

UNITED STATES INTERNATIONAL TRADE COMMISSION

In the Matter of:
HARDWOOD PLYWOOD FROM CHINA

) Investigation Nos.:
) 701-TA-565 AND 731-TA-1341
) (PRELIMINARY)

REVISED AND CORRECTED

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UNITED STATES OF AMERICA
BEFORE THE
INTERNATIONAL TRADE COMMISSION

IN THE MATTER OF:) Investigation Nos.:
HARDWOOD PLYWOOD FROM CHINA) 701-TA-565 AND 731-TA-1341
) (PRELIMINARY)

Main Hearing Room (Room 101)
U.S. International Trade
Commission
500 E Street, SW
Washington, DC
Friday, December 9, 2016

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

1 APPEARANCES:

2 On behalf of the International Trade Commission:

3 Staff:

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5 Tyrell Burch, Legal Document Assistant

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7 Michael Anderson, Director of Investigations

8 Mary Messer, Investigator

9 Andrew Dushkes, Investigator

10 Vincent Honnold, International Trade Analyst

11 Diana Friedman, International Trade Analyst

12 Saad Ahmad, Economist

13 Benjamin Allen, Attorney/Advisor

14 Douglas Corkran, Supervisory Investigator

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1 OPENING REMARKS:

2 Petitioners (Timothy C. Brightbill, Wiley Rein LLP)

3 Respondents (Jeffrey S. Grimson, Mowry & Grimson, PLLC)

4

5 In Support of the Imposition of Antidumping and

6 Countervailing Duty Orders:

7 Wiley Rein LLP

8 Washington, DC

9 on behalf of

10 Petitioners

11 Brad Thompson, Chief Executive Officer, Columbia Forest

12 Products

13 Gary Gillespie, Executive Vice President, Columbia

14 Forest Products

15 Gail Overgard, Advisor to the Board of Directors,

16 Timber Products Company

17 Josh Gibeau, International Division Manager, Timber

18 Products Company

19 Patrick Lynch, Director Plywood, Roseburg Forest

20 Products Co.

21 Clifton Howlett, Executive Director, Hardwood Plywood &

22 Veneer Association

23 Phillip C. Crabtree, II, President, Phill's Custom

24 Cabinets

25

1 Dr. Seth Kaplan, Economist, International Economic
2 Research, LLC.

3 Timothy C. Brightbill - Of Counsel

4

5 In Opposition to the Imposition of Antidumping and
6 Countervailing Duty Orders:

7 Husch Blackwell LLP

8 Washington, DC

9 on behalf of

10 Chinese Respondents

11 Wu Shengfu, Vice Chairman, China National Forest
12 Products Industry Association

13 Ran Xiangliang, Chief Executive Officer, Linyi

14 Sanfortune Wood Co., Ltd

15

16 Mowry & Grimson, PLLC

17 Washington, DC

18 on behalf of

19 American Alliance for Hardwood Plywood

20 Shawn Dougherty, Director of Asia, Northwest Hardwoods

21 Greg Simon, Executive Vice President, Far East American

22 Bill Weaver, Chief Executive Officer, Canyon Creek

23 Cabinet Company

24 Tom Rogers, Principal, Capital Trade Inc.

25

1 Paul Sova, President and Chief Operating Officer,
2 Showplace Wood Products

3 Steven Bell, President, Belmont Cabinet Company

4 Paul Gosnell, Vice President, Patriot Timber Products,
5 Inc.

6 Matt Hazelbaker, Vice President, Genesis Products LLC

7 Jonas Israel, Chief Executive Officer, McCorry & Co.
8 Ltd

9 Jeffrey S. Grimson and Kristin H. Mowry - Of Counsel

10

11 Rebuttal/Closing Remarks:

12 Petitioners (Timothy C. Brightbill, Wiley Rein LLP)

13 Respondents (Jeffrey S. Grimson, Mowry & Grimson, PLLC)

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P R O C E E D I N G S

(9:31 a.m.)

MR. ANDERSON: Good morning and welcome to the International Trade Commission. This conference is in connection with the preliminary phase Antidumping and Countervailing Investigations No. 701TA-565 and 731TA-1341 concerning hardwood plywood from China. My name is Michael Anderson and I'm Director of the Office of Investigations and I will preside over these proceedings.

Among those present for the Commission Staff are to my far right: Mary Messer, the Investigator; Andrew Dushkes, another Investigator and to my left Benjamin Allen our attorney Advisor; next to Mr. Allen is Saad Ahmad the Economist and then we have our two Industry Analysts, Vincent Honnold and Diane Freidman and finally we have Mr. Douglas Corkran who is our Supervisory Investigator.

I would remind all speakers not to refer any of your remarks which is business proprietary or any information and to speak directly into the microphones. Please state your name before you speak for the benefit of the court reporter. All witnesses must be sworn in before presenting any testimony. I understand parties are aware of their time allocations. Any questions regarding time allocations should be addressed to the Secretary. Are there any questions? Madam Secretary, are there any preliminary

1 matters?

2 MS. BELLAMY: No Mr. Chairman.

3 MR. ANDERSON: Very well, Madam Secretary. Let
4 us proceed with opening remarks.

5 MS. BELLAMY: Opening remarks on behalf of the
6 Petitioners Timothy C. Brightbill, Wiley Rein LLP.

7 STATEMENT OF TIMOTHY C. BRIGHTBILL

8 MR. BRIGHTBILL: Thank you Mr. Anderson. Good
9 morning, Staff. Thanks to all of the Commission Staff for
10 your work on this investigation. I'm Tim Brightbill from
11 Wiley Rein on behalf of Petitioners, the Coalition for Fair
12 Trade and Hardwood Plywood.

13 On behalf of these six petitioning U.S. Hardwood
14 Plywood Producers in the entire industry and its thousands
15 of workers, we greatly appreciate the efforts of all of you
16 in this new investigation. You already have a large amount
17 of evidence on the investigation record, with more data and
18 questionnaire responses coming in every day but already this
19 record evidence shows a fact pattern that you have seen in
20 countless other investigations of Chinese industries, from
21 steel to solar products to furniture, paper and now hardwood
22 plywood.

23 In particular we see hundreds of Foreign
24 Producers and substantial overcapacity in China, fueled by
25 government subsidies leading to dumping of product in the

1 U.S. Market well below domestic price levels. You are also
2 seeing the same unmistakable signs of material injury to
3 this fundamentally important U.S. Industry.

4 Already in 2013, Chinese Imports dominated a
5 large sector of the U.S. Market for hardwood plywood. Since
6 then, Chinese Imports by volume have increased even further,
7 growing by more than 40 percent from 2013 to 2015. This
8 increase in dumped and subsidized imports well exceeded
9 growth in apparent domestic consumption. Despite this
10 growing U.S. demand, shipments by the Domestic Industry on
11 the other hand have declined. By 2015, Chinese Imports
12 accounted for almost 50 percent of the U.S. Market.

13 Chinese Imports gained market share at the direct
14 expense of the Domestic Industry. That is a major
15 difference from what the Commission found in the previous
16 investigation of this industry. Chinese Producers took
17 hundreds of millions of dollars of sales and substantial
18 market share using dumped and subsidized pricing. The
19 average unit values of Chinese Imports fell across the
20 Period of Investigation and were nearly 8 percent lower in
21 2016 than in 2013.

22 In the prior investigation the Commission found
23 nearly universal underselling by Chinese Imports. All the
24 information coming in today suggests that Chinese Imports
25 continue to undersell the Domestic Industry by wide and

1 growing margins. The Domestic Industry's declining sales
2 and market share and suppressed pricing directly harmed its
3 financial performance. The industry made modest operating
4 profits in 2013 when the last trade cases were pending.

5 It barely made any profit at all in 2015 and its
6 worst performance across the entire period came at the very
7 end in 2016. This is another difference from the prior case
8 where the Commission found that the industry's financial
9 performance actually improved at the end of the POI. We are
10 of course well aware that this Domestic Industry filed an
11 unfair trade case in 2012 and despite affirmative findings
12 from the Commerce on dumping and subsidies the Commission
13 made a negative final injury determination.

14 At that time, the companies before you today
15 warned that without relief the harm from Chinese Imports
16 would continue and that is unfortunately exactly what has
17 happened. Again, the investigation record is still being
18 built but already shows sales and financial trends that are
19 much worse than in the prior investigation. Moreover, the
20 Commission based its findings in 2013 largely on conclusions
21 that the U.S. and Chinese product did not directly compete
22 in all areas and had some limitations on substitutability.

23 As our industry and customer witnesses will make
24 clear today, we don't believe that was true then and it is
25 certainly not true today. The U.S. and Chinese product

1 compete head-to-head, up and down the value chain, across
2 the spectrum of hardwood plywood products in major retail
3 stores and all other distribution channels. In fact, as
4 you've already noticed we've brought a few product samples
5 for you to examine today so you can see for yourselves that
6 these products are fully competitive and substitutable.

7 Finally, as in the prior investigation,
8 Petitioners submit that there is a single like product and a
9 single Domestic Industry co-extensive with the scope. We
10 look forward to providing this information today which along
11 with the record evidence will allow the Commission to
12 determine that dumped and subsidized imports of hardwood
13 plywood from China are injuring and threaten to injure the
14 Domestic Industry. Thank you.

15 MR. ANDERSON: Thank you, Mr. Brightbill.

16 MS. BELLAMY: Opening remarks on behalf of
17 Respondents Jeffrey S. Grimson, Mowry & Grimson PLLC.

18 STATEMENT OF JEFFREY S. GRIMSON

19 MR. GRIMSON: Good morning, everybody. Preliminary
20 investigations should have a meaning and that meaning is to
21 throw out meritless cases and save the Commission, the
22 businesses involved and the taxpayers from the huge burden
23 of a final phase investigation. We asked you to throw out
24 the 2012 case at the prelim because we argued that the
25 Chinese Product was so different from the Domestic Product

1 that it had no connection to the condition of the Domestic
2 Industry.

3 We gave many reasons for this but especially
4 focused on the face veneer thickness and the core material.
5 The petitioners called this a "red herring" and a "canard"
6 and who knows what other animals. We didn't hear any
7 reference to those differentiating factors in Mr.
8 Brightbill's opening remarks either, so I think it remains
9 the case that they think this is a bogus argument.

10 Yet the Commission gathered all the evidence and
11 put everybody through an entire final phase and all the
12 evidence corroborated our story and disproved theirs. You
13 voted negative in the final determination 6-0 and the CIT
14 upheld you on every major point except for what we called
15 footnotes about the magnitude of the dumping margin and the
16 CVD margins.

17 Yet here they are today, in the Petition it
18 actually says that the Commission wrongly focused on
19 "certain product characteristics such as face veneer
20 thickness and inner core material on which customers do not
21 place much importance". The arrogance of this is
22 astonishing because it's essentially saying that the
23 Petitioners know better than the customers what they want.
24 It's the red herring and the canard defense back again but
25 the difference is that you heard this before and you learned

1 that it was false.

2 Today, in our post-conference brief we're going
3 to explain the product, the market, the end-uses and you'll
4 see once again that this same product differentiation is
5 present today as it was in 2012. We here today are the
6 American Alliance for Hardwood Plywood. It consists of
7 American Importers, distributors, lumber exporters and the
8 Kitchen Cabinet Manufacturers Association or KCMA. The KCMA
9 is a trade association for the 14 billion dollar U.S.
10 Kitchen Cabinet Industry.

11 Two of our witnesses are past presidents of the
12 KCMA. We are also joined here by representatives of the
13 Chinese Industry who are anxious to discuss their industry
14 and product and markets. We have a host of end-user
15 witnesses which is quite unusual for a prelim. We ask that
16 you listen to what they say and not what the Petitioners
17 want you to think.

18 In the Petition it says in the public version
19 that the plywood industry employs 2,200 people. That's up
20 from the public report from the last case which I believe
21 ended at 1,944 employees. The HPVA issued a press release
22 when this case was filed saying the industry lost thousands
23 of jobs. This is not only untrue but it makes no sense if
24 they start with only 2,000 jobs. How'd they lose thousands,
25 I don't know. Who's making the plywood?

1 The U.S. Kitchen Cabinet Industry employs 100,000
2 U.S. Workers. We represent their trade association. That
3 is a part of this case. The four cabinet and lamination
4 companies here today employ over 1,700 workers among four of
5 our witnesses which is nearly as large as the entire plywood
6 industry and there are thousands more cabinet companies not
7 here today who are KCMA members and members of that
8 important industry.

9 So what should you do? Force this case to
10 continue so we can end up in the exact same place as the
11 last time? This isn't the Groundhog Day Movie. Or should
12 you terminate the case now and send a message to these and
13 other industries not to manipulate the Unfair Trade Laws to
14 cause market uncertainty and instability. That is exactly
15 what will happen now. It terrifies our witness panel who
16 want to be able to choose the best materials for the
17 application and who have to compete against imported
18 cabinets from China, Canada and elsewhere.

19 So I ask you again to give some meaning to the
20 legal standard in the preliminary phase. If every case
21 passes the prelim, then the standard has no meaning. If on
22 the other hand some cases are terminated at the preliminary
23 phase, then the standard has teeth and this is a case that
24 must be terminated now. You have everything you need to do
25 that. This is accepting for this prelim the definition of

1 the Domestic Industry and the like-product proposed by the
2 Petitioners.

3 In our world, and I mean the world of trade
4 lawyers and Commission and trade professionals in this room,
5 we hear a lot in D.C. the phrase "it's just a prelim". But
6 to our witnesses it's much more than a prelim because
7 they've been through the pain and suffering that's coming if
8 this case goes forward and it's for no reason. We look
9 forward to presenting our Panel witnesses to you today and
10 taking your questions. Thank you very much.

11 MR. ANDERSON: Thank you, Mr. Grimson

12 MS. BELLAMY: Would the Petitioners' Panel
13 please come forward?

14 MR. ANDERSON: Welcome to the Panel and thank you
15 for your patience. I know you've been here, both Panels
16 actually, have been here since before 9 o'clock it looks
17 like. You came to see our vote. So thank you and thanks
18 for coming here. Please proceed, Mr. Brightbill when you're
19 ready.

20 MR. BRIGHTBILL: I thank you again Mr. Anderson
21 and Staff. We appreciate your time. Before we hear from
22 the industry witnesses and customer witnesses that we have,
23 I thought I would give a brief background and overview of
24 the evidence that we have presented in the Petition and that
25 we have so far in this case.

1 I would also like to point out that we have all
2 six Petitioners in the room today, all six companies
3 although not all six will be testifying so I wanted to just
4 recognize that we also have with us Andy Weiner from States
5 Industries, Chris York from Murphy Plywood and Alexandria
6 Caine on behalf of Commonwealth Plywood here listening and
7 representing those petitioning companies.

8 I don't normally respond to an opening statement
9 first thing out of the box but I think I have to make an
10 exception. Face veneer thickness and core material are red
11 herrings and canards; that is not arrogance, that is a fact
12 but perhaps shame on us for not explaining it well enough
13 three years ago. Hopefully we can do a better job today.

14 There is a reasonable indication that imports of
15 hardwood and decorative plywood from China are materially
16 injuring and threatening the Domestic Industry. Here, I
17 give you some overview slides. Subject Imports increased by
18 41 percent across the period. Not just 41 percent but
19 reached 1.15 billion in 2015. This is a very important,
20 indeed fundamental U.S. Industry.

21 Domestic shipments have fallen despite rising
22 demand. Import market share has grown directly at the
23 expense of Domestic Industry unlike the prior case. Chinese
24 Imports consistently undersell Domestic Products and our
25 financial performance has declined significantly.

1 (To assistant) I think if you take it out of
2 slide mode the whole slide will fit on it, if you -- there
3 you go.

4 MR. BRIGHTBILL: Petitioners demonstrate an
5 estimated 90 percent of the Domestic Industry. Also in the
6 Petitions we allege dumping margins of well over 100
7 percent. Our Countervailing Duty Petition identified more
8 than 30 subsidy programs that have benefited the Chinese
9 Industry, everything from discounted land, raw materials,
10 electricity, log subsidies, grants, loans, tax programs, a
11 whole gamut of programs that you are familiar with from
12 other Chinese Industries.

13 Here you see the volume of Subject Imports. This
14 is based on ITC dataweb and Producer Questionnaires. You
15 see an increase both in 2013 to 2015 from China and 2015 to
16 2016. I'd also point out that the Importer Questionnaire
17 Response Data coming in so far appears to show even stronger
18 trends in that regard. Domestic shipments declined in that
19 same period. Here you see the market share data Chinese
20 Imports of hardwood plywood clearly took market share from
21 the Domestic Industry. Again, 2013 to 2015 and 2015 to 2016
22 while Domestic Industry share dropped in the same periods,
23 2013 to 2015, 2015 to 2016.

24 Here to take a slightly longer view, covering two
25 investigation periods, Chinese Imports have risen

1 continuously except during the last investigation, the prior
2 trade case. And, as you see, they have increased more than
3 half a billion dollars since 2009. These imports compete
4 directly with the U.S. Product. Chinese and Domestic
5 Producers make and sell all grades of hardwood plywood from
6 A to E. The Commission has new questionnaire data
7 demonstrating this overlap.

8 These producers export hardwood plywood in the
9 most demanding applications. As pointed out, they
10 consistently undersell the Domestic Product and if you just
11 measure our lost sales based on if we had kept our market
12 share during this period, that has cost us over 400 million
13 dollars of sales since 2013. These products are
14 substitutable. Just to demonstrate here are a couple of
15 photos from prominent U.S. Retailers of hardwood panels.

16 You see Chinese and U.S. panels in the same
17 display areas. You see similar placards, similar product
18 information. We have the same customers, the same end-uses
19 across all grades. I skipped over the second one as well
20 but the same applies to both of those photographs. Similar
21 placement, similar product information, identical suggested
22 use by the retailers suggesting where these things should be
23 used in the home.

24 The Domestic Industry shipments and financial
25 performance have declined. Again demand increased by nearly

1 25 percent across the period. This is a healthy market but
2 because of the influx of dumped and subsidized imports the
3 Domestic Industry could not increase shipments or prices
4 despite this increase in demand. We see production and
5 shipments down, gross operating and net profits all down.
6 Capacity utilization is below 50 percent and declining.
7 That is disastrous for these producers and the harm has
8 magnified and intensified this year.

9 The standard for a preliminary determination is
10 whether there is a reasonable indication that imports are a
11 cause of this material injury. The questionnaire responses
12 and the record information will show this. They will
13 demonstrate it in terms of the rising import volumes, the
14 increased market share, underselling, lost sales, declining
15 financial performance.

16 Although this is an injury case, Chinese Imports
17 also threaten the Domestic Industry. This is a vulnerable
18 industry based on the declining sales and loss of market
19 share. We have subsidies that encourage exports by the
20 Chinese hardwood plywood producers. The Foreign Producer
21 questionnaires will show and are already showing large
22 amounts of available capacity. It appears the Chinese
23 capacity will be well over 2 billion square feet with
24 utilization in the range of about 70 percent. Again, that's
25 not final. That's just what we have seen so far, general

1 comment.

2 It seems likely that China's available, that is
3 China's excess capacity will likely total all of U.S.
4 Producers of hardwood plywood. That is a stark fact.
5 Chinese Imports undersell. Again, we will see that data as
6 it comes in and this competition has harmed and discouraged
7 investments by this industry. That concludes my summary.
8 We'd like to turn now to direct testimony from our industry,
9 starting with Mr. Brad Thompson, the CEO of Columbia Forest
10 Products.

11 STATEMENT OF BRAD THOMPSON

12 MR. THOMPSON: Good morning. My name is Brad
13 Thompson and I'm the President and CEO of Columbia Forest
14 Products. I appreciate the opportunity to appear before you
15 today. Columbia is the largest producer of hardwood and
16 decorative plywood in the United States. In 2015 we
17 produced close to 300 million square feet of hardwood
18 plywood.

19 We are an employee-owned company. Our 2,000
20 owners work in eight different states as well as in two
21 Canadian Provinces. We operate a total of nine plywood
22 mills and four veneer mills that supply veneer to the
23 plywood mills. Hardwood plywood is a fundamental material
24 in the U.S. Economy. In this room we are surrounded by it.
25 Hardwood plywood is used to make doors, cabinets, furniture,

1 retail fixtures, and dozens of other products we use every
2 day.

3 As you might expect, our mills are generally
4 located where the wood is, which means they are generally in
5 rural areas. Like other members of our industry, Columbia
6 is an economic mainstay of many of these communities in
7 which we operate. Our mills support a whole web of
8 businesses, the loggers, truck drivers, equipment suppliers,
9 store owners who supply us everything we need.

10 We're also a major source of revenue for local
11 governments. When our industry is doing well, our
12 communities are prosperous. When we do poorly the entire
13 community suffers and right now many of our communities are
14 suffering. I am an engineer rather than an economist but I
15 know enough about economics to understand that the United
16 States should have a significant competitive advantage in
17 the production of hardwood plywood.

18 By far the single largest component of our cost
19 of production is raw materials, primarily hardwood logs. We
20 have abundant hardwood here in the United States. Hardwood
21 is a renewable resource and the supply of hardwood of the
22 United States is actually increasing.

23 MR. THOMPSON: Columbia has been recognized by
24 the EPA, the Forest Stewardship Council and the Rain Forest
25 Alliance for its sustainable practices. Although making

1 plywood may seem fairly simple, may seem a simple matter,
2 the manufacturing process is complex and requires
3 substantial investments. The industry in the United States
4 has the most modern technology available and we're
5 constantly upgrading.

6 Since 2013, Columbia has invested tens of
7 millions of dollars in new equipment to ensure that we
8 remain on the cutting edge of the industry. We've also
9 invested in new manufacturing systems to make us even more
10 competitive, and it's saved us in excess of \$20 million.
11 Labor is a relatively small part of our cost of production,
12 less than seven percent of our total cost of goods sold. I
13 believe we have the most productive workers in the world.

14 Finally, the United States is one of the
15 largest markets in the world for hardwood plywood. We have
16 access to an unparalleled transportation and distribution
17 network and we're close to many of our customers. For the
18 last seven years, we've been experiencing economic expansion
19 as the market recovered from the housing bust of 2008 and
20 2009. The housing bust definitely hurt our industry, but
21 housing starts have increased every year since 2009, and
22 were literally double in 2015 what they had been six years
23 earlier.

24 Remodeling, which is the other big market for
25 hardwood plywood, has also been booming. The National

1 Association of Homebuilders Remodeling Index was 150 percent
2 higher in the third quarter of 2016 than it was at the end
3 of 2008. This should be a very profitable time for Columbia
4 and the rest of our industry. Instead, we are being harmed
5 every day by dumped and subsidized imports from China, which
6 have taken our business and our profits.

7 Over the last three years, Columbia production
8 has fallen even as housing starts, one of the best
9 indicators of demand for hardwood plywood, were 20 percent
10 higher in 2015 than in 2013, and even though the remodeling
11 index was up by 17 percent, both the quantity and value of
12 our commercial shipments are declining.

13 Since June, we've suffered over 65 days of
14 down time in our mills due to lack of orders and
15 market-related down time. Our share of the U.S. market has
16 dropped significantly while the Chinese market share has
17 grown. Despite rising demand, our average unit values have
18 barely budged, while our per unit costs and especially our
19 log costs have risen.

20 We haven't been able to push through a general
21 price increase for years due to lower sales, flat prices and
22 higher costs. Our profitability has almost disappeared.
23 Why is the U.S. hardwood/plywood industry doing so poorly
24 when these should be boom times for us? The answer is
25 clear. Dumped and subsidized Chinese imports. Imports of

1 hardwood plywood from China have been climbing relentlessly
2 since they first entered the U.S. market in the early part
3 of this century.

4 They dipped slightly when we brought the last
5 case back in 2012. After the Commission made its negative
6 determination though, they began to climb again. Imports
7 from China have increased by more than 40 percent since
8 2013. They now account for close to half of the hardwood
9 plywood sold in the United States. The reason the domestic
10 industry has lost market share is overwhelmingly because of
11 Chinese imports.

12 Chinese imports are being sold in all segments
13 of the hardwood plywood market. When I testified before you
14 back in 2013, I explained how Chinese imports were
15 originally concentrated in the lower end of the market, but
16 had begun to move up the value chain. That trend has
17 accelerated since then. Columbia competes with Chinese
18 products at every point in the value spectrum, from the
19 lowest to the highest.

20 As I also explained in 2013, every log will
21 yield some lower grade veneer. Over half of what we produce
22 is C grade and below. We can't just abandon the market.
23 Indeed, it's the bread and butter of our business. With
24 dumped Chinese prices though, it has become nearly
25 impossible for us to compete in this segment.

1 The Chinese are absolutely present in the
2 higher value-added products such as cabinet fronts as well.
3 I can't think of a single product we make where we don't
4 face Chinese competition. The U.S. hardwood plywood
5 industry is as competitive as any in the world, but we can't
6 compete with Chinese imports that receive all sorts of
7 subsidies. We can't compete against Chinese producers who
8 are willing to dump their product in the United States at
9 rock bottom prices.

10 At a time when our industry should be enjoying
11 real prosperity, we have seen production, shipments and profits
12 all fall. Dumped and subsidized Chinese imports are the
13 direct cause of this injury. We told the Commission in 2013
14 that without relief from dumped and subsidized Chinese
15 imports, our industry would continue to shrink. That is
16 exactly what has come to pass.

17 We are sending people home and reducing
18 shifts. We have been unable to cover rising costs through
19 price increases. We are delaying investments and cutting
20 production. Without relief now, I am certain that the U.S.
21 hardwood plywood industry in its current form cannot
22 continue to exist. Thank you very much.

23 STATEMENT OF GAIL OVERGARD

24 MR. OVERGARD: Good morning. I'm Gail
25 Overgard. I'm an advisor to the Board of Directors at

1 Timber Products. I testified before the Commission on
2 Section 332 investigation back in 2007, on hardwood, plywood
3 and flooring, and appreciate the opportunity to be before
4 you again. Timber Products Company was founded in 1918 in
5 Medford, Oregon, where it has been manufacturing wood
6 products continuously in the same location.

7 They opened their first plywood and veneer
8 mill in 1949, and has had the same family ownership ever since
9 for 49 years. In 1995, we were the first hardwood plywood
10 mill in the United States to have their forest land
11 certified by the Sustainable Forest Initiative. We have
12 hardwood, plywood, veneer and particle board mills in
13 Oregon, California, Michigan and Mississippi.

14 We're an integrated low cost producer. Timber
15 Products is especially proud of our workforce of 1,200 team
16 members, with an average tenure of 15 years and their
17 expertise and commitment have been a driving factor in our
18 success. I've been active in the hardwood plywood industry
19 for over 40 years. I've seen some fundamental changes in
20 our industry.

21 By far the most significant has been the
22 effect of Chinese imports. At the end of the 1990's and
23 early 2000's we started seeing imports enter the market. I
24 testified in 2007 that imports of lower grade Chinese
25 products had reached, reduced Timber Products' business by

1 about 20 percent. Since then, the situation has become
2 worse. As Brad Thompson explained, the U.S. industry
3 competes in all segments of the hardwood plywood market,
4 including the low value end.

5 With this flood of Chinese imports, we found
6 ourselves being forced out of this segment. Over just a few
7 years our total market share has fallen by a third. By
8 2012, the situation became so grim that the domestic
9 industry sought relief under the anti-dumping and
10 countervailing duty laws. These cases gave us a
11 temporary relief, as Chinese imports dropped somewhat. But
12 as soon as those cases ended, Chinese imports surged back.

13 Since 2013, we estimate that imports of
14 hardwood plywood from China have increased more than 40
15 percent. Their market share has grown while ours has
16 fallen. Right now, the domestic industry market share is
17 the lowest I've ever seen. The domestic industry has not
18 been sitting still while all this was happening. The
19 industry has invested tens of millions of dollars in the
20 most modern equipment.

21 Timber Products, for example, just spent \$17
22 million on new state-of-the-art dryers to improve our
23 quality and lower energy cost. We are consistently
24 exploring ways to increase our efficiency. I believe we
25 have the most productive hardwood plywood industry in the

1 world. Yet we can't compete with the Chinese industry that
2 has received massive subsidies from government, and where
3 producers are willing to dump their products in the United
4 States at prices far below the prevailing market value.

5 The domestic hardwood plywood industry is in
6 the worst condition I've seen in my time in the industry.
7 Our production is down this year compared to last year, and
8 we are facing financially challenging markets. Over the
9 past year alone, we had to idle our Medford facility, which
10 makes the primary product that competes with the Chinese for
11 50 days during the year, because we just didn't have the
12 orders to keep it busy.

13 Right now we are operating well below 50
14 percent of our capacity. We have a number of investment
15 projects planned, but the decline in our production and
16 market share have put those at risk. We also reduced our
17 employment at our Corinth, Mississippi mill that makes
18 hardwood plywood. Given how long many of our team members
19 have been with Timber Products, it's incredibly painful to
20 have to reduce.

21 I should emphasize that all of this has
22 occurred during a market where demand for wood products has
23 been rising. Unless we can do something about the dumped
24 and subsidized Chinese imports, I'm afraid our industry is
25 going to consolidate further. More mills will close,

1 producers will go out of business and hundreds of workers
2 will lose their jobs. Thank you.

3 STATEMENT OF PATRICK LYNCH

4 MR. LYNCH: Good morning. My name is Patrick
5 Lynch. I'm the Director of the Plywood Business at Roseburg
6 Forest Products. I've been working in the plywood business
7 for nearly 40 years, in both the west and east coast, and
8 thank you for giving me the opportunity to share my thoughts
9 about the hardwood plywood industry and its current
10 predicament with you today.

11 I testified at the Commission in the prior
12 investigation in 2012, and I also appeared at the final
13 hearing in 2013. Accordingly, I'd like to focus on what has
14 been going on in our industry since 2013. The most obvious
15 change since 2013 is that the volume of Chinese imports has
16 continued to climb upwards.

