

UNITED STATES TRADE REPRESENTATIVE

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301 COMMITTEE

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SECTION 301 TARIFFS PUBLIC HEARING

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TUESDAY
AUGUST 21, 2018

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The 301 Committee met in the Hearing Room of the International Trade Commission, 500 E Street, SW, Washington, D.C., at 9:30 a.m., William Busis, Megan Grimball, and Arthur Tsao, Co-Chairs, presiding.

PRESENT

WILLIAM BUSIS, Chair, U.S. Trade Representative
MEGAN GRIMBALL, Chair, U.S. Trade Representative
ARTHUR TSAO, Chair, U.S. Trade Representative
EVAN CONCEICAO, Department of Homeland Security
BENJAMIN NILS HARDMAN, Department of Commerce
AMY HOLMAN, Department of State
JULIA HOWE, U.S. Trade Representative
TYMOTHY MCGUIRE, U.S. Department of Agriculture
ERIC MULLIS, U.S. Department of Agriculture
MAUREEN PETTIS, Department of Labor
PETER SECOR, Department of State
TANYA SMITH, Small Business Administration

STAFF PRESENT

BILL BISHOP, U.S. Trade Representative
TYRELL BURCH, U.S. Trade Representative

WITNESSES PRESENT

JIM ANDERSON, Moly-Cop USA
COLIN ANGLE, iRobot
JAMES ARCHIBALD, William T. Burnett & Co.
ERIC ASTRACHAN, Tile Council of North America
LEIGH AVSEC, MasterBrand Cabinets, Inc.
DAVID BAER, Element Electronics
MARISA BEDROSIAN, Bedrosians Tile & Stone
LEE BERGER, Broan-NuTone, LLC
PETER BERKMAN, Homewerks Worldwide, LLC
BRETT BRADSHAW, International Housewares
Association
BRIAN CARSON, Mohawk Industries, Inc.
SAGE CHANDLER, Consumer Technology Association
KATHLEEN CLAS, Kodak Alaris, Inc.
STEPHEN COMSTOCK, American Petroleum Institute
JONATHAN COWLES, Liberty Furniture
WIN CRAMER, JLab Audio
MIKE DISTEFANO, Continental Materials, Inc.
SHEILA EADS, ERB Safety
AARON EMIGH, Brilliant Home Technologies Corp
BILL FAGERT, The Wooster Brush Company
RICHARD FIREHAMMER, Universal Electronics, Inc.
CHERYL GREEN, Bak USA Technologies Corp
PAUL GOSNELL, Patriot Timber Products
JOHN HOWARD, Coil Wholesalers, LLC
WAYNE JOSEPH, New Flyer of America
MARK KARNES, Cedar Electronics
JOHN KARSON, FX Minerals, Inc.
JEROME KEARNS, Four Hands, LLC
MARK KINZIE, Logitech, Inc.
JOHN MATTKE, National Building Granite Quarries
Association
JOHN McCANN, MEC Aerial Work Platforms
TIM MILLER, Lionshead Specialty Tire & Wheel
ANDY MISSAN, Fitbit, Inc.
JOHN NEWCASTER, IMPACT Industrial Minerals, LLC
CHRIS O'CONNOR, Congoleum Corporation
JASON OXMAN, Electronic Transactions Association
MIKE PEDERSEN, Alta Forest Products
GARY PHILBIN, Dollar Tree, Inc.

MARK PROFFITT, MECO Corporation
JASON ROOK, Tube & Solid Tire, Ltd.
TIMOTHY AMOS SCHALLICH, eero, inc.
DAVID SCHEER, ECM Industries, LLC
RUPESH SHAH, M S International
DERRICK SHAOULPOUR, HF Design, LLC
WU SHENGFU, China National Forest Products
Industry Association
MO SIEGEL, Ice Air, LLC
MARTIN SILVER, Max Home, LLC
ERIK SMITHWEISS, Pioneer DJ Americas, Inc.
JEFF SWARTZ, Moen, Inc.
GARY TRAPP, Cascade Wood Products, Inc.
CRAIG UPDYKE, National Electrical Manufacturers
Association
TOM VINING, National Elevator Industry, Inc.
NATHAN WALKER, Goodman Global
CHRISTOPHER WELCH, Magic Tilt Trailers
JARED WESSEL, United Industries
NAOMI WILSON, Information Technology Industry
Council
WEITAO ZHANG, Transamerica Tire Co., Ltd.
XIAO ZHIYUAN, Jiangsu Beier Decoration Materials
Co., Ltd.

1 MR. BISHOP: We release this Panel
2 with our thanks. And we invite the members of
3 Panel 14 to please come forward and be seated.

4 We also invite the members of Panel 15
5 to come be seated in our waiting area.

6 Will the room please come to order?

7 Mr. Chairman, our first witness on
8 this panel is Eric Astrachan of the Tile Council
9 of North America.

10 Mr. Astrachan, you have five minutes.

11 MR. ASTRACHAN: Good afternoon members
12 of the Trade Policy Staff Committee. And thank
13 you very much for the opportunity to testify
14 today.

15 My name is Eric Astrachan. And I
16 serve as the Executive Director of the Tile
17 Council for North America.

18 The Tile Council is the trade
19 association for the North American tile industry.
20 Our member companies account for more the 99
21 percent of U.S. tile production. And over 99
22 percent of U.S. mortar, grout, and related

1 installation products manufacturing.

2 As with many trade associations, the
3 Title Council serves both as a policy resource
4 for member companies, and as a technical resource
5 conducting cutting edge research and working with
6 counterparts in other countries to establish
7 international performance standards for tile.

8 We undertake these efforts on behalf
9 of what is a sizable American tile industry. In
10 2017 Tile Council member companies shipped 1.4
11 billion dollars of domestically made tile.

12 And our tile producing member
13 companies employed more than 5,750 workers. They
14 annexed to USTR July -- USTR's July 17 Federal
15 Register notice included ceramic floor and wall
16 tiles, ceramic mosaic tile, and ceramic finishing
17 products on a list of items subject to tariff
18 increases. Thank you.

19 At USTR's May hearing, we on behalf of
20 American tile manufacturers asked the
21 Administration to include tile on the list of
22 products subject to Section 301 tariffs. We

1 cited rampant Chinese mislabeling, copying, and
2 underselling of U.S. produced tile.

3 I'm here today to ask you to keep
4 ceramic tile products, all of which are
5 classifiable under HTS U.S. 6907, on the list.
6 Specifically, the Tile Council supports the
7 inclusion of items covered by 6907.21.10 up to
8 and including 6907.40.90.

