lowe's, go to these stores, we echo that. Go there,
2 look. Look at the product and you'll see the U.S.
3 made and the stuff from China are not the same
4 product.

5 So we will echo them. Please, this weekend
6 go to Home Depot, go to Lowe's, look at the products.

7 You will see that they're not the same just like you
8 can see that they're not the same here.

9 MS. COHEN: Thank you.

10 MS. DeFILIPPO: Mr. Yost, questions from
11 you?

12 MR. YOST: Not that I'm speechless, but I
13 wanted to thank you for your testimony this afternoon.
14 And particularly for passing out the samples.

15 I was going to ask whether underlayment is
16 indeed plywood? That is to say does it meet the
17 definition of the subject product? But I've been told
18 that it does indeed. It has a core and it has two
19 faces.

20 Having spent too many hours on my knees
21 pulling staples out of the floor in order to lay new
22 finished flooring, yes, I think I agree.

23 I have no further questions. Thank you.

24 MS. DeFILIPPO: Mr. Goetzl? Questions for
25 this panel?

1 MR. GOETZL: Thank you. I'll keep this
2 short. I just have a few questions.

3 First I want to thank everyone for their
4 testimony. I especially appreciate Mr. Titus coming
5 and testifying as a representative of end users. We
6 sometimes don't get that testimony as often as we
7 would like to have. So thank you very much for
8 coming.

9 A couple of quick questions. Mr. Dougherty,
10 you talked about eucalyptus and poplar being I think
11 the principle species used by the Chinese
12 manufacturers for hardwood plywood. Is that correct?

13 MR. DOUGHERTY: For the core. That's
14 correct. And I should clarify, that we import, yes.

15 MR. GOETZL: And as far as the face veneers
16 are concerned, where are most of those coming from if
17 it's not eucalyptus or poplar?

18 MR. DOUGHERTY: It's a great question. This
19 was presented earlier. The numbers that were
20 presented is \$274 million in U.S. hardwood logs being
21 shipped to China.

22 If you're a hardwood lumber sawmill on the
23 East Coast of the United States, it is critical that
24 you sort your log deck. You put your veneers, logs in
25 one category. That's a very high end log. You take

1 your grade lumber log and you run that through your
2 sawmill.

3 So to answer your question, a lot of these
4 logs being represented here are high grade veneer logs
5 that help with the profit of the domestic saw mills in
6 the United States where they are then peeled in China.

7 Now logistical transportation from the East
8 Coast to the West Coast of the United States is very
9 expensive. Although China is very far from the East
10 Coast of the United States, ocean freight rates have
11 made it globally competitive to allow products to move
12 around the world. There's no shortage of capacity of
13 ocean carriers.

14 So that's where the Chinese are getting
15 their resource for some of the species that I
16 mentioned. The walnut, the cherry, the alder, the
17 maple and so forth. So that is predominantly where
18 we're focused on these types of species.

19 There are logs also, birch has been
20 mentioned, that are grown up north in the northern
21 part of China. And again, we take the Lacey Act very
22 seriously. We've met with the Forestry Administration
23 on putting together complicated supply chains to make
24 sure that we were getting logs that were sourced in
25 China.

1 As Weyerhaeuser, we take that seriously.

2 MR. GOETZL: Mr. Simon, I think you already
3 answered this question in response to one of Cindy's
4 but I'll ask it again just to get a clarification on
5 it.

6 A number of the witnesses this afternoon
7 noted that the Chinese product is actually serving a
8 niche market and differentiated from what the American
9 product is being used for.

10 Chinese imports really start taking off or
11 becoming a significant factor in the market here in
12 the mid 2000s let's say, maybe a little bit earlier
13 initially. But what product was meeting that niche
14 market that the Chinese product is currently servicing
15 before Chinese imports became a factor. Did those
16 markets not exist?

17 MR. SIMON: In a global economy the
18 production has shifted from various other supply
19 sources outside of the scope of this and in the past,
20 as I said, may of those products came from Indonesia
21 or Malaysia, they came from Brazil. I some cases came
22 from Ecuador as well. That's been a shift away from
23 those countries' production to China.