17 Imports of hardwood plywood from China in 2015
18 were more than 40 percent above those in 2013, and imports
19 so far in 2016 are ahead of 2015 levels, and we continue to
20 be harmed. The second obvious change is in our production.
21 This year, 2016, we adjusted our sales and operating plan
22 down ten percent in man hours to adjust for lost sales. Our
23 profits are also down.

24 U.S. demand for hardwood plywood is strong and
25 growing, so the fact that our shipments and profits are down

1 in an up market shows the impact that dumped and subsidized
2 Chinese imports have had on us. Another ongoing change
3 involves the quality of the Chinese imports. In 2012, I
4 described how more than half of the hardwood plywood sold
5 was in the lower grades, C and below, and how Chinese
6 imports were driving U.S. producers out of that segment of
7 the market.

8 As a consequence, Roseburg has made a
9 concerted effort where it can to concentrate on higher quality,
10 higher value products, a part of the market where the Chinese
11 producers claimed at the hearing they weren't interested in.
12 Over the past three years, their actions have proven
13 otherwise. We are now seeing Chinese imports in all parts
14 of the market, including very high end quality products
15 where they've been making huge inroads.

16 I came across a product imported by one of our
17 customers from China. It was a very sophisticated, high end
18 core product with a very nice UV finish, an upper end
19 product in every way. That this product was imported by one of
20 our customers demonstrates that we are completely competing
21 directly with Chinese plywood at the top as well as the
22 bottom of the market. We've lost millions of square feet of
23 sales to Chinese imports in the last few years.

24 Roseburg continues to offer a range of sizes
25 including cut-to-size to satisfy our changing customer

1 demand. Again though, Chinese competition has limited our
2 ability to sell these products. Like other domestic
3 producers, Roseburg hasn't just accepted this situation.
4 We've continued to invest in new equipment and tried to
5 lower our costs and improve our quality even further.

6 Chinese imports have driven prices so low that
7 it's uncertain whether we can justify further investments.
8 We should not have to compete with these unfairly traded
9 Chinese imports. You know, I was with Georgia Pacific in
10 2005 when we decided to exit the hardwood plywood business
11 because of Chinese imports. In the 11 years since then, the
12 volume of Chinese imports has continued to climb, and if
13 this trend isn't reversed I'm afraid that we will see other
14 domestic producers forced out of the business as well.
15 Thank you.

16 STATEMENT OF GARY GILLESPIE

17 MR. GILLESPIE: Good morning Commission staff.
18 My name is Gary Gillespie. I'm the Executive Vice President
19 for Columbia Forest Products. Thank you for the opportunity
20 to appear before you today. I'm here today representing
21 Columbia Forest Products of course, but I'd offer that we're
22 all here on behalf of the thousands of people that are
23 directly and indirectly involved with making hardwood
24 plywood here in the United States, most of which are just
25 hanging on because of China dumping large volumes of

1 hardwood plywood here in the United States.

2 Today, we're not only the voice for thousands
3 of loggers, truckers, union and non-union mill team members
4 that are trying to survive in this business, we're also here
5 to honor the thousands of hard-working U.S. wood workers
6 that have lost their good-paying jobs over the last eight to
7 ten years due to Chinese dumping. As importantly, we are
8 here today to tell a story of what "could be" the future
9 employees in the many rural areas where our industries operate
10 today. You see, our industry has an aging workforce that
11 is getting closer to retirement. Therefore, one might think
12 that our industry would be gearing up, hiring new employees,
13 perhaps hiring the kids and the grandchildren of our current
14 employees.

15 In the recent past it was not uncommon for
16 second and third generation family members to come to work
17 in our plants and factories all over the United States. The
18 communities where our factories are located depend on our
19 industry as an important economic driver as you might
20 imagine. In many cases our factories are the largest
21 employers in the area.

22 But instead of hiring a new workforce, our
23 industry, as you've heard earlier, is taking significant
24 down times. You don't hire people if you're taking down
25 time is the fact of the matter. In most cases, we're not

1 hiring the next generation of American wood workers and our
2 employees are retiring.

3 What a shame and a missed economic
4 opportunity for potential American workers and their
5 families in rural America. We have an industry that is
6 sitting on top of the best market in the world for hardwood
7 plywood. We have the raw materials, as mentioned earlier.
8 We have the factories that have extraordinary open capacity.
9 We have a workforce that is in great need of good-paying
10 jobs that have great benefits. The industry offers great
11 benefits to its people, health care included.

12 In my 36 years in the business, I've had --
13 been fortunate enough to see a broad picture of the U.S.
14 hardwood logging, veneering and plywood industry. In more
15 recent years, I've had general management oversight for
16 Columbia's hardwood veneer plants and three of our hardwood
17 plywood manufacturing facilities.

18 I've also traveled extensively and
19 internationally for business since the late 80's. Most of
20 my time abroad has been spent in mainland China. I visited
21 many hardwood, veneer and plywood making facilities there.
22 So I can speak quite comfortably to the similarities of the
23 logs that are being used to produce the hardwood veneer
24 faces and backs in both countries, and of course corresponding
25 grades of veneer that are being laid up on hardwood plywood

1 panels being sold here in the United States that are coming
2 from Chinese presses and U.S. presses.

3 The hardwood plywood panels being exported to
4 the United States from China cover the entire grade mix
5 spectrum, starting with A's and B's at the upper end of the
6 grade mix, the C's and D's, which we call the mid-grades,
7 that make up the largest majority of the plywood used in the
8 United States, and of course E grades, the portion of the
9 mix that is used for backs or less discerning applications.

10

11 Initially, Chinese manufacturers zeroed in on
12 the mid to low end of the market, the C's, D's and E's,
13 which is not uncommon I guess in other industries. The
14 Chinese moved up the value chain was to add the addition of
15 UV clear finishing on birch plywood. This value-add move
16 opened up the door to a significant portion of the U.S.
17 hardwood plywood market. I think Mr. Crabtree will speak to
18 that later on today.

19 Fast forward to today, and you can easily find
20 every specie and grade of hardwood plywood made by U.S.
21 producers with a made in China stamp somewhere, maybe not
22 very conspicuously but somewhere on the shipping packages.
23 As Mr. Brightbill disclosed earlier today in his slide show,
24 in many cases U.S. and Chinese-made hardwood plywood panels
25 are difficult to distinguish from one another.

1 Can you imagine being a consumer going into
2 those mass merchandisers and trying to even to understand
3 which one came from China, and which one came from the United
4 States? Pros have a hard time finding out where it came
5 from, the people in the business. So the consumer just
6 can't tell in many cases. As you noticed on those slides he
7 showed you, the packaging, the description of the grades,
8 the sizes, it's very, very difficult.

9 So to suggest that these are not substitutable
10 products with that type of -- this isn't a mom and pop
11 retain store you saw. These are two of the biggest mass
12 merchandisers in the United States. They're selling these
13 products this way. So to suggest they're not substitutable
14 frankly is quite ludicrous. It is clear that the Chinese
15 hardwood plywood industry is not only taking commodity
16 production share away from United States producers in
17 dramatic fashion, they've also climbed the value chain just
18 as aggressively.

19 There's virtually no portion of the U.S.
20 hardwood plywood demand that the vast array of Chinese
21 manufacturers cannot make hardwood plywood for. Chinese
22 manufacturers are not satisfied with their current place in
23 the value chain. Chinese producers have quickly climbed up
24 several rungs of the value chain ladder by processing their
25 hardwood plywood panels into flat pack cabinets, as

1 mentioned earlier, and they're coming to the United States.

2 On another topic, one obscure characteristic
3 that received a lot of attention in the last investigation
4 was face veneer thickness. Unlike the important, importance
5 of confirming the specie and grade of the face surface
6 veneer of hardwood plywood as part of the sales agreement,
7 face veneer thickness is not a published normal condition of the
8 sale.

9 What I mean by that is I have seen thousands
10 of invoices and acknowledgments and packing slips of
11 hardwood plywood in my career, and what you will find on
12 there are the significant attributes. The panel thickness,
13 quarter inch or half inch, three quarter inch thickness, yes
14 that's important. The dimensions, four foot wide, eight
15 foot long certainly is on there. The specie of the face and
16 back, the grade of the face and back, what type of glue, is
17 it a certified product or not.

18 You'll see all that stuff. But you won't see,
19 or I can't remember ever seeing -- oh and by the way, the
20 face veneers on this piece of birch plywood is .2 millimeter
21 or .6 millimeter or .8 millimeter. There's thousands of
22 pieces of evidence you can look at to see that very clearly
23 and quickly.

24 The overwhelming reason that the Chinese
25 hardwood plywood industry makes thin-faced hardwood plywood

1 is totally economic. Although there are minor savings, cost
2 savings associated with laying up thinner veneers, those
3 savings don't come anywhere close to explaining the large
4 differences in the sale prices for Chinese-made panels as
5 compared to equivalent U.S. panels.

6 MR. GILLESPIE: As an aside, if the industry
7 requires thinner-faced hardwood plywood, our hardwood veneer
8 peeling operations are capable of supplying vast quantities.
9 We've got many veneer plants that have been shut down in the
10 last 12, 15 years in North America that could peel 1/60th,
11 1/88th birch veneer, maple veneer, et cetera. It's not
12 something that our Chinese competitors have a lock on.

13 As mentioned earlier about the plywood
14 manufacturers, we have a very high-tech plywood
15 manufacturing system. Our veneer producing plants and
16 dryers are at least most likely better than the average
17 veneer plants in China.

18 In conclusion, the best evidence of competition
19 is what actually happens in the marketplace. In preparing
20 for this hearing, we researched examples of lost sales to
21 Chinese production in the last--does that mean my time's up?
22 Okay, okay. Real quickly. And in that time we've come up
23 with a real short list, a quick list I should say, of \$8
24 million of lost sales. Given time to do thorough research
25 on that, more than a week or so, we've come up with many,

1 many millions of dollars more than that.

2 And those were actual instances where the
3 customer gave us their name, their fax number, so people
4 could follow up and say yes, we lost these--you lost these
5 sales to China. Same type of panels.

6 So the reason we lost all that business, it was
7 not because of veneer thickness. It was not because Chinese
8 panels had attributes or characteristics that we could not
9 deliver here in the United States.

10 The reason was always the same: Your price is too
11 high. The evidence is clear. Chinese imports are dumped at
12 low prices and that's why customers buy them. And that is
13 why hard-working American workers have suffered and will
14 continue to suffer unless relief comes soon.

15 On behalf of the U.S. Hardwood Plywood membership
16 ranks, the past, the present, and hopefully the future
17 employees thank you for hearing our plea for attention in
18 this matter this morning. Thank you.

19 STATEMENT OF JOSH GIBEAU

20 MR. GIBEAU: Good morning. My name is Josh
21 Gibeau. I am the International Division Manager for Timber
22 Products. My colleague, Gail Overgard told you a bit about
23 our company. Timber Products also imports a small amount of
24 hardwood plywood from around the world.

25 Most of our largest customers, including two

1 major big-box retailers, buy both our products and Chinese
2 imports. As a result, I am very familiar with Chinese
3 hardwood plywood imported into the United States and the
4 Chinese import offers.

5 Domestically produced hardwood plywood competes
6 with Chinese hardwood plywood at every point along the value
7 spectrum. The important fact to remember is that every log
8 is going to yield some veneer of the higher grades A and B
9 and lower grades C through E.

10 Chinese producers yield a certain amount of
11 higher grades from a log, and they will use those grades to
12 make higher value products like cabinet fronts. Conversely,
13 we yield a certain amount of lower grades from a log and use
14 those grades to make lower value products.

15 A problem for the domestic industry is that the
16 Chinese prices are so low that it's very difficult for the
17 domestic mills to compete with these imports.

18 We can't just move up the value chain to escape
19 the Chinese competition. If a domestic producer were to
20 concentrate only on making the highest value products it
21 would find itself using only a small portion of the log's
22 yield.

23 Similarly, it does not make sense for the Chinese
24 producers to focus on the bottom end when they harvest A and
25 B grades from their logs as well, and they can sell those

1 grades at a premium.

2 They have a strong incentive to move up the value
3 chain, and that's exactly what they've done and are
4 continuing to do. I've seen a number of claims about the
5 Chinese product in the past and I'd like to address a few of
6 them.

7 The claim that the Chinese hardwood plywood
8 doesn't compete in the decorative market is untrue. We see
9 a substantial amount of decorative products coming into the
10 United States. For example, we recently learned of a large
11 half-inch white oak order with a UV finish from China. In
12 the past, this would be an A or B grade domestically
13 produced panel.

14 The claim that the domestic industry has the high
15 end of the market to itself is untrue. Chinese imports may
16 have initially clustered at the lower end, but we now see
17 competition in all grades and for all applications.

18 The claim that Chinese hardwood plywood is
19 somehow a different product from what we make domestically
20 is untrue. You can go into the big box stores I mentioned
21 and see plywood from the United States and China being sold
22 side by side.

23 The claim that there is no competition between
24 Chinese imports and the domestic products is untrue. If
25 there is no competition between us and the Chinese, why have

1 the Chinese imports increased by 40 percent over the last
2 three years? Their market share has gone up while our
3 shipments and market share have declined.

4 Whatever strategy the Chinese producers might
5 have been in the past, I can tell you that they compete in
6 all segments of the market now. The Chinese compete with us
7 in every product, category, and every product quality.

8 Thank you.

9 STATEMENT OF CLIFTON HOWLETT

10 MR. HOWLETT: Good morning. My name is Kip
11 Howlett and I'm the Executive Director of the Hardwood
12 Plywood and Veneer Association, HPVA.

13 I testified at the last hearing on hardwood
14 plywood in 2013 and I appreciate the chance to testify
15 before you again this morning.

16 I have been involved in the hardwood plywood
17 industry for over 40 years. I've been the Executive
18 Director of HPVA since 2007. HPVA is the trade association
19 of the American Hardwood Plywood Industry, and two of our
20 major functions are to administer the industry's main
21 standard, ANSI/HPVA HP-1-2016, and to collect informatino
22 on the industry.

23 The HP-1 standard is the most detailed standard
24 for hardwood plywood in the world. It literally defines
25 what constitutes hardwood plywood, as well as prescribing

1 the physical performance and the appearance.

2 It is the only grade standard that has grade
3 specific to species, and it also contains strict
4 formaldehyde emissions consistent with the EPA and the carb
5 requirements.

6 Our annual statistical report is the definitive
7 source on production in the domestic hardwood plywood
8 industry. The report assembles data on production
9 classified by characteristics that matter to producers and
10 purchasers of hardwood plywood, including production by
11 product type, unfinished or prefinished, by thickness, by
12 core type, by species, by veneer type--that is, whether it's
13 plain, sliced, or rotary cut--and by grade.

14 The grade statistics are especially interesting.
15 In the last investigation, there were claims that the United
16 States doesn't compete with China in the lower grades. In
17 2015, 56 percent of the U.S. industry produced production
18 was in these grades of C and below.

19 In terms of volumes, these lower grades form the
20 bulk of the U.S. hardwood plywood production. I would also
21 note that there are two characteristics for which we do not
22 collect data: thickness of the face veneer and species of
23 the core. And we don't collect this information because
24 hardwood plywood consumers don't care about it.

25 We don't report whether the core--we do report

1 whether the core is veneer, whether it's wood veneer or
2 particle board or MDF, but we don't differentiate between
3 hardwood and softwood cores because again a customer doesn't
4 care.

5 We also track information on imports of hardwood
6 plywood. And since I became the Executive Director of HPVA
7 in 2007, we have seen imports from China climb relentlessly.
8 Just as importantly, we have seen the nature of those
9 imports change from products in the lowest grades to plywood
10 at all grades, even the highest.

11 Lately, we have also seen an increase of imports
12 in downstream products, especially ready-to-assemble
13 cabinets. Now this is significant because cabinet doors
14 require the highest quality of hardwood plywood. So if the
15 Chinese can export an RTA cabinet to the U.S., they can meet
16 any quality standard.

17 It is also significant because it means Chinese
18 imports of cabinets are also taking away more sales of
19 hardwood plywood by the domestic industry as cabinet makers
20 are our single largest market.

21 In preparing for this conference, I was reviewing
22 some of our earlier statistical reports, and to be honest it
23 was depressing reading. The U.S. hardwood plywood industry
24 reached its peak of production in 2002.

25 Since then, production has fallen by nearly 30

1 percent. In 2002, we were using 66 percent of our total
2 capacity, and by last year it had fallen below 49 percent.
3 This decline is also reflected in our membership. We've
4 seen companies move out of the business of making hardwood
5 plywood. Veneer suppliers upstream, 36, now down to 12. And
6 many of these have just closed completely and their
7 equipment, ironically, sold to China.

8 If our industry isn't able to do something about
9 dumped, subsidized Chinese imports, this industry's decline
10 can only accelerate.

11 Thank you.

12 MR. BRIGHTBILL: Alright, before our next witness,
13 Gary Gillespie is going to pass around several samples of
14 U.S. and Chinese hardwood plywood. They have labels on them
15 that explain the grades and the relevant characteristics,
16 and how that these are virtually identical.

17 So now I don't want to take away from our next
18 witness, Phillip Crabtree, who is a customer witness, and I
19 think it is important to note that he represents the heart
20 and soul of the cabinet-making industry in the United
21 States.

22 About 75 to 80 percent of cabinet makers like
23 Phill have 1 to 20 employees in their shop. And so you're
24 going to hear later today from other cabinet makers that
25 largely represent the other 25 percent, the very large

1 companies, but Phill is a true representative of small
2 business which makes up the vast majority of this market
3 segment.

4 Phillip?

5 STATEMENT OF PHILLIP CRABTREE

6 MR. CRABTREE: Good morning. Thank you for
7 your time and your hard work on this case. I am Phillip
8 Crabtree, President of Phill's Custom Cabinets located in
9 Owensboro, Kentucky.

10 Phil's is a family owned business that was
11 founded 41 years ago in 1975. We manufacture fine
12 custom-made cabinetry, and we are a U.S. purchaser of
13 hardwood plywood.
14 Currently at Phil's we use both U.S. and Chinese plywood for
15 our projects.

16 I am here today in support of the Petitions filed
17 by the Coalition for Fair Trade in Hardwood Plywood and its
18 members.

19 I have been the owner of Phil's since December of
20 2011. I have over two decades of experience in the
21 cabinetry and woodworking industry.

22 In 2005 I developed the Cabinotch Cabinet Box
23 System, which is a cost-efficient system of
24 ready-to-assemble cabinets that uses hardwood plywood. I
25 also recently invented an award-winning assembly for

1 frameless cabinets and furniture. I have obtained a U.S.
2 Patent on a shelving system that minimizes exposure to
3 infectious diseases.

4 Today I brought in a few sets of cabinets that we
5 manufacture at Phill's made with either domestic or Chinese
6 plywood. You will see them in the exhibit behind us here.
7 And if you'll allow me, I'd like to walk through and show
8 you.

9 You see on the book ends, this cabinet. You've
10 heard earlier about an RTA Chinese cabinet. This is a
11 completely RTA made-in-China cabinet, the front to the back,
12 the entire unit. The other end, the book-end, is also a
13 cabinet that is completely a RTA made-in-China cabinet.

14 You can see from the insides--and I do encourage
15 on a break to come and look and review these. The cabinet
16 in the middle here, and also the cabinet in the middle here
17 (indicating), is made with a Chinese import plywood--the
18 sides, the top, the bottom, the back, and the shelves.
19 That's both the middle ones here.

20 This cabinet here (indicating) and this cabinet
21 here (indicating) is made with our domestic U.S.-made
22 plywood. So again you can look on the inside and see what
23 the inside looks like and what the outside looks like.

24 You will be able to see from these samples that
25 domestic hardwood plywood and Chinese hardwood plywood are

1 no different from one another. They are virtually
2 indistinguishable and completely interchangeable. And this
3 is true regardless of whether we're talking about a lower
4 end or a higher grade plywood, a plywood of a low grade or a
5 high grade like the type that normally goes into kitchen
6 cabinets.

7 Even a highly trained eye will have a very hard
8 time distinguishing between the U.S. and the Chinese
9 plywood. In fact, the other day I asked my father, who has
10 been in the cabinetry business for over 50 years, to
11 distinguish between the two cabinets. I held up a U.S.
12 panel in one hand and a Chinese panel in the other hand,
13 each matching in color and looking exactly the same. When I
14 asked my father to identify the Chinese panel, he pointed
15 directly to the domestic one. This is how identical these
16 products are.

17 Years ago when Chinese plywood first appeared in
18 the U.S. market it was not the same product. The quality
19 was inferior. The product was unable to lay flat. And the
20 differences with its U.S. equivalent were obvious. But this
21 is no longer the case.

22 Over the last 5 to 10 years, the quality of
23 Chinese plywood has become much, much better. What we're
24 seeing now is Chinese plywood that lays flatter and has an
25 extremely stable core, just like the American plywood.

1 Both products have the same physical
2 characteristics, as well as functions. In fact, any
3 differences between the two, the U.S. and Chinese, is tiny.
4 For all practical intents and purposes, these products are
5 the same. Yet the price differences are astronomical. The price
6 differences are astronomical.

7 For example, in our shop while a maple UV panel
8 made in the U.S. costs anywhere between \$43 and \$50 per
9 sheet, the same panel from China costs between \$21 and \$24
10 per sheet. That's less than half the price of a U.S. panel.

11 This essentially forces us at Phill's to buy
12 Chinese plywood over American. Indeed, we currently use
13 both products, but we have increased our purchases of
14 Chinese plywood over domestic plywood simply because of
15 price.

16 Today we use more than 85 percent Chinese
17 product, and our purchasing decisions have less and less to
18 do with quality or the characteristics of any part like face
19 veneers. It's driven by price.

20 In fact, the thickness of the veneer, of the face
21 veneer, is not even important to us. We don't know a single
22 competitor or customer who thinks that it is either.
23 What concerns everyone, however, is simply price.

24 In my opinion, the reason that the price of
25 Chinese plywood is so low is because Chinese producers are

1 dumping into the U.S. and receiving unfair subsidies from
2 the Chinese Government. Given my experience in this
3 business and knowledge of the product, Chinese pricing is
4 not based on differences in production costs, or any sort of
5 competitive advantage. In fact, in calculating our own
6 manufacturing costs for cabinets, it has become impossible
7 to compete with imported ready-to-assemble, the ones on each
8 end (indicating), Chinese cabinets unless we also use
9 Chinese plywood.

10 Therefore, we have been forced to use the Chinese
11 product to try and compete with the dumped prices of these
12 products.

13 In sum, as a U.S. consumer of both domestic and
14 Chinese hardwood plywood I assure you that U.S. and Chinese
15 made plywood are interchangeable products that compete directly with
16 one another. Our company purchases both, and we have been
17 forced to purchase a greater portion of Chinese plywood over
18 domestic plywood.

19 And in my view, the cause for this low pricing is
20 dumping and subsidies, and because we believe in a level
21 playing field we strongly support the U.S. industry in these
22 investigations. We believe the U.S. industry has been
23 materially injured by subject imports from China and that it
24 is threatened with further injury.

25 As such, we urge the Commission staff to

1 recommend the continuation of these investigations. Thank
2 you very much for your time and I'm happy to answer any
3 questions you may have.

4 STATEMENT OF SETH KAPLAN

5 DR. KAPLAN: Good afternoon--or good morning.
6 I'm Seth Kaplan, and--is this mic working? Yeah, I guess
7 so. Thank you.

8 Everyone here remembers growing up before Chinese
9 plywood entered the U.S. market, starting at the ascension
10 to the WTO in 2000. And I'm sure your recollections don't
11 include picking up your dishes and silverware from the
12 floor. You had kitchen cabinets in your houses.

13 This is not a high-tech product. This is not an
14 entry into a market, and keeping track of my time on an
15 iPhone. This is a product that's used to make something
16 you're very familiar with. There were cabinets before
17 Chinese plywood, and there will be cabinets should there be
18 dumping margins with duties on Chinese plywood.

19 Let me go over the conditions of competition. In
20 this investigation, they include substitutability, demand,
21 capital intensive industry, and certification. Let me
22 quickly go through the substitutability issues, the
23 characteristics on which the products are sold.

24 They're sold on the grade. They're sold on the
25 type of core, whether they're a veneer core, MDF, or

1 particle board. The overall thickness of the product, which
2 will determine its use. And the face species is important
3 for some applications, less important for others. But the
4 product is sold on that basis.

5 The ITC said just as much in the like-product
6 section. These products are differentiated by species,
7 quality of veneer--that's the grade, the overall thickness,
8 the number of plies, the type of core--veneer, particle
9 board, or MDF--and the glue, the type used having to do with
10 certification.

11 This is a screen shot from the website of Far East
12 American, which is an importer of Chinese plywood. They
13 identify the specie. They identify the grade. They
14 identify the thickness and dimension.

15 If you go to the next page, they then identify
16 the glue type. They identify the cores--VC. But they also
17 say they have MDF and a COMBI-core which you could ask us
18 about, which we produce as well.

19 The applications: cabinetry, furniture, trim
20 work, fixtures, closets, counter tops, entertainment
21 centers. It covers the whole gamut. Note that the
22 thickness of the veneer is not mentioned on their website as
23 they go to market--the thickness of the face veneer.

24 Now we go to Northwest Hardwoods, and how do they
25 go to market? What does their website look like? A major

1 importer of this subject product. Thickness--and that's
2 thickness of the plywood, not thickness of the veneer. The
3 dimensions--and we'll be happy to take questions on that.
4 It leads off with 4 x 8 and 4 x 8 is the vast, vast majority
5 of sizes of this product.

6 The glue, as we discussed. And the cores. And
7 what kind of cores do they have? They have a veneer core,
8 and MDF core, and a COMBI-core, which we'll be happy to
9 discuss.

10 The next, Liberty Woods International, another
11 major importer of the product. And how do they go to
12 market? The first thing they talk about is the specie.
13 Then they say it's a 4x8, which is the standard, which is
14 over well into the high 90s, is my understanding.

15 Then they talk about the thickness. Are they
16 talking about the thickness of the face veneer? No.
17 They're talking about the thickness of the product.

18 Then they talk about the grades, and they talk
19 about the applications, and the applications are the same.
20 At the bottom, the core materials: poplar, veneer core, or
21 MDF. And then the glues and about certifications.

22 Now let's turn to an American producer. And how
23 do they go to market? They go to market based on the
24 specie--I'm sorry, I clicked twice--the face grade, the
25 sizes, the overall thickness of the product, and the core

1 type.

2 So you'll notice here that we have major
3 producers in the U.S. market and major importers, and no one
4 talks about face veneer thickness.

5 So let's compare the species now as we move on to
6 substitutability.

7 All species are available both from the U.S. and
8 China. There is a huge concentration in China in Birch, and
9 we'll discuss that in your answers to questions, but all of
10 them are advertised regularly. And as you can see from your
11 questionnaires, these are supplied.

12 The next slide looks at the grades. Are there
13 all grades available from all U.S. and Chinese producers?
14 And the answer is, in Birch, Maple, Oak, and Walnut, the
15 information you collected, all but a couple of grades in the
16 E's, a couple of products in the E's, show up among both
17 producers.

18 You will see a high concentration in certain
19 grades from the imports, and a lesser concentration from the
20 U.S. side. And that is because, like many cases you've
21 seen, the Chinese product typically enters in the lower
22 grades and pushes forward. And as they push forward, they
23 push the U.S. producers that can't compete with the dumped
24 price to higher levels.

25 But as was testified to, 56 percent is currently

1 in the lower grades, and it was higher before, as it was
2 pushed out. If you think of a cabinet as a cake, and if you
3 think the supplier as the supplier to the cake, the imports
4 are now supplying the flour more and more, and some
5 frosting.

6 MR. KAPLAN: What they've done is pushed the
7 domestic industry into the frosting business war and you
8 can't make it if you're just on the top end. You need long
9 runs to keep this capital intensive facility working. And
10 if you don't get that, you get lower capacity utilization
11 and you're at the higher end, but if you can't keep the
12 plant running then you can't be profitable and this is what
13 you see.

14 Let's talk a little bit about the products
15 available from China; this is from some emails back and
16 forth to a Chinese producer. They said that B-2 is the best
17 grade, but then they turn around and they say, well, B-2 is
18 equivalent to U.S.A. So we have standard grading in the
19 United States, typically. There are some proprietary
20 grades. The imports aren't required to do that and I just
21 want to point out that they are in the higher ends and
22 sometimes you know you'll see a "B" that's capable of being
23 a face and an "A." And the next page shows the prices being
24 asked from the same producers for different products in
25 different grades.

1 Overall panel thickness sold, the U.S. and the
2 Chinese can and do make all thicknesses, although there's
3 variation in what's actually brought in. That has to do
4 with the dumped pricing and what grades they're in, but all
5 thicknesses are made by both producers.

6 In terms of core types, the veneer is -- a
7 veneer core, a particle core and MDF core is offered by both
8 domestic and foreign. The core species of a VC is
9 determined by what inexpensive wood is near you. In China,
10 they use poplar. In the United States, it depends on which
11 coast you're on. The East Coast uses hardwood. The
12 Northwest uses softwood. The same company will use both
13 cores for both types of products that are identical
14 otherwise and sell them for the same price. So the reason
15 the veneer core is used in a particular species is the
16 accessibility and the price of that core.

17 Once again, same U.S. producers they're near
18 hardwood, they're near softwood, that's what they use. It
19 makes no difference in the sale price.

20 Finally, let me turn to issues that were
21 addressed in the last opinion. The issue about the core
22 there's head-to-head competition. Widths and lengths, the
23 vast major is 4x8, but these producers will testify they
24 could make everything else. The glue there's certification
25 requirements and the U.S. and foreign producers have the

1 same glue. Quality is based on grade and they make the same
2 grades. The species are available from everybody, although
3 you will see the Chinese concentrate much more in some and
4 we in others, but for purposes, once you get away from the
5 face, that's much less important, as will be discussed.

6 Both products are available in the marketplace
7 and as the distribution system for the imports increases
8 over time, it's available in all parts of the country in all
9 locations, just look at the websites I put up. Not
10 significant: the face veneer thickness, which is not
11 advertised, the type of VC core, which I just discussed, is
12 determined by the availability of the wood products there
13 and you'll note the U.S. share of soft and hard has changed
14 over time just based on who's producing where. Moisture
15 and strength we have heard no evidence and then decorative
16 versus non-decorative uses.