9 Despite our industry size, our
10 industry is threatened by the growing presence of
11 Chinese imports in the marketplace. For this
12 reason, the inclusion of floor and wall tile, as
13 well as finishing and mosaic tile, has broad-
14 based support among U.S. manufacturers and
15 industry suppliers, and is justified on trade
16 policy grounds.

17 Imports of Chinese floor and wall tile
18 and finishing and mosaic tile, merit inclusion on
19 the list of products subject to tariffs for three
20 reasons.

21 First, mislabeling. Porcelain tile
22 sells at a premium in the U.S., both for the

1 quality of its decoration made possible by
2 porcelain technology, and for its low water
3 absorption that it provides excellent freeze/thaw
4 resistance and strength.

5 TCNA regularly finds imports of
6 Chinese porcelain tile that do not meet U.S. or
7 international standards for porcelain, defrauding
8 the customer and damaging the tile industry
9 through inferior products and the resulting
10 complaints of poor performance. And by
11 depressing prices for genuine porcelain tile
12 products.

13 **Second, IP violations.** Ceramic tile
14 producers devote substantial time and resources
15 to product design and development.

16 As a building finish, ceramic tile is
17 selected based on its design in addition to its
18 performance. We regularly hear U.S.
19 manufacturers complain of designs being copied by
20 manufacturers in China. And their written
21 comments will include numerous examples of such
22 blatant copying.

1 **Third, underselling.** According to the
2 latest international Trade Commission data,
3 **Chinese tile imports are priced at 86 cents per**
4 **square foot. A dramatically lower price than the**
5 **\$1.52 per square foot for domestic shipments of**
6 **ceramic tile.**

7 This dramatic price discrepancy, a 57
8 percent difference, is indicative of predatory
9 pricing. Particularly in light of the fact that
10 some of the best clay deposits in the world are
11 in the United States, close to manufacturing
12 facilities of TCNA members.

13 In sum, the U.S. ceramic tile industry
14 is threatened by unfairly traded Chinese product.
15 And U.S. producers wholeheartedly support the
16 inclusion of ceramic tile classifiable under HTS
17 U.S. 6907, to the list of products subject to
18 additional duty.

19 There are no downstream manufacturers
20 using ceramic tile components. This is not the
21 steel industry with steel producers pitted
22 against steel consumers.

1 There's considerable excess tile
2 producing capacity in the U.S., and no shortage
3 of imports available from high quality tile
4 producing countries that don't mislabel their
5 products, don't steal IP, and don't dump in the
6 U.S.

7 Sure, some importers taking advantage
8 of artificially low prices will need to source
9 from elsewhere. When Mexico put antidumping in
10 place against Chinese tile, resourcing took place
11 almost immediately and completed well within a
12 year.

13 This trade action puts the Chinese on
14 notice for their trade practices. And is a
15 win/win for the consumer and for good clean tile
16 producing jobs in America.

17 Thank you for the opportunity to
18 testify today. Thank you for listening to the
19 industry's concerns. And I look forward to any
20 questions.

21 MR. BISHOP: Thank you Mr. Astrachan.
22 Our next witness is Marisa Bedrosian of Bedrosian

1 Tile and Stone.

2 Ms. Bedrosian, you have five minutes.

3 MS. BEDROSIAN: Good afternoon members
4 of the Section 301 Subcommittee. My name is
5 Marisa Bedrosian. And I am Corporate Counsel for
6 Bedrosian Tile and Stone.

7 Thank you for the opportunity to
8 appear before you today on behalf of Bedrosians,
9 our one thousand U.S. employees, and our many
10 U.S. Customers.

11 Bedrosians has been operating as a
12 U.S. business since 1948. And is now one of the
13 largest, independent, U.S. importers and
14 distributors of ceramic tile, porcelain tile,
15 glass tile, and stone, with approximately 40
16 retail locations.

17 Bedrosians' customer base includes
18 homeowners, contractors, builders, developers,
19 architects, fabricators, and smaller distributors
20 or retailers.

21 Bedrosians' customers are accustomed
22 to a vast selection of product offerings from

1 around the world. Many natural stones that are
2 sold in the U.S. are indigenous to China, such as
3 certain marbles, slates, and onyx.

4 China is also known for affordable
5 granites that serve the commercial and multi-unit
6 housing niche. Commenters like Mohawk
7 Industries, Incorporated, are unfortunately using
8 the 301 process to promote their own financial
9 agenda, which is to increase profit margins,
10 eliminate competition, and effectively create a
11 monopoly.

12 Mohawk strongly urged the 301
13 Subcommittee to add ceramic tile to List One.
14 And impose a 25 percent tariff. A position you
15 rightly rejected.

16 Mohawk is the world's largest flooring
17 manufacturer with approximately 50 percent of the
18 U.S. tile market, a North American market share
19 in ceramic tile that is substantially larger than
20 the closest competitor.

21 Mohawk is the largest ceramic tile
22 producer in the world with ceramic tile plants in

1 the United States, Mexico, western and eastern
2 Europe, and Russia.

3 Mohawk submitted comments to the USTR
4 in May of this year expressing idle capacity at
5 U.S. ceramic tile plants. However, Mohawk's 2017
6 annual report states it doubled capacity in its
7 Salamanca, Mexico ceramic tile plant.

8 Doubled capacity in Mexico. If Mohawk
9 refrained from increasing foreign capacity, they
10 could utilize available U.S. capacity.

11 For the past two decades, Mohawk has
12 bought up tile company after tile company, such
13 that many of our former competitors are now
14 bundled up within the Mohawk group.

15 Mohawk's growth has not been
16 restricted by Chinese imports. But the
17 imposition of these tariffs will restrict growth,
18 or worse, destroy many independent tile
19 distributors in the United States, and
20 effectively impose a tax on the American
21 consumer.

22 Mohawk suggests that the tariff will

1 not disrupt the U.S. economy because importers
2 can simply purchase tile from other countries
3 like Italy, Spain, Mexico, Turkey, Bulgaria, and
4 Poland.

5 And while we do already purchase tile
6 from some of those countries, this rationale
7 neglects our existing relationships with
8 factories in China that are producing hundreds of
9 existing and unique tile collections with colors,
10 patterns, and textures that cannot be exactly
11 replicated.

12 Changing production countries and
13 factories would require Bedrosians to discontinue
14 hundreds of tile and stone collections. And if
15 possible, relaunch similar but different lines
16 produced from other countries.