24 What's unique about the Chinese these days
25 is it can fill many of those various niches all at one

1 time. As I mentioned, it's sort of become a
2 utilitarian panel that can be used for a paint grade
3 application, a lamination grade application or for
4 general use.

5 So a lot of that volume has grown as a
6 result of its acceptability in the marketplace,
7 whereas before it may have come from multiple sources
8 in years past.

9 MR. GOETZL: Including American?

10 MR. SIMON: For the lower end segment of the
11 market in terms of these paint grade applications pr
12 the lower grades. In my experience, it's been
13 serviced by an import plywood for the last 40 or 50
14 years predominantly.

15 MR. GOETZL: Thank you.

16 One final request in your post-conference
17 briefs, if you might address what steps you as
18 importers have taken specifically to address Lacey Act
19 concerns. How have you changed your supply chains or
20 changed procedures in your supply chains to meet Lacey
21 Act requirements or provisions, number one.

22 Number two, if you might also address the
23 question of sustainable certification, how that may or
24 may not have any, how that may have an impact on your
25 markets, and particular the availability of those

1 kinds of certified products from Chinese producers.

2 MR. LOE: I'm glad you asked that. These
3 are some areas that we're really excited about on a
4 global standpoint. The development of these
5 plantations and utilization of these very rapid fiber
6 sources.

7 We've recently gotten involved, in the last
8 year, with the Guangzhu Provincial Forest Bureau to
9 commit to 160,000 acre forest land, a plantation in
10 southern China, for just the growth of eucalyptus. We
11 get very involved in that process, and what's really
12 cool about that, what we're excited about, is in my
13 career I can see a sapling planted and I can see the
14 finished product made, which used to be just unheard
15 of when we think of the Russian birch, the fir that
16 takes 50 or 60 years. You're always working on
17 resources from previous generations. When we can
18 control this and cycle it in five to seven years,
19 this is really exciting stuff because we can start
20 building models within our own company, within our
21 careers that we can harvest and maintain, have these
22 sustainable yields.

23 So we've gotten very involved in these
24 aspects. It's the most exciting thing I've done in my
25 career.

1 MR. GOETZL: No further questions, Kathy,
2 thank you.

3 MS. DeFILIPPO: Thank you.

4 Mr. McClure, questions?

5 MR. McCLURE: Jim McClure, Office of
6 Investigations. I have no questions, I just want to
7 thank everybody for making the trip to Washington.
8 This is an extraordinary turnout for a preliminary.

9 As to Mr. Porter's suggestion that we all go
10 to Home Depot to see things, it seems every
11 investigation I've done recently -- refrigerators,
12 washers, and this, and wood flooring. Everybody says
13 go to Home Depot and see for yourself. So I think the
14 Commission perhaps should have a hearing room at the
15 Home Depots.

16 Anyway, with that, thank you.

17 MR. TITUS: I'd like to suggest you take the
18 opportunity to visit the kitchen section while you're
19 there also.

20 (Laughter.)

21 MR. TITUS: They have cabinets.

22 MS. DeFILIPPO: Thank you, Mr. McClure.

23 Just a couple of things. I'm trying to make
24 sense of my notes.

25 I think it was said the Chinese are not in

1 the decorative market in the U.S., correct? Are you
2 also saying there is no production of Chinese, no
3 production in China -- Is there any production of
4 decorative hardwood plywood?

5 MR. LOE: As I stated before, there's a big
6 market developing in China, so I think some of the
7 data that you saw before with the decorative woods,
8 the cherries, maples -- the U.S. has a very unique
9 wood basket of these prized woods. The only place in
10 the world they grow is here. So you see a lot of
11 these exports of logs going to China to service a
12 growing market.

13 With 1.3 billion people all getting homes
14 and new cabinets, it's a big explosive market so
15 there's going to be a lot more domestic hardwoods go
16 to China for china consumption. But we don't see
17 those coming back because it's not economically
18 feasible. The supply chain, you just cannot pencil
19 moving fiber around the world and back. It just
20 doesn't make sense.