17 The next slide shows that the demand is driven
18 by housing, as we've all talked about. The capital
19 intensive nature is critical to this investigation and I
20 want to discuss that in detail. I have already, but you
21 have to keep the mill running and you can't keep it running,
22 running frosting. You can't do this on A's and B's. You
23 have to be able to make the C's and the D's and the E's.
24 And if you can't do that, these guys are out of business.
25 It's just that simple. The guys that couldn't are out of

1 business already. There's six or seven of them that have
2 shut down. The certifications are available from both U.S.
3 and domestic.

4 And now I just want to turn to the last slide
5 and you could see what happened after the ascension of China
6 to the WTO. Like many other products, the Chinese imports
7 start about at zero and then took over the market. As I've
8 said, the products that are used -- these products are used
9 to make cabinets. We all grew up with cabinets in our
10 house. We all walked into a store and saw wood paneling.
11 We all walked into the lobby of an office and saw this
12 before.

13 They did not invent the Iphone of plywood.
14 These compete head-to-head and price is a critical element
15 and I think the information over the period of investigation
16 demonstrates that over this period with this set of facts
17 there is clearly evidence to go forward. Thank you very
18 much.

19 MR. ANDERSON: Thank you. That concludes your
20 testimony.

21 MR. BRIGHTBILL: That concludes our testimony
22 and it looks like we used our time.

23 MR. ANDERSON: Okay, thank you. I thank the
24 panel for being here and for your testimony and for your
25 information and we'd now like to turn to questions by

1 staff. And we'll start with our investigator, Ms. Messer.

2 MS. MESSER: Thank you. This is Mary Messer,
3 Office of Investigations.

4 First off, Mr. Brightbill, I wanted to ask you
5 some basic questions about Commerce's initiation. Will we
6 see a similar or same scope that we saw from your petition
7 in the initiation?

8 MR. BRIGHTBILL: Tim Brightbill, Wiley Rein.

9 We submitted one scope modification after the
10 petition. There will not be further changes to the formal
11 scope language sent after that one modification. However,
12 if you'd like, I could discuss briefly you know our thoughts
13 on scope and where that stands, if that would be helpful.

14 MS. MESSER: Yes, especially, in light of the
15 questionnaire universe that we have.

16 MR. BRIGHTBILL: Yes.

17 MS. MESSER: If it affects that at all.

18 MR. BRIGHTBILL: No, it does not. The good news
19 is the data you're gathering is entirely consistent with the
20 scope language as laid out in the petition. The
21 clarifications made since then were minor and technical in
22 nature. Also, the scope is very similar to the last case
23 with just a few important changes to address circumvention
24 issues.

25 Just to highlight those briefly, we now include in

1 the scope hardwood plywood that's covered with opaque
2 coverings or materials that obscure the grain. This is a
3 growing area of Chinese imports. In addition, there was
4 circumvention previously by companies who would apply a
5 thin, removable paper to the plywood, including a thin layer
6 to try and avoid the tariffs as well and the anti-dumping
7 duties that were in place for a short period of time.

8 We also added to the scope minor processing
9 language. Again, that was in from the start in the
10 petitions. A product remains subject merchandise, despite
11 minor processing in China or a third country. This is
12 language that Commerce and Customs are familiar with and
13 comfortable with; otherwise, anyone with a drill or a saw
14 could take a product outside of the scope and that wouldn't
15 work at all.

16 We've also simplified some language, including
17 our exclusion of structural plywood to make it easier for
18 Customs to enforce at the border. There were some questions
19 raised in letters filed by the furniture industry. As we
20 indicated in our response, we don't have any intent to cover
21 furniture. We want to sell hardwood plywood to furniture
22 companies. We will talk to the furniture industry and work
23 on a scope exclusion, if needed, and that also will not
24 affect your data. The data you're gathering is covering
25 hardwood plywood, not furniture.

1 MS. MESSER: Okay, thank you.

2 And then there's scope language in the petition
3 you separate a set of primary HTS numbers and secondary HTS
4 numbers. Can you briefly explain what would fall then in
5 the secondary numbers?

6 MR. BRIGHTBILL: Sure. We were conforming with
7 the way that the U.S. Department of Agriculture gathers data
8 on hardwood plywood and Mr. Howlett can add to this, if he
9 likes. So that's why we separated the two HTS numbers into
10 the codes that are primarily reporting hardwood plywood
11 versus some that could contain some small amounts of
12 hardwood plywood, but also contain primarily other products,
13 softwood, in looking at the data, pine plywood, things like
14 that. So again, we included all of the numbers for the
15 sake of circumvention. Of course, the tariff numbers are
16 not dispositive as to the scope and the data we presented in
17 the petition was based on the top group of numbers. And
18 again, that's consistent with the way that the U.S.
19 Department of Agriculture gathers the data as well and how
20 they report hardwood plywood.

21 MS. MESSER: Thank you.

22 Now Commerce collects the import data based on
23 cubic meters quantity basis. We've adopted the conversion
24 factor since we asked for square yards or square feet in the
25 prior investigations. We've used the same conversion factor

1 that we used in the past round, so we're curious how would
2 you make that conversion? Would you use a similar
3 conversion?

4 MR. BRIGHTBILL: Yes, Tim Brightbill, Wiley
5 Rein.

6 To the best of my knowledge, we used the same
7 conversion factor as in the prior investigation as well.

8 MS. MESSER: Alright, thank you.

9 I also would like to ask more about the RTA
10 cabinets. Can you describe, from an import perspective,
11 what those would include? Would they include the hardware,
12 everything coming in?

13 MR. BRIGHTBILL: My understanding, and perhaps
14 the industry witnesses can help as well, is that an RTA
15 kitchen cabinet would include everything needed to assemble
16 that cabinet. It would include all the hardware, all the
17 hinges, the instructions necessary, so it would be a
18 complete kit. And of course, it would include all the sides
19 of the cabinet, including the face of the cabinet and that
20 is, as we've pointed out, a reason to -- that is further
21 proof that the Chinese producers have moved up the value
22 spectrum because those RTA kits contain a face, so the face
23 is made by the Chinese and they're fully competitive with
24 it.

25 MS. MESSER: And the RTA cabinets that include

1 all the hardware are not included in the scope.

2 MR. BRIGHTBILL: That's correct. It's not our
3 intent to cover fully complete, ready to assemble kitchen
4 cabinets. That's correct.

5 MS. MESSER: Okay, so my question then would be
6 if it comes in without the hardware, if it's, for example, a
7 military-style grate kit with no hardware coming in, it's
8 just the pieces, is that also excluded or is that included
9 within the scope?

10 MR. BRIGHTBILL: Well, again, our scope includes
11 minor processing and among the list of processes we included
12 cutting to size, notching, punching, drilling, things along
13 those lines. That is the intent. We do not intend to cover
14 assembled parts and things along those lines. And again,
15 we've conveyed to the furniture industry that we are happy
16 if we need additional clarity on that point to do so.
17 Again, I don't think it affects the data that is being
18 reported because clearly the importers and the foreign
19 producers understand what we requested by the scope of the
20 hardwood plywood investigation, so your data will be
21 acceptable and consistent with the scope.

22 MS. MESSER: Okay, I'm sorry, maybe I missed the
23 answer. We would these military-style grate kits that don't
24 contain the hardware would they be then included?

25 MR. BRIGHTBILL: Well, it would depend. And I

1 know we haven't gotten back to you on that. I shared that
2 with the industry witnesses and they wanted to know a little
3 bit more about that specific product and if it was hardwood
4 plywood or if it was -- because a lot of times these kits
5 apparently are used for outdoor use, in which case it might
6 not be hardwood, so I would prefer on that specific example
7 that you gave me I'll talk to our folks and we'll provide
8 that to you.

9 MS. MESSER: Alright, thank you.

10 I'd like to now just kind of open it up to
11 everyone. Testimony by several industry people here talked
12 about the low-end product and the high-end product. Can
13 someone explain to me what particular characteristics of a
14 plywood would qualify it for being a high-end product or a
15 low-end product and the same goes for the grades? What
16 particular product characteristics would qualify a
17 particular plywood for being a Grade A as opposed to a Grade
18 E?

19 MR. KAPLAN: I just want to start out in saying
20 that the quality and the grade, I believe, are the same
21 question, so I just wanted to put it together. So the
22 higher ends are the higher grades. There's mid-grades and
23 lower grades and there's specifications for each and I'm
24 going to leave it to the experts to describe what the
25 quality differences are as you go from "A" to "B," but

1 that's what quality means.

2 MS. MESSER: Okay, thank you.

3 MR. THOMPSON: Brad Thompson, Columbia Forest
4 Products.

5 And so, I'm going to speak in general. We refer
6 to grades as A, B, C, D, E, generally, and there are some
7 proprietary grades that we use in the industry. Typically,
8 and it gets fuzzy as you get in the middle because there are
9 some "C" Grades that are in what we call white or sap form
10 that are used in what I'm about to describe, but as you get
11 closer to the middle grades they can be used in similar
12 applications. But generally, "A" and "B" grades and "C"
13 whites and those kinds of grades are used in what you see,
14 what people finish.

15 If you look at these panels over here, these
16 cabinets, which you see on the outside, in general, are
17 higher grade materials in that A, B, and C form. There is
18 some movement in the United States where lower grades are
19 used in that regard also in what's termed "rustic" kind of
20 looking cabinets that have become trendy lately. So it's
21 not a universal statement. It's generally true.

22 The lower grades are used in places, in general,
23 where the consumer won't see the material. On the backs of
24 the cabinets it will be "D" or what we call a fore back, a
25 material that has natural characteristics, knots and things

1 that may not be appealing to the consumer to see on the
2 front-looking face of the panel or on the side.

3 MR. LYNCH: I'm going to add a comment in here.
4 This is Pat Lynch, Roseburg.

5 In my testimony, I did refer to a panel that one
6 of my folks brought to me that they were competing with and
7 it was in the LA market, and they refer to it as a high-end
8 product. It was a CFC core, which is a combination core
9 within a thin MDF with EV coating. It was a "B" grade, "B+"
10 face traded under the Dragon Ply name, so I knew that it was
11 a Chinese product and it competed at a very low cost in that
12 category.

13 MS. MESSER: Okay, so I'm hearing from you then
14 that the grades are based on a visual of the product and not
15 core or thickness or thickness of the veneer or type of
16 glue. The A, B, C, D, is just a basis on whether it's got
17 knots or that it's uniform; is that correct?

18 MR. GILLESPIE: Gary Gillespie with Columbia
19 Forest Products.

20 Yes, the A, B, C, D, E, that's probably the
21 surface grade, the face and back veneer.

22 MS. MESSER: Okay.

23 MR. GILLESPIE: And maybe another way to look at
24 this, when you start from your "A" think clear, relatively
25 free of any you know knots or splits or ingrown bark. The

1 further you go down to your middle grades like C-grade will
2 allow, you know it's like 3/8th sound knots. You get into
3 your D's and E's; you can have actually open defects up to
4 an inch, inch and a half. So a high grade, think clear "A,"
5 "E's" rustic looking with open holes and your middle grades,
6 of course, in between that.

7 MR. KAPLAN: And you're thinking really this is
8 about the surface veneer we're talking about; is that
9 correct, gentlemen?

10 MR. GILLESPIE: Correct.

11 MR. KAPLAN: And so there is no distinction
12 based on surface veneer thickness about which grade it is.
13 So you could have a thin veneer or middle veneer or a
14 thicker surface veneer that's A, B, C, D, or E. And that's
15 why when it's advertised on sites they advertise the grade
16 and not the veneer thickness.

17 So I encourage you to ask questions about maybe
18 your presumptions about why veneer thickness might or might
19 not matter to us, but as you could see from the grading
20 system, it's relevant. And the grading system has to do
21 with the visual impression of the product and where it's
22 going to be used. The more prominent, the more important of
23 the presentation the higher the grade you go to. The more
24 it's concealed the lower.

25 And Mr. Crabtree is a cabinet maker and these

1 gentlemen have been in the business, but I'm kind of
2 summarizing issues I've heard.

3 MR. HOWLETT: Cliff Howlett.

4 If you look in the ANSI/HPVA HP1 standard, which
5 was first established by the Department of Commerce in 1934,
6 it is the commercial standard for defining hardwood plywood
7 and what makes it distinguished from other standards that
8 may be out there is it has the grades. It has the grade
9 tables for species. And depending on whether they're rotary
10 cut or plain sliced and they vary by species as to what is
11 allowed and not allowed as Mr. Gillespie identified. So I
12 would refer you to that.

13 There's also in the appendix of the 2016 edition
14 the spliced face veneer, which is the plain slice that deals
15 also with grades that that industry supplies to this
16 industry.

17 MR. BRIGHTBILL: Tim Brightbill, Wiley Rein.

18 Just to also to bring into the 20,000-foot
19 level, the A, B, C, D, E is the face veneer. There are
20 separate grades for the back veneer and for the inner cores
21 -- am I using the right word?

22 MR. HOWLETT: Inner plies.

23 MR. BRIGHTBILL: Inner plies, so the grade
24 information you're gathering is on the face veneer, the "A"
25 through "E."

1 MS. MESSER: Okay, so in your testimony when
2 you're talking about high-end product which one are you
3 talking about? It's both a back and a front Grade "A"?

4 MR. LYNCH: "A" or "B" face. Pat Lynch,
5 Roseburg, "A" or "B" face.

6 MS. MESSER: Okay.

7 And then my final question I'd like to circle
8 back to the face veneer thickness. Looking back at our last
9 report, this is in the public version publication of the
10 report, we had data collected through the first six months
11 of 2013 and I'm seeing -- and this is, in case you want to
12 look later, Table D-3, in that publication.

13 We have U.S. producers having shipped greater
14 than 95 percent in the .6 millimeter and above category.
15 Our full year 2013 data that we're collecting currently
16 disagree with that information, so I'd like to get your take
17 on that now, as well as looking at your individual responses
18 later to see whether or not some changes need to be made to
19 the data or some explanations for why the data are so
20 different.

21 MR. BRIGHTBILL: Hi, Tim Brightbill, Wiley Rein.
22 We'll certainly take a look at that. I think one thing that
23 some of the producers were looking at was the fact that a
24 product might start at 0.6mm or be intended to be 0.6mm,
25 but after sanding or finishing, the industry witnesses can

1 join in, it actually falls to the next, a lower category.
2 That may explain some of the discrepancy. They clearly
3 looked at this very carefully, knowing that the Commission
4 put so much weight on this category.

5 MS. MESSER: I'm assuming that they looked at it
6 carefully in the final phase of the last investigation as
7 well. But that still -- if you wouldn't mind looking at
8 your numbers that you reported in the last case and seeing
9 where those changes were? Because, like I said earlier, the
10 differences are quite different for some. And that's all I
11 have.

12 MR. ANDERSON: Thank you, Ms. Messer. And now
13 I'll turn it over to Mr. Dushkes.

14 MR. DUSHKES: Thank you, Mr. Anderson. Drew
15 Dushkes, Office of Investigations. Thank you all for being
16 here. I want to start with one more follow-up on the thin
17 veneer versus thick veneer, because it needs to be
18 established that that plays no role in determining the grade
19 of the product. The high grade can be the thin or thick.

20 But there does seem to be a difference in the
21 markets where the Chinese producers tend to go more towards
22 thin-cut veneers than they do versus thick-cut. So I'm
23 wondering what goes into that decision-making process, as to
24 how thick to make the veneer?

25 MR. KAPLAN: I'm going to tee this up, but--this is

1 Seth Kaplan--and the details will soon follow in great
2 detail, but there's two types of ways to produce hardwood
3 plywood. There's a one-step process and a two-step process.
4 In the one-step process, all the layers are pressed together
5 simultaneously. The two-step process you make the cores, or
6 a platform, and then you put the veneer on second. And I
7 hopefully I haven't screwed it up, guys? Is that right?

8 MR. BRIGHTBILL: Before we talk about one-step,
9 two-step, we could talk about the face veneer thickness
10 issue.

11 MR. KAPLAN: My point is, is that which face
12 veneer thickness you're going to go for oftentimes depends
13 on the production process. And I'm going to let these
14 gentlemen get into the details about that. But I wanted you
15 to do it at a very high level.

16 MR. THOMPSON: Brad Thompson, Columbia Forest
17 Products. We compete head-to-head against Chinese imports
18 for the same customers and for the same uses across all
19 grades, as you've already heard. Very few -- you know, I
20 can't think of any that ever ask me, "What's the veneer
21 thickness?" I mean we don't discuss that in the sales
22 process whatsoever.

23 And veneer thickness, as you've heard from Kip
24 Howlett has nothing to do with the HP-1 standard that we all
25 follow. Face veneer thickness, as you've heard from Phillip

1 Crabtree, does not affect appearance. I mean I'll just say
2 it just simply -- you don't walk up to that cabinet and look
3 at it and say "I wonder how thick that veneer is?" It's not
4 a part of the process, and it's not a part of the decision
5 or the judgment of whether those cabinets are good or bad.
6 It's inconsequential.

7 Importers -- they don't advertise their face
8 thickness. The point being is, is that it's irrelevant and
9 what's relevant is what you see behind me. And no one in
10 this room can tell me how thick those faces are, looking at
11 those cabinets. And we talked about processes. If you want
12 to -- why do people use a thinner veneer?

13 There may be some limited costs savings. We
14 know that process very well. But it's a fraction of the
15 differences in prices we're seeing in the market place. And
16 it has more to do with the processes being used and the way
17 in which the core is prepared, the inner plies, the core, to
18 prepare it to take the face veneer. So it's, again,
19 inconsequential to the sales process and to the appearance
20 of the product.

21 MR. GILLESPIE: Gary Gillespie with Columbia.
22 If I could add to that, to Brad's point about the costs
23 savings potential that might be there by going thinner
24 veneers, there are cost savings because materials are not free.

25 As Mr. Crabtree mentioned earlier, this price

1 differential from a light piece of plywood made in China
2 versus the United States is \$20 to \$25 a sheet. We could
3 put thinner veneer on it, maybe save \$3 or \$4 a sheet. But
4 I guarantee Mr. Crabtree's not going to pay \$22 more a sheet
5 for Columbia Plywood versus his Chinese supply now, which is
6 70%, 80% of the purchases.

7 MR. KAPLAN: I'm just going to go back to the
8 physical process again. And gentlemen, jump in -- but
9 remember I talked about the one- or two-step process? If
10 you do a two-step process and you get the platform done, and
11 then you sand it, you could put a thin veneer on.

12 If you're doing a one-step process and there's
13 any type of imperfection on the surface, then that might
14 show through with the thinner veneer, so you'd want to use a
15 thicker veneer to make sure that the quality on the surface
16 is correct.

17 So it is--not for purposes of the quality of the
18 product at the end of the day--it's just there's certain
19 characteristics with labor-intensity or capital-intensity
20 that'll have you use a one- or a two-step -- someone wants
21 to follow up on that?

22 MR. LYNCH: Pat Lynch, Roseburg. I don't want
23 to beat it to death, but it's basically -- it comes to the
24 same end. It's just two processes. The Chinese primarily
25 use a thinner face veneer, because they have a poplar

1 substrate that they sand, and then when they put their
2 thin-faced veneer on there, there's no telegraphing.

3 In the West where we make plywood, we use soft
4 woods and typically we run a thicker face veneer on there
5 simply because it won't telegraph that core through. And we
6 do a two-step process as well. It does add cost for us. We
7 can run it through our sanders and input a thinner faced
8 veneer down. But we add costs that way, so we don't do
9 that. But it's -- so it's two means to the same end. It's
10 just the end product. And the customer is unaware of any
11 thickness on that face veneer.

12 MR. DUSHKES: Thank you very much. Next I want
13 to ask, is there significant competition between grades,
14 different grade products -- and I'm not talking here about a
15 high C versus a low B -- more broader gap than that. Or is
16 the competition really limited within grades? So you're
17 just -- D grades can be in with D grades, A grades can be an
18 A Grade.

19 MR. LYNCH: Just to rephrase -- so you're asking
20 what defines an A grade, B grade -- Pat Lynch, by the way,
21 Roseburg.

22 MR. DUSHKES: No, I'm wondering if, in your
23 sales, you see any competition between different grade
24 products? Where you're trying to offer one grade, but the
25 customer may opt for a different grade because of price

1 differences or what have you?

2 MR. LYNCH: I would say there's some gray area,
3 if you will, in between the grades from a customer's
4 standpoint. At the end of the day, they're looking for a
5 panel, a face grade that is acceptable. And in the grade,
6 and what we call it under HP-1, may be a different grade
7 than somebody else uses, that doesn't follow HP-1. So HP-1
8 is a very defined specification for face grade, and we
9 follow it.

10 Now I think one of my team members up here
11 mentioned that there's some special grades. And we do that
12 as an industry, or different individuals, we might say we
13 have a C special white, for example. And we'll grade out
14 more of a custom grade for a specific customer.

15 MR. HOWLETT: I think what we're -- this is Kip
16 Howlett. What we're really selling here is fashion. We're
17 selling aesthetics. If you look at the furniture here in
18 front of you, the doors -- what you're acquiring is a look.

19 And so where's there high visual contact, you're
20 going to use what are defined as A and B grades, and where
21 it's going to be on the back or something that you don't
22 see, you can use a lower grade, because again, it comes back
23 to the fact that when you grow a tree, there is no such
24 thing as a AA tree.

25 When you harvest a tree, you get all the grades

1 out of it, so to optimize the value of that tree, you've got
2 to sell across all of the grades, and it just coincides with
3 the uses. What's on the inside of this desk could be a
4 lower grade, and yet you've maximized the use of the tree by
5 doing that, by providing value out of that -- maximized the
6 value out of the processing.

7 MR. BRIGHTBILL: Again, I'm going to bring it
8 back up to the 20,000-foot level. It's clearly not the case
9 that A's only compete against A's, or that they stay in each
10 other's category. So there's definitely some flexibility
11 and we can try and provide some more information on that in
12 the post-conference brief. I think you also saw the slide
13 indicating that the HPVA Standard is a voluntary one,
14 so the Chinese grading may slide a little bit, or may use a
15 proprietary grade, and we have the e-mail that showed that
16 the Chinese B2 grade is the equivalent of an A grade. So
17 you can see the categories are not inflexible.

18 MR. KAPLAN: On a higher level you can try to
19 put a ribbon on this. So I think your question is, do
20 grades that are far apart compete with each other? And I
21 think the answer is no. I think our grades that -- is there
22 a lot of within grade competition? Yes. Is there some
23 bleeding at the edges? Yes.

24 And finally, when you're comparing grades, be
25 aware that U.S. producers that follow the standard, what I

1 just talked about is correct, but you might see some more
2 slippage in the grade comparison between U.S. and China, not
3 because people are using different quality products, but
4 rather that how they categorize certain surface veneers
5 might differ significantly from what the U.S. industry does.
6 And it might appear that there's big differences.

7 But once again, it's for--as everyone's
8 testified--it's for end-use. So you're looking for a
9 particular quality for end-use, and it's a relatively narrow
10 band for that, and then people compete within it for their
11 -- and as you get distance, you don't want to pay more for
12 a, you know, a perfect looking product that's not going to
13 be seen. So was that responsive to your question?

14 MR. DUSHKES: Yes, thank you. So you all
15 mentioned in many of your testimonies that the market for
16 hardwood plywood is growing in the U.S. But I'm wondering
17 if there's specific segments for end uses that are either
18 growing faster than the overall market or perhaps shrinking
19 versus the overall market growing, if you could expand upon
20 that, please.

21 MR. THOMPSON: Brad Thompson, Columbia Forest
22 Products. All segments are growing. We have three segments
23 that we typically use -- a distribution, wholesale
24 distribution, OEMS, or the big boxes as they're referred to,
25 and big boxes, the Depots and the Lowe's, and then OEMs, as

1 we refer to the large kitchen cabinet manufacturers, all
2 segments growing.

3 MR. DUSHKES: Because demand is growing in the
4 U.S., and maybe we could comment about, is it leveling off a
5 little bit, or is it continuing at the same rate it's been
6 post-housing and then the impacts that China's had in terms
7 of taking that away?

8 MR. KAPLAN: I mean, you know, housing is
9 growing, so that helps kitchens -- retail and architectural
10 is my understanding is growing as well. That is just what
11 keeps these gentlemen nearly beside themselves is that they
12 missed out, as you could see from my chart, in the first
13 housing boom. That was all taken by China.

14 Then there was the crash, and you could see
15 Chinese imports falling during that period as less housing
16 was built. And now housing's starting to pick up again and
17 commercial construction's starting to pick up again, and
18 these guys are looking at each other, going "oh, no, not
19 again." There's a cycle to this industry. This is the
20 salad days. These are the days that these guys should be
21 making hay, to mix one Shakespearian and one U.S. metaphor
22 together.

23 But these are the good times. And if you look
24 at what's been happening to U.S. production relative now to
25 the increase in Chinese, that's the concern. These

1 gentlemen's mills can make all grades. They could make the
2 outside and the inside of the cabinets. They used to before
3 the Chinese entered the market altogether.

4 And because of pricing and dumping, they're
5 incapable of taking advantage of the growth in the market.
6 As I said, it's been a 40% increase in Chinese imports since
7 the last case. There is no reason why that shouldn't have
8 gone to the U.S. industry, given the increase in demand, but
9 for the dumping.

10 MR. DUSHKES: Thank you. And that was my last
11 question. I'll just conclude with a request on that
12 question to you, Mr. Brightbill. If you have any reports
13 regarding the U.S. demand trends you can make available to
14 staff in your post-hearing, we'd appreciate that.

15 MR. BRIGHTBILL: Tim Brightbill. We'll do that.

16 MR. ANDERSON: Thank you. Now, we'll turn the
17 microphone over to Mr. Allen.

18 MR. ALLEN: Ben Allen, Office of General
19 Counsel. I have no questions. Thanks.

20 MR. ANDERSON: Okay. Mr. Ahmad?

21 MR. AHMAD: Hi, I'm Saad Ahmad from the Office
22 of Economics. So I have some questions. First of all, in
23 terms of raw materials, if you look at the U.S. logging
24 prices, they have been more or less stagnant in this period.
25 Could this be a factor for the price decrease of hardwood

1 plywood in this period?

2 MR. BRIGHTBILL: So you're -- I'll rephrase it,
3 and then the industry can answer it. You're saying log
4 prices have been stable, so does that account for hardwood
5 plywood prices decreasing?

6 MR. AHMAD: Or being -- yeah.

7 MR. THOMPSON: Brad Thompson, Columbia Forest
8 Products. I think, without disclosing what Columbia's log
9 costs are, I think log costs for various members of this
10 organization vary in terms of where they are in the country.
11 And in some of our regions, our costs have gone up. And
12 we've been unable to pass those costs along due to the low
13 prices of hardwood plywood and their dumping from China. So
14 I'll stop there and maybe you'd want to follow up with a
15 different --

16 MR. LYNCH: Pat Lynch, Roseburg. In the West,
17 we put a softwood core, typically a white fir, Douglas fir,
18 in there. Those log prices are up. And we have a pretty
19 vibrant softwood market right now. And so those veneer
20 prices got very elevated these past few years, and so our
21 core costs have gone up. Veneer costs, on the other hand,
22 hardwoods that -- hardwood faces that go on -- are very
23 stable.

24 MR. AHMAD: To kind of follow up, so I've been
25 --

1 MR. HOWLETT: This is Kip Howlett, if I could
2 add one other comment on that. In the U.S. we do not
3 restrict log exports -- it's against the law. And so
4 there's -- according to the last statistics -- about \$323
5 million worth of hardwood logs that are exported to China,
6 it comes back as those face veneers in white and red oak and
7 walnut and those other species. It's sort of ironic that
8 they bid the price up. I have veneer members who compete
9 for that log resource, and ironically, I've heard from
10 almost all my members, their prices are up, in part because
11 the ability of the Chinese to come in and buy the log for
12 export to China.

13 MR. THOMPSON: Brad Thompson, Columbia Forest
14 Products. I think I just want to reiterate my testimony and
15 what I said. I indicated that all costs are up from labor
16 to healthcare to log costs, all of which -- and because of
17 dumping of Chinese hardwood plywood -- prevents us from
18 raising prices.

19 MR. KAPLAN: So I think the premise to your
20 question is sound and that material costs are going to have
21 an effect on price. But I encourage you, as well, to look
22 at the mark-up above those costs, which are often determined
23 by--and in this case determined by the imports so -- that's
24 my comments on that issue.

25 MR. AHMAD: Well, kind of to follow up, like

1 I've been using the BLS logging indexes as a proxy for unit
2 cost. If there are other indexes that are common in the
3 industry that you guys use to monitor raw material costs,
4 would you be able to provide that?

5 MR. BRIGHTBILL: Tim Brightbill, Wiley Rein.
6 We'll pull that together and put it in the post conference
7 brief. There are definitely industry newsletters and other
8 things. So we'll provide those.

9 MR. AHMAD: So kind of turning now to product
10 differences, one question that I have is if you look at the
11 quality differences between other significant differences in
12 terms of quality between U.S. and Chinese hardwood products.

13 MR. THOMPSON: Brad Thompson, Columbia Forest
14 Products. As you've seen by the samples, as you've seen by
15 the cabinets behind me, there is virtually no difference
16 between the quality of the products being sold by the
17 Chinese and the products sold in the United States and made
18 domestically.

19 MR. KAPLAN: I think there's also just looking
20 at the import data and domestic shipment data, that's not
21 the kind of trends you'd expect to see if there were, you
22 know, major quality concerns, other than the quality issues
23 that are defined by the grade of the product themselves that
24 people understand, and that goes back to the way we answered
25 the question earlier, is that the grades and the qualities,

1 we view those as kind of consistent as an issue, and the
2 fact that there's no other quality issues just shows up in
3 the volume of imports that this is an acceptable per quality
4 per grade both for domestic and the imported product.