17 In addition, Bedrosians would suffer
18 financially from the time and resources required
19 to research and develop new collections with new
20 factories and lost sales from product
21 discontinuations, in addition to excess
22 inventory.

1 To relaunch hundreds of lines would
2 cost our company millions of dollars in marketing
3 alone. These are not financially feasible
4 alternatives for Bedrosians.

5 The Tile Counsel of North America
6 represents American tile manufacturers and their
7 best interest. Comments submitted by the TCNA
8 suggest mislabeling and IP violations on Chinese
9 imports.

10 For the record, Bedrosians sends all
11 of its Chinese imported tile to be tested at the
12 TCNA laboratories. As for IP violations
13 Bedrosians employs U.S. based, in-house product
14 designers who develop proprietary tile color
15 blends, shapes, patterns, and textures, which are
16 then produced in Chinese factories.

17 The intent of the initial Section 301
18 action was to address the acts, policies, and
19 practices of the government of China as it
20 relates to technology transfer, intellectual
21 property, and innovation.

22 Our imports and business dealings with

1 China have no technology component. Our products
2 do not contain industrially significant
3 technology, including technologies and products
4 related to China's Made in China 2025 industrial
5 policy program.

6 Our products are some of the oldest,
7 most dated in the world. We sell clay tiles and
8 stones manually cut from a mountain.

9 Our products should not be included on
10 this list simply because of comments received by
11 those whose pockets will directly profit from the
12 tariff imposition.

13 I respectfully ask that you remove
14 ceramic tile, porcelain tile, natural stone
15 products, glass tile, and engineer quartz from
16 the list of products that will be subject to the
17 Section 301 tariffs.

18 Thank you for your time. I am happy
19 to answer any of your questions.

20 MR. BURCH: Thank you Ms. Bedrosian.
21 Our next panel witness is Brian Carson with
22 Mohawk Industries, Incorporated.

1 Mr. Carson, you have five minutes.

2 MR. CARSON: Good afternoon. My name
3 is Brian Carson. And I'm the President of the
4 North American Flooring Segment of Mohawk
5 Industries.

6 Thank you for the opportunity to
7 testify today. And I appreciate the tremendous
8 work the Section 301 Committee has done for the
9 hearing and throughout the investigation.

10 Mohawk is the leading U.S.
11 manufacturer of flooring products. Our products
12 include carpet, rugs, ceramic tile, laminate,
13 wood, stone, and vinyl flooring.

14 Our industry leading innovations have
15 yielded products and technologies that
16 differentiate our brands in the marketplace. Our
17 brands are among the most recognized and
18 respected in the industry, and include American
19 Olean, Daltile, Durkan, Karastan, Marazzi,
20 Mohawk, Lees, Mohawk Group, Pergo, Unilin, Quick-
21 Step, and IVC.

22 Since the early 2000s, Mohawk has

1 transformed its business from what was
2 essentially an American carpet manufacturer, into
3 the world's largest flooring company with
4 operations across the world.

5 In the United States alone, we operate
6 49 manufacturing facilities with over three
7 hundred distribution points and service centers,
8 with over 21,000 workers, employed in 49 states
9 across the United States.

10 Mohawk supports USTR's inclusion of
11 the following products on the final list of goods
12 subject to the additional 25 percent duties:
13 vinyl flooring, particularly vinyl tiles,
14 laminate flooring, engineered wood flooring,
15 carpet, rugs, and ceramic tile.

16 Unlike many of the opponents of the
17 Section 301 measures who do not manufacture
18 flooring products in the United States, Mohawk
19 has remained committed to U.S. manufacturing and
20 technology innovations despite tremendous market
21 pressure exerted by Chinese imports.

22 Mohawk has invested over one and a

1 half billion dollars in the last five years
2 adding, expanding, and upgrading its facilities.
3 The return on these investments has been and will
4 continue to be adversely affected if China's
5 unfair trade, intellectual property, and
6 industrial policies remain unrestrained.

7 The proposed Section 301 action on
8 Chinese flooring will allow U.S. flooring
9 manufacturers, such as Mohawk, to improve
10 capacity utilization, expand production, and
11 create more jobs.

12 The action will impact about 3.5
13 billion dollars of Chinese imports. And is
14 critical to the ability of Mohawk and other
15 manufacturers to continue to invest in U.S.
16 manufacturing.

17 U.S. manufacturers are capable of
18 supplying U.S. consumers' needs for these
19 products. And in the limited instances where
20 capacity is insufficient to meet the demand,
21 alternative third country sources are available
22 to supplement the U.S. supply while additional

1 U.S. capacity is brought online.

2 I can state unequivocally that U.S.
3 manufacturing capacity and jobs would increase if
4 Chinese imports stopped flooding the market.

5 Take vinyl flooring for example.

6 Census statistics show imports of Chinese vinyl
7 flooring alone total 1.7 billion dollars in 2017.

8 We estimate imports from Asia,
9 primarily China, occupies 65 to 70 percent of the
10 market, with the remaining 30 to 35 percent
11 coming from U.S. producers.

12 Imposition of duties on Chinese vinyl
13 flooring is necessary to stop these products from
14 flooding the U.S. market and threatening to force
15 the U.S. manufacturers out of the industry.

16 We will provide confidential
17 statistics in our written comments to demonstrate
18 that U.S. vinyl flooring production capacities
19 are severely underutilized as a result of the
20 dominant presence of Chinese imports.

21 The unused capacity with additional
22 capacity outside of China in counties such as

1 South Korea, and in the European Union, is
2 sufficient to meet the demands that are currently
3 fulfilled by Chinese products.

4 Finally, the imposition of Section 301
5 measures on Chinese flooring products is
6 necessary to achieve the objectives of the
7 Section 301 investigation. Including to respond
8 to Chinese retaliatory actions to the U.S.
9 Section 301 measures, and to compel China to
10 change its acts, policies, and practices.

11 China has recently included the very
12 tariffs on the products that are being considered
13 as part of the Panel. So backing down on tariffs
14 on flooring products is not an option.

15 Thank you. And I'm available to
16 answer any questions you may have.

17 MR. BURCH: Thank you Mr. Carson. Our
18 next panel witness is John Newcaster with IMPACT
19 Industrial Minerals, LLC.

20 Mr. Newcaster, you have five minutes.

21 MR. NEWCASTER: Thank you. And again,
22 appreciation of the opportunity to provide

1 testimony to this Panel today.