21 MR. WILKINSON: Can In add to that?

22 MS. DeFILIPPO: Yes, please.

23 MR. WILKINSON: In don't have the exact
24 numbers in front of me, but to give you a
25 representation, if you look at 100 percent of the

1 volume that is exported in hardwood plywood from China
2 to the United States, In would tell you that
3 approximately 40 percent of that volume is less than
4 five millimeter in thickness, which the producers
5 cannot produce.

6 Of the volume that's left In would say we're
7 probably 75 or more is in the lower grades, in the
8 paint grades, which is that low D, E, F. So yes,
9 there's a small portion of the volume that you see in
10 the import numbers, but relatively speaking to the
11 total volume, you're only talking about 15 percent
12 plus or minus that meets the criteria of that higher
13 decorative grade.

14 The balance of the imports that are within
15 the filing that would be punished that are really not
16 within the scope.

17 MS. DeFILIPPO: You actually answered the
18 next question that I hadn't asked. So hold that
19 thought.

20 There may be production in China, but if it
21 is it is likely to be staying in China in terms of the
22 decorative.

23 MR. LOE: I can say from some experience, I
24 know that Shawn's got a lot more experience on this
25 than I do, but there are a lot of woods like walnut

1 that are very prized in China. There are a lot of
2 woods that exported to China for consumption in China
3 that don't necessarily come back to the U.S.

4 MR. DOUGHERTY: We're seeing our largest
5 growing segment in China in hardwood lumber is to
6 domestic distribution in China which means products
7 are staying there.

8 China has a passion for wood. It has had for
9 centuries. Some of it's exotic woods. Some of it,
10 the architectural woods that have been discussed.

11 The fact that more of our hardwood lumber is
12 staying in China complements what Loe was saying about
13 more of those types of channels will be consumed
14 within the China market.

15 MR. SIMON: If I can add one thing, looking
16 at it another way. When we've looked at any kind of
17 product that would be like product in our view to how
18 it's manufactured domestically, in looking at it with
19 a thick face going through a 19 millimeter half inch
20 oversized with a soy-based glue, and all those factors
21 that you look at, at that point an offering from China
22 is not attractive to our customer base. They're going
23 to buy domestic plywood.

24 MS. DeFILIPPO: Is that decision influenced
25 more by the characteristics of the product or the

1 price of the product or is it a function of both?

2 MR. SIMON: The characteristics of the
3 product. It would not be a like product.

4 MR. PORTER: In think In know where you're
5 going.

6 When you say characteristic or price, again,
7 getting back to what we call the decorative market is
8 your showing the beauty of the wood. There's a number
9 of woods of which you really want to show the beauty.
10 Cherry, walnut, mahogany. Those are not grown in
11 China. The petition alleged that Chinese
12 manufacturers were taking these from the United
13 States, shipping them all the way there, peeling them,
14 and then putting them all the way back. What these
15 guys with decades of experience are telling you is
16 that's not being done and it has not been done because
17 it's prohibitively expensive to ship that heavy
18 product across the Pacific Ocean and back. That's why
19 the Chinese are not in that segment of the market.

20 MS. DeFILIPPO: To go back to you for a
21 second, Mr. Wilkinson, because you were touching on
22 something that was sort of my next question.

23 In listening to the panel this afternoon, I
24 struggled with the concept of are you guys saying this
25 is U.S. production, this is Chinese, and there is no

1 overlap? That's almost what it sounds like. We are
2 so different. They are so different. Or is there
3 some overlap of the two at all in the market place?

4 MR. WILKINSON: As I was stating earlier,
5 obviously there's some overlap. But the percentage of
6 overlap as perceived to be 100 percent overlap as
7 presented earlier today is not correct.

8 Forty percent, again, plus or minus of the
9 total import volume are in thicknesses that U.S.
10 domestic manufacturers don't produce. So you throw
11 that out.