5 MR. OVERGARD: Gail Overgard with Timber
6 Products. One thing was mentioned earlier, that the Chinese
7 manufacturers have moved up the value chain and when they
8 first started, they were primarily producing rotary birch plywood in
9 the lower grades, C, D and E. Now we see them producing
10 product that's not only in the rotary species and rotary
11 peeled woods but sliced woods such as walnut, oak, cherry
12 and that sort of thing, in the higher grades A, B, and some
13 C's for box. But we see them moving up quite a bit.

14 MR. AHMAD: In general like excluding like
15 Chinese products, but within your own products, have you
16 seen that the market, there's been a greater demand for
17 lower quality, a lower grade of hardwood plywood.

18 MR. GILLESPIE: Yeah. The majority of the
19 volume is in birch, and probably in C and lower grades
20 that's being imported by Chinese.

21 MR. KAPLAN: Any change in the composition of
22 the domestic industry moving toward the higher grades is
23 because they were pushed out. As I said before 2000, every
24 part of that cabinet was, you know, made by U.S. maybe
25 Canadian wood, and now the Chinese in a typical fashion in

1 many industries entered at the lower quality grades, and
2 have moved upward pushing the domestic industry upward.

3 But the problem is first, because of the long
4 runs that are necessary, it makes capacity utilization and
5 efficiency very difficult, and second because the trees
6 themselves contain all the different grades, it puts more
7 pressure on them to produce in the lower grades with the
8 long runs that they've been able to do.

9 So don't think about this as a car industry
10 and like well, maybe they're -- now they're forced to make
11 Ferraris. Isn't that a good business to be in. It's not
12 that case. If the factory is set up to produce, you know,
13 the whole line and then you're stuck at the top end because
14 of dumping coming in, or not stuck or pushed in that
15 direction, then it creates inefficiencies in high capital
16 intensive facilities, and it has detrimental effects on
17 capacity utilization and profits.

18 Note that while the end use demand has
19 increased, both domestic industry capacity over that long
20 period has fallen, and the capacity utilization of the
21 remaining capacity has fallen. It's some pretty rough stuff
22 when you're pushed out of the grades that they can produce
23 and have produced to make the backs and the insides by
24 dumped imports from China that have taken over that share.

25 MR. THOMPSON: Brad Thompson. Let me -- I

1 think I know what you're asking, so let me try and answer it
2 for you. First of all, as we've already testified, the
3 Chinese are dumping product across all grades, from high to
4 low. It makes no difference. I think what I heard you ask
5 has there been a switch or a change in what's being made in
6 terms of grade. I would say no, the answer to that is no.
7 I mean if you look at the box behind me, the same
8 characteristics that that box requires for lower grade
9 material, the stuff that might be in the back or the stuff
10 you don't see, stillware, and the stuff that you see that
11 appears at the face of the cabinet are still the same.

12 So the answer to your question is no. It's
13 roughly the same. But it's all dictated by fashion. I
14 think I mentioned to you that, you know, there's some
15 movement. It started in flooring but now moving to some
16 cabinets, where people want a rustic look. So in that case,
17 you know, there may be a trend, although not the majority,
18 where a face they might want to see has a bunch of knots in it,
19 just because they like that.

20 But that's on the fringe. So to answer your
21 question, no. The same characteristics of grade are the
22 same for the building of the cabinet and the products that
23 we make for end use. No change.

24 MR. BRIGHTBILL: Tim Brightbill, just one more
25 thing. We've talked a lot about cabinets. There are other

1 industry segments as well. To the best of our knowledge
2 we'll put this together for the post-conference brief, but
3 there hasn't been growth in, a change in demand as you're
4 asking about for lower grade versus higher grade. But we'll
5 get that together as an industry.

6 MR. GILLESPIE: Gary Gillespie with Columbia.
7 I think the most dramatic change if there's been something
8 different in the marketplace for the last five to eight
9 years has been alder panels have become more popular,
10 especially in the Rocky Mountain area. We didn't have that
11 business to ourselves. As soon as the Chinese manufacturers
12 figured out there was a demand for that product, the alders
13 started coming in from China as well. So even when a niche
14 or a new product develops, they're right on our tails.

15 MR. AHMAD: Thank you. That kind of clarified
16 my question. Turning a little bit towards prices, is there
17 any firm that you consider a price leader in this market?

18 MR. BRIGHTBILL: Just to repeat the question,
19 who is a price leader in the market? So I don't mind teeing
20 that up, you know. Maybe our industry witnesses can explain
21 how the Chinese imports are dictating price, and give some
22 examples of that.

23 MR. GILLESPIE: Gillespie with Columbia. The
24 big price point, I'm not sure I got your question but I'll
25 try here. Correct me if I'm on the wrong path. If you're

1 looking for like the price point product out there that is
2 really down and dirty that goes in our industry?

3 MR. BRIGHTBILL: No, not the product I don't
4 think.

5 MR. AHMAD: Are there companies.

6 MR. BRIGHTBILL: Companies.

7 MR. GILLESPIE: Well yes. It's the Chinese
8 companies, a quick answer.

9 MR. THOMPSON: Yeah. I think -- Bill
10 Thompson, Columbia Forest Products. Our problem is Chinese
11 hardwood dumping. We're unable to pass through price
12 increases because their prices are, as already given to you
13 by Phillip Crabtree and his prices, they are what's keeping
14 us from being a healthy and growing industry.

15 MR. KAPLAN: Okay. I think this is specific
16 to your question. I don't -- in a quick poll, I've asked is
17 there any particular Chinese company that's the price
18 leader, and the response I got back was there's many Chinese
19 producers and as a group the country's prices have driven
20 domestic prices down, or profits down by their pricing
21 behavior. So no individual Chinese company and the Chinese
22 as a group are the ones driving the prices, as demonstrated
23 by the share increase.

24 MR. AHMAD: Okay. Also panel going to the
25 pricing products that we looked at in our questionnaires,

1 how well do you think those products captured the market of
2 hardwood plywood?

3 MR. BRIGHTBILL: Tim Brightbill. I'm sorry,
4 could you repeat? How did the rising?

5 MR. AHMAD: No, no. I'm saying that we listed
6 six products in our questionnaire for the hardwood plywood,
7 right? So how well do they capture this market.

8 MR. BRIGHTBILL: Oh. The import statistics
9 for example?

10 MR. AHMAD: Yeah.

11 MR. BRIGHTBILL: Yes. So Tim Brightbill,
12 Wiley Rein. Again, we've tried to capture, use the same
13 data that the U.S. Department of Agriculture uses to track
14 hardwood plywood, which is the same data that Kip Howlett
15 and HPVA use. That's what we put in our petition as well.
16 So I think those are the accurate reflections that we know
17 of, of what is hardwood plywood and what is -- which sources
18 of imports are growing.

19 MR. BRIGHTBILL: I apologize. Tim Brightbill.
20 If you were asking about the pricing products.

21 MR. AHMAD: Yes.

22 MR. BRIGHTBILL: Okay, and whether those are
23 representative?

24 MR. AHMAD: Yes.

25 MR. BRIGHTBILL: All right, and again the

1 producers reported those pricing products. They are
2 unchanged from the prior investigation. We feel they are
3 representative of high volume products. If anyone wants to
4 add or we can explain it in our brief as well.

5 MR. AHMAD: And my last question is are there
6 any concerns of producers, that they will be unable to meet
7 supply for the U.S. consumers?

8 MR. THOMPSON: Brad Thompson, Columbia Forest
9 Products. As you've already heard from our testimony,
10 Columbia mills since June have taken 60, in combination 65
11 days of down time. You heard that the Timber Products mill
12 in Medford, 50 days of down time. You've heard Roseburg
13 talk about a reduction of ten percent in terms of their
14 planned output. So the answer to your question is there
15 could be an immediate response to any demand requirements
16 from the marketplace.

17 MR. LYNCH: Pat Lynch, Roseburg. We can fire
18 up, we can run, we can increase capacity within a few
19 months.

20 MR. OVERGARD: And Gail Overgard, Timber
21 Products. In addition to operating full time, we have
22 presses that are idled. So in the same plant that has a
23 press that is running, there's an idle press there too. So
24 increased production is very quickly achieved and raw
25 materials are readily available.

1 MR. GILLESPIE: To maybe top it off, it's
2 already been exhibited, we're at 50 percent capacity and
3 that's without significant capital. So it's not like we
4 have to go order lathes or dryers, you know, which could
5 take months if not years in some cases. This stuff is ready
6 to go.

7 MR. KAPLAN: Yeah. I just want to emphasize
8 across the board a statement by Gail that there's no
9 constraints for inputs to increase the capacity at each of
10 these facilities, I mean production at each of these
11 facilities and increase capacity utilization.

12 MR. AHMAD: I have no other questions.

13 MR. ANDERSON: Thank you, Mr. Ahmed. Mr.
14 Honnold.

15 MR. HONNOLD: Thank you. I have a few
16 questions. The first one -- can people hear me? The first
17 question is on Wiley Rein's presentation this morning on
18 page 11, you discuss demand for hardwood plywood has
19 declined thus far in 2016. Given the state of the housing
20 market and remodeling, which repair and remodeling is, you
21 know, going pretty well, do you have any reasons why demand
22 would be declining for hardwood plywood? It's on page ten
23 of your slide presentation, the first bullet, talking about
24 demand increasing 25 percent and before declining in 2016.

25 MR. BRIGHTBILL: Tim Brightbill Wiley Rein. I

1 think that's a reference to apparent domestic consumption as
2 we calculated it in the petition. But I think it would be
3 better to wait for the data from the investigation to show
4 that. I mean again, we think demand in the market is strong,
5 so it could be a matter of inventories playing in or other
6 factors that affect apparent domestic consumption as a
7 whole. So that was probably not, could have been more
8 clearly worded.

9 MR. HONNOLD: Okay. So in other words, you
10 think demand is still going pretty good this year?

11 MR. BRIGHTBILL: Yes, and I would turn to the
12 industry. But U.S. demand both for new housing, remodeling,
13 all of those, we think is continuing to increase, yes.

14 MR. THOMPSON: A simple answer. I would
15 concur with that, yes. Brad Thompson, Columbia Forest
16 Products.

17 MR. LYNCH: Yeah Roseburg. The market's
18 better. We're just not able to compete.

19 MR. OVERGARD: Timber Products. As an
20 example, our particle board plants are very busy now, and
21 supplying new construction and remodeling. So the slow part
22 is the hardwood plywood mills.

23 MR. KAPLAN: Yeah. I'd like to call attention
24 to Tim's statement earlier, and this is a pattern that's
25 sometimes seen at the ITC, especially in commodity-like

1 products, in that the outside demand factors like housing
2 and remodeling are going up and apparently domestic
3 consumption might be falling. Oftentimes, that's due to an
4 inventory buildup due to an increase in imports in the
5 previous period, and sometimes that creates a lag between
6 the -- a short lag between the import entry and the
7 financial condition of the domestic industry as the prices
8 of the overhang builds up and causes a profit decline, you
9 know, potentially six, nine months out.

10 In this case, you've seen the profit data and
11 it kind of speaks for itself. But sometimes that creates a
12 little bit of a timing issue. So demand is an outside
13 factor like housing, the Commission refers to apparent, you
14 know, is increasing. Apparent domestic consumption the
15 Commission sometimes refers to as demand, but it's really
16 not because it includes inventories as well.

17 So your point's very good. We're trying to
18 square the circle, and I think this same pattern having been
19 seen so many times in other industries might provide some
20 help in explaining that discrepancy that you've just pointed
21 out.

22 MR. HONNOLD: Okay, thank you. My next
23 question, non-subject imports have a sizeable presence in
24 the U.S. market. Can you discuss the role of non-subject
25 imports in the U.S. market for hardwood plywood?

1 MR. BRIGHTBILL: Tim Brightbill, I'll let the
2 industry talk about it, the impact you see from other
3 imports other than China and does that have the same effect
4 or not.

5 MR. THOMPSON: Brad Thompson, Columbia Forest
6 Products. Other subject imports aren't even a part of the
7 conversation in our business. It's all of our demise is
8 related to the dumping of Chinese hardwood plywood. So the
9 issue is China.

10 MR. LYNCH: Pat Lynch, Roseburg. Of course
11 there's some non-subject product coming into the U.S., but
12 it's not a major factor. It's the Chinese. It's the
13 Chinese board.

14 MR. KAPLAN: We had a discussion about
15 particular entrants with respect to the last order on the
16 non-subject side if you're looking at your data, and we will
17 answer that in the post-conference brief in more detail.
18 But in multiple and extensive discussions, the
19 representations just made here about the particular effect
20 of the Chinese imports seem to be consistent among all the
21 domestic producers.

22 MR. HONNOLD: Well, do you compete against
23 non-subjects at all? Are they present in all quality?

24 MR. THOMPSON: Brad Thompson, Columbia Forest
25 Products. I think that the best example I can give you is

1 the non-subject import from Spain. There's a company there
2 that makes hardwood plywood that we compete with across all
3 grade spectrums that we've discussed.

4 The difference is that we compete with
5 them, that they're not dumping this product and we go up
6 head to head with them every day and it's fairly priced, and
7 it's a matter of ability to sell. Completely different than
8 what we're dealing with with a dumped product from China. I
9 think that's the best example and probably the most clear
10 for our industry.

11 MR. HONNOLD: Can anybody else comment on
12 that? Do you have any particular countries that you're
13 competing against and how their price is compared to yours,
14 or how they compete against your product?

15 MR. LYNCH: Yeah. This is Pat Lynch,
16 Roseburg. I concur. I mean we, the largest entry we've
17 seen has been on the east coast and it is a Japanese, I'm
18 sorry, a Spanish board coming in with poplar core. We've
19 had to compete on that. But a much different playing field
20 there.

21 MR. KAPLAN: I'd like to add on the Canadian
22 imports, there has long been a North American market, and I
23 don't believe any of the gentlemen here believe imports from
24 Canada have raised any issues. But anybody want to comment
25 on that?

1 MR. OVERGARD: Gail Overgard. We're getting
2 more influx with Canadian product, but it's primarily due to
3 the exchange rate and they're competitive but like Brad
4 said, we can compete head to head with them.

5 MR. HOWLETT: This is Kip Howlett, Kip
6 Howlett. Two of the coalition members have hardwood plywood
7 production facilities in Canada as well. So there's a
8 vigorous cross-border related to free trade of logs, veneer,
9 hardwood plywood back and forth, and I would say currency
10 probably has a significant impact with regard to that.

11 MR. OVERGARD: Gail Overgard. We don't have a
12 Canadian operation.

13 MR. HONNOLD: Just one more follow-up on this
14 question. What about plywood from Indonesia? How do you
15 see that in the marketplace in the United States?

16 MR. LYNCH: This is Pat Lynch, Roseburg. I
17 think that's primarily on the thinner panels, and
18 underlaying thinner panels. We don't see a whole lot of it
19 frankly that we compete with.

20 MR. KAPLAN: We've had a discussion of this,
21 and I think that summarizes it, is that it's at levels, at
22 the very, very low levels. But it's something that of
23 course we're monitoring, to see if there will be any issues
24 and if there's any problems. But after very extensive
25 discussions, each of the industry members identified China

1 as the country causing the domestic industry issues in the
2 United States at this time.

3 MR. HONNOLD: Okay, thank you. Another
4 question. Do imports from China have to meet the HPVA
5 voluntary standards, or how does that work? I mean explain
6 to me how the Chinese product meets those standards.

7 MR. OVERGARD: Gail Overgard, Timber Products.
8 A lot of the product that comes in from China allegedly
9 meets the hardwood plywood standard, and as you said it's a
10 voluntary standard, so anyone can apply to it. There are
11 quite a few of the products that aren't necessarily stamped
12 HP-1, but those products still do come in, and in a specific
13 grade that the customer and the importer specifies.

14 MR. HOWLETT: Yeah, Kip Howlett. Yeah, I
15 would say that yeah, HP-1 is a voluntary standard. We do
16 observe that people will reference it with regard to trying
17 to describe their product. But it's certainly not
18 necessarily uniform compared to domestic producers who use
19 it.

20 MR. THOMPSON: Brad Thompson, Columbia Forest
21 Products. Yes, they designate it as such and all grades.
22 Generally, it's an agreement between buyer and seller and
23 they refer to the nomenclature of the HPVA grade, whether
24 it's stamped or not. So yes, the Chinese compete across all
25 grades and many times that discussion between buyer and

1 seller is in reference to HPVA grades, because it kind of
2 lays out the attributes of each veneer grade.

3 MR. HONNOLD: Thank you. Just a couple more.

4 For Mr. Brightbill, either here or in your
5 post-conference brief, can you provide any information on
6 antidumping or countervailing duties against Chinese
7 hardwood plywood in third-country markets?

8 MR. BRIGHTBILL: Tim Brightbill, Wiley Rein.
9 We'll do that. And I believe there are at least one or two
10 countries, and maybe more, where those exist. So we'll
11 provide that to the best that we can find it.

12 MR. HONNOLD: Okay. Thank you. Last question.

13 Federal regulations are governing formaldehyde
14 emissions. I know three years ago they were apparently
15 going to come into effect. Have they in fact come into
16 effect, those federal standards? And what year, if they
17 have?

18 MR. THOMPSON: Brad Thompson. The EPA, over the
19 last period of time you spoke of, has been writing those
20 regulations. And we understand that they're going to be
21 released on January 1st, or before the end of the year. So
22 it's still coming, if that's what you're referring to, the
23 EPA standard, yeah.

24 MR. HONNOLD: Yes, because in the report it said,
25 "expected within a year," and obviously it's been three

1 years.

2 MR. THOMPSON: Well, it didn't happen in a year,
3 but it's coming out shortly.

4 MR. HOWLETT: This is Kip Howlett. They have, EPA
5 has released to all of us affected parties what the final
6 regulation will be, but they have yet to send it to the
7 Federal Register for official publication, which then
8 triggers, obviously, the one-year compliance date, for
9 hardwood plywood composite panel producers in seven years
10 for fabricators.

11 MR. LYNCH: Pat Lynch, Roseburg. There is no
12 barrier to the market for the Chinese on that product.
13 They've effectively been in the marketplace with their own
14 products. They comply.

15 MR. HONNOLD: Okay, thank you. That concludes my
16 questions.

17 MR. ANDERSON: Thank you, Mr. Honnold. Ms.
18 Friedman, any questions?

19 (No response.)

20 MR. ANDERSON: Okay. Alright, we'll turn it over
21 to Mr. Corkran, then. Thank you.

22 MR. CORKRAN: Thank you very much. Doug Corkran,
23 Office of Investigations. And thank you very much to the
24 panel for your appearance here today. It's been very
25 helpful.

1 I do have a few clean-up questions. One is,
2 given the different grades that are in effect for this
3 product, is there a linkage in price between the different
4 grades? Or put another way, do you try to maintain, or does
5 the market generally maintain a standard spread between
6 grades of product?

7 MR. LYNCH: This is Pat Lynch, Roseburg. I think
8 the answer to that is, yes, there's a cost difference. And
9 so typically we base it off of cost. Obviously market plays
10 into it. You know, at some point in time you've got to make
11 money. And if it goes below a certain cost, we just opt
12 out.

13 But typically, you know, the higher grade panel,
14 the higher grade core, the higher price of the panel. And
15 at times you can enjoy a better price at the high end, but
16 it's getting much more difficult to keep that for reasons we
17 mentioned before.

18 MR. THOMPSON: Brad Thompson, Columbia Forest
19 Products. You can imagine, bring a log from the forest and
20 you peel it, you're going to get multiple grades off that
21 log. Now there are additional costs that may--and we're
22 talking about face grade here--there may be some additional
23 cost to process some of the grades. But the mere fact
24 remains, you know, value for a veneer may not necessarily be
25 cost-based. It may be value-based.

1 The problem for us is, we're getting killed
2 across all grade spectrums from the Chinese. Every single
3 grade. So hopefully that adds a little more color.

4 MR. CORKRAN: It does, although I may put it a
5 little differently. If prices today for a particular
6 product in Grade A are 10 percent higher than they were a
7 year ago, for instance, if I were looking down at a product
8 with similar characteristics but with what was Grade B or
9 Grade C or Grade D, would I also expect to see them
10 approximately 10 percent higher than they were a year ago?

11 MR. THOMPSON: Brad Thompson, Columbia Forest
12 Products. Generally, yes. There may be some subtle things
13 based on some demand on a given grade, but in general that
14 spread is I think consistent.

15 MR. CORKRAN: And is this the type of industry
16 where that might be part of a standard contract? That your
17 Grade A products are X, and your Grade B products are
18 X-minus-5, Grade C X-minus-10, something like that?

19 MR. THOMPSON: Brad Thompson, Columbia Forest
20 Products. I think the simple answer is, no. I don't--
21 there's no contract that if one is 5 percent lower than
22 another, that kind of thing.

23 MR. LYNCH: Pat Lynch, Roseburg. I agree. It's
24 not very structured. It really comes down to a cost basis,
25 as I mentioned. And then, the market. And at times you're

1 able to get a little bit more, and at other times not. But
2 there is no really established adder, or set price.

3 MR. CORKRAN: How would you characterize your
4 competition with ready-to-assemble cabinets over the past
5 three to four years?

6 MR. BRIGHTBILL: Tim Brightbill. I'll throw it to
7 the industry witnesses, but I mean obviously we're not--this
8 is not a case about ready-to-assemble cabinets, but the
9 growth of that channel demonstrates a couple of things.

10 It demonstrates that China can do the faces of
11 cabinets on the high-quality products, and it also takes
12 away some demand for hardwood plywood here in the United
13 States, given the imports. But maybe you can comment on
14 that further.

15 MR. THOMPSON: Brad Thompson, Columbia Forest
16 Products. I would concur. I think, you know, Chinese
17 cabinets coming into the United States does supplant
18 somewhat the hardwood plywood use if that cabinet was made
19 in the United States.

20 However, that hardwood plywood, as Mr. Crabtree
21 already mentioned, might typically be Chinese because we
22 can't compete with a dumped Chinese hardwood piece of
23 plywood.

24 I think that the main--the real fact is just to
25 show that they have moved up. They are able to produce

1 every piece of plywood at the quality spectrum that we sell.
2 And, you know, we're concerned obviously about their 40
3 percent market share growth and our loss of share. And
4 that's hardwood plywood.

5 MR. LYNCH: Pat Lynch, Roseburg. I agree. I mean
6 there's no doubt the numbers are higher. And it goes into
7 the U.S. market for a specific use in cabinets. And I don't
8 think there's any doubt that it's damaged the industry in
9 the U.S.

10 MR. CORKRAN: Do you track? Do you track
11 shipments of RTAs? And do you have published data that
12 juxtaposes plywood, hardwood plywood and RTAs?

13 MR. HOWLETT: Kip Howlett, HPVA. Yes, we do.

14 MR. BRIGHTBILL: Tim Brightbill. We'll provide
15 what HPVA has in our post-conference brief.

16 MR. HOWLETT: And one of the reasons that we
17 track it is because the cabinet industry is an important
18 market segment for us, and what we're observing is that that
19 market is shrinking because of the explosive growth of the
20 ready-to-assemble cabinets coming into the U.S. from China.

21 DR. KAPLAN: It's growing at hundreds of millions
22 of dollars. When I was--I believe when I was on the staff
23 here, or another economist named Robert Feinberg, who still I
24 believe does consulting, is the Chairman of the Department
25 of Economics at American University and we co-authored a

1 paper called "Fishing Down The Stream: The Political Economy
2 of Effective Protection." That's what economists think is
3 clever. Everyone else goes to sleep.

4 But the point of it, and there's been
5 considerable more research in the profession since then, is
6 that the type of pattern you're seeing here is not unusual.
7 So the Chinese would enter the market at lower quality
8 grades of plywood, and then move up the stream, putting
9 pressure on domestic producers, forcing them to go from long
10 runs of single products at highly automated facilities that
11 need high levels of capacity utilization, and pushing them
12 more to kind of a job shop approach which makes it
13 impossible for them to cover the cost of capital as they
14 move up the quality chain.

15 But the next thing you see is the leap to the
16 product that is made from the input. And that's exactly
17 what you're seeing here, is you're seeing first comes the
18 plywood, and that doesn't stop. And next the cabinets
19 start, and that's going at high rates. And I'm sure the
20 quality of the cabinet is not a problem for high-end
21 domestic custom cabinet makers, but there's pressure at the
22 bottom.

23 And then the next thing you see is U.S. cabinet
24 makers move to China to take advantage and bring in lower
25 quality, or lower price point products. You saw that in the

1 Wooden Bedroom Furniture, and it's my understanding that there
2 are certain domestic kitchen cabinet makers that are either
3 locating or considering locating in China to make flat
4 backs.

5 And so this is--you're not seeing something new.
6 If you go back and look at that last chart I had, that
7 started in 2000, it's industry after industry after the
8 ascension to the WTO that increased imports to the United
9 States.

10 There was capital from the United States that
11 went to China either for that product or for the downstream
12 product, as their share increased and they moved into the
13 higher quality, and then more sophisticated products over
14 time.

15 And should there be any final investigation, I
16 will go into that in great detail.

17 MR. CORKRAN: Okay, thank you. I appreciate it.
18 Mainly I wanted to get a sense of how closely we should be
19 just directly comparing general demand factors like new home
20 starts, or remodeling, directly with hardwood plywood when
21 it seems like there's a direct substitute that could be
22 used. You could go directly to the RTA and cut that out
23 altogether.

24 MR. GILLESPIE: Gary Gillespie from Columbia
25 Forest Products. If we had 90 percent of the 4x8 stock

1 panel hardwood plywood share in the United States, that
2 certainly would be a direct threat to us because we know
3 it's coming out of our production.

4 But we don't have that share. The Chinese have
5 more of that 4x8 share than we do today. So if anybody is
6 going to lose that battle, I suggest it's probably the
7 Chinese. At least we have an equal chance of losing that
8 share to the flat backs coming in. We don't own the market
9 by ourselves, is my point.

10 MR. CRABTREE: I'm Phillip Crabtree, Phill's Custom
11 Cabinets. As the opposing counsel had mentioned in his
12 opening statement, the U.S. cabinet industry of over 100,000
13 employees want to be able to select the products that they
14 want to use. If I recall correctly, he said "so that we can
15 compete with the RTA cabinets that are coming in."

16 So obviously everyone in the room agrees that
17 there's an issue with RTA cabinets coming into the market at
18 a low price.

19 So I said in my testimony that I am forced to
20 purchase the Chinese import product, and attempt to compete,
21 as well, with the Chinese ready-to-assemble cabinets that
22 are taking market share from our U.S. cabinet companies.

23 MR. CORKRAN: Okay. Thank you. I appreciate all
24 of those perspectives. I found them very helpful. I
25 appreciated the comments on nonsubject imports. I had very

1 similar questions about that, looking at the data from the
2 original, or, sorry, the prior investigation and import data
3 to begin with.

4 Arguably, nonsubject imports do make up a
5 noticeable share of the market. What would we make of the
6 situation where the average unit value of those imports is
7 lower than those of the Chinese product? Or is that
8 something that we can actually gauge given the way that
9 quantity is measured in this case?

10 MR. BRIGHTBILL: Tim Brightbill, Wiley Rein. I
11 think we'll talk some more in the post-conference brief
12 about this. I think there has to be some caution there.
13 But one thing you could make of it is the point we've been
14 making, that China is taking the low end, the
15 bread-and-butter, but also taking the high end. And so
16 they're going to have average-unit-values that may reflect
17 that, whereas certain nonsubject suppliers may only do a
18 very discrete product and wouldn't be using dumping across
19 the product spectrum like we've talked about.

20 But we'll elaborate some more.

21 MR. CORKRAN: One of the parts of the testimony
22 that I found particularly interesting was the discussion of
23 the multiple grades of product that is available from the
24 raw material.

25 What do you do--if you are able to sell larger

1 volumes of the higher grade product and lesser volumes of
2 the lower grade product, what other applications can that go
3 into? I mean, surely you don't just simply dispose of the
4 lower grade material. What can you do with it?

5 MR. LYNCH: Well typically, you know, A Grade
6 products--the segments that we serve, I mean we've talked a
7 lot about cabinets, but there's furniture and fixtures. You
8 know, fixtures you might see in a Macy's or a Nordstrom's,
9 or something like that, require--it depends. I mean they
10 use some rustic grades as well, but value is a very high end
11 product typically in there. Many times you'll have a
12 Marriott, or a chain manufacturer, or a chain restaurant go
13 in and specify what type of trim work they want in every
14 restaurant. And they're all the same.

15 And so many times they'll ask for a high end
16 product that, you know, if it's a Starbucks or something
17 like that that is very visible and is the look they want.
18 And so we try to push that, and try to find those markets,
19 those end uses that are unique that offer more value.

20 MR. THOMPSON: Brad Thompson, Columbia Forest
21 Products. You know, as we've spoken, and we could show you
22 a--if you saw a log on a lathe you could see the high grade
23 come off, and then it moves to middle grade, and then it
24 moves to lower grade. So the log makes what it's going to
25 make.

1 I think your question was, what do you do with
2 the stuff? We find ourselves having to lower our price to
3 get the material moved, rather than burn it. So we have to
4 sell the whole mix of that log.

5 And, you know, we're finding that now, with
6 Chinese dumped hardwood plywood, we're having to lower our
7 price on everything, all grades. So it's a--well, I think
8 we've described what the issue is.

9 MR. OVERGARD: This is Gail Overgard, Timber
10 Products. We have a mill that peels Maple veneer. And when
11 the low-grade is not consumer because it's easily
12 substituted by Birch from China, we either have, the very
13 low grade, we have to clip up and splice back together, clip
14 out the defect, and utilize that and/or, if we can't clip
15 it, we end up selling some of it at a very deep discount to
16 Mexico.

17 MR. CORKRAN: Thank you. That was very helpful.

18 That's the end of my questions, but our auditor
19 could not be with us today. So I would like to convey a few
20 of her questions, as well.

21 When you're looking at raw material costs, what
22 is the general percentage of breakdown of the key components
23 of raw material? And has that changed since 2013?