2 Today I am an independent consultant.
3 But, between the years of 1992 and 2016, I was
4 the Supply Chain VP of two major drilling fluid
5 companies, M-I SWACO, which is now part of
6 Schlumberger, and then later Baker Hughes'
7 Drilling Fluids.

8 As such, over -- at different times.
9 As such, I was responsible for much of the U.S.
10 barite supply, natural barium sulfate to the oil
11 and gas industry. Both the production
12 domestically and imports, which were ground in
13 Texas and Louisiana by both of those companies.

14 Since I've retired from Baker Hughes,
15 my barite related consulting clients have
16 included over the last two years, Chinese
17 exporters, Indian exporters, a Mexican exporter,
18 a future Canadian exporter, and two of U.S.'s
19 drilling fluids companies, one still a major
20 importer, and also a major wholesale customer of
21 the industry.

22 I want to make it clear that I'm fully

1 supportive of the Administration's objectives.
2 And I want the best outcome for U.S. trade and
3 U.S. energy objectives.

4 So I believe that I provide a unique
5 perspective as an independent voice. And maybe
6 the only individual with direct involvement in
7 three major events that have a profound shape on
8 today's international barite trade.

9 In 2006 I presented the first request
10 to the American Petroleum Institute, who had a
11 panelist on the last panel, a witness, to lower
12 the density specification for the oil and gas
13 industry.

14 This extended the U.S. reserves and
15 production in Nevada. And it enabled Moroccan
16 and Indian competition with China. Which was the
17 dominant provider.

18 Second was I was instrumental in
19 opening the first foreign trade zone to mitigate
20 the existing and still current tariff on Chinese
21 barite unground.

22 Bu third, and probably most

1 significant, I made the first purchases from
2 private enterprise companies in China in 1997/98,
3 leading to a fairly rapid dissolution of the
4 state owned enterprise control of barite exports,
5 making actually Chinese barite very subject to
6 competitive forces with competing exporters in
7 China, which it still is.

8 I'd like to reinforce six points that
9 I'm sure are going to be repeated by some of the
10 fluids companies who are testifying later in the
11 week. Number one, barite or barytes is required
12 for oil and gas drilling. There's really no
13 substitute material.

14 The U.S. is not and cannot be self-
15 sufficient from Nevada. Chinese barite is
16 required, even with domestic barite supplemented
17 by Mexican, Moroccan and Indian imports.

18 A 25 percent increase in Chinese
19 barite ore will translate immediately to a 25
20 percent increase in all available imported ore.
21 Chinese prices set the world market.

22 The U.S. is the biggest user. China

1 is the biggest producer. Moroccan and Indian
2 competitors will set their prices accordingly
3 upward to come in under the Chinese -- the new
4 Chinese costs.

5 Indian pricing is actually set by a
6 state monopoly in the State of Andhra Pradesh.
7 And quality Moroccan supply is very limited.

8 The consequences to China of the 25
9 percent tariff are actually very minimal if at
10 all. Over 50 percent of Chinese mines have been
11 closed in the last two years.

12 It's not 50 percent of capacity, but
13 a lot of small mines, for environmental reasons.
14 And their domestic demand for barite is up
15 significantly. Which is already tightening
16 export availability.

17 Barite is a low margin export. The
18 Chinese exporters cannot drop their price 25
19 percent to keep the U.S. market.

20 The miners and exporters will save
21 their reserves or they will divert their supply
22 to other export markets probably at a new high

1 price for them.

2 There is no ability for the Nevada
3 producers, and I used to be one, to make up any
4 significant difference due to the depleting
5 reserves in Nevada, higher mining costs,
6 processing constraints, and the served market
7 limitations due to the U.S. rail freight cost.

8 Although very unlikely, an outright
9 Chinese ban or restriction on barite export to
10 the U.S. as a retaliation to the tariff, would
11 have severe short term consequences for U.S.
12 offshore drilling as China is now the only
13 reliable source for the higher offshore -- API
14 offshore grade barite.

15 So, in conclusion, a tariff on Chinese
16 barite ore and powder yields no U.S. benefit.
17 Results in no negative Chinese consequences. And
18 actually penalizes U.S. drilling costs, adding to
19 the cost of U.S. oil and gas.

20 So I respectfully request that China
21 origin natural barium sulfate, HTS code 2511, be
22 excluded from the proposed 25 percent tariff.

1 I'd be happy to answer questions
2 later.

3 MR. BURCH: Thank you Mr. Newcaster.
4 Our next panel witness is Chris O'Connor with
5 Congoleum Corporation.

6 Mr. O'Connor, you have five minutes.

7 MR. O'CONNOR: Thank you. Members of
8 the Section 301 Committee, thank you for the
9 opportunity to testify today.

10 I am Chris O'Connor, President and
11 Chief Executive Officer for Congoleum Corporation
12 or Congoleum. I'm here today to support the
13 proposed imposition of tariffs on Chinese imports
14 of certain vinyl tile and plank flooring
15 products, and all resilient flooring products.

16 Congoleum also supports tariffs for
17 any product that is in the resilient product
18 category, since not all resilient products
19 contain vinyl. Congoleum is a U.S. manufacturer
20 of residential and commercial durable flooring
21 products.

22 With a history dating back to 1886,

1 Congoleum is a classic example of a U.S. company
2 that has thrived on ingenuity and innovation,
3 with over five hundred United States patents
4 granted to date.

5 For instance, Congoleum invented one
6 of the first luxury vinyl tile products,
7 DuraCeramic, which was introduced into the U.S.
8 market 18 years ago.

9 Most recently, Congoleum invented and
10 patented a digitally printed resilient flooring
11 product that uses no PVC, no plasticizers, no
12 Phthalates, and no fluorochemicals. It is 100
13 percent produced in the U.S. and it is certified
14 platinum for sustainability in indoor air quality
15 by recognized independent third-parties.

16 These products are stylish new
17 alternatives and are patent protected. They are
18 helping us to revolutionize our U.S. business.

19 We are a proud U.S. company fighting
20 hard to survive in the global economy. Indeed,
21 Congoleum is the very type of high-tech U.S.
22 company that the Section 301 tariffs are intended

1 to protect.

2 Thus, even though many of our products
3 are patented, we support tariffs on all resilient
4 flooring products which compete directly with
5 ours.

6 Congoleum employs over four hundred
7 people in New Jersey, Pennsylvania, and Maryland,
8 including Union employees that are manufacturing
9 and selling domestically produced vinyl flooring.

10 With the success of our new product
11 launch, Congoleum expects to hire significantly
12 more employees. Moreover, retailers across the
13 United States sell Congoleum resilient flooring
14 products, and depend on such sales for their
15 livelihood.