12 Then of the balance, the majority of the
13 balance is in a low D or grade that is a lamination or
14 paint grade that's not produced in the U.S., or if it
15 is, it is a shop grade and a subject to reject from a
16 domestic manufacturer.

17 Then you're left with what is imported. We
18 can fine tune the numbers there, but we're talking
19 about 10 percent, 15 percent, 18 percent, 8 percent.
20 It 's something significantly small.

21 MR. GRIMSON: Just to jump in, I don't think
22 anybody does or probably should come in here and say
23 there's not one single little tiny bit of the market
24 where there is some overlap. That is really not what
25 we're saying. We're saying that as a very consistent

1 matter these are industries that exist in different
2 worlds. They really do. They're completely separate
3 markets and it all starts with the trees and through
4 the manufacturing process and what the customer want
5 and what is effective to send across the world.

6 MR. WILKINSON: Let me add to that. Liberty
7 Woods is a volume that we charter on vessels. We do
8 not import a B or A grade panel that competes with the
9 Petitioners. Other people at the table might, but we
10 don't. WE'RE not in that market.

11 MS. DeFILIPPO: Thank you.

12 Part of the discussion that I found very
13 interesting was sort of the correlation between how
14 the economy went south and how that sort of -- this is
15 how I interpreted the discussion. That sort of
16 initiated, forced sort of a shifting consumer
17 preference almost to looking at more lower priced
18 products that were suitable but less expensive I think
19 was how it was discussed. Maybe In heard it wrong.

20 The economy downturn sort of allowed this
21 growth or helped that growth in that product segment
22 and market. Am I paraphrasing that correctly?

23 MR. SIMON: I think I spoke to that quite a
24 bit in my testimony. Yeah the shift, if you wanted to
25 sum it up, is that people were looking to do more with

1 less. If they didn't need something of a decorative
2 panel or a higher end panel, they looked for
3 alternatives sources. There are a lot of reasons why
4 they did it.

5 I think you heard earlier that something
6 stated that no one has ever asked for a thinner
7 veneer. In truth, as you can see, our customers are
8 all expressing that they are accepting of that thinner
9 veneer as a case in point. This shift for their own
10 needs in a market place were accelerated because of
11 the downturn in the economy.

12 MS. DeFILIPPO: Do you think that if the
13 economy turns around that that will reverse? Or has
14 that become mainstream enough that it's probably
15 gotten a good foothold and it will --

16 MR. SIMON: The quality of the Chinese
17 offering has continued to improve. They continue to
18 make advances in the quality they're putting out and I
19 believe will continue to do that and the product has
20 continued to gain acceptance for the values that it
21 offers in terms of lamination grade or paint grade or
22 cabinet components that would work with that kind of
23 product.

24 MR. GRIMSON: To follow up on that point,
25 before the recession a buyer might have accepted

1 plywood that can be sanded in a place where you're
2 never going to sand it. They might have taken the
3 thick veneer plywood for the backs, we heard testimony
4 this morning about these desks and the modesty panels
5 and we agree that the decorative uses are what you
6 see.

7 In think what we're saying and we heard
8 testimony about is when the recession hit a lot of
9 people said what about the parts I don't see? DO I
10 really need .7 millimeter thick veneer that is capable
11 of being sanded and that's beautiful? The answer is
12 no, I don't need it there.

13 Mr. Titus from the kitchen cabinet
14 manufacturers says this has been something that
15 they've been thinking about for a long time, but this
16 is a niche market, but it's a niche that has grown
17 because of the recessionary factors.

18 MS. DeFILIPPO: Thank you. That's helpful.

19 This is a request if you want to touch on
20 this in post-conference briefs. There was discussion
21 this morning on the marking issue and that product
22 from China was coming in mislabeled. If you have any
23 views on that, please feel free to comment on that in
24 your post-conference submission.

25 With that, I think we have finished our

1 questions. Thank you very much for your patience in
2 answering all of them and providing both the
3 information in your direct testimony and answering the
4 questions. It's been extremely helpful.