24 MR. THOMPSON: No, the numbers would be very
25 similar. The composition of the cost of a piece of hardwood

1 plywood ? Is that what you're asking? Yes, it would be I
2 think relatively the same.

3 MR. LYNCH: I think I mentioned--this is Pat
4 Lynch, Roseburg--I think I mentioned in one of my prior
5 statements that the core costs had come up some in the West.
6 So other than that, face veneers have been about the same.
7 Labor has gone up some. Glue and resin, slight change. Oh,
8 health care, yeah. Thank you.

9 MR. CORKRAN: Thank you very much. That was very
10 helpful.

11 And to the extent that it can be discussed in a
12 public forum, how do you generally purchase your raw
13 materials? Do you purchase on a spot basis, a short-term
14 basis, a long-term contract basis?

15 MR. THOMPSON: Brad Thompson, Columbia Forest
16 Products. Yes, yes, and yes. Yeah.

17 MR. OVERGARD: Gail Overgard, Timber Products.
18 Yes, we basically purchase everything on a spot basis.

19 MR. LYNCH: Roseburg is very similar--Pat Lynch.
20 We do have--we're integrated with our own Timberlands, so we
21 do I guess "contract," if you will with ourselves on the
22 timber base. And that's been going up.

23 MR. CORKRAN: Thank you. And the last question on
24 the financial performance is: What do you consider, and to
25 the extent you can say this in a public forum, what do you

1 consider to be a reasonable or normal operating profit
2 margin in the absence of alleged unfair competition? And if
3 you can't address it here, if you can provide that in a
4 post-conference brief.

5 MR. BRIGHTBILL: Tim Brightbill, Wiley Rein. I
6 think it's probably better if we do that post-conference.
7 So we'll take that on. Thank you.

8 MR. CORKRAN: Thank you very much. Thank you to
9 all the panel, and that concludes my questions.

10 MR. ANDERSON: Thank you, Mr. Corkran. And I
11 believe Ms. Messer has a follow-up question.

12 MS. MESSER: Thank you. Mary Messer.

13 Mr. Thompson, I believe you had mentioned in a
14 response to a previous question that we had that there had
15 been some down time at your company. I'm not sure if Mr.
16 Lynch and Mr. Overgard, if your companies also had down
17 time. I missed that part.

18 Have your companies had some down time?

19 MR. LYNCH: Pat Lunch, Roseburg. We did not take
20 any unplanned down time. What we did do is scale back on a
21 sales and operating plan. So what I did was throttle back
22 the plant by 10 percent, rather than take specific down
23 time.

24 MS. MESSER: Okay. Mr. Overgard, has your firm
25 also had down time?

1 MR. OVERGARD: Yes, we've, at our Medford Mill,
2 have lost 50 days in this last year. Our Corinth hardwood
3 plywood plant has reduced its shifts, and we're working four
4 days a week at that plant.

5 MS. MESSER: I'm interested in finding out whether
6 or not this down time has resulted in any changes in
7 employment indicators that your companies have reported.

8 I don't know if this is something you want to
9 address in a post-conference submission or not. In
10 particular, if you could also look at the opening statement
11 on employment and respond to that, I'd appreciate that.

12 MR. BRIGHTBILL: Tim Brightbill, Wiley Rein. We
13 will do that. There were definitely effects. Just
14 generally speaking, some of the recent effects are in some
15 of the questionnaire responses, but we should probably do it
16 post-conference.

17 I would also mentioned, I had the chance to tour
18 four of the six petitioning companies. Everyone I went to
19 told me how much they could make if market conditions were
20 good, if they were running seven days a week, three shifts a
21 day, and how much less they were. So the capacity
22 utilization numbers you see of less than 50 percent are
23 real, and we would invite you to come and see those
24 facilities, as well, and see how much they could ramp up if
25 market conditions were better with the removal of unfairly

1 traded imports.

2 MS. MESSER: Thank you. That's all I have.

3 MR. ANDERSON: Alright, thank you. I just had a
4 couple of follow-up questions, real quickly. I think the
5 team has done a very good job and their questions have
6 uncovered a couple of things I had.

7 Mr. Kaplan, on your slide presentation, I think
8 it's on page 13, you mentioned this particular email. Given
9 your reference to it, it would be helpful, either now or in
10 the post-conference brief if you could make sure this is the
11 full context of the email, and then just supporting
12 documentation.

13 DR. KAPLAN: Yeah, we thought it was best to hide
14 the names, but we'll send the full email thread with the
15 names of the individuals and the companies and the
16 correspondence regarding this in the post-hearing.

17 MR. ANDERSON: That would be very helpful. Thank
18 you.

19 I also had a question, I think it was the slide
20 pack that Mr. Brightbill introduced to us, and you had two
21 particular pictures here. I believe this is on slide number
22 9, or page number 9, comparing the two products here.

23 Just looking at it visually here, we have two
24 different wood types. We have the Maple and the Birch. Is
25 that a factor for the purchaser here, standing in front of

1 this? Are these like literally side by side in the store,
2 or one above the other in the marketplace? And is the wood
3 type, even though you've got so many similarities in size
4 and so forth, but is the wood type important here? And can
5 you speak to that a little bit?

6 MR. BRIGHTBILL: Sure. Tim Brightbill, Wiley
7 Rein. We will do a little bit now, and we can talk some
8 more in the post-conference, but my understanding from
9 talking to the industry is that on this situation these two
10 Maple from the U.S. and Birch from China are very
11 interchangeable and compete with each other based on the
12 fact that they're used for applications where you have a
13 lighter wood that could be cabinets. So it's not surprising
14 that these two would be sitting very near each other and
15 used for the same applications and competing on the basis of
16 price.

17 But I'd like the industry to confirm that, or
18 explain it.

19 MR. GILLESPIE: Gary Gillespie with Columbia
20 Forest Products. We have a very strong relationship with
21 one of the major retailers, mass merchandisers here in the
22 United States. And they share a lot of data with us in
23 terms of their products that they sell that are imports
24 versus domestic.

25 And they've also shared with us the sensitivity

1 in terms of if you've got one panel that's located close
2 together, whether it be Birch or Maple or an import of
3 another type, if the price goes down--if the spread goes
4 from \$3 to \$4, the volume that grows in that cheaper product
5 goes up substantially.

6 It's not linear in any shape or form. It's just
7 exponentially. Because the average consumer at the retail
8 trade, some of these folks know the difference between Birch
9 and Maple, but most of them are looking for something they
10 can just make a project out of, do-it-yourselfers. So
11 price, my point is, \$2 or \$3 a sheet I can guarantee you
12 they're selling a lot more Birch in this example here than
13 they are Maple. That's our experience with, again, a large
14 mass merchandiser.

15 MR. ANDERSON: Okay, that's very helpful. And
16 would your statement, or what you've just explained to me,
17 differ if it was somebody who was highly knowledgeable about
18 plywood types, say the cabinet maker industry? Would that
19 be a big distinction, the wood type, for them?

20 MR. CRABTREE: Phillip Crabtree, Phill's Cabinets.
21 I said in my testimony that my father, with 50 years, had
22 looked at the two panels once they were finished and could
23 not see any difference. I will be more than happy to show
24 you all the cabinets that have--the ones in the center do
25 have a Maple interior, and the ones in the middle of both

1 tables have the Birch interior, or the blond wood interior.
2 So virtually, I mean it's inconsequential. It does not
3 matter. It's just a light wood to put on the inside of the
4 cabinet.

5 MR. OVERGARD: Mr. Anderson--Gail Overgard--to
6 exemplify the interchangeability of the two species, I've
7 seen it in mass merchandisers, and we've provided some to
8 customers, where you put Maple on one side of the panel and
9 Birch on the other side of the panel. So the ultimate
10 consumer has a choice and probably doesn't know the
11 difference.

12 MR. LYNCH: Pat Lynch, Roseburg. You can see
13 that there is no difference. And when you move up the chain
14 to a more higher end customer, it's price. That's what
15 drives decisions.

16 MR. ANDERSON: Okay. Thank you for that
17 clarification.

18 And this is a nice segue into one of my
19 questions.

20 Mr. Crabtree, I appreciate the presentation and
21 look forward to walking over there and looking at those. I
22 was wondering if your discussion and explanation about the
23 substitutability for these particular products, would it
24 differ if it was a different part of the cabinetry? These
25 are the, I guess the ends, as you call them? But would it

1 differ if it was a different part of the cabinetry, a larger
2 cabinet, a center cabinet, double door, et cetera?

3 And then also would it differ if it was
4 unpainted? These look to be painted, visually from here.
5 So if you wanted, you know, the visual appeal of the wood,
6 would your description of the substitutability between the
7 Chinese and the U.S. product be different in those
8 situations?

9 MR. CRABTREE: Phillip Crabtree of Phill's
10 Cabinets. From the display, the exhibits that you're going
11 to see, every piece of plywood in the cabinets that you're
12 going to see individually, the center cabinet is 100 percent
13 Chinese import plywood.

14 The ones in the middle are 100 percent
15 domestically made plywood. From the top, bottom, left,
16 right, back, and the shelves, all the plywood parts in it,
17 including the door panel that's between the hardwood frame,
18 we utilize that same type of cabinet--same plywood all the
19 way through the cabinet.

20 So your next question was, would it differ on any
21 different parts of the cabinets?

22 MR. ANDERSON: Yes, let me just clarify. Maybe
23 I'm not getting the question across. But these are upper
24 cabinets and they're on the ends, right? So for example
25 let's say you had a cabinet that was a floor cabinet, and it

1 had to withstand, you know, a heavy counter top, whether it
2 was granite or something like that. Would your description
3 of the substitutability differ because that's a different
4 cabinet application?

5 MR. CRABTREE: No, sir. It's a plywood that would
6 withstand--they're both going to have the same physical
7 characteristics. As for weight, and as you can tell from
8 the inside of the cabinets, for look, completely
9 interchangeable.

10 MR. ANDERSON: Okay, and the second part of the
11 question was, if it was not painted or had a different, you
12 know, color on it, if you were looking for the visual appeal
13 of the raw wood, or the grain of the wood, would the Chinese
14 and the U.S. still be as substitutable as you were trying to
15 comment earlier?

16 MR. CRABTREE: Yes, sir. The items that we
17 selected to bring to you all to present happened to be the
18 most popular colors that are out in the marketplace today,
19 the dark wood and then the painted shaker. They also happen
20 to be the ones that show the most inconsistencies, I guess,
21 you would see in a plywood panel.

22 So when you look at a painted surface, it's
23 completely flat. And you can look at all the units here,
24 there's no difference between the import or the domestic.
25 Same thing on this stained. You still see a little bit of

1 grain below it because it's a darker stain, but there's no
2 difference in the two.

3 MR. THOMPSON: Brad Thompson, Columbia Forest
4 Products. I think the other thing you heard from some of
5 the examples, nonpainted Chinese are dumping prefinished
6 material every day into the United States, stuff that's
7 already finished that doesn't have a paint. It's clear
8 finished, and it competes directly with what we do. And our
9 experience is that, as they have dumped across the grade
10 segment, that also means that grade segment is being used
11 across the application of the cabinet. There is nothing
12 that they can't use the material for.

13 MR. GILLESPIE: Mr. Anderson, another way to
14 answer your--Gary Gillespie, Columbia--another way to answer
15 your first question, and I think Phillip may have alluded to
16 this earlier, 85 percent of the hardwood plywood he uses for
17 the entire kitchen is Chinese. It's not just for one
18 component, a top, exposed end, or a bottom or blind cabinet.
19 It's for the whole--I've got that right, correct?

20 MR. CRABTREE: Yes.

21 MR. ANDERSON: Okay, that's been very helpful.
22 Thank you for the clarifications. And then my last question
23 is, and perhaps this is for Mr. Kaplan, but given the prices
24 of the Chinese product as you presented them in your
25 presentation today, is it possible that in this marketplace

1 the lower prices are creating new demand, or shifting the
2 demand curve? Or has there been any change in the
3 application of the products that would account for that
4 change?

5 DR. KAPLAN: I'll be happy to address this in
6 greater detail in the post-conference brief. Certainly,
7 depending on the application, it's usually for a building, a
8 residential construction, or, you know, an entryway to an
9 office building, you know, certainly in the office building
10 it's a tiny cost share. So you would expect demand for the
11 product as a whole to be relatively inelastic, since there's
12 no good substitutes. But I'll look into this in greater
13 detail to see if there's any outside studies, and see what
14 the data shows.

15 MR. ANDERSON: Okay. Look forward to seeing that.
16 Thank you.

17 With that, I believe that's all the questions
18 from the staff. I wanted to, on behalf of the staff, thank
19 you very much for your presentation and for being here.
20 It's been very helpful.

21 And I think at this point we'll take a 30-minute
22 lunch break and we will reconvene at about 10 minutes before
23 the hour, at 12:50 or so. Just a reminder that if you do
24 leave the room, if you have any business proprietary
25 information, please don't leave it in here unprotected.

1 Thank you.

2 (Whereupon, at 12:21 p.m., the conference was
3 recessed for lunch, to reconvene at 12:50 p.m., this same
4 day.)

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AFTERNOON SESSION

(12:59 p.m.)

MS. BELLAMY: Would the room please come to order.

MR. ANDERSON: Welcome, Mr. Grimson, and to the panel. Thank you for your patience, and thank you for being here today. Please proceed.

MR. GRIMSON: Thank you very much, Commission Staff.

Our story of why you should throw this case out now starts with the story of the tree. And that's where we're going to start with our first witness. We have kind of an action-packed round-robin here. So you're going to hear from them, and not from me. Sorry. I know you'll be very sad about that.

Our first witness is Shawn Dougherty from Northwest Hardwoods.

STATEMENT OF SHAWN DOUGHERTY

MR. DOUGHERTY: My name is Shawn Dougherty. Thank you for the opportunity to speak here again at the Commission. My name is Shawn Dougherty. I'm a board member of the Alliance, IWPA, and American Hardwood Export Council. I am the Director of Asia for Northwest Hardwoods.

Northwest Hardwoods is one of the largest producers of hardwood lumber in the United States, with 31 manufacturing facilities and annual production of

1 approximately 525 million board feet. We employ 1,743
2 Americans in our sawmills, remanufacturing, related sales,
3 and support facilities.

4 Our industry produces about 7 billion board feet
5 annually. We are one of the largest hardwood lumber
6 exporters in the U.S., and China is our largest of nearly 40
7 overseas markets.

8 We also import hardwood plywood from China and
9 other countries to provide a diverse product offering of
10 panels to meet our customers' changing needs in the U.S.
11 Just like the Petitioners, our customers include
12 manufacturers of cabinetry, furniture, flooring, RV and
13 millwork, which often we refer to as the industrial segment.

14 With the perspective of a lumber producer selling
15 to both U.S. and Chinese customers, I want to focus this
16 morning on the raw materials and products that are available
17 in both markets.

18 In our business we call this "the wood basket."
19 The species of trees selected, grade of logs utilized,
20 manufacturing capabilities, and the mill's proximity to the
21 resource all have significant impact on both the products
22 that can be manufactured and the mill's capacity to produce.

23 The primary species used in China for plywood
24 cores are a unique species of fast-growth Poplar and
25 Eucalyptus. Both are harvested from plantations and farms.

1 In the case of Poplar, from seedling to harvest the cycle is
2 only 7 to 10 years, and as short as 5 years for Eucalyptus.

3 The logs are relatively small. For example,
4 Chinese Poplar is typically 20 to 25 centimeters in
5 diameter, and Eucalyptus is around 15 centimeters.

6 By contrast, in the Western U.S. the predominant
7 specie used by the domestic hardwood plywood producers for
8 their core stocks are soft woods such as Douglas Fir, which
9 has a 40 to 60-year growth cycle, and the average diameter
10 is much larger, around 50 centimeters.

11 Turning from the core to the face veneer, we
12 again see that the wood basket plays a crucial role. It is
13 the quality of the face veneer that determines what grade
14 the panel will receive, with the highest grading A, and so
15 on down to E, with proprietary grades developed as needed.

16 You see in front of you samples of typical
17 Chinese Birch and Poplar logs and U.S. domestic Red Oak log
18 that was cut at one of our mills here on the East Coast.
19 The diameter of the Chinese Birch is 25 centimeters on
20 average. The diameter of the Red Oak can be 90 centimeters
21 and above. This one here is only 53 centimeters. So even
22 the dramatic difference you see here is under-stated.

23 The Petitioners are in a unique position as they
24 start with a beautiful and carefully selected hardwood log
25 that has taken a half century to grow and is large in

1 diameter. They want to maximize the output of the higher
2 grade veneer that shows off the natural beauty of the
3 resource which adds value to their decorative panels.

4 Before they even see the log, the logs are sorted
5 and only the best designated as veneer logs. So right from
6 the beginning, a selection process occurs that increases the
7 chances of higher grade recovery when the logs are peeled or
8 sliced.

9 For their face veneers, the domestic
10 manufacturers slice or peel Red Oak, White Oak, Cherry,
11 Poplar, Walnut, and Hard Maple. These are very large
12 diameter logs that are ideally suited to serve architectural
13 and decorative applications.

14 What's unfortunate is that one percent of the
15 U.S. tempered hardwood species is Birch, which is a unique
16 closed grain specie. In China, by contrast, the log
17 predominantly used by the Chinese plywood producers for face
18 veneer is Chinese Birch, which is a much smaller diameter
19 log that naturally generates much lower grades. Because the
20 logs themselves are small, it's only logical for the Chinese
21 to peel very thin veneers. Otherwise, if logs were peeled
22 to peel as thickly as the U.S. industry which peels down to
23 only about 0.6 millimeters, the Chinese would get only a few
24 rotations before the log would be gone.

25 In China, the average veneer face for Birch, for

1 example, is 0.22 millimeters and 0.28 millimeters. This
2 means that the Chinese get about 2 to 3 times the square
3 footage of veneer out of the same log as the U.S. producers
4 can, which are significantly higher yields.

5 Put another way, it means that American buyers of
6 domestic plywood are getting almost three times more face
7 veneer than if they buy a Chinese faced product.

8 I have here some samples of domestic and Chinese
9 face veneers (indicating). There are two sets, Red Oak and
10 Birch, and you can clearly see for yourself the difference
11 in thickness. It's tangible and transparent.

12 If you lay the thin peeled Birch over the card
13 attached to it you will see that you can read right through
14 it. Not so with the thick-face veneer. The difference is
15 real, and it has an impact on how the panel is produced and
16 the ultimate end use of this product.

17 Because they are peeling so thin from
18 small-diameter logs, the Chinese do not produce very much
19 high-grade product. The resource does not lend itself to
20 this. Their output of face-grade veneer is much more
21 concentrated on a D, E, and below grade.

22 Domestic producers maximize their yield of higher
23 grade face veneer by clipping and splicing veneers to remove
24 imperfections using a Cooper slicer which is like a sewing
25 machine, a large sewing machine. It would be rare in China,

1 on the other hand, to get relevant volumes of A grade
2 veneer, given the local resources like Birch.

3 Why don't the Petitioners just peel their
4 large-diameter logs very thin? They peel thicker to
5 emphasize the beauty of the wood, which is their natural
6 niche. This means a thick-face veneer can be sanded and
7 finished to show off the wood's natural characteristics.

8 I have spoken a lot about the beauty of the wood
9 and how that favors domestic thick-faced veneer, but that
10 assumes that the consumer wants to see the beauty of the
11 wood. A recent trend in the cabinet industry is that buyers
12 are increasingly interested in the painted cabinet look.

13 My fellow panelists from the cabinet industry can
14 speak more about this trend later in our presentation. I
15 hope you see that there are fundamental differences between
16 the starting raw materials in China versus the U.S.

17 These differences flow through a production
18 process that are tailed to maximize the value in the
19 finished products. The product differences dictate how the
20 Chinese and domestic products are sold to different end
21 uses, as we will discuss today.

22 Thank you.

23 MR. GRIMSON: Thank you, Shawn. Greg Simon?

24 STATEMENT OF GREG SIMON

25 MR. SIMON: My name is Greg Simon. I am the

1 Chairman of the American Alliance for Hardwood Plywood and
2 Executive Vice President of Far East American.

3 Far East American is an importer of the subject
4 merchandise from China and other countries. We also have a
5 joint venture ownership interest in a Chinese mill producing
6 hardwood plywood. I have been at Far East American for 25
7 years and have experience with all aspects of the import
8 plywood business, including logistics, production,
9 procurement, sales, and management.

10 Our company specializes in the distribution of
11 imported plywood and wood products from China, as well as
12 Russia, Indonesia, Malaysia, and South America. We supply
13 manufacturers and distributors throughout the U.S.

14 My testimony today will focus on differences in
15 the production process and how those profound differences
16 affect the end product. You heard in the last case in depth
17 about the difference in production between the U.S. and
18 Chinese. In general, the Chinese use a labor-intensive
19 two-step layup process whereas the domestic producers
20 primarily employ a much more highly automated one-step layup
21 process.

22 The Chinese also handle the face veneers in what
23 is known as a wet layup process where humans apply glue and
24 adhere super-thin wet face and back-veneers to the outer
25 surfaces of the core by hand.

1 Then the plywood panel is once again sent to a
2 high-pressure cold press and a quick-cycle hot press to
3 complete the glue bonding process. In the U.S., they
4 predominantly use a dry layup one-step process where there
5 is no calibration or special preparation of the core layers
6 of veneer.

7 The differences in production process flow
8 directly to differences in products, specifically the
9 face-veneer thickness. Typically U.S. face veneers run 0.6
10 millimeters to 0.8 millimeters in thickness, which is 3 to 4
11 times thicker than Chinese face veneers. These thick faces
12 are needed to mask core defects resulting from the one-step
13 layup process.

14 Domestic hardwood plywood manufacturers cannot
15 peel veneers thinner than 0.4 millimeters and apply a dry
16 layup process, nor would they want to because it would
17 deprive them of the main value added product attribute,
18 which is the ability for end users to sand and stain the
19 product for decorative applications.

20 There is a hard line at about .4 millimeters
21 where you cannot use U.S. industry's machinery to produce
22 plywood with veneers so thin.

23 We have here samples of domestic three-quarter
24 inch and Chinese 18-millimeter plywood so you can do a
25 side-by-side comparison yourself.

1 I am also showing you a new product from Spain,
2 mentioned earlier, which I will discuss later. If you look
3 at the edges of the panel, you will see differences in the
4 core. Most domestic product has a soft wood core, while
5 the Chinese's is hard wood. You can see that the Chinese
6 product uses a large number of thinner layers of veneer.

7 The domestic core veneer layers are much thicker
8 and there are fewer of them. For applications such as paper
9 overlay laminating, the Chinese product is superior to the
10 domestic product because it is a very highly calibrated core
11 thickness.

12 The Chinese product has a super smooth knot-free
13 surface ideal for paper over processing free from
14 telegraphing. The domestic product simply does not perform
15 this function in this way.

16 Second, there is also a dramatic visible
17 difference in the face veneer itself. Chinese face veneer
18 is typically so paper thin that it does not perform well
19 when sanded and/or stained, which makes it unsuitable for
20 decorative applications.

21 In fact, we at Far East American advise our
22 customers not to finely sand our product. These extreme
23 differences in face veneer thickness are critical to
24 understanding that domestically produced plywood and Chinese
25 imported plywood are two fundamentally different

1 noncompeting products.

2 Third, the domestics dominate the market of
3 higher grade veneers and the Chinese are focused more on the
4 lower grade veneers. The fact is that the domestic industry
5 makes visually beautiful thick-faced products that can be
6 sanded and finished in custom and decorative applications.

7 There is very limited head-to-head competition
8 between Chinese and domestics in the lower grade. Please
9 consider this: Any manufacturer, worldwide, peeling or
10 slicing veneer logs are doing so to a set thickness. Thus,
11 lower-grade domestic veneers are developed with the same
12 thickness as those developing in the higher decorative
13 grades.

14 This is a significant point for careful
15 consideration. As the Chinese are peeling or slicing nearly
16 everything thin, thus the higher grades developing are too
17 thin to be sanded for decorative applications, while the
18 lower grades developing are also thin veneers but ideally
19 suited for nondecorative applications.

20 This contributes greatly to someone's production
21 in the way that they would use those products. They would
22 use them differently. To sum up the differences between the
23 end use of the Chinese and domestic product, it comes down
24 to two facts.

25 One, customers want to do more with less. And

1 two, fitness of use dictates product selection. If an end
2 user does not require a decorative or high-end panel, they
3 look for alternative sources.

4 Our customers are increasingly expressing that
5 they are accepting thinner, lower grade veneers for a
6 multitude of select applications. The Chinese product, for
7 example, can be surface covered with a high pressure
8 laminate overlay for use in a store fixture. It can go
9 into crating that needs strength characteristics not
10 inherent of material that has a thicker face.

11 Thick faces alone do not add strength. Multi-ply
12 panel constructions using hardwood cores add strength and
13 improve screw-holding. The material is excellent for
14 shelving, backs, bottoms, unexposed furniture and cabinet
15 parts, and other industrial applications ranging from horse
16 trailers to corn hole games. Based on my quarter century in
17 the industry, I can tell you that the domestic industry is
18 not going to increase its sales if the Chinese product is
19 barred from the market.

20 Rather, end users will be forced to replace the
21 Chinese product with other third-country imports. As I
22 mentioned, I brought with me a third sample of the
23 three-quarter plywood. This one is produced in Spain using
24 thick-faced veneers from one of the Petitioners themselves.
25 It's here before you today in fast-growing, light-weight

1 plantation Poplar core veneers--this panel can be sanded and
2 stained. Ingenuity and natural resources on display that
3 has indeed created real and direct competition for the
4 Petitioners in the Eastern United States.

5 Many distributors are required to participate in
6 special programs with the Petitioners that prohibit the
7 distributor from offering products from other domestic
8 producers in designated regions. But they are completely
9 free to buy Chinese hardwood plywood imported from my
10 company or from one of my competitors and sell it right
11 alongside the Petitioner's product.

12 The reason is obvious. The Petitioners know that
13 they are competing with other domestic producers, in effect
14 with each other, and that the Chinese product is in a
15 different world.

16 Thank you for your time once again.

17 STATEMENT OF BILL WEAVER

18 MR. WEAVER: Good afternoon, and thank you for
19 this hearing. My name is Bill Weaver. I'm the CEO of
20 Canyon Creek Cabinet Company located in Monroe, Washington.
21 I've been in the cabinet industry for 43 years, the last 21
22 as CEO and President of Canyon Creek.

23 Canyon Creek manufactures custom frameless and
24 framed cabinetry for kitchens, baths, and other rooms in the
25 house and employs about over 400 Americans. I am set to

1 retire in a couple of weeks, and I can't believe I'm back
2 here in this building once again testifying to you.

3 In addition to my role at Canyon Creek, I also
4 served for the last 17 years on the board of directors of
5 the Kitchen Cabinet Manufacturers Association, known as the
6 KCMA. And I have fulfilled several executive positions in
7 the KCMA, including serving as president for two years.

8 I believe you found my testimony last time to be
9 useful, and I appreciate your disciplined approach to
10 understanding the facts, and I offer my expertise for that
11 purpose.

12 The cabinet industry is over \$14 billion a year,
13 and we provide over 100,000 American jobs, greatly
14 contributing to the health of the economy. Our industry
15 relies on both domestic and imported plywood for cabinet
16 construction.

17 My competitors and I are here today to directly
18 and unequivocally demonstrate to you that there is simply
19 little to no overlap of competition in our use of domestic
20 and imported plywood.

21 Our industry is not yet back to its pre-recession
22 height, but our business has grown since the beginning of
23 2013 in direct correlation to the increases in housing
24 starts. The product mix has shifted significantly away from
25 traditional stained wood-grain looks to painted finishes

1 that do not use hardwood veneers.

2 I am troubled by the actions that have been taken
3 by the hardwood plywood manufacturers to restrict imported
4 plywood. Many of the executives of the petitioning
5 companies are personal friends of mine and are men I have
6 known, trusted, and done business with for many years, but
7 their actions will greatly damage my business and the entire
8 cabinet industry in the United States.

9 Our material costs will increase in the short
10 term. Our supply chains will be disrupted. And the ability
11 to plan for the future is in turmoil. Petitioners are
12 giving Canadian and Chinese cabinet imports an immediate
13 price advantage. This Petition will chase jobs out of the
14 U.S.

15 I have never seen a single issue impact our
16 industry as this did the last time it was filed and, if
17 approved this time, it could mark the beginning of the end
18 of almost 100,000 jobs in the cabinet industry.

19 The U.S. cabinet industry is the largest
20 woodworking industry left in the U.S., and the largest
21 consumer of domestic plywood, and it may well disappear.

22 There have been many claims made about how
23 Chinese imports have hurt the U.S. plywood business, and
24 many of them are misleading. I would like to explain what
25 we use Chinese plywood for and give you my perspective of

1 40-plus years in the industry.

2 Let me briefly address the history of the use of
3 plywood for cabinet interiors. In the 1970s when I first
4 started in the cabinet industry, there were two primary
5 species of wood for interiors: first, soft fir plywood from
6 the United States, and luan, commonly known as Philippine
7 Mahogany.

8 In the late 1970s to '80s, fir fell out of favor
9 because of its finish properties, boat patches, and how the
10 grain telegraphed through overlaps. Luan continued until
11 the supply diminished and was replaced by various other
12 imported species. Because of the wide color difference in
13 imported plywood and the desire to use multiple species,
14 most cabinet manufacturers began to overlay imported board
15 with either paper or vinyl overlays with either white or
16 wood-grain patterns.

17 At Canyon Creek we went through these same
18 cycles. Contrary to the previous panel and how they think
19 we run our business, we pay careful attention to face
20 thickness. In 2007 we experienced customer demand for a
21 wood interior and consumers wanted it to be real wood.

22 So we changed to Chinese thin-faced plywood. Our
23 plywood cabinet interior sales grew quickly from 5 percent
24 of our cabinet boxes we produced to over 35 percent, a 700
25 percent increase.

1 No domestic hardwood plywood whatsoever was
2 displaced by this change. Particle board, softwood plywood,
3 and other imported plywoods were displaced. Measured in
4 square footage, about 60 percent of the plywood sheet stock
5 we use is domestic, and about 40 percent Chinese.