16 More broadly, in 2017 the U.S.
17 flooring industry represented -- the U.S.
18 resilient flooring industry represented four
19 billion of the overall 22 billion dollar flooring
20 industry.

21 Our industry employs tens of thousands
22 of American workers. Currently the U.S. industry

1 has more than sufficient capacity to meet any
2 domestic consumption needs. And more U.S. plants
3 are currently under construction and nearing
4 completion to meet future demand.

5 Congoleum understands what it means to
6 be competitive in the global marketplace.

7 Indeed, in addition to the premium products
8 Congoleum manufactures domestically, it also
9 imports vinyl flooring products from China.

10 These imported products are intended
11 in USTR's third list of products proposed for
12 Section 301 tariffs. As the U.S. vinyl flooring
13 industry matured over the years, many of our
14 competing companies moved toward sourcing more
15 and more internationally.

16 With about 40 percent of our
17 competitors relying on Chinese imports, it was
18 impossible for our industry trade association to
19 reach a consensus to participate in these
20 proceedings.

21 This is a complex issue for the
22 industry, but for us, the answer was simple.

1 Congoleum stands proudly with and for U.S.
2 industry, U.S. manufacturing businesses, U.S.
3 jobs, and American workers.

4 To protect our fundamental business
5 interest as a U.S. company rooted in U.S. high-
6 tech product development, we support and applaud
7 the efforts of this Administration and request
8 that tariffs be imposed on vinyl flooring
9 products and all resilient flooring products
10 imported from -- imported from China.

11 Indeed, we support the imposition of
12 a 25 percent tariff on these products or higher.
13 We commend this 301 Panel and all the hard work
14 you are doing during this process.

15 We will supplement this testimony as
16 necessary with a post-hearing rebuttal
17 submission. But on behalf of Congoleum, thank
18 you for the opportunity to testify today.

19 And I look forward to answering any of
20 your questions. Thank you.

21 MR. BURCH: Thank you Mr. O'Connor.
22 Our next panel witness is John Karson with FX

1 Minerals, Incorporated.

2 Mr. Karson, you have five minutes.

3 MR. KARSON: Thank you for this
4 opportunity as well. I applaud the fact that as
5 an individual and a representative of hundreds of
6 companies that we could air our opinions in such
7 an open setting.

8 My name is John Karson. And if you
9 just use my written submission as a reference
10 when I call up to certain pages maybe.

11 The classifications on page two are
12 the ones I'm referring to. And these
13 classifications bound for the tariff charges are
14 in complete opposition to the goals of our
15 present U.S. strategy.

16 They are in opposition in the first
17 place to level the playing field to make American
18 companies more competitive. And another being to
19 bolster certain industries such as steel and
20 energy.

21 The classifications I will discuss
22 today are primarily used in those industries.

1 They are strategic as defined by the U.S.
2 government.

3 They are not readily available in the
4 United States. And they do not affect China in a
5 negative fashion, only affecting U.S. interests.

6 Other organizations support my
7 testimony on a few of these. And related, as we
8 just heard, Mr. Newcaster and Mr. Comstock from
9 the API in the last session.

10 Other organizations such as the
11 American Petroleum Institute represent oil and
12 gas interests, and the small manufacturing -- the
13 Steel Manufacturing Association represents U.S.
14 steel industry.

15 The two classes I'll speak about first
16 are refractory raw materials. Refractories are
17 those special materials which can take high heat.

18 They are made into bricks or shape,
19 and can withstand temperatures up to 32 hundred
20 degrees. And are used in steel making, aluminum
21 alloy furnaces and so on.

22 There's two main minerals which we use

1 for these products, alumina and magnesia. And
2 they're made from -- the alumina is made from
3 bauxite ore. Magnesia is made from magnesite
4 ore.

5 And the way to look at those are
6 similar to iron and iron oxide. Iron is the
7 metal. Iron oxide is the oxide.

8 There are different uses for those.
9 Alumina -- bauxite can be used to make aluminum,
10 but those come from different countries other than
11 China.

12 The -- I'm going to group the other --
13 the first classifications together, which are the
14 fire clays, calcined bauxite and corundum. They
15 are just basically different levels of the same
16 product, different grades.

17 The largest deposits of this grade of
18 usable bauxite are in China. The only other
19 second choice in America is from Guyana in South
20 America. That source is owned and operated by a
21 Chinese Bauxite supplier.

22 The United States does not have enough

1 quality reserves nor production capacity to
2 manufacture calcined bauxite.

3 Another exciting use for this product
4 is found by the U.S. Federal Highway Authority.
5 They found that the qualities of this material as
6 an anti-skid material for road surfaces are far
7 superior to any other material, testing dozens of
8 materials.

9 But calcine bauxite from China is the
10 only approved source. While other materials
11 actually rounded off and increased skid related
12 accidents, bauxite stayed sharp and angular for
13 eight to ten years.

14 Where this product's been used,
15 accidents have been reduced 20 to 100 percent. A
16 tariff here would affect many contractors hired
17 by State Departments of Transportation who
18 implement this material.

19 It will affect the safety of our
20 highways and the amount of projects under the
21 infrastructure bill. I have a little sample of
22 it in case anybody wanted to see it.

1 The other categories, magnesite and
2 silicon carbide, basically are the same as the
3 bauxite in that there are no supplies here. And
4 they're considered strategic sources.

5 The statistics from the USGS and
6 import stats show that the U.S. is incapable from
7 sourcing the above classes domestically. And
8 that is concerning as these items are also
9 strategic to our nation.

10 The reports on page eight and nine
11 highlight a government study that shows these
12 products are critical to U.S. interests, and the
13 defense interests of the United States.

14 Without refractory raw materials, you
15 have no refractories. No refractories, no steel.
16 No steel, no machinery, appliances, et cetera.

17 More proof that these minerals are
18 important to the U.S. was the fact that the U.S.
19 petitioned the World Trade Organization to
20 overturn China's policies that affected the sale
21 of these minerals by the use of export quotas.
22 There's an overview of that on page eight and

1 nine.

2 The American Petroleum Institute says
3 -- speaking on the barite subject now, American
4 Petroleum says that increasing the cost of
5 imported products with tariffs will likely hurt
6 energy growth.

7 And U.S. Geological Survey says that
8 substantially reduced barite exports from China
9 would significantly decrease drilling activities
10 and cause a major price increase.

11 There is very little effect that these
12 tariffs would have on China, whether it's
13 refractory, road friction, or the oil and gas
14 drilling minerals.