5 We will take a five minute break, and we
6 will resume at 10 of 3 for the closing statements.
7 Thank you.

8 (Whereupon, a brief recess was taken.)

9 MS. DeFILIPPO: Welcome back, Mr. Levin, and
10 please proceed with your final statement.

11 MR. LEVIN: Thank you. Again thank you,
12 Madam Chair, and thank you, investigation team, for
13 your work on this, for sitting through all the
14 technical and market explanations and for all the
15 terrific questions. We look forward to responding to
16 the outstanding questions and to providing the
17 documents and information that had been requested in
18 our postconference brief.

19 I want to start out by saying I had and
20 these guys had no idea that October 1 is a national
21 holiday in China, absolutely no idea. Absolutely no
22 idea, and I say that under 18 U.S.C. § 1001. So
23 really I actually feel a little bad. Really had no
24 idea.

25 Anyway, moving on. What we did here this

1 morning and obviously we're still compiling all the
2 questionnaire data. Capacity utilization in China may
3 or may not be high. We'll do the rates and figure all
4 of that out and see what Mr. Neeley had said, whether
5 or not the data demonstrates that.

6 But he did say, you know, there's a lot of
7 exports to other markets and there's a lot of the
8 product that goes to the home market, which means that
9 under threat considerations, which we'll walk through
10 more in the postconference brief, there is potentially
11 a lot more product that could be coming into the
12 United States.

13 We heard several statements this morning to
14 the effect, this afternoon to the effect that there
15 are not that many companies that are qualified to sell
16 in the U.S. and that what we're really talking about
17 is 120, 130 exporters in China.

18 If that were the case, then why are there
19 about 450 Chinese producers that have been CARB-
20 certified. I find it very, very difficult to believe
21 that a company would go through the time and the
22 expense of CARB certification if they are not
23 exporting to the U.S. or do not plan on exporting to
24 the U.S.

25 Typically I do a closing statement by

1 myself, but my industry guys just couldn't sit silent
2 in the face of some of the statements, so let me turn
3 it on to Brad, and then to Pat and then to Mike.

4 MR. HORGAN: Thank you again for allowing me
5 to speak. I guess the other side would have you to
6 believe that there are two different markets in
7 hardwood/plywood, the low-grade market in which the
8 Chinese participate and the high-grade market in which
9 the U.S. manufacturers participate in. And all I'd
10 say to you is it's ridiculous and really indicates a
11 lack of understanding of the manufacturing process. A
12 log in the United States spins an A, a B, a C, a D and
13 an F grade as they call it, and a log in China spins
14 an A, a B, a C and a D grade. It all has to be
15 utilized. So to suggest that there are two different
16 markets, again, ridiculous.

17 And to suggest that we don't want to make it
18 because it's a shop grade, shop grade is a downfall
19 product. And we have shop in A grade. We have shop
20 in B grade. We have shop in C grade, and we have shop
21 in D grade. Thank you very much for the chance to say
22 what I have said.

23 MR. LEVIN: Pat?

24 MR. LYNCH: Okay. And I'll make mine very
25 brief. There was a statement that was made about on

1 the underlayments the thinner grade panels and about
2 the availability, just not being here. There's not
3 far enough fiber supply in the United States? Really?

4 We have 650,000 acres of timber in the west that we
5 have access to. We can make it and we can make it in
6 thin panels and we do today.

7 It doesn't always have to be a hardwood
8 face. It can be used in a PS1 panel, which we talked
9 about earlier. A softwood panel can be used for an
10 underlayment, that's widely accepted in the industry
11 today. We have more than enough supply in North
12 America. We're at 9 billion feet with present
13 production of 12 billion feet of capacity. There's
14 plenty of room for additional wood.

15 MR. LEVIN: Mike?

16 MR. CLAUSEN: Thank you. This is Mike
17 Clausen again. I just wanted to also rebut a little
18 bit about the issue of thickness of panels. Our
19 plants combined make a tremendous amount of 5/32, 3/16,
20 1/4" for drawer bottoms, drawer backs, dust panels,
21 door inserts, many of the products that we were told
22 this afternoon couldn't be made in the United States.
23 It's ridiculous, it's not anywhere close to the
24 truth, and I just thought we needed to say something.
25 Thank you.