6 We use both American and Chinese plywood because
7 we need to as they are different products with distinct
8 physical properties and different uses. We use Chinese
9 plywood exclusively for our plywood cabinet interiors and
10 some drawer parts.

11 We use domestic for all exterior surfaces,
12 primarily being doors, finished ends, finished backs, and
13 cabinet interiors that need to match the exterior.

14 I brought here today the sample on the end, a
15 sample cabinet showing a domestic thick-face veneer used on
16 the exterior surfaces with the rest of the cabinet box made
17 from Chinese plywood, including the shelves.

18 To simplify my message, we can say that the
19 Chinese plywood is functional, and domestic plywood is used
20 for appearance. Our wood doors and other wood exterior
21 parts once again are made 100 percent from domestic
22 thick-faced veneer hardwood plywood because it is a superior
23 product to Chinese plywood in the quality of the veneers and
24 the overall appearance.

25 Also, the finishing process includes sanding,

1 staining, and further work not possible on Chinese plywood.
2 American thick-faced veneer plywood is an excellent product
3 for its appearance, and I cannot get this quality and
4 performance from Chinese plywood.

5 What I have heard in previous testimony is the
6 Petitioners are hoping that having the duties on Chinese
7 plywood will give them some relief and allow them to
8 increase their sales, but they simply cannot make the
9 equivalent to the Chinese product and cannot sell it to us.

10 We do not see nor believe there's a domestic
11 solution suitable to the application we use imported plywood
12 for. If Chinese plywood is not available to us at a
13 reasonable cost, we will find another solution and it will
14 not include domestic plywood companies.

15 I cannot state that strongly enough. We will do
16 what it takes to compete. We are not asking for special
17 considerations other than to have the advantage of a global
18 economy and not be damaged by protectionist moves that U.S.
19 hardwood plywood manufacturers are asking for.

20 Thank you for your time and I look forward to
21 questions.

22 STATEMENT OF PAUL SOVA

23 MR. SOVA: My name is Paul Sova and I'm the
24 President and Chief Operating Office and one of the founding
25 partners of Showplace Wood Products located in Harrisburg,

1 South Dakota.

2 I have been in the cabinet industry for more than
3 40 years. I was the past president of the Kitchen Cabinets
4 Manufacturing Association. From my perspective in this
5 industry and on behalf of the 560 employee owners that work
6 for us, I urge the Commission to terminate this
7 investigation as you did in 2013.

8 We believe this case will do little for the
9 domestic plywood producers but it will seriously harm
10 Showplace and the entire cabinet industry.

11 Showplace has extremely exacting demands for the
12 performance of our raw materials, specifically where and how
13 they are used in our products. About half of our panels are
14 domestic. Within that, about 60 percent are decorative
15 thick-faced wood-grained veneered that we prefer. And the
16 other 40 percent is domestic paint grade panels which are
17 veneer core panels with an MDF face.

18 We sand and stain the decorative woodgrain faces
19 and backs, which are typically Maple, Cherry, Oak, Hickory,
20 or Alder. We paint the MDF panels for the visible surfaces
21 of our cabinets.

22 About 40 percent of our panels consist of
23 non-Chinese imports, specifically thin, one-eighth inch and
24 three-eighths inch Meranti and Lauan hardwood veneer core
25 panels from Indonesia or Malaysia, which we laminate with

1 30-gram paper overlaps and use on the end panels and backs
2 on the interior components of our cabinets.

3 MR. SOVA: We prefer the Indonesian panels for
4 this purpose since they are very stable for laminating, and
5 can handle big swings in environmental conditions like we
6 see in South Dakota. Only about ten percent of our
7 purchases are closed grain veneer wood products from China.
8 We use these for drill bottoms, shelving, bracing and other
9 internal components for our cabinets.

10 Some of these panels we use are thin-cased
11 birch veneer, which we use with a UV coating for the
12 interior of some of our cabinets. I would like to
13 illustrate this by showing some samples that I brought here
14 today. Some of these are the same samples that the full
15 Commission examined in 2013. The first ones were not made
16 by my company, though we're very familiar with how they were
17 constructed.

18 If we look at the first cabinet, you can see
19 that it utilizes domestic panels with hardwood veneers and
20 an MDF cross band. The face veneer is thick. Most domestic
21 producers advertise their face veneers having a thickness of
22 .6 millimeters and above, sometimes far thicker so that they
23 can be sanded and stained, and we prefer this to thin-faced
24 veneer panels.

25 It's very -- it's workable for us in our

1 factories. The MDF cross band is necessary from a quality
2 standpoint to provide a smooth and consistent surface when
3 applying a thick-faced veneer product. This is a premium
4 plywood panel and we cannot obtain this same level of
5 quality from the Chinese importers. Another example I'd
6 like to show you is where the Chinese plywood is used and
7 how it is different.

8 This Chinese panel is a closed-grained
9 birch-faced and back veneer in a hardwood Poplar core with
10 no MDF cross band. The extra plies of the Chinese product
11 provide stability in the panel. Furthermore, the holding
12 strength of the fasteners used to assemble this kind of
13 product is superior in the hardwood cores of the Chinese
14 panel as compared to the softwood cores of the domestic
15 panels.

16 This sample also has an Indonesian panel for
17 the back. Indonesia is the main supplier that we use for
18 very thin panels with a veneer core which our customers
19 expect. Again, the point we are trying to make is that we
20 use specific panels for specific uses and we source these
21 from around the world.

22 The next sample illustrates a fashion change
23 that has swept the cabinet market and is a significant
24 development since the 2012 case. Like the furniture
25 industry, cabinetry is a fashion industry and the growing

1 trend is in painted cabinets, whether for new construction
2 or for remodeling. When a homeowner redesigns their
3 kitchen, they look at magazines or online for what the
4 latest trends are.

5 These kinds of cabinets do not show any wood
6 grain. For this reason, there is no need to buy beautiful
7 thick-faced wood grained veneer products that the domestic
8 producers so capably produce. The most important factor in
9 the raw material here of the exposed surfaces is how it
10 takes paint. In 2000, when our business first started, we
11 did not sell any cabinets that were painted. All were solid
12 wood finished to highlight the visible grain.

13 We first started to make painted cabinets in
14 2004, and tried to paint over domestic maple. It was not
15 successful because the graining and veneer lines tended to
16 show through. MDF was a far superior product. Since that
17 time, our share of painted cabinets has skyrocketed. Now
18 painted cabinets represent approximately 50 percent of our
19 production.

20 This percentage has gone up greatly since the last
21 case was filed in 2012. We are not alone in this. I
22 believe that nationally the trend is more like 70 percent
23 painted and 30 percent wood. But this means that the demand
24 for the domestic hardwood panels has decreased. However,
25 the domestic producers sell us the MDF panels that are

1 replacing it.

2 We are now using imported paint created panels
3 from China. So in a sense the fashion shift has resulted in
4 the domestic producers cannibalizing their own market for a
5 decorative hardwood panels, with increased sales of MDF
6 panels. This has nothing to do with what the Chinese panels
7 or panel producers use. Although we do not use Chinese panels
8 for paint grade, I believe others in the industry do. I
9 want to reinforce what my fellow cabinet makers are saying
10 about our fear that if this case proceeds and results in
11 disruptions in our market, it will weaken us and make us
12 less competitive against imported Chinese cabinets.

13 Please make no mistake. When our KCMA
14 colleagues testified to you in 2013 that our industry faces
15 a grave threat from the Chinese ready to assemble cabinets,
16 this was no exaggeration. We are losing market share to
17 Chinese cabinets. If this petition goes through on hardwood
18 and plywood, our industry of 100,000 employees will be the
19 loser. We will continue to ship cabinet-making jobs to
20 China at an accelerated rate, and the domestic producers
21 will not have any more hardwood plywood to sell. Thank you.

22 STATEMENT OF STEVEN BELL

23 MR. BELL: Hello. I'm Steve Bell from Sumner,
24 Washington, and I'm the president of Belmont Cabinet
25 Company. Forty years ago I bought a table saw and started

1 building cabinets in my garage. Since then, we've been
2 blessed to build our company to employ over 300 hard-working
3 Americans. We remain a family-owned business and I'm proud
4 to tell you that just this past Wednesday night, two nights
5 ago, we were honored to be the recipient of the 2016
6 Washington State Family Business Award for growth.

7 Our specialty is frameless cabinets, which I
8 have an example here, our European cabinetry. The entire
9 box is constructed of Chinese hardwood plywood. Perhaps in
10 the Q and A I can go into a little more depth than that.
11 But the door would be a domestic product, such as this maple
12 face. This is domestic veneer that we buy from Timber
13 Products, one of the petitioners. It has a thick face. We
14 run it through a very expensive wide belt sanding machine
15 that makes this surface just like glass, and it finished
16 beautifully.

17 We can't do that with the Chinese plywood, nor
18 do we even try. That's why we buy the domestic veneers for
19 our faces. There's no way we can machine that plywood,
20 Chinese plywood. We also are using more non-wood products.
21 Here's an example of an acrylic that comes out of Europe.
22 We bought -- we are doing more and more of the
23 non-traditional non-wood finishes that go along with the
24 design trend of the frameless or European type cabinets.

25 We want and need both imported and domestic

1 plywood because we use it for different purposes. We prefer
2 the multi-ply hardwood core of the Chinese product because
3 it is tightly calibrated and very consistent in thickness.
4 We specify the thickness of this hardwood plywood to be plus
5 or minus eight/thousandths of an inch. The domestic
6 producers just simply can't do that.

7 If we don't have that consistent thickness,
8 we'll have variation in where our panels join together, our
9 vertical and horizontal panels. I used to use the Nova Ply
10 from States Industries, one of the petitioners, and maybe
11 later you'll get a chance to look at these samples of why we
12 can't use this product. It's inconsistent in thickness.
13 There's voids, there's delaminations. It won't hold the
14 screws. We had to start looking for other products.

15 Over the last decade we developed a frameless
16 cabinet design that allows us to offer the consumer design
17 options that used to only be available to customer cabinet
18 makers or import cabinet makers. As consumers move more
19 towards modern trends, they're moving away from the plywood
20 core products. We want and need the raw materials that meet
21 the best fitness for each of our specific cabinet parts.

22 As was mentioned, we've seen growth in painted
23 cabinets. That's very true. But even more so we've seen
24 growth in the non-wood cabinets that represent 50 percent of
25 what we do now, has no wood base other than MDF cores. The

1 fact that one quarter of our cabinets are painted means that
2 the underlying substrate does not need to be plywood,
3 domestic or imported. We would not buy domestic hardwood
4 plywood to paint over the thick-faced veneer. It would make
5 no sense.

6 Also, we do not want to use the open grain
7 species because it does not absorb the paint and finishes,
8 does not finish well. So the trend towards painted surfaces
9 and other non-wood products has resulted in the reduction
10 and the use of both domestic and Chinese hardwood plywood.
11 That's because the ideal surfaces to use for painting
12 applications really are MDF and HDF, medium density
13 fiberboard and high density fiberboard.

14 Our plant is located only two hours from
15 Canada. Already we compete with the Canadian imports. If
16 our costs go up due to the supply distortions caused by this
17 case, we're going to lose out to our competitors to the
18 north, who are using the exact same plywood in their case
19 construction, and it's not fair to our employees. At the
20 same time, we're already engaged in a vicious competition
21 with finished kitchen cabinets produced in China. If the
22 quality of our inputs declines and our prices increase, one
23 industry will certainly be the benefactor, and it will not
24 be the U.S. hardwood plywood producers nor the domestic
25 kitchen cabinet makers. It will be the Chinese kitchen

1 cabinet industry. Their product will be more competitive
2 and will continue a steady assault on our industry.

3 As the U.S. kitchen cabinet industry is
4 wounded and small companies die off, who will buy the
5 Petitioners' domestic hardwood plywood? Certainly not the
6 Chinese. You should throw out this petition and save the
7 thousands of small companies like mine the harm that it will
8 cause to us and our employees if you let this case go
9 forward. Thank you.

10 STATEMENT OF MATT HAZELBAKER

11 MR. HAZELBAKER: Good afternoon. My name is
12 Matt Hazelbaker, and I'm the vice president and partner of
13 Genesis Products. Genesis laminates and processes plywood
14 panels for use in the cabinet, recreational vehicle,
15 furniture and store fixture industries, among others.
16 Lamination is using heat, pressure and adhesive to
17 permanently attach decorative papers, vinyls or other
18 overlays to a substrate such as plywood. Genesis is a
19 privately owned Elkhart, Indiana-based manufacturer
20 employing 530 employees across seven manufacturing locations
21 in Indiana and West Virginia. Elkhart is known as the RV
22 capital of the world, producing hundreds and hundreds of RVs
23 each day in Elkhart County alone.

24 Previous to being with Genesis, I was with
25 Drew Industries for nearly 15 years as the VP of Operations.

1 Drew's Lippert Components subsidiary is one of the largest
2 component suppliers to the RV industry in the world. Having
3 said this, I have been inside countless RVs and countless RV
4 manufacturing plants across the United States.

5 I'm here today to discuss how and why we
6 choose the hardwood plywood we use for our various
7 lamination applications. Simply put, the hardwood core of
8 the Chinese hardwood plywood we specify to our suppliers is
9 superior for our laminating purposes, versus the softwood
10 core of domestic plywood. Genesis can supply its RV
11 customers with laminated panels, laminated plywood strips
12 for them to build their own cabinetry in house, or we can
13 supply them with various pre-assembled parts, depending on
14 their specifications.

15 In order for Genesis to successfully and
16 consistently supply our RV customers with these laminated
17 cabinet styles and other accessories, we use Chinese
18 hardwood plywood. The Chinese cores are very tight and
19 nearly knot free, and these are keys to lamination success.
20 Knots in domestic hardwood plywood's fir cores can cause
21 major production and major quality issues for a laminator.

22 When our moulders' shaping blades hit a knot,
23 the knot typically gets kicked out and it leaves a gap where
24 the knot used to be. When this happens, we then must scrap
25 the entire piece because we cannot profile wrap or laminate

1 a piece with a large void. For this additional reason, we
2 use Chinese plywood in these applications.

3 Our Chinese plywood cores are specifically
4 produced to be laminated. Just like all other components
5 part of an RV, the Chinese hardwood plywood we use meets or
6 exceeds all emission levels required by law or we wouldn't
7 use it. Since we cannot sand and finish the quarter of a
8 millimeter natural birch face veneers, we meet the needs of
9 our customers by laminating them with an ultra thin 30 grain
10 wood grain decorative paper.

11 We do not use any hardwood, domestic hardwood
12 plywood for any of our lamination applications. The
13 domestic soft fir core is not suited for our laminating
14 operations. Domestic hardwood plywood is not as tightly
15 calibrated as the panels we use from China. Calibration to
16 a laminator describes the uniformity of a panel on all
17 surfaces.

18 When we laminate high gloss thin paper over
19 plywood, virtually any and every core imperfection, whether
20 a core void, a core overlap, and oftentimes knots will cause
21 low spots or uneven surfaces that will telegraph through and
22 be seen in the finished panel. Under the extreme pressures
23 of our lamination machines' rollers, even tiny core
24 imperfections can show in the end product.

25 Again, for this reason we simply do not use

1 domestic hardwood plywood for laminating. With my years of
2 experience in the RV industry and in lamination, I have not
3 seen domestic hardwood plywood being laminated successfully
4 on a production basis. We recently tested Timber Products'
5 birch plywood to see how it performs in our lamination
6 operations. The results show what we, as lamination experts
7 presume, that the software core is a significant drawback in
8 laminating.

9 You can see on the domestic panel there is a
10 core void that goes all the way through and underneath the
11 paper, and you could see a telegraph coming through. Our
12 customers would reject this. I would end up buying back the
13 material and most concerning I'd be in jeopardy of losing
14 business to another laminator who didn't send a substandard
15 laminated product. Chinese hardwood plywood provides a low
16 rejection rate and high net yield for Genesis. Domestic
17 plywood would have far worse yields for us, would lead to
18 numerous plant inefficiencies, and most detrimentally we
19 would run a major risk of losing our customer base by not
20 being able to provide them with the best product to meet
21 their expectations.

22 Again, domestic plywood's fir core is not
23 suited for laminating operations, while the Chinese hardwood
24 plywood core is definitely suited for our style of
25 lamination. Thanks for your time.

1 STATEMENT OF PAUL GOSNELL

2 MR. GOSNELL: Thanks for the opportunity to be
3 here today. My name is Paul Gosnell with Patriot Timber
4 Products from Greensboro, North Carolina. We're a privately
5 held U.S.-based wood company, been in the business since
6 1945, and we pride ourselves in developing innovative panel
7 products from sustainable wood sources to bring value to our
8 customers. I've been in the import
9 plywood and lumber business since 1981, all with Patriot. I
10 also serve on the board of directors of the International
11 Wood Products Association, which is the preeminent trade
12 association for wood products importers. In the past 35
13 years, I've witnessed a consistent difference between
14 plywood panels made by the domestic manufacturers and those
15 coming in from other countries.

16 Although the imported plywood market has
17 migrated over the years from Taiwan to Korea, Philippines,
18 Indonesia, Malaysia, Brazil and now to China, one thing
19 hasn't changed regardless of where the imported panels are
20 produced. We have always seen the domestic producers making
21 thick panels with a nominal thickness of more than 5.2
22 millimeters, where the imports are focused on thinner
23 plywood panels of 5.2 millimeter and thinner.

24 Of these thin panels, especially those 5.2
25 thickness or less, the largest application by far is the

1 underlayment. Underlayment is the layer between the
2 subfloor and the finished floor, which may be vinyl, carpet
3 or hardwoods, which Petitioners regularly -- some of the
4 Petitioners regularly sell the subfloor materials, which is
5 softwood structural products, but they have never produced
6 underlayment.

7 Given my significant experience in the
8 industry, I estimate about 20 to 30 percent of imported
9 Chinese panels go to the underlayment market. This is higher than
10 the Commission found last time, but we believe this is
11 because of the dramatic increase in the use of luxury vinyl
12 tiles, which are hot in the market right now, which also use
13 underlayment, as well as the growth in multi-family units,
14 which tend to use vinyl flooring.

15 Underlayment is the layer of plywood applied
16 directly underneath the vinyl, hardwood or tile flooring,
17 fastened to the top of the structural plywood, structural
18 subfloor, sorry. Underlayment creates a uniform smooth
19 surface for resilient flooring. In appearance, the
20 underlayment is a thin non-decorative face veneer, often
21 with a fastener pattern on the face, which makes it unusable
22 for other applications other than underlayment.

23 Underlayment is predominantly marketed through
24 distributors, retailers and big box centers. This is true
25 both at the low end commodity panels as well as proprietary

1 branded underlayment products. Some of our underlayment
2 products that we do also have our Patriot Prime, the
3 moisture shield coating on the back, which also gives an extra
4 moisture barrier for underlayment.

5 I'd like to show you examples of the
6 underlayment I'm passing around now. As you can see, the
7 underlayment has a non-decorative face with large X marks
8 printed on it, that make it easy to install with the current
9 side -- correct side facing up. We print this pattern on
10 our branded proprietary underlayment panels, as do some of
11 our competitors in this room.

12 We are known for our veneer consistency,
13 durability, strength and ease of installation. We have our
14 underlayment panels approved by all the major vinyl flooring
15 manufacturers, as well as certified by the Tile Council of
16 North America for use under ceramic tile. The domestic
17 producers do not have their plywood approved or certified by
18 these organizations. They are simply not in this market.

19 None of these panels competes with any
20 products the domestic manufacturers currently produce.
21 Clearly, no end user would use this product anywhere that
22 would be seen. The underlayment market generally is one
23 where the Chinese imports have over the years replaced the
24 Indonesian, Malaysian and other third country producers of
25 similar thin products that formerly dominated the U.S.

1 market.

2 Whereas underlayment has long been imported
3 from various countries, and now predominantly from China,
4 domestic hardwood producers have never participated in this
5 underlayment segment of the U.S. market as long as I've been
6 in this business. In my company, the import volume of low
7 grade underlayment panels has drastically increased over the
8 past few years, as China production has replaced about 95
9 percent of the underlayment field that was traditionally
10 exported from the U.S. -- to the U.S. from Southeast Asian
11 countries.

12 No domestic product is similar to underlayment
13 panels. Overall, demand in the underlayment market is
14 rising. It responds mainly to changes in new home
15 construction and remodeling. When home owner wants a new
16 floor, they just typically rip up the old floor and
17 underlayment and install a new underlayment down on top of
18 the subfloor. We want to be sure that the Commission
19 considers this segment of the market in the preliminary
20 determination.

21 We were disappointed to see that the
22 Commission's preliminary questionnaire asked no specific
23 question to underlayment end uses. We know the Commission
24 heard about underlayment earlier in the unsuccessful plywood
25 case, and it is critical that the Commission consider the

1 significant role of Chinese underlayment and lack of
2 domestic competition in this preliminary determination.

3 Thank you.

4 MR. GRIMSON: Thanks very much, Paul. That
5 concludes the AAHP panel of witnesses. I'll turn it over
6 to my colleague, Jeff Neeley, for the Chinese.

7 MR. NEELEY: Hi, I'm Jeff Neeley from Husch
8 Blackwell here today on behalf of the Chinese industry. We
9 have two witnesses, Mr. Wu and Mr. Ran. Mr. Wu?

10 STATEMENT OF WU SHENGFU

11 MR. SHENGFU: Good afternoon ladies and
12 gentlemen. My name is Wu Shengfu. I'm the Vice Chairman
13 for China National Forest Product Industry Association. I
14 testified at the last plywood hearing. I again would like
15 to talk to you today about the hardwood plywood industry in
16 China and explain why it does not pose a threat to the U.S.
17 hardwood plywood industry. The importers already have
18 addressed the issue of present injury and we agree with
19 their conclusions.

20 We also agree with the outcome of the importers
21 group that there is demand for the thin veneer face plywood
22 and that the U.S. industry will not be able to make
23 commercial quantities of those veneers no matter what
24 happens in this case. This is the same situation as in
25 2013.

1 Our association has been working hard to make
2 sure that the Commission has a complete record on the
3 industry of China just as we did in the last case, and in
4 Section 332 investigation in 2007. Members of our
5 association provided questionnaire responses from 55
6 companies that produced and exported their products and 39
7 responses from companies that are trading companies that
8 have none of their own production, along with the production
9 from their 124 suppliers.

10 With our member company responses, we feel
11 confident that the vast majority of products from China are
12 covered, for goods that can be exported to the United
13 States. The Commission, therefore, should have a complete
14 record to issue a negative determination here.

15 How do we know that our submitted responses are
16 complete? We will be submitting detailed information where
17 we first take the list of 942 companies provided by the
18 Petitioners and analyze them one-by-one which are
19 duplicates, which are producers of other products, and which
20 are actually producers of plywood. We then identify the
21 companies who are producers of plywood and which also are
22 CARB certified. We then compared the list to the list of
23 companies that have provided responses to the Commission.

24 It is important for everyone to understand the
25 importance of the CARB standards. Those standards have been

1 in effect in California for several years and most companies
2 already follow those standards to sell to the United States
3 because of the importance of the California market. But we
4 expect that in January 2017 the same type of standards will
5 become mandatory nationwide due to the new regulation issued
6 by the EPA.

7 So meeting the standards will be a legal
8 requirement and the Chinese companies who want to sell
9 plywood to the United States next year must meet these
10 standards. U.S. customers follow these requirements very
11 carefully and also follow the Lacey Act, which requires
12 companies to verify that the wood is legally harvested and
13 comes from sustainable forest management.

14 The Chinese industry has submitted data showing
15 that almost all of its exports to the U.S. are for thin
16 gauge face veneer product. By thin gauge I mean veneers
17 less than 0.5 millimeters. This is the same situation as
18 the Commission found in the previous investigation. I also
19 want to mention that the capacity for production is directed
20 to that thin gauge and not to the thicker veneer
21 manufactured by the Petitioners.

22 Chinese producers have no need to focus on the
23 market in the United States. Plywood demand is driven
24 mainly by the many end users inside China and around the
25 world for products, including users in kitchen cabinets,

1 engineered floor, concrete forms, container floors,
2 furniture, packaging, and other newly designed products.
3 Housing construction remains strong in China and leads to an
4 increased demand for products using plywood.

5 It is important that the Commission examine only
6 the hardwood plywood imports and not non-subject products
7 that are included in the U.S. import statistics. We think
8 that the reason for the differences between the U.S. import
9 statistics and the data that we are providing is that the
10 U.S. import statistics contain substantial quantities of
11 non-subject imports, including multi-layered wood flooring.
12 I think that the Commission understands this problem with
13 U.S. statistics. It is vital that the Commission avoid
14 inclusion of non-subject merchandise in this case and thus
15 ending up with misleading conclusions.

16 Plywood prices in China and third countries,
17 such as Japan and Europe, are higher than those compared to
18 the United States, so there is no reason to export more
19 plywood to the U.S. market in the future.

20 For these reasons, I ask the Commission to
21 conclude that China does not pose a threat to the U.S.
22 industry producing hardwood plywood.

23 Thank you. I will be happy to answer any
24 questions.

25 MR. NEELEY: Thank you. Now I'll go to Mr. Ran.

1 STATEMENT OF RAN XIANGLIANG

2 MR. XIANGLIANG: My name is Ran Xiangliang and I
3 am the Chairman of Linyi Sanfortune Wood Company, Ltd. I
4 have been involved in this industry for nearly 20 years,
5 both as an employee of other companies and since 2003, as
6 the owner of my own company.

7 I want to focus my testimony today on important
8 differences between the Chinese and U.S. plywood process.
9 The main difference in the industries is that the U.S.
10 companies use much more automated machinery while the
11 Chinese industry uses much more manual labor. Of course,
12 the difference is the result of the very different labor
13 costs in the two countries.

14 As the importers have testified, plywood
15 production of core and face veneer in the U.S. uses one-step
16 lay-up and pressing process, but the process adopted by
17 plywood core and face veneer production in China uses at
18 least two steps and sometimes three or more.

19 This is because the production of face and core
20 is all manual, including core panel sanding, which results
21 in great flatness of plywood and lower defects. This
22 physical difference in the products because of fewer defects
23 is an important competitive advantage for the Chinese
24 plywood industry.

25 Another important difference in the Chinese

1 industry is something that the Commission knows about from
2 the last case, and that is the thickness of the veneers used
3 for plywood. The thickness of face veneer of plywood made
4 in the U.S. is almost always thicker than 0.6 millimeters,
5 and the thickness of face veneer of plywood made in China is
6 almost all less than 0.3 millimeters.

7 In the U.S., the thicker face veneer is produced
8 because the U.S. makers veneers using automated machines,
9 both for veneer handling and for lay-up, and it is not
10 efficient to produce thinner face veneers on such machines.
11 So the U.S. industry specializes in the products that it is
12 strong in, which are thicker veneers.

13 But in China, the face veneer handling and lay
14 up is all done manually, which is necessary because,
15 otherwise, the thin veneers will be broken. This is what
16 happens when you use machines instead of manual labor.

17 One recent development in the U.S. market is the
18 increase in demand for an MDF face over a plywood core. We
19 make this product as well as other products. Chinese
20 producers, using a manual lay up process and secondary
21 process can make this product efficiently. But if an
22 industry uses automated processes, such as in the U.S., it
23 cannot make this product on their current lines because
24 automated lines use the one-step process. They would have
25 to add a further manual lay up and pressing step to make the

1 product and that is not practical if an industry has high
2 labor costs. The importers already have talked about the
3 reason for this increase in demand.

4 Thank you for the chance to speak today. I am
5 glad to answer any questions that you may have.

6 MR. NEELEY: Thank you. That completes our
7 testimony.

8 MR. GRIMSON: Just like to mention one more
9 thing. We have our witness here, Jonas Israel, from
10 McCorry, who didn't speak, but is available to answer
11 questions. And we got through nine witnesses with four
12 minutes to spare. Thanks.

13 MR. ANDERSON: Thank you very much to this panel
14 for your testimony and being here today. I realized several
15 members have traveled pretty far to be here. We'd like to
16 turn the time over to staff for questions and we'll start
17 with our investigator, Ms. Messer.

18 MS. MESSER: Thank you.

19 My first question is on the testimony of Mr. Wu
20 Shengfu. In your testimony you indicated that the U.S.
21 import stats have substantial quantities of non-subject
22 imports, including multi-layered wood flooring. I would
23 appreciate it -- if you want to comment now that'll be fine
24 as well, but if you can quantify that amount on any
25 post-conference that would be appreciated.

1 MR. NEELEY: Jeff Neeley, from Husch Blackwell.

2 Somehow we thought you'd ask that question.

3 Yes, we will be quantifying it. We're looking at it now and
4 analyzing both the questionnaire responses and those HTS
5 numbers, the official data and we'll do an analysis for the
6 brief. So we want to make sure we have it right before we
7 do it, so I'd rather do it at that point.

8 MS. MESSER: Thank you. Appreciate that.

9 MR. GRIMSON: Just to follow up with that with
10 one point.

11 The scope explicitly excludes multi-layered wood
12 flooring this time around and the orange codes that I
13 highlighted here, and there's six of them, six HTS codes
14 explicitly describe multi-layered wood flooring. And you
15 can look on the HTS, look on their list. It says "wood
16 flooring" on the HTS and they're in there and they are not
17 small. Two of the top three HTS codes on their list that's
18 attached to the petition with the volumes are explicitly
19 multi-layered wood flooring. I shouldn't say
20 multi-layered. They're identified as wood flooring in the
21 HTS and that's about \$400 million.

22 MS. MESSER: If you could provide us with that
23 list

24 MR. GRIMSON: We will. We definitely will,
25 don't worry.

1 MS. MESSER: Moving on, but still talking about
2 imports, in using the import statistics we're faced with
3 converting from the -- I'm sorry converting to the square
4 foot measure and we had adopted the original conversion that
5 we used in the prior investigations, Wanted to get your take
6 on that, just as I got from the Petitioners as well.