15 So, to review, which is on page 13,
16 there are no or limited domestic supplies of
17 these raw materials. No interchangeable
18 international supplies.

19 They're strategic materials as
20 determined by the United States. The U.S.
21 Government already fought to stop the price
22 increases on these raw materials from China

1 through the World Trade Organization.

2 And the tariffs would be harmful to
3 U.S. businesses, U.S. competitiveness, national
4 security, energy security, and highway safety.
5 And it contradicts U.S. policies to steel
6 companies and other people we're trying to help.

7 Thank you.

8 MR. BURCH: Thank you Mr. Karson. Our
9 next panel witness is John Mattke with National
10 Building Granite Quarries Association.

11 Mr. Mattke, you have five minutes.

12 MR. MATTKE: Thank you. Good
13 afternoon. My name is John Mattke. And I'm
14 currently with Stone Panels International in
15 Marble Falls, Texas.

16 I was formerly President of Cold
17 Spring Granite, which is one of the major granite
18 quarriers in the United States. And I'm
19 testifying today on behalf of the National
20 Building Granite Quarries Association, which is a
21 trade association that represents granite and
22 other stone quarries across the country.

1 Products from U.S. granite quarries
2 are incorporated into major monuments and
3 structures across Washington, D.C. Examples are
4 the U.S. Capitol Building, the White House, the
5 FDR Memorial, the Korean War Memorial, Lincoln
6 Memorial, the National World War II Memorial, and
7 literally, too many others to name.

8 The U.S. granite industry strongly
9 supports the proposal to apply 25 percent tariffs
10 to imports of granite and other stones from
11 China.

12 For more than a century, American
13 granite manufacturers have been instrumental in
14 producing a wide variety of natural stone
15 products ranging from rough blocks and
16 construction material to monuments and memorials.

17 Today the natural stone industry in
18 the U.S. is quite large, employing approximately
19 70 thousand men and women across the country.
20 And it includes many legacy quarries and stone
21 producers in regions like Minnesota, Texas,
22 Georgia, Indiana, and Vermont.

1 Unfortunately, the influx of imported
2 stone over the last 25 years from China and a few
3 other countries, has depressed U.S. production
4 and forced closures and layoffs in the U.S.
5 industry.

6 As an example, of the 24 manufacturing
7 firms in the Berry Granite Association 20 years
8 ago, only 12 remain today.

9 As another example, in our company
10 during that same time period, Cold Spring granite
11 production and the employment associated with it
12 has declined approximately 70 percent. The rest
13 of the association membership has seen similar
14 declines.

15 According to data from the U.S.
16 International Trade Commission and the U.S.
17 Geological Survey in 2016, natural stone imports
18 of all types total approximately 2.5 billion,
19 compared with only about five hundred million in
20 domestic production.

21 For granite, the figures are somewhat
22 worse with imports totaling 1.1 billion and

1 domestic production at about 150 million.

2 Based on these figures and historical
3 employment in the industry, we estimate that
4 imports may have cost the U.S. as many as 16
5 thousand jobs throughout the natural stone
6 industry.

7 Included with my testimony today is a
8 chart tracking the rise in stone imports from
9 China over the last two decades. As the chart
10 illustrates, stone imports from China have
11 increased 500 percent during the period.

12 Granite imports have increased at a
13 faster rate. U.S. exports to China have remained
14 stagnant at a very low level.

15 The playing field with China is
16 heavily tilted in favor of Beijing. U.S. tariffs
17 on natural stone products are low, mostly in low
18 single digits.

19 China has much higher tariffs on
20 similar stone products. For example, U.S. quarry
21 blocks shipped for consumption in China face a
22 duty including both tariffs and VAT taxes of

1 about 25 percent.

2 Figures vary with a specific market in
3 stone product. But the overall picture of a
4 playing field that unfairly disadvantages
5 American producers is undeniable.

6 Even with the additional 25 percent
7 U.S. tariff we're discussing today, U.S. tariffs
8 on granite products would still be just
9 comparable to the tariffs and taxes applied by
10 China.

11 To further document the problem, in
12 June 2018 the U.S. International Trade Commission
13 found that China was selling quartz surface
14 products at less than the fair market value due
15 to government subsidies and other forms of
16 government assistance to the Chinese industry.

17 We believe these same subsidies have
18 been available to and used by Chinese granite
19 producers for years as the two industries are
20 very closely linked with great overlap.

21 The U.S. granite industry strongly
22 supports employing Section 301 to apply increased

1 tariffs to granite and other stone products from
2 China.

3 It is an important step toward
4 establishing a level playing field for the
5 American industry. And we believe this tariff
6 should be expanded to cover all forms of granite
7 block and other similar geological stone types.

8 We also believe the consumer impact of
9 these tariffs would be small and probably
10 unnoticed.

11 U.S. production can quickly expand and
12 support a resurgence in the key natural stone
13 quarrying and manufacturing regions. And this
14 would be an important boost to local employment
15 and growth in communities across the United
16 States.

17 Thank you very much.

18 MR. BURCH: Thank you Mr. Mattke. Our
19 next panel witness is Rupesh Shah of M S
20 International.

21 Mr. Shah, you have five minutes.

22 MR. SHAH: Good afternoon. My name is

1 Rupesh Shah. I'm president of MSI. Thank you of
2 the opportunity to appear here today.

3 MSI is a leading distributor of
4 flooring, counter top, wall tile, and hardscaping
5 surfaces in North America. We're headquartered
6 in Orange, California and we maintain
7 distribution centers across the U.S.

8 Our product line includes natural
9 stone, porcelain, ceramic, glass, vinyl, and
10 quartz. I'm very proud of the history of MSI.

11 We were founded in 1975 in the
12 basement of our home in Fort Wayne, Indiana, by
13 my parents who had immigrated from India just a
14 few years earlier.

15 From those humble beginnings, MSI was
16 awarded the contract to supply the black granite
17 for the Vietnam Veterans Memorial.

18 In the United States today MSI employs
19 over 16 hundred hard-working Americans across 18
20 states. We have 24 distribution centers
21 occupying almost three million square feet.

22 I'm here today because MSI strongly

1 opposes the imposition of tariffs on foreign
2 counter top, hardscaping and wall tile products.

3 Section 301 tariffs on these products
4 would be misplaced.) These tariffs would harm the
5 consumer. They would harm U.S. jobs. And they
6 would harm U.S. companies essential to the U.S.
7 hard surfacing supply chain like MSI.