1 MR. LEVIN: Thank you. And we respectfully
2 submit that the facts in evidence support an
3 affirmative determination in this case.

4 MS. DeFILIPPO: Thank you, Mr. Levin, Mr.
5 Thompson, Mr. Lynch and Mr. Clausen for your closing
6 statements.

7 Welcome back, Mr. Grimson. Please proceed
8 when you are ready.

9 MR. GRIMSON: Thank you very much. Jeffrey
10 Grimson again for the American Alliance for Hardwood
11 Plywood. I heard a little bit of bonus extra
12 testimony there and we may have some of those points
13 that we want to address in our postconference briefs.
14 I'm going to address what was said today.

15 What was not said is that the domestic
16 industry makes thin-face veneer product. We heard a
17 number of .4 millimeters they tried to cut to that
18 thinness and that it goes on that brown product right
19 over there, which they said is 5 percent of their
20 market. By the way, I've been told that that has an
21 MDF layer under the veneer, so that is not even an
22 all-wood piece of plywood. So I think there was a lot
23 that we heard today that really confirms our story
24 that there are two different worlds that we're
25 competing in. It's not absurd. The data that you

1 collected actually supports our story.

2 They said that price is king and that the
3 Chinese are taking market share. If the economic
4 theory seems to be imports grow, that's injury.
5 That's not anywhere near your standard. You have a
6 lot of tests you're going to apply in this case. And
7 look at the data you got, which is very complete, and
8 the picture that you will see when all the data comes
9 in is one of two vastly different markets, and the
10 Chinese market is not affecting the domestic market.

11 Our witnesses testified today about a
12 variety of topics. Shawn Dougherty from Northwest
13 Hardwood talked about the raw material availability to
14 the Chinese versus the domestic industry.

15 The Chinese, and this is principally a point
16 going to the core. We were joking about this case
17 around our office. It's all about the core. This is
18 the Pilates case. But obviously it's about the core
19 and it's about the skin on the core.

20 And they said that the core constitutes 70
21 to 80 percent of the raw material costs. Well, the
22 Chinese put the factories right next to forests that
23 grow from seedling to log in five to seven years. And
24 these are not forests that have any idea that they're
25 supposedly subsidized. They aren't forests that know

1 about the Lacey Act. These are just forests full of
2 trees that grow fast.

3 Shawn testified that there are approximately
4 125 mills that at any given moment are shipping
5 product that is acceptable in the U.S. market.
6 Whether or not this is a subset of those who could
7 potentially ship under CARB is something that we'll
8 definitely take a look at in our posthearing brief.

9 But the Lacey Act for sure limits the pool
10 that you can deal with and manage as a responsible
11 importer. The Lacey Act applies to imports from this
12 end of the room and also on that side of the room. So
13 the suggestion that everything from China is illegal
14 is a bit hypocritical.

15 Ryan Loe testified how differences in raw
16 materials translate to important physical differences
17 in the product. And first and foremost again, the
18 Pilates case. It's the core, about the core. The
19 core that the Chinese use is made from different raw
20 materials. It has different strengths, bending
21 stiffness, et cetera. Those enable you to put a thin
22 veneer face on the core. The domestic industry's core
23 does not enable you to put a thin veneer face on it
24 unless you're going to put an MDF or some other layer.

25 If we're talking about niche markets before,

1 we're not suggesting that the Chinese are operating in
2 some tiny little segment in the market. It's a big
3 segment. It's growing as we've said, but that's a
4 niche product right there, that MDF cover product.
5 It's not what they're typically producing.

6 And you heard a lot about the face veneers
7 as well with an emphasis on the species, and as I've
8 mentioned multiple times and you'll probably be
9 thinking about it in your sleep, that the face veneer
10 thickness is a big point that we're making. It's
11 real. You don't need to sand this product, so you
12 don't need the thick face. That is what they make.
13 Customers don't want that where they don't need it.