7 MR. NEELEY: Yes, from the viewpoint of the
8 Chinese industry, we're consulting with them right now.
9 There's actually a lot of numbers and we want to make sure
10 we get the right conversion, but it's of concern to us that
11 you do the right conversion for sure.

12 MS. MESSER: Thank you. And I only have one
13 additional question.

14 I would like for you to respond -- anyone can
15 respond to this. Specifically, Mr. Sova's statement appears
16 to contradict some of Petitioner's statements made earlier
17 today about the face veneer thickness, that it's not
18 particularly considered when purchasing a plywood product.
19 So do plywood purchasers seek out plywood based on the
20 actual thickness of the veneer and have you actually tried
21 to buy from a U.S. producer the thin veneer face plywood.

22 MR. WEAVER: This is Bill Weaver with Canyon
23 Creek Cabinets. I'll take first stab at that.

24 We absolutely pay attention to thickness. You
25 know, depending on the application and depending on the

1 machining process that have to happen, we run into several
2 things. One is what we'd call "sand through." If it's not
3 thick enough and it goes through the machining process,
4 particularly for finished grad appearance, you can sand
5 through the veneer and get to the core.

6 Another is for stain absorption. When staining
7 thinner veneers, you get less penetration because you hit
8 the glue line sooner. So the thicker that that veneer is
9 the deeper the stains can penetrate and create a better
10 looking finish. So in all of our purchase requirements we
11 are looking and we are asking what face thickness it is. We
12 will then take that material being presented to us and apply
13 it to the right place that we're going to use it, depending
14 on the machine it does happen. And you know the testimony
15 we heard earlier from the Petitioners you know on some of
16 their websites they list face veneer thickness on some of
17 their products, so that was a little confusing to me in that
18 respect, but it is absolutely a critical factor of what we
19 consider.

20 MS. MESSER: Have any of you attempted to
21 purchase the thin face veneers from the U.S. producers?

22 MR. WEAVER: Could you repeat that, please?

23 MS. MESSER: Have any companies here attempted
24 to purchase a thin face veneer from a producer?

25 MR. WEAVER: You know that came up in the last

1 hearing and at the last hearing some of the Petitioners
2 presented their version of a thin face and yet, they had not
3 been producing it and had not produced it in the past. We
4 have gone to our vendors -- our U.S. vendors and asked them
5 for an equivalent product and none have presented us with
6 what I'd call a direct equivalent or something that we felt
7 that we could substitute for what we were using. So it's
8 been pretty non-existent on the marketplace, as domestic
9 producers.

10 MR. GRIMSON: Just to follow up that one point,
11 despite sitting here twice, in 2012 and 2013, hearing about
12 thin face veneer and Mr. Weaver's testimony about that event
13 was requesting thin face veneer, and putting aside your
14 question to the Petitioners on their responses, I think the
15 data will show that no matter what they say they have not
16 produced thin face veneer in the last four years, at least.
17 So being on notice that this was a market that was
18 important, they still don't produce it. And the answer to
19 why is not because they are not smart. They want to
20 produce what they're really good at and what these people
21 want to buy from them. That's it.

22 MR. SIMON: I'd like to add to that. This is
23 Greg Simon.

24 As we described in our testimony, their
25 manufacturing process aren't conducive to producing plywood

1 with thin face veneers. It's inherent in the different
2 processes between those two manufacturing techniques. So
3 they may be able to peel thinner faces, but utilizing them
4 to produce mass quantities of plywood is just not efficient
5 or proper, which is why the resources are being used
6 distinctly in those two different production techniques.

7 MS. MESSER: Mr. Sova, did you have any
8 comments.

9 MR. SOVA: My experience at Showplace is the
10 same as Bill Weaver's. When we've tested thin face for
11 exposed components of the cabinets, we've found that it's
12 not acceptable of the way we manufacture because we do a lot
13 of hand sanding and once you sand through a veneer that's
14 very thin you expose that core underneath and you ruin the
15 whole panel. So it's important to us and so we prefer the
16 domestic producers that have the thicker face veneers and
17 that's what we buy.

18 MR. MESSER: Have you attempted to approach a
19 producer for a thin face veneer?

20 MR. SOVA: No.

21 MS. MESSER: Those are all the questions I have.

22 MR. ANDERSON: Thank you. Now Mr. Dushkes.

23 MR. DUSHKES: Thank you, Mr. Anderson. Andrew
24 Dushkes, Office of Investigations. And thank you all so
25 much for being here and giving your testimony today.

1 I'd like to continue a bit the line of
2 questioning that Ms. Messer was just carrying on with
3 regarding the U.S. industry's ability to produce thin face
4 veneers. And I just want to make sure I'm understanding
5 some. At some point I believe you'd testified way back that
6 the whole cabinet or what have you, the whole end product
7 was constructed using U.S. produced goods; is that correct,
8 or have there always been imported parts used for
9 non-exposed panels?

10 MR. SOVA: This is Paul Sova again.

11 We're all different in that regard. Some of the
12 domestic manufacturers of cabinetry use only domestic
13 product. I don't think that's true. And for the three of
14 us we use a mixture of imported and domestic panels,
15 depending on the use. I don't know. Does that answer your
16 question?

17 MR. DUSHKES: Yes. I guess what I'm getting at
18 is I'm trying to square the differences in testimonies that
19 we've heard where we heard earlier that they have the
20 ability to produce thin face veneer hardwood plywood
21 products, but you've testified that their manufacturing
22 process does not allow them to, at least in mass for the
23 industry. So I'm wondering was there ever a time in the
24 past? To the best of your knowledge, have the domestic
25 industry always used the same manufacturing process?

1 MR. SOVA: We use some domestic thin faced,
2 birch veneers for certain internal components in small
3 amounts.

4 MR. DUSHKES: Okay. Thank you.

5 MR. BELL: Could I?

6 MR. DUSHKES: Yes.

7 MR. BELL: Steve Bell.

8 We've been building these European frameless
9 type cabinets for 30 years, since 1986, and we've used and
10 tried all of the domestic suppliers, a number of them that
11 are of the Petitioners have bought us products, such as this
12 Nova-ply and others that just simply did not work for us.

13 In the past, before that we used meranti that
14 came out of Malaysia and we put a vinyl overlay on it and
15 before that it was lauan that we put a vinyl overlay on it
16 and we haven't been able to find a plywood -- a
17 domestically-produced plywood that will meet the
18 specifications that we found with the Chinese plywood.

19 MR. SIMON: Greg Simon.

20 If I could just add, an earlier comment was made
21 by one of the Petitioners that previous to 2000, all the
22 cabinets were produced with either U.S. or Canadian plywood.
23 That simply isn't true. It's always been produced using
24 portions of it with non-subject imports.

25 MR. DUSHKES: Thank you very much.

1 MR. WEAVER: Let me add just a little bit to
2 that to clarify some of my comments.

3 You know I've done this for over 40 years and
4 pretty familiar with what has happened in the U.S. over the
5 years. And you know not to make this too broad, but the
6 primary woods that had been used were either fir plywood or
7 some type of import. And what evolved from there was we
8 talked about where it became other species from other
9 countries with overlays you know and then gravitated into
10 Chinese, but the domestic manufacturers in large quantities
11 have never occupied broadly the cabinet carcass space for
12 materials.

13 MR. DUSHKES: Okay, thank you very much.

14 So I've heard from your testimony both the word
15 "inability" to use thin face Chinese veneer for exposed
16 panel and I've also heard "preference," so I'm trying to
17 sort of grasp which it is or if it differs in different
18 situations. Do you have the ability -- are there any
19 products you can produce where you prefer to use a thick
20 faced domestic panel, but you could acceptably use a thin
21 face Chinese veneer? Is there any specific product or
22 treatment to a product painted, stained, sanded, coated
23 over, et cetera?

24 MR. WEAVER: None that I can think of, no.
25 Every time we've tried that or sampled it in the past, the

1 Chinese product always failed.

2 MR. DUSHKES: Thank you. So you mentioned
3 earlier that, in your testimony, that if orders were to be
4 put in place, you would switch to nonsubject imports that
5 were similar to what you're currently sourcing from China.
6 And you might've mentioned it, I might've just missed it,
7 but could you cite which countries you'd be most likely to
8 switch your sourcing to? Which countries have product most
9 similar to the ones you currently source from China?

10 MR. WEAVER: Yeah, in our case, during the last
11 hearing, we looked at products from Indonesia, and we looked at
12 some other countries, and our main focus was on Indonesia at
13 the time.

14 MR. DUSHKES: And how does the price of the
15 Indonesian product compare to the current Chinese prices?

16 MR. WEAVER: It was slightly higher. It was a
17 different type of product. It was a Meranti, so it was not
18 an apples for apples, it was more of a substitution. But
19 considerably still under domestic plywood.

20 MR. DUSHKES: Thank you. And are all of your
21 purchases of Chinese hardwood plywood, are they all in the
22 low-grade product category? Do you source any high-grade,
23 and if so, what do you use it for since it seems you're
24 unable to use it for exterior purposes?

25 MR. BELL: We use the Chinese plywood only for

1 the lower hidden grades, either drawer parts or carcass.
2 And we actually buy twice as many veneers from the domestic
3 suppliers as we buy from the Chinese. But we use all of the
4 domestic veneers for finished products.

5 MR. DUSHKES: So no one here sources any, say,
6 Grade A or B --

7 MR. BELL: Our story is the same as his.

8 MR. WEAVER: Yeah, ours is also.

9 MR. DUSHKES: Okay, thank you. I just have a few
10 more questions and this is for our Chinese witnesses here.
11 So if you can explain to me a little more about the Chinese
12 domestic product -- domestic market would you say is a large
13 driver of your demand, and you said you sell across mainly
14 the same products, including cabinets. Do you supply the
15 full range of cabinet products to your domestic producers?
16 Exposed and non-exposed panels?

17 MR. SHENGFU: Yes. Wu Shengfu, the China
18 division. China plywood industry helping, quite a lot
19 lately by the industries like construction and by the
20 furniture, cabinet and also by the packaging and other new
21 designer products. Nowadays is a product more and more for
22 the use of plywood because wood is good and the plywood is
23 environmentally friendly product and the people to market
24 would like it. So our main market is driven locally,
25 definitely, yes.

1 The reason why China is manufacturing the same
2 certain face veneer plywood is to maximize the use of good
3 quality veneers. Because for the core, the peoples
4 understanding here, we are using the Plantation Poplar and
5 others. Those are environmentally friendly and are going
6 very well in China, which we can regularly use for the core.
7 But for the face, we also not only for the birch for the
8 special use as the petitioners, but also we use technical
9 wood.

10 At the hearing in 2013, we showed a simple, the
11 products here, which is very good for the market. And also
12 some of our members now is doing working for that, which is
13 very good developed and also very good for environmental and
14 also very workable for the product and for the market. Even
15 the medical market here, we are also starting here.

16 MR. DUSHKES: Thank you. And as a follow-up to
17 that, I'm just wondering if you are selling exposed panels.
18 I apologize for not using the correct terminology, but
19 front-facing decorative panels to the Chinese market, do
20 they run -- and they're thin-faced. Do they run into the
21 same difficulties that we've heard testimony from today
22 regarding sanding or finishing, that the thin-faced is
23 sometimes unsuitable for?

24 MR. SHENGFU: Everything in the room here
25 understand. Plywood is labor-intensive product. And the

1 thin-faced veneer can be peeled, but cannot lay up in the
2 processing onwards by automatic machines. That's why the
3 plywood can be made -- the single faced plywood cannot be
4 made by the automatic machines. And which can use -- which
5 -- usable and so we use for that manual work in China.

6 And the people, the workers in China, for the
7 plywood mills, are hardworking and they carefully make it
8 for a surface so that's why we can make this kind of product
9 efficiently. And also important is that the customer he
10 already mentioned. The sizes and accuracy for the Chinese
11 plywood is very accurate. Because we use different layout,
12 different process. We already send it for the base. We put
13 part of the on the top of the surface for a thin veneer just
14 for the purpose for end-use. That only works in China.

15 MR. NEELEY: Jeff Neeley from Husch Blackwell.
16 I do understand some of the other implications of what
17 you're saying there. We'll also take a look at that for our
18 brief and we'll consult about that.

19 MR. DUSHKES: Thank you. I'd appreciate that.
20 And I'll end with the same request I made this morning,
21 which is if either counsel has any data regarding either
22 U.S. market, Mr. Grimson, or Chinese market demand, any
23 reports that they can include in their post-conference
24 brief, we'd appreciate it.

25 MR. ANDERSON: Thank you. Now, Mr. Allen?

1 MR. ALLEN: Ben Allen, Office of General
2 Counsel. No questions at this time.

3 MR. ANDERSON: Mr. Ahmad?

4 MR. AHMAD: I'm Saad Ahmad from the Office of
5 Economics. My first question is regarding -- so the idea is
6 that Chinese hardwood plywood is of lower end-use than U.S.
7 hardwood plywood, right? That is your claim. So my
8 question is, what did your companies do before 2000, when
9 China was not a player, participant of exported hardwood
10 plywood?

11 MR. BELL: We used an import plywood called
12 Meranti that we put an overlay, a vinyl overlay on, and so
13 when the -- then we started playing around with other actual
14 plywood interiors, and we finally came across upon the
15 Chinese plywood. But before that, we really didn't use an
16 actual plywood interior. We used plywood cores with a vinyl
17 overlay.

18 MR. WEAVER: We are similar. We used Meranti
19 with an overlay or, in our case, Douglas Fir. And we did
20 not switch--I think I put that in my testimony--we did not
21 switch to the Chinese until a little bit later, not in 2000,
22 a little bit later.

23 MR. SIMON: This is Greg Simon, Far East
24 American. My company's been importing wood products for
25 more than thirty years. We've imported product from

1 literally around the globe, whether that would be Indonesia,
2 Malaysia, Brazil, Chile, Russia, and all those products are
3 essentially are going into the same general end-uses that
4 they're going into today, including kitchen cabinets. So
5 it's substitution is really the issue here.

6 MR. AHMAD: The other question I would have is,
7 in 2013, there was an initial determination after the
8 preliminary investigation that you guys had to substitute
9 between Chinese and U.S. products.

10 MR. WEAVER: If I understood the question right,
11 could you ask the question again?

12 MR. AHMAD: So when there was an initial
13 determination that prelim stage, that you guys had incentive
14 to switch on Chinese to U.S. products after that initial
15 prelim?

16 MR. WEAVER: In our case, we had enough material
17 in the supply chain that with the duties, that we continued
18 to use Chinese and we looked at -- could we substitute
19 American products for it, and did not find something we felt
20 was acceptable.

21 MR. BELL: When the last go-around, we also
22 beefed up our supply, supply chain before the duties went
23 into effect. But then we actively looked for other
24 alternative from other countries, and even different
25 overlays, nonsubject overlays from China on the similar

1 core, but using a different overlay as opposed to the
2 birch. So we were prepared and getting prepared to switch
3 when, fortunately, it was thrown out the last time.

4 Did we look to the U.S.? We're in contact with
5 our U.S. distributors and U.S. suppliers all the time. They
6 never brought anything to us. We kept asking, would you --
7 do you have anything? And they wouldn't ever come -- they
8 never came to us with anything that was an equal substitute.
9 They would come with stuff and said, "yeah, it'll do the
10 same thing," and it just was either a different core or it
11 was way too expensive. It didn't do for us what we needed
12 it to do.

13 MR. WEAVER: If you review my testimony from the
14 last hearing, our story was similar to that, that we met
15 with each of our vendors. We showed them the product we
16 were using. We asked them -- we gave them, and this is a
17 blank slate, and said, "Look, you know, here's the
18 application, here's what we don't know," you know, "We don't
19 need extra money into this, this is what it performs for,"
20 so you know, "You don't need to overbill it. We just need
21 something that will substitute for what we're using."

22 And we did not get anything back that was
23 useable, and in some cases, we didn't get any answer. And
24 in one case, we were presented with a product that they were
25 looking at engineering, which was an OSB core with a veneer

1 on it, and then that supplier decided they didn't want to
2 build that product. So we never got anything out of that,
3 that was useable, other than the products that were existing
4 on the market that -- that's not an apples for apples
5 substitution for us.

6 MR. SOVA: We didn't begin using a birch
7 interior until just a couple of years ago. Prior to that,
8 we used a paper laminate on the internal components of our
9 cabinets.

10 MR. AHMAD: And my last question is, and so in
11 terms of Chinese hardwood plywood, I guess what you, from
12 your testimony is that it's not useful or it's not good
13 enough to make it into the decorative kind of products in
14 the cabinets, like the front end. Right? Would that be
15 your testimony? That Chinese hardwood plywood is not of
16 that quality, to make it in the front of the cabinet?

17 MR. WEAVER: That is our experience. And as I
18 said earlier, we have tested some over the years and felt
19 that it was inadequate. And we use all 100% domestic on any
20 exposed surfaces that require an appearance grade.

21 MR. SOVA: That's true for us, too.

22 MR. AHMAD: So my question would be then, the
23 Chinese RTA cabinets, how are they able to make those primed
24 doors that are comparative with your products?

25 MR. WEAVER: I can't speak to how Chinese

1 cabinets are made, nor can I speak to their finish process,
2 so I think that would be something we would have to maybe
3 investigate. But that's not something I think I have an
4 answer for.

5 MR. BELL: I would suspect that the RTA product
6 coming in, a lot of it is the thicker faced veneers that
7 they're bringing in from the United States and putting on
8 those cabinets, for the faces. But they're still using
9 their thin-faced for the box or the carcass construction.

10 MR. AHMAD: So you are saying they are getting
11 it from the U.S.?

12 MR. BELL: Well, they're at least getting the
13 logs from the U.S., and they're probably doing a different
14 peeling, but you know, they have finishing techniques and
15 capabilities that perhaps we're not satisfied with. We go
16 an extra step. You know, if you wanted to look at this
17 piece, you can see how that veneer is like glass. And it's
18 because of the thick-faced veneer that we purchase from
19 Timber Products and Columbia Wood Products that we can get
20 this kind of finish. We just simply can't get that, or we
21 have not been shown that we can get that from the Chinese
22 product, so we don't even try.

23 MR. AHMAD: But the Chinese products, or the
24 Chinese cabinets, are a competitor to your cabinets?

25 MR. BELL: Absolutely.

1 MR. WEAVER: I would also add to that, that a
2 lot of the Chinese imports that have been coming into the
3 United States are lower end products. The amount of flaws
4 and defects that are accepted in that as a price point
5 cabinet is different than any of the products the three of
6 us manufacture. The Chinese continue to improve, but
7 historically that's kind of been a niche that they have
8 filled.

9 MR. GRIMSON: And one more follow-up point. You
10 heard some discussion about the increase in the fashion
11 towards the painted surfaces. And there's no reason to
12 think that what's coming in from China and RTA is any
13 different from that general trend. And when you have a
14 painted surface, you have a painted front of cabinet, the
15 folks were telling us the ideal surface to paint is not even
16 wood. It's MDF. So the whole thin-faced veneer Chinese
17 plywood concept really kind of falls by the wayside if
18 you're talking about painting MDF. And that's probably
19 what's on the front of any or a lot of the RTA cabinets
20 that's coming in.

21 MR. AHMAD: And I would ask the same question to
22 the Chinese firms. Are they able to supply higher quality
23 plywood to their Chinese cabinet companies?

24 MR. SHENGFU: The companies in China sell the
25 products who want to buy, not only for the local, but also

1 for a certain kind of product, just means prices are going
2 higher.

3 MR. NEELEY: I want to agree--this is Jeff
4 Neeley--in terms of the Chinese cabinets, since we're
5 talking about cabinets now. It is my understanding, because
6 of a trend, a lot of it is different than, you know, it
7 would be MDF-based. But in terms of the thicker plywood,
8 which I think your question is to more broadly, as I said
9 before, I think that's something we'll give you a fuller
10 answer to in terms of what's out there.

11 Certainly, what's coming to the United States,
12 though, and I think it's very clear when you look at our
13 data, because we make sure that we provided you with data
14 not only on the overall data of what's coming from China,
15 but broken down. And what you can see is that
16 overwhelmingly what's coming into the United States is the
17 thin product. I mean by thin, I mean really thin. Not, not
18 even borderline of what the U.S. is making.

19 MR. SIMON: If I may add to that one point.
20 This is Greg Simon. The vast majority of what my company
21 imports is D and E Grade in a whiter natural birch, which is
22 going into the interior parts of the cabinet. We sell to
23 these same manufacturers, nothing in the higher end A or B
24 grades, C grades for that matter. And they're not asking
25 for it. They're using domestic for those applications. So

1 we're filling a niche in a specific application and they're
2 buying the plywood for that reason.

3 MR. ROGERS: This is Tom Rogers. In the last
4 case, we heard a similar story. The sky is falling, the sky
5 is falling. They're starting at the bottom and they're
6 moving up and they're going to -- if you don't put an order
7 in place, then they're going to come into the high grades.
8 Well, an order was not put in place.

9 It's four years later, five years later, and if
10 you look at the data, you know, they have a chart in which
11 they have all these checkmarks about what can be coming in
12 from China, but if you look at the data, you're collecting
13 your questionnaires, if you really examine that closely, in
14 terms of grade, you'll see there really isn't that much
15 Chinese stuff coming in. So I think we're talking theory
16 here, but if you look at the real facts of the case, you
17 won't see that product.

18 MR. WEAVER: I would also like to maybe clarify
19 a couple of trends that we've all hit on a little bit, but
20 I'm not sure they've been clarified as well as they could
21 be.

22 You know, the market has picked back up since
23 2013, and it directly corresponds to the housing market
24 picked up, so you can go figure out what that means. Which
25 naturally, for interior carcasses, is going to cause an

1 increase in imports. That's just the fact pattern.

2 At the same time, the three of us have talked
3 about the increase in paint. And Steve talked about 50% of
4 his product is a laminate that no longer requires hardwood.
5 25% is a paint, which doesn't require hardwood plywood. Our
6 statistics mirror that between the wood and the paint
7 surfaces, which automatically means there's a decrease in
8 demand on American hardwood plywood for those surfaces.

9 We substitute either HDF or MDF for that plywood
10 panel because it gives a much greater paint surface. You
11 don't get the defects of plywood that your eye usually
12 doesn't catch with stain and topcoat, but will catch with a
13 paint. So you do have two things going on there. You have
14 an increase in carcass parts coming in, but you have a
15 decrease in the use of hardwood plywood because of consumer
16 trends and fashion trends.

17 MR. SOVA: I can say something similar. We were
18 one of the few cabinet makers in the country that opened a
19 new plant last year, and we brought it online in January of
20 this year, and it was designed specifically to make a
21 frameless cabinet that is built of a particle-board core.
22 And our growth this year has come specifically from that new
23 product line. It has no plywood in it in the case at all.

24 And that's a trend that we see is going to grow.
25 And in addition to what Bill and Steve said, the other

1 reason we built that plant was to supply the American
2 consumer with a clean sleek flat front that you see a lot of
3 horizontal, vertical lines, solid surfaces, Steve alluded to
4 that a little bit, but that's the reason, or one of the
5 reasons we built that factory. And none of those products
6 will have a hardwood veneer on them. So that's a definite
7 trend that we see in the cabinet industry.

8 MR. BELL: I would add to that that the only
9 place in the world that builds a face-framed cabinet is the
10 United States of America. The entire rest of the world
11 builds a cabinet like this. This is the world cabinet.
12 That's an American cabinet. The rest of the world does not
13 use plywood on its core. The only reason we have to use
14 plywood on our core is for specific geographical regions
15 that demand a plywood core.

16 But 70% of our business, of what goes through
17 our factory is on a particle-board box, not even a hardwood
18 plywood. And then with the advent of all the European
19 textures, over 8% of our panel goods come from Europe now,
20 that five years ago zero came from. So a big part of the
21 reason that petitioners are seeing a decline in the hardwood
22 plywood demand is just simply fashion.

23 The trends are changing. It's a new world out
24 there. And there's a younger demographic that's wanting a
25 minimalist European Asian look, and they're not getting it

1 from the current processes and manufacturers in the United
2 States.

3 MR. AHMAD: Thank you. I have --

4 MR. WEAVER: Yeah, one of the things we
5 experienced, and I explained this to my employees is, you
6 know the recession really kind of froze our industry in time
7 for a period of time. But if you take the demographics of
8 who our consumers are, they continue to age. And it tended
9 to be the older consumers were tradition, bought tradition,
10 the middle of that--if you drew a bell curve--the middle of
11 that bell curve, they were what we call transitionals.

12 It was kind of a combination of contemporary and
13 traditional, and the younger has always been contemporary.
14 But what happened when the recession ended, the recession
15 for really practical purposes in our industry ended in 2013.
16 It's about when things really took off. And that's one
17 reason that you see those statistics change from 2012 and
18 before to 2013.

19 There is five to seven years of pent-up consumer
20 change that happened overnight in both styling and color
21 preferences and door styles, etcetera, which really took us
22 as manufacturers by surprise. We're used to incremental
23 change over a number of years, and we experienced that all
24 in a very short period of time.

25 And that is one thing that contributes to a

1 dramatic shift in materials being used and in those shifts
2 in colors and styles. Consumers didn't quit being
3 consumers. Tastes did not quit changing, but the ability to
4 implement that into the market place was all consolidate in
5 a very short period of time.

6 MR. DOUGHERTY: This is Shawn Dougherty for
7 Northwest Hardwoods.

8 MR. BELL: This is Steve Bell. I just want to
9 add on that, that the vast majority of the products that
10 we're using in our cabinet right now are actually a
11 particle-board core. And if you go to Europe, you can't
12 even buy a plywood cabinet. It's all particle-board. And a
13 good percentage of our particle-board with melamines on it
14 are coming from these very petitioners. They didn't talk
15 about their MDF and their particle-board increases. They
16 were only talking about their hardwood plywood decreases.
17 That would be another subject for discussion.

18 MR. DOUGHERTY: Shawn Doughery with Northwest
19 Hardwoods. As one of the largest lumber producers, we are
20 compassionate with the petitioners. When you take downtime
21 in your operations, we would love to run seven days a week,
22 three shifts. That's how you optimize an operation. But
23 trends and resources actually have a big impact.

24 So we felt the change in the paint industry, or
25 the kitchen cabinet industry moving to paint, that's not

1 good for us. We don't like it. We had to figure out ways
2 to re-engineer some of the woods that we have in the West.
3 We've had to figure out ways to seek additional resources of
4 the types of closed-grain woods that the painted cabinet
5 industry was looking for.

6 So our belief and our hope and our, actually our
7 sales tactic, is to get them back into hardwoods. Right?
8 Reverse those trends. But trends are here for a period of
9 time. We know they will come back. And so we, like the
10 petitioners, experience a little bit of a shift when they
11 went to paint.

12 MR. AHMAD: I have no other questions.

13 MR. ANDERSON: Thank you Mr. Ahmad.

14 Mr. Honnold.

15 MR. HONNOLD: I just have a couple of questions.
16 In the petition you mentioned that some of the producers us
17 the two step process, when manufacturing hardwood and
18 plywood. With that suggested there some U.S. producers that
19 can produce some thin, very thin type veneer?

20 MR. WEAVER: Yeah I can answer that on a small
21 basis, and I kind of have to look at our vendor list, to see
22 who could do that. That tends to be costly and a more
23 expensive product. Sometimes is a product within MDF, you
24 start with ply-cores and the last core before you put the
25 veneer on in and MDF core, which then is sanded to get a

1 tolerance and a thickness and a smooth surface to put that
2 -- put the veneer on. That was talked a little bit earlier,
3 you know, from the plaintiff's side, on trying to -- of core
4 telegraphing through in the traditional way that Americans
5 build plywood. So we do specify some domestic plywood that
6 is built like that, but I would have to go back and review
7 who we get that from. But it's a small amount and it
8 carries a premium, because it is a step that creates
9 additional work. Does that make sense?

10 MR. GRIMSON: Thanks Bill. You know, in the
11 last case like Mr. Weaver said, the Petitioners said they
12 could make thin-faced veneer which is -- would be -- you
13 would need the two step process. In order to get to that
14 point you would have to have that. But the fact is we can
15 talk about what they might be able to do but they didn't.

16 They didn't do it after the last time they
17 said they might be able to do it. They didn't do it. Your
18 data's going to show that, and I would say they don't want
19 to do that. They want to use their capital intensive, less
20 labor intensive way of making a beautiful product that
21 utilizes these giant logs here.

22 If the Chinese really wanted to get into the
23 thick-faced veneer market, they would have to -- what were
24 you saying yesterday Shawn? They would have to essentially
25 stop the industry and wait for the trees in China to grow to

1 a much larger diameter. You know, 20 years. They're not
2 going to sit around and stop. They're going to keep peeling
3 thinner and the U.S. is going to keep peeling thick, and
4 then you peel thick it's the one step process.

5 MR. DOUGHERTY: Yeah, and I think one of the
6 Petitioners, Kit, mentioned the export slabs of hardwood
7 logs going overseas. We do sell some of those ourselves, a
8 little bit of our veneer grade. But there's also what we've
9 noticed with other exporters is a large degree of cell logs.
10 So cell logs, very low grade logs. If you look at a tree,
11 right, you want your veneer quality at the stump, and you
12 have the rest of the tree which lends itself very heavily to
13 cell logs.

14 So the cell logs are now moving and migrating
15 towards China, which is very interesting to us but also a
16 concern. But what we're seeing is people are actually
17 making finger-jointed solid wood panels out of it. They're
18 making furniture out of it. There's flooring components.
19 There's a whole range of things. So the export stats are
20 not simply symbolic of hardwood veneer logs going overseas
21 to be sent back to the United States.

22 MR. HONNOLD: Maybe this is a theoretical
23 question but wouldn't -- if the Chinese wanted to penetrate
24 the high end of this market, wouldn't they want there to be
25 an incentive for them to import from the U.S. to peel their

1 logs and put the thicker faced veneer and then export it
2 back to the U.S.? That would be a way for them to get it on
3 their manufacturing process in China, which doesn't allow
4 them to put on a thick-faced veneer. So again, maybe
5 theoretically, they could do that?

6 MR. ISRAEL: Jonas Israel. Yeah,
7 theoretically you can do that, but there's a cost factor.
8 You have to ship the logs all the way across the ocean, then
9 peel them and then ship them back and then, you know, it
10 doesn't -- it's not cost-effective.

11 MR. HONNOLD: What about if they imported
12 veneers from the U.S. Would that be cheaper?

13 MR. ISRAEL: Yeah, it helps but there is -- if
14 you look at the species that would make sense to import for
15 the Chinese, it would be oak and maple and cherries, and
16 there's all duty on these products. So that is a
17 prohibitive factor to bring it back. I don't think that the
18 Chinese products that are -- that could be manufactured with
19 a thick face would be competitive with U.S., against a U.S.
20 manufactured product.

21 MR. SIMON: This is Greg Simon. If I could
22 add to what Jonas said, I brought with me the sample of
23 plywood that's manufactured in Spain, with a .6 or .7
24 millimeter face thickness, and the Petitioner said that
25 competes fairly, so at a level which if you see it's not

1 something that the Chinese would be able to do
2 competitively. It's just not, not with their process.

3 MR. HONNOLD: Okay. I don't have any more
4 questions.

5 MR. ANDERSON: All right, Mr. Corkran.

6 MR. CORKRAN: Douglas Corkran, Office of
7 Investigations, and thank you all very much for your
8 testimony today. It's been intriguing. I had a series of
9 questions that I wanted to ask, but I think I want to turn
10 first to get a little more exposure on underlayment, the use
11 of this product for underlayment.

12 In your experience, is this -- is this a
13 product or is this an application for hardwood/plywood that
14 there is limited direct use of domestic product? Is it
15 import to import competition? Can you expand on that a
16 little please?

17 MR. GOSNELL: Paul Gosnell, Patriot Timber
18 Products. Yes. Like I said historically, since I've been
19 35 years, there's never been a domestic panel that's
20 competed in that market, and one of the reasons is going
21 back to the cost effectiveness of using the thick veneers.
22 Their costs also go up the thinner the panel they produce.

23 So their primary focus would be on the thicker
24 panels, the half inch, three quarter inch. The underlayment
25 is under a quarter of an inch, which is a quarter inch is a

1 full six millimeter, which would be the thinnest that they
2 want to produce and that they do produce. With the fancy
3 faces, they produce the six millimeter.

4 When you get thinner than that, their
5 production costs go up because you've got less plies. When
6 they're running through those automated machines, the more
7 plies, the more money they make. So basically that's a
8 market they just never really participated in, because it's
9 just not cost effective for them.

10 MR. CORKRAN: And for underlayment, do you use
11 some of the same conventions, such as the grading of the
12 product the same, A to EE grading series?

13 MR. GOSNELL: No. Underlayment really doesn't
14 have a grade. It's a proprietary product because you're not
15 going to see the face. The face is going under some type of
16 flooring. So as long as it's a sound panel, a flat and
17 smooth panel, the installers really don't care what kind of
18 grade the face is. They care -- they don't really care
19 about the face labels, yeah.

20 They don't because they're going to -- typical
21 flooring installers are not wood people, you know. They
22 wouldn't have any idea about half the stuff we're talking
23 about here. But they have to have an underlayment. It's a
24 necessarily evil because they've got to put it down and put
25 something smooth to put that liner on. So it comes down to

1 price, you know, what's the best price, the cheapest
2 underlayment they can use to put down that's going to last.

3

4 I mean the two panels that you saw, where we
5 put the X marks on, we give lifetime warranties with those
6 panels, because we -- for the life of the floor. So we have
7 to guarantee that those panels won't delaminate, there's no
8 voids in them, there's not going to be any bleed through the
9 vinyl for the lifetime of that floor.

10 So if there's any -- and our claims are less
11 than a tenth of a percent, because when it comes down to it,
12 your biggest claims are installation errors, because even
13 though there's 300 and some X marks on that panel, some guy
14 with a metal gun decides he doesn't need to use it all.

15 MR. ISRAEL: Jonas Israel. I just want to
16 back up, Paul. We have sold tropical hardwood plywood to
17 the United States since 1996, and we have never, ever had any
18 competition from domestic producers when it comes to
19 underlayment.

20 MR. GRIMSON: Just to follow up one point. In
21 the last Investigations report on -- in the report on Roman
22 numeral II-7, there was this chart of end use and we --
23 we're actually talking a lot about this. But in terms of
24 the underlayment, the difference in where the product is
25 going between China and U.S. is stark, and we think it's

1 even greater today.

2 Mr. Gosnell estimated that it's more like
3 between 20 and 30 percent of the Chinese plywood is going
4 into that market, and you've heard the witnesses say that
5 there's just nothing from the U.S. producers in there and
6 hasn't been for decades.

7 MR. CORKRAN: Thank you. You had mentioned a
8 general thickness cutoff of was it five millimeters?

9 MR. SIMON: 0.4.

10 MR. CORKRAN: 0.4, and is that tradition, is
11 that industry standard? What makes that the -- why is that
12 generally considered the cutoff?

13 MR. SIMON: This is Greg Simon. So as the
14 Chinese delegate also explained, to handle the veneers that
15 are less than that thickness, they're very fragile. So if
16 you put them in an automated process, they would break very
17 easily. You'd end up with a tremendous amount of downfall.

18 With the wet layout, the veneers are handled
19 by hand and that veneer thickness is conducive to producing
20 it that way. You couldn't possibly do this in an automated
21 dry layout process. The rigidity of the veneer is really I
22 think the answer to your question.

23 MR. ISRAEL: Jonas Israel. I live in
24 Malaysia, and we sell plywood from Malaysia and Indonesia.
25 Malaysia and Indonesia use a production process that is very

1 similar to domestic hardwood mills. It's a one step or
2 sometimes two step, but that's for specific panels, and
3 Malaysian and Indonesian mills do not peel face veneers that
4 are thinner than 0.55 millimeters because of the same.

5 I mean they would simply have too many fall
6 down products that the machines wouldn't be able to handle.
7 So I'm not saying that the domestic manufacturers could not do
8 less than 0.55 mm. They may have better machines than in
9 Malaysia, but I think there is a limit, and I think that's
10 very close to what Greg is saying.

11 MR. CORKRAN: Okay, thank you. I was not very
12 precise in the way -- what I had asked, but it was that very
13 issue. Thank you very much. I'm going to ask a question
14 that was puzzling to me at first, but later in the testimony
15 I think I heard some of the answers, but I want to give a
16 chance to sort of put it all together.

17 One of the things that you see working with
18 the import numbers is certainly an increase in the volume of
19 imports. One of the things we heard today was that product,
20 there's a difference, there can be a difference in the use
21 of products for exposed and non-exposed applications in
22 cabinetry, but I would think that proportion would stay
23 pretty much the same. There's a set number of faces, sides
24 and backs.

25 But are there other applications that are

1 driving some of these import trends?

2 MR. WEAVER: Yeah. This is Bill Weaver,
3 Canyon Creek cabinets. Go back to what I said earlier and
4 to what Steve testified is the change in exterior finishes.
5 When you put a solid body paint on, you're not using a
6 veneer in the center panel of the door. You may be using a
7 veneer, you may be using an MDF base on the ends to take
8 paint.

9 But that automatically in that shift, and
10 maybe I can give it to you a little more in statistics. You
11 know, if you go, you know, back six-seven years ago, I would
12 take a guess that most manufacturers, including ourselves
13 and the gentlemen around me, could measure the amount of
14 cabinet, of the cabinets they were doing as a percentage of
15 their sales or their unit count in a solid body paint in
16 single digit percentages.

17 And today, we are anywhere from 35 to 70
18 percent, depending which manufacturers, and Paul and I have
19 been on the board of the KCMA for a long time and we were
20 both presidents. So we talk to a lot of our comrades in the
21 industry. That was a direct loss to hardwood plywood. So
22 and I really like -- what's that? Yeah, domestic hardwood
23 plywood.

24 Yeah, as was said earlier, you know, the whole
25 industry is up considerably, but we're still using the same

1 stuff for carcasses, and that's going to drive import of
2 thin-faced plywood into this country in a higher volume than
3 it did four years ago. But on the other side of it, the
4 application for domestic hardwood plywood has changed and
5 diminished. You know, I'll give you some other for
6 instances.

7 If I go back five to seven years, so my top
8 species would have been maple, cherry, alder, oak and beech,
9 and beech is not a domestic wood. My top species today are
10 maple and beech, and then now you put paint in that. I do
11 more paint some days than I do in any wood door.

12 So have these shifts going on in the
13 application of the material, but it's been a steady state
14 that has been growing in the application of the Chinese
15 material, because that's not affected by the styling trends?
16 Does that make sense?

17 And I can't stress enough how significant an
18 impact that has been to our industry, in many different ways
19 as each of us has tried to just cope inside our plants with
20 how are we going to put paint on, and the amount of capital
21 investment that that's taken.

22 MR. BELL: Steve Bell, Belmont. Six or eight
23 years ago, 60 percent of what we sold was -- on the faces
24 was some kind of hardwood, and probably 30 percent or 25
25 percent had a paint, and 10 to 15 percent had a laminate

1 type or man-made surface on it. Now, and our company has
2 doubled in size or more, but 50 percent of what we do has
3 some kind of a European-textured laminate or a high gloss or
4 a super matte finish that has no hardwood in it whatsoever.

5 Of the rest of the 50 percent, only half of
6 that. So 25 percent is hardwoods and 25 percent is paint.
7 So our hardwood purchases have diminished greatly as our
8 business has doubled.

9 MR. HAZELBAKER: This is Matt Hazelbaker with
10 Genesis. When you look at beyond the cabinet segment, when
11 you look at the recreational vehicle segment, we've had a
12 lot of press in the last couple of years. Some record years
13 coming up estimated in 2017 that our industry will sell
14 almost 500,000 units here domestically, and by and large the
15 majority of the wood products in those recreational
16 vehicles, be it motorized down to towable, are Chinese
17 hardwood plywood, because of the laminating ability, as we
18 talk about some of the man-made portions so we will laminate
19 wood grain, we will laminate vinyl, we will make trim, we
20 will make styles and again, the hardwood plywood is
21 certainly most conducive for that from China.

22 MR. CORKRAN: Okay. Thank you very much. One
23 of the questions I had, or I'll sort of combine them. In
24 general, I would ask the question about underlayment. But
25 more generally, how important is the use and how widely

1 accepted are the use of grades for this product, and I'll
2 combine it with another question I asked the first panel.

3 Is there a relationship or a link between the
4 prices of grades going from higher to lower grades? Do you
5 expect those prices for those products to move in similar
6 fashions?

7 MR. ISRAEL: Jonas Israel, McCorry. Yes,
8 there is a substantial price difference between the high
9 grades and the low grades, and yes, the customers that we
10 sell to specify very clearly what they want. They are very
11 specific about both what grades they want, but also the
12 thickness of the veneer. So yes, I know that if you go to
13 the websites of the domestic manufacturers or some of the
14 importers, it doesn't say so what thickness the veneer is.

15 But I have not ever come across a customer
16 saying, you know, ship me whatever. I don't care what's the
17 thickness. I mean that's always a discussion.

18 MR. SIMON: This is Greg Simon, Far East
19 American. If I can add to that. Of course there's a big
20 price difference in China between the high grades and the
21 low grades, because very few high grades develop whatsoever.
22 So there's a big spread. In the low grade, there's not as
23 much of a spread. When I refer to low grade, I'm talking
24 maybe a D grade to an E grade or an E grade to an F grade.

25 You go above D and the price jumps up quite a

1 bit for that very reason. So again, I think if you look at
2 the import data, you'll see that there's a very large
3 percentage of D and E grade material coming in, because
4 that's where the product is most widely needed or used in
5 those non-structural applications like the cabinet box. So
6 excuse me, non-decorative applications.

7 MR. CORKRAN: One last question, and that is
8 I'm trying to get a handle on the use of thin-faced veneers,
9 and in particular can you tell me what are the attributes of
10 a thin-faced veneer as opposed to a thicker-faced veneer,
11 and in particular what are the positive aspects of it?

12 MR. CORKRAN: Why would you actively want a thin
13 faced veneer?

14 MR. WEAVER: I can tell you for us -- from our
15 application we use once again for carcass parts the interior
16 cabinet -- it only has a UV finish on it so thickness
17 doesn't matter. You don't have to worry about stain
18 penetration -- you are not worried about sanding it et
19 cetera. It is good enough for that use is probably how I
20 would put it.

21 You don't need any better than that and that's
22 really you know the only advantage that I could think of.
23 Like I said we would not use that for some other application
24 other than that.

25 MR. CORKRAN: Okay so with that said if that's

1 the overriding -- if that's the positive distinction that it
2 is good enough it is not over-engineered or over-qualified I
3 guess for a lack of a better term, then what drives your
4 decision in terms of what to purchase when you are looking
5 at imported product from China from another country or
6 domestically produced product?

7 MR. WEAVER: Yeah I go back to the attributes.
8 You know, obviously cost plays a factor in it but cost is a
9 -- in this case a result of how much engineering has gone
10 into that product and how much you know production costs
11 warranted and you know the cost of the thicker veneer.

12 And you know this is all kind of just part of
13 that evaluation process as you go through it. Sometimes it
14 is appearance you know and looking at you know -- but I
15 can't underplay that you know, you want something that
16 fulfills the purpose you want it for but that's all you
17 want.

18 You know if you want to buy a washing machine
19 that washes clothes with one cycle that's what you buy. If
20 you want to buy a washing machine that washes clothes with
21 multiple cycles that's what you buy.

22 MR. SIMON: When you stain veneer all the defects
23 of that veneer come out, that's why you need a thick face to
24 sand and stain for applications like around this room. So
25 you asked the question about what would you want -- well

1 when you are not staining thin veneer it is perfectly
2 suited for that application as we talked about. So the
3 fitness of use and where you are going to use a product --
4 where telegraphing might not be as important you know of
5 the core materials, and what the process is that the Chinese
6 do with the core really has a lot to do with what thin-face
7 they can use to produce a product what they can't
8 necessarily do domestically.

9 So you can't simply separate the thin face and
10 the core because the core has properties that are providing
11 benefits to those people that are using it based on the way
12 it is construction. So you can't separate those two
13 entirely and then give the answer to your question I
14 believe.

15 MR. CORKRAN: That is helpful because up until
16 that point I was left wondering if it essentially then just
17 came down to price so okay, thank you. I have no further
18 questions.

19 MR. BELL: I would like to just on that note Mr.
20 Corkran -- we use the domestic plywood and it was in -- we
21 couldn't depend on the thickness and with this Chinese
22 plywood with their two-step process where they sand it to
23 within .2 millimeters, that's 8/1000ths of an inch.

24 And then they lay that very, very thin veneer on
25 it we can depend on the thickness of that board day in and

1 day out and day in and day out. We know what we are getting
2 it and it just flat out builds a better cabinet for us.

3 MR. ANDERSON: Okay thank you I am just looking
4 around to see if there are any further questions. Okay I
5 just have two quick -- maybe three quick follow-up
6 questions. We heard a lot of testimony, very interesting
7 testimony, about I think the word was used dramatic shift in
8 the materials and styles in some of your applications in
9 your industries -- if you could either comment now or in the
10 Post-Hearing Brief and provide some data for that -- when
11 did the style shifts change and how much and how dramatic
12 has it been?

13 I have heard a lot of description but it would be
14 interesting if there is any data you can provide whether it
15 is in the underlayment or the cabinetry or the lamination
16 segments of the market that would be -- I think the
17 Commission would find that kind of data very useful.

18 MR. BELL: This is Steve Bell I can speak to that
19 pretty effectively. Before the Great Recession it was a
20 baby boomer market. The baby boomers were fueling
21 conspicuous consumption -- it was a very traditional market.
22 Through the recession everything reset and it became a
23 millennial market, a younger -- you guys, you are our new
24 customer and you guys were wanting a --

25 MR. ANDERSON: You are kind by saying that by the

1 way.

2 MR. BELL: You were wanting the more minimalist
3 looks, the horizontal lines, the textures that we discovered
4 in Europe by traveling to Europe and going to the trade
5 shows over there we started importing these products and
6 they took off like crazy. And we have seen an entire shift
7 and both of my competitors here can attest to that -- that
8 their purchases and sales of those types of products have
9 increased dramatically as the buying public has gone
10 younger.

11 MR. GRIMSON: So we will do our best to get some
12 hard data on this and we are working on that.

13 MR. ANDERSON: Okay that would be great. I think
14 as you know we have a data driven process in part of this
15 investigation so that would be very helpful. The other
16 thing I wanted to ask is given that it seems that both
17 groups here, Petitioners and Respondents agree that demand
18 has gone up during this period of investigation there has
19 been an increase in demand for plywood product here under
20 investigation -- have any of you experienced any price
21 increases for your inputs for the veneers and the products
22 you are buying whether they be for the carcass or the
23 underlayment or for the front panel?

24 And also part two of that is have you tried to
25 implement any price increases given the shifts in demand for

1 particular applications and the growth in overall demand in
2 this industry?

3 MR. WEAVER: We could provide that information in
4 the post Brief.

5 MR. ANDERSON: I would invite the Chinese
6 Respondents to -- if there is anything they would like to
7 add to that question about price increases either on the
8 inputs to some of these products or the finished product.

9 MR. NEELEY: Sure, Jeff Neeley, we will be glad
10 to take a look at that.

11 MR. ANDERSON: Okay with that -- oops -- with
12 that I don't have any further questions. On behalf of the
13 staff I want to thank you all for your presentation. It has
14 been extremely helpful and very informative and right now we
15 will take about a 5 minute recess so that we can move into
16 closing arguments so thank you.

17 (Recess 2:56p.m. - 3:00 p.m.)

18 MR. ANDERSON: MR. Brightbill, when you are ready
19 please proceed.

20 CLOSING REMARKS OF TIMOTHY C. BRIGHTBILL

21 MR. BRIGHTBILL: Thank you Mr. Anderson and
22 thanks again to the staff. A lot to respond to -- I agree
23 that the Respondent's testimony was intriguing this
24 afternoon. I'll just hit a few points, and we will do many more
25 in our Brief. Mr. Corkran asked about the thin faced

1 veneer question -- there were a lot of other questions and
2 the response why use thin faced veneer -- it's good enough.

3 So what's driving your purchasing decision? Well
4 cost plays a factor -- that's our point. The big attribute
5 is it is less expensive. In fact it is dumped and
6 subsidized. Some of the importers were claiming that the
7 Chinese product is superior, sanding day in day out you get
8 a better product. That begs the obvious question if their
9 product is so much better why is it sold for 20 to 40% less
10 in the market?

11 And I will just mention the Commerce Department
12 did initiate just today with dumping margins of over 100%.
13 There was testimony from the gentleman from the Far East I
14 believe regarding the last case -- did you try to switch to
15 U.S. producers and the reference among some other reasons
16 given were the U.S. producers were way too expensive.

17 I wonder if it was 30 to 50% more expensive.
18 That tells you a lot about what you need to know. We have a
19 lot of information about what happened during the last case
20 in terms of efforts to switch to U.S. supply and we will
21 provide that in our Post-Hearing Brief. There were other
22 comments relating to veneer and several comments of a lack
23 of cost competitiveness -- again that means it would cost
24 the Chinese more, they couldn't do it at fairly traded
25 prices -- again that proves our case.

1 Mr. Ahmad asked some great questions regarding
2 decorative functions that the Chinese product is not good
3 enough for decorative functions but then what about RTA
4 kitchen cabinets. Respondents didn't really have an answer
5 for that. I can give you perhaps 1.2 billion reasons of
6 what was going on there.

7 One of the Respondents did say that RTA fronts
8 are still coming from the United States. Well if that is
9 true that confirms our case, they are moving up the value
10 chain. Right now we have the Grade A's and B's and maybe
11 the fronts of cabinets -- they've taken away the rest from
12 us and they are continuing to move up the value chain.

13 There was some discussion of demand change due to
14 fashion trends, minimalist Euro cabinets -- again if that's
15 true why are Chinese hardwood plywood imports up 40%? I
16 urge you to look into that.

17 The testimony you heard from Respondents
18 indicates they want us around for the Grade A's and Grade
19 B's. They are happy with us as the frosting on the cake so
20 long as Chinese imports are the cake itself and importers
21 can have that cake dumped at subsidized prices. That is not
22 a business model that can succeed when more than half of a
23 tree is Grade C or below as you heard from our industry.

24 A lot of other points I could make. There were
25 points regarding lamination grade -- we have quoted

1 lamination grade in other products and we have always been
2 told that our price is too high, we can make any quality of
3 core for laminating grade and we will give you information
4 on that.

5 That's probably enough points for now. I will
6 turn back to more generally what this case is about. I
7 think the testimony today confirmed all the major points.
8 First of all thank you to the Commission staff for your
9 extraordinarily hard work on this case already and we know
10 there is a lot more to come.

11 We know this doesn't make anyone's holiday season
12 any easier, your efforts are very much appreciated by
13 everyone in this industry. We hope the Commission and staff
14 will come and visit one of our facilities, there are a lot
15 of nice ones in Oregon, there's a nice one near Ashville,
16 North Carolina and others. Seeing the manufacturing process
17 will give you extremely valuable context for this case.

18 It goes without saying but we wouldn't be back
19 before you just three years after the prior determination if
20 this wasn't an incredibly important matter to this industry
21 and thousands of workers -- again we are early in the phases
22 of the investigation but you have a great deal of record
23 evidence and that evidence supports our case and our claims
24 as does the things we heard today.

25 Volume -- an increase of half a billion dollars

1 from Chinese imports during the POI. Price -- dumping and
2 subsidies leading to consistent under-selling, pervasive
3 under-selling.

4 Impact -- lost market share to Chinese imports
5 that we didn't have three years ago. Falling production and
6 shipments, declining profits, capacity utilization well
7 below 50% -- these trends are worsening at the end of the
8 period and it demonstrates head-to-head competition.

9 So the record demonstrates things that may have
10 been unclear or not well explained last time around. And if
11 you are wondering what is the more accurate picture of the
12 hardwood/plywood industry, what you saw three years ago or
13 what we unfortunately see today -- take a look at the long
14 view. The unrelenting increase of Chinese dumped and
15 subsidized imports not just over three years, but over 20
16 years and the slow devastation to this fundamental group of
17 companies and workers.

18 That should tell you everything you need to know
19 about this industry and where it is headed without relief
20 from fair trade. So in our view this record compels an
21 affirmative preliminary determination, thank you very much.

22 MR. ANDERSON: Thank you Mr. Brightbill.

23 CLOSING REMARKS OF JEFFREY S. GRIMSON

24 MR. GRIMSON: Thank you very much everybody.

25 Today you heard a tale of two worlds just like you did back

1 in 2012. But the difference is now you have every reason to
2 be highly skeptical of the Petitioner's stories. They have
3 a demonstrated track record of telling the same story to the
4 Commission even if the facts show the opposite.

5 And you know this because you conducted a full
6 investigation that even covered part of this same period of
7 investigation you are looking at right now and you found the
8 Chinese and domestic hardwood plywood are different in
9 fundamental ways that limit competition. That was the
10 fundamental difference between the prelim and the final last
11 time that resulted in a unanimous affirmative prelim
12 flipping to a unanimous negative final.

13 You terminated a case in the final last time and
14 you should do so in the prelim this time and save your
15 resources for better cases. So again that's Deja vu. We
16 heard that thick face veneer, thin face veneer -- nobody
17 cares, we have heard that for two and one-half hours this
18 morning. We saw a slide from Menards which was in the
19 Petitioner's PowerPoint showing the tiger plywood below and
20 the domestic plywood up above.

21 A little bit down the aisle in Menards this week
22 in Indiana we found this product being marketed by Timber
23 Products called thick face veneer. The thickest sand-able
24 veneer in the industry, its thick face trademarked --
25 trademark veneer in Menards in the same place they took the

1 slide to show the tiger ply and domestic.

2 And the marketing information for thick face
3 veneer from Timber Product -- "Choose our thick faced veneer
4 for a big edge in quality. Without laying it on too thick,
5 our thick faced veneer is rotary cut to a generous 138th of
6 an inch. Most other domestic and import peels are
7 paper-thin 150th of an inch. This little difference gives
8 you several huge advantages.

9 Number one -- it is easier to sand.

10 Number two -- much less likely to get sanded
11 through.

12 Number three -- virtually eliminates core
13 transfer on veneer core panels.

14 Number four -- easier to finish.

15 Number five -- superior appearance in any end use
16 application preferred by professional cabinet-makers and
17 wood-workers.

18 It all comes down to this -- for a better
19 quality, more stable panel remember to stick with thick."

20 Alright so it's really pretty outrageous to hear
21 for the entire morning that nobody cares about thick versus
22 thin faced veneer and I think that you all should kick this
23 case out in the prelim. But okay they brought in a cabinet
24 maker -- Phil's Cabinets from Kentucky who testified that he
25 uses 15% domestic and 85% Chinese hardwood plywood.

1 And sitting here today I thought that's
2 remarkable that that witness would come to testify for the
3 Petitioner's then right since they kind of not make economic
4 sense. So I Googled Mr. Crabtree and learned that he sold
5 the cabinet notch patent to Columbia Forest Products and
6 that he is leasing out a facility to manufacture cabinets to
7 Columbia Forest Products. This was in 2011 and 2012 and I
8 would just ask you to go and do your own Google search and
9 we look forward to providing the same information to you.

10 And the last point it is the only project painted
11 cabinets here today -- kind of a major point that we were
12 making as well but more generally speaking. If these
13 products are really the same like the Petitioner say how are
14 both being sold in the same market? How is that rack up
15 above giving the same product -- I mean this is why they
16 gave you that slide -- they said it is the same product
17 above, it is the same product down below but there is a
18 price difference right?

19 How could you have that over time if those
20 products are really the same? You had it for the entire
21 three and half year period you looked at last time and the
22 prices haven't changed and I will say that we fully expect
23 to see that the Chinese prices are still way below the
24 domestic price. And there's a quote for your Brief Mr.
25 Brightbill.

1 And that proves our case, not theirs. Okay it
2 proves that these products are different because over time
3 people are smart, they are going to buy product for a reason
4 and there is a reason they are buying the domestic product
5 still and the reason why domestic product hasn't come down
6 or gone out of the market entirely economically speaking --
7 their case makes no sense if you believe what they are
8 saying to you.

9 If you believe what they are saying to the
10 marketplace and want our cabinetmaker to testify about -- it
11 makes a lot of sense. These products are worlds apart. You
12 know when this case was filed I got a lot of calls
13 concerning is this even legal, can they file a case after
14 they lost it so strongly and even when it covers part of the
15 same period?

16 And when a judge of the CIT issued over a
17 100-page opinion going into facts by the way that none of
18 the parties even argued about it was very exhaustive
19 analysis and upheld the Commission on really every and every
20 major way -- all the findings about product
21 differentiation.

22 And I had to explain to them that it was
23 perfectly legal. Nothing bars the Petitioners from coming
24 back again but I told them that you all are a professional
25 entity, you are in charge of applying a legal standard and

1 that here on the fundamental facts that broke the causal
2 link last time have not changed then we should have hope
3 that the ITC will terminate this case at the prelim.

4 And I told them that notwithstanding the timing
5 of this case the ITC is not a political entity and it
6 doesn't care which candidate got elected President even if
7 that person seems to be inviting a tsunami of Petitions.
8 But still they do worry. They worry that the handful of
9 companies that control the domestic hardwood plywood
10 industry can bully their way to an outcome they do not
11 deserve.

12 But I reassured them that the Commission would
13 look at the facts and we are confident that the facts will
14 prove our theory of the case as it did completely in 2012
15 and I would say the Petitioners own marketing plan proves
16 our case. We are confident that this preliminary phase is
17 not a meaningless rubber stamp operation and we are
18 confident that if the Commission has before it a meritless
19 case like this, they will terminate it and send a strong
20 signal that maybe in at least this one part of Washington
21 facts still matter. Thank you very much.

22 MR. ANDERSON: Thank you Mr. Grimson. On behalf
23 of the Commission I want to -- and our staff here I want to
24 thank everybody for participating in this conference and
25 thank you for enlightening us and helping us develop a

1 record and understanding your industry better.

2 Before we conclude just to mention a couple of
3 key remaining dates in the investigation -- the deadline for
4 submission of corrections to the transcript and submission
5 of Post-Conference Briefs is Wednesday, December 14th. If
6 Briefs contain business proprietary information the public
7 version is due on Thursday, December 15th. And the
8 Commission has tentatively scheduled its vote on these
9 investigations for Friday, December 30th and it will report
10 its determination to the Secretary of the Department of
11 Commerce on Tuesday, January 23, 2017 and Commissioner's
12 opinions will be issued on Tuesday, January 10th.

13 And with that I thank you all and this conference
14 is adjourned.

15 (Adjourned at 3:14 p.m., the hearing was
16 adjourned.)

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CERTIFICATE OF REPORTER

TITLE: In The Matter Of: Hardwood Plywood from China

INVESTIGATION NOS.: 701-TA-565 and 731-TA-1341

HEARING DATE: 12-9-16

LOCATION: Washington, D.C.

NATURE OF HEARING: Preliminary

I hereby certify that the foregoing/attached transcript is a true, correct and complete record of the above-referenced proceeding(s) of the U.S. International Trade Commission.

DATE: 12-9-16

SIGNED: Mark A. Jagan

Signature of the Contractor or the
Authorized Contractor's Representative

I hereby certify that I am not the Court Reporter and that I have proofread the above-referenced transcript of the proceedings of the U.S. International Trade Commission, against the aforementioned Court Reporter's notes and recordings, for accuracy in transcription in the spelling, hyphenation, punctuation and speaker identification and did not make any changes of a substantive nature. The foregoing/attached transcript is a true, correct and complete transcription of the proceedings.

SIGNED: Duane Rice

I hereby certify that I reported the above-referenced proceedings of the U.S. International Trade Commission and caused to be prepared from my tapes and notes of the proceedings a true, correct and complete verbatim recording of the proceedings.

SIGNED: Larry Flowers