8 USTR has concluded that China has
9 undertaken certain policies towards the United
10 States that are unreasonable and burden U.S.
11 commerce. This investigation focuses on the Made
12 in China 2025 initiative.

13 Our products are unrelated to this
14 fight. And I note that USTR has gone out of its
15 way to avoid impacting such products in its first
16 two tariff lists.

17 Indeed, you rejected a competitors
18 request to include some of these very same
19 products on your List One.

20 Now, allow me to explain just how
21 these -- how tariffs on these products will have
22 harmful effects on U.S. consumers, jobs and the

1 supply chain.

2 First, consumers. Tariffs on Chinese
3 hard surfacing products will undoubtedly have a
4 negative impact on broad swaths of American
5 consumers.

6 That said, the harm from these taxes
7 is going to be felt most acutely by consumers of
8 lesser means. Imports of Chinese porcelain,
9 ceramic and vinyl tile tend to serve the lower
10 end of the budget conscious market, enabling
11 builders to afford -- to offer more affordable
12 housing solutions.

13 Tariffs on these tiles would raise
14 housing prices disproportionately for lower to
15 middle income Americans. In other words, USTR
16 would be placing the most vulnerable Americans in
17 its cross hairs, not China.

18 China is a primary supplier of several
19 popular hard surfacing products to the U.S. For
20 example, in 2017 on a volume basis, we estimate
21 that China provided nearly 90 percent of all
22 imported glass mosaics. And there's virtually no

1 domestic options.

2 China also provides a large share of
3 imported natural stone for decorative uses. A
4 resource that is not readily available here in
5 the United States.

6 Because the U.S. market relies so
7 heavily on Chinese supply of products like glass
8 mosaics and natural stone products, these taxes
9 will drive up prices resulting both in a
10 reduction in demand and constricting supply.
11 Thereby limiting consumers' choices in the
12 marketplace.

13 Second, jobs. All of MSI's products
14 have a very high U.S. manufacturing and labor
15 component. The labor includes operations like
16 cutting, fabricating, transporting and installing
17 counter tops, flooring and wall tiles.

18 In most cases, the U.S. labor
19 component of installing these materials is
20 significantly more than the value of the
21 materials themselves. As a result, a reduction
22 in demand for these products would more

1 negatively impact American, not Chinese,
2 employment.

3 Additionally, higher end products like
4 natural stone and quartz involve greater amounts
5 of U.S. labor. As prices for these products are
6 forced upwards, consumers will opt for competing
7 products that involve less U.S. labor such as
8 laminate or solid surface. This again is certain
9 to impact American employment.

10 Finally, supply chain impact. The
11 proposed tariffs on hard surfacing products will
12 harm all of those involved in the supply chain,
13 including MSI.

14 We've invested tens of millions of
15 dollars over the last three years to develop this
16 supply chain, which includes American
17 manufacturing jobs to support sales of the
18 categories of products that USTR now proposes to
19 tax.

20 For example, we've invested tens of
21 millions in hiring and training our employees, in
22 marketing and merchandising to promote the

1 products, and trucks to expand our delivery
2 capabilities, and showrooms to give consumers a
3 broad spectrum of choice, in distribution centers
4 to house our expanding inventory of products, and
5 added information systems to ensure we have the
6 most productive work force.

7 To provide some perspective, we have
8 almost doubled our work force over the past three
9 years, hiring approximately seven hundred
10 employees here in the United States.

11 USTR's proposed tariffs will force MSI
12 and others similarly situated to downsize our
13 work force and our product offerings.

14 In sum, tariffs on these low
15 technology products will not serve as -- will not
16 serve USTR's purpose in this investigation.

17 Rather, these taxes will adversely
18 impact American builders, consumers,
19 distributors, retailers, designers, and logistics
20 providers.

21 I'm pleased to answer any questions.

22 MR. BISHOP: Thank you Mr. Shah. Mr.

1 Chairman that concludes direct testimony from
2 this Panel.

3 CHAIR BUSIS: Thank you Mr. Bishop.
4 Before we start with our questions, I'm going to
5 ask the Committee to -- representatives to
6 introduce themselves again. Starting with you.

7 MR. SECOR: Peter Secor, State
8 Department.

9 MR. CONCEICAO: Evan Conceicao,
10 Customs and Border Protection.

11 MR. HARDMAN: Hi. My name's Ben
12 Hardman. I'm with the International Trade
13 Administration with the Department of Commerce.

14 MS. HOWE: I'm Julia Howe with the
15 U.S. Trade Representative's Office.

16 MR. MCGUIRE: Hi. I'm Tym McGuire
17 with World Agricultural Service in USDA.

18 MS. PETTIS: Maureen Pettis,
19 Department of Labor.

20 MS. SMITH: Tanya Smith, the SBA.

21 CHAIR BUSIS: And I'm Bill Busis,
22 Deputy Assistant USTR for Monitoring and

1 Enforcement and Chair of the Section 301

2 Committee. Julia?

3 MS. HOWE: My first question is for

4 Mr. Astrachan. Does the domestic tile industry

5 have capacity to meet demand for ceramic and

6 porcelain tiles?

7 And if you do not have current
8 capacity, approximately how long would it take to
9 develop sufficient capacity to meet demand?

10 MR. ASTRACHAN: There is excess
11 capacity in the industry today. So there would
12 be some of what is coming from China today could
13 be met by current capacity.

14 A tile factory takes more or less one
15 year or less to build. And there certainly is
16 excess capacity from many other countries that do
17 also ship to the U.S., such as Brazil, India,
18 many European countries, Vietnam, Mexico, and so
19 on.

20 But a tile factory specific to your
21 question, would be one year or less. And there
22 is immediate capacity available today.

1 CHAIR BUSIS: Mr. Astrachan, you
2 testified in support of imposing duties on these
3 products. But, I didn't hear you address the
4 rate.

5 Do you have a comment on the rate to
6 raise it in our proposed -- in our notices?

7 MR. ASTRACHAN: Well, if more the 25
8 percent is available, we'd like to talk about it.
9 But we're satisfied with the 25 percent that has
10 been proposed. Thank you.

11 MS. HOWE: Sorry, I just wanted to
12 add, you mentioned that you would be including in
13 your written comments numerous examples of
14 blatant copying.

15 I would just ask, if possible, when
16 you do submit that, to include any market impact
17 that those copying examples have on the U.S.
18 market.

19 MR. ASTRACHAN: Okay. Thank you. We
20 will.

21 MR. HARDMAN: Good afternoon Ms.
22 Bedrosian.

1 MS. BEDROSIAN: Good afternoon.

2 MR. HARDMAN: I notice here that you
3 say that Chinese granite serves a niche market in
4 commercial and multi-unit housing. Do you mind
5 explaining why that is? Or why you think it is?

6 MS. BEDROSIAN: Sure. Yeah. So,
7 Chinese granites are affordable stone. They're
8 affordable granites.

9 And they are used in multi-unit
10 housing and commercial developments where budget
11 is a concern, and so is timing. And so
12 production capabilities in China are about twice
13 as fast as they are in the United States.

14 Granite, if you were to impose this
15 tariff on Chinese granites and Chinese stone, it
16 wouldn't be a swap where those builders and
17 developers would use U.S. granites on these
18 projects.

19 What would end up happening is they
20 would purchase lower quality alternatives like
21 laminate for counter tops or flooring solutions.
22 Which would end up decreasing the value of the

1 home for American homeowners.

2 It would also decrease business for
3 stone fabricators and tile and stone installers.
4 I hope that answers your question.

5 MR. HARDMAN: Yes. Thank you. And
6 you also testified that you thought obviously
7 that our domestic industry would be -- would
8 benefit from this tariff.

9 And you know, do you want to expand on
10 -- they seem to have the capacity.

11 MS. BEDROSIAN: Well, so right now
12 there's about 650 million square feet of tile
13 that's imported each year from China. And so
14 that's quite a bit of demand.

15 I don't think that there is current
16 capacity in the United States to meet those
17 demands. Our -- you know, we currently purchase
18 about 70 percent of our products from China.

19 And so we wouldn't -- we wouldn't be
20 purchasing all of those products from the U.S.
21 Again, we have a number of different customers
22 from different economic situations.

1 And so we have to offer products for
2 all different types of American consumers. So,
3 it's not -- it's not that that 650 million square
4 feet from China would just end up being produced
5 here in the United States.

6 There are many other countries that
7 are producing at rates lower than China. And so,
8 you know, to his point, I'm not sure that that is
9 the solution that we want.

10 You know, our products are unique.
11 They're artistic products. So, our customers
12 care very much about what those products look
13 like.

14 Their counter tops and their floors
15 and their back splashes have to match the paint
16 on their wall, and their cabinets and appliances.
17 And so, it's not -- it's not an easy transition
18 to just take the products that we're currently
19 producing and just make them somewhere else.

20 Because if the shade is even off just
21 a little bit, the homeowner is not going to be
22 happy. Right?

1 So when I say that we have to -- we
2 would have to remarket all of our lines, I'm
3 being serious. Because we need to represent our
4 products accurately to the American consumer.

5 MR. HARDMAN: Okay. Thank you. And
6 having just put back splash in my kitchen, I can
7 appreciate the process of picking out colors, so.

8 MS. BEDROSIAN: Yes.

9 MR. MCGUIRE: So my question is for
10 Mr. Carson. So, similar to Mr. Astrachan, you
11 testified that U.S. manufacturing capacity would
12 increase significantly if Chinese imports of
13 flooring material faced a tariff.

14 So could you clarify at least for your
15 company, and also from your perspective, on the
16 broader industry, whether that increase would be
17 coming primarily from increased utilization of
18 existing capacity?

19 Or the addition of new capacity? Or
20 you mentioned some supplementing with imports.
21 Those sorts of things.

22 MR. CARSON: Sure. Sure. Well, we

1 make all the different products. But in general
2 there's open capacity in the United States in all
3 these products.

4 We have open capacity. There is
5 additional capacity that's being added. We've
6 built three plants in the last two years, so
7 there's capacity going in.

8 There's capacity that can get
9 repurposed from one product to the other. And
10 we're doing some of that.

11 And you know, if we look at the U.S.
12 flooring market, and you look versus ten years
13 ago to today, the U.S. economy went into a
14 downturn. Demand for flooring went down.

15 It came back up. But the market is
16 not dramatically different then it was ten years
17 ago in terms of total demand.

18 What is different, is all these
19 materials that are coming in right now disrupting
20 the market. So, there's a lot of latent capacity
21 in all these different products sitting in the
22 U.S.

1 And in many cases, when a consumer is
2 going in to pick a product, it's not so clear to
3 that consumer that it's going to be laminate
4 versus wood versus vinyl. They're selecting
5 floors. And there's a lot of interchangeability
6 with these floors.

7 So, there's plenty of capacity in the
8 United States to meet the U.S. demand for
9 different flooring products.

10 MR. MCGUIRE: Thank you.

11 MR. SECOR: My question is for Mr.
12 O'Connor. You know what percentage of vinyl
13 flooring is coming in from China in the U.S.
14 market now?

15 MR. O'CONNOR: I'd say probably about
16 half.

17 MR. SECOR: And if the tariffs were to
18 go into effect, is there capacity in the U.S.
19 that could be built up to meet that demand?

20 Or would product come in from other
21 countries?

22 MR. O'CONNOR: I believe it would be

1 made in the U.S. We ourselves have lots of
2 excess capacity.

3 So, I can't speak to our competitors.
4 But it's not just Mohawk. There are at least
5 three or four good sized manufacturers that I
6 know of that have excess capacity to make vinyl
7 flooring.

8 MR. SECOR: Thank you.

9 CHAIR BUSIS: Mr. Mattke, before we
10 start a more substantive question, could you
11 describe what the granite you're talking about,
12 what it's used for? Is it used for some of the
13 flooring and back splash issues we've been
14 discussing? Or -- yeah.

15 MR. MATTKE: Sure. We quarry granite
16 for a variety of different industries. Globally
17 I mentioned some of the projects that are here in
18 D.C.

19 So, commercial building projects. We
20 quarry stone that is put into tile. We quarry
21 stone that is used for counter tops.

22 We do a lot of memorial, monumental

1 stone. And build private mausoleums and
2 different things for the memorial market as well.

3 And then we try to use every bit of
4 excess in crushed for road base and that kind of
5 thing. So, we try to utilize everything we take
6 out of the ground.

7 Those are the major markets though.

8 MR. CONCEICAO: And if I can tack onto
9 that.

10 MR. MATTKE: Sure.

11 MR. CONCEICAO: In your testimony you
12 said that -- I've got the figures here. In 2016
13 there was about 2.5 billion dollars worth of
14 natural stone imported. And 1.1 billion of
15 granite.

16 What percentage of that came from
17 China? If you know.

18 MR. MATTKE: Yeah. That's a -- that's
19 a good question. I have