14 Greg Simon testified about the way in which
15 the Chinese product was distributed. Some differences
16 there that we think are relevant to your conditions of
17 competition. Essentially, Chinese imports serve a
18 market that the domestics do not. They don't want to
19 serve that market. This is their scrap essentially
20 from the logs, and you heard our witnesses saying the
21 shop people spend all their week trying not to make
22 the raw material that you would put on a paint-grade
23 product. It is not their goal. That is the goal of
24 the Chinese producers who are serving a need that's
25 been expressed to them and they're meeting that need.

1 This market has always been served by
2 imports. You had testimony about the shifting from
3 Indonesian and other Southeast Asian countries. We
4 fully expect that people are busy right now getting
5 out their Rolodex and looking up their old suppliers
6 in those countries. This is not a market that
7 domestics want to serve. In the thin-face veneer
8 product with the core that you can only get from
9 Southeast Asia, they're not going to serve it. And
10 this is why the Kitchen Cabinet Manufacturers
11 Association is here today, because they are going to
12 be cut off from a major source of supply that they
13 need because it's different.

14 The story that Petitioners told today just
15 does not match the domestic industry data that we've
16 seen so far that you've gathered. The financial
17 performance of the domestic industry is improving in
18 almost every one of your statutory criteria according
19 to what we've seen.

20 And the pricing data? If you look at that
21 pricing data, tell me those are the same product. If
22 you were to put a line on that pricing data for those
23 four products, this is not the same product. It
24 complexly supports what we are saying, that these are
25 different market segments.

1 So you have robust data, you have very
2 complete importer questionnaire data. We think you
3 should rely on that, that like in flooring, you should
4 not be going to the import statistics, the HTS codes,
5 because there are all these basket categories.

6 Petitioners themselves talk about
7 misclassification. You sent out a lot of
8 questionnaires. You got back answers from the biggest
9 players representing the vast majority of what's
10 coming in. And like flooring, we think you should
11 rely on that data for the final phase.

12 The Commission really, the preliminary
13 determination standard is not no standard. There is a
14 standard there. Congress wants you to weed out cases
15 where you have complete data and there's no reasonable
16 indication of material injury. In this case where
17 there's no linkage between the imports and domestic
18 industry's financial performance, you can't even have
19 threat. We really shouldn't even be talking about
20 threat, but we will deal with all the threat factors
21 in our brief, and they aren't there either. So
22 essentially, even though the bar is low, there is a
23 bar and this case is below the bar.

24 We're asking you when you gather this data
25 and go back and do the hard job that you've been doing

1 already to realize that there are some cases that need
2 to be tossed out at the prelim, and this is one of
3 them. So thank you very much.

4 MS. DeFILIPPO: Thank you very much, Mr.
5 Grimson.

6 On behalf of the Commission and the staff, I
7 would like to thank the witnesses who came here today
8 as well as counsel for helping us gain a better
9 understanding of the product and the conditions of
10 competition in the hardwood/plywood industry.

11 Before concluding, please let me mention a
12 few dates to keep in mind. The deadline for
13 submission of corrections to the transcript and for
14 submission of postconference briefs is Tuesday,
15 October 23. If briefs contain business proprietary
16 information, a public version is due on Wednesday,
17 October 24.

18 The Commission has tentatively scheduled its
19 vote on these investigations for Friday, November 9,
20 and it will report its determinations to the Secretary
21 of the Department of Commerce on Tuesday, November 13
22 as Monday, November 12 is a Veterans Day holiday.
23 Commissioner's opinions will be transmitted to
24 Commerce on Monday, November 19.

25 Thank you all for coming. With that, this

1 conference is adjourned.

2 (Whereupon, at 3:05 p.m., the hearing in the
3 above-entitled matter was concluded.)

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CERTIFICATION OF TRANSCRIPTION

TITLE: Hardwood Plywood from China
INVESTIGATION NO.: 701-TA-490, 731-TA-1204
HEARING DATE: October 18, 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: October 18, 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).

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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).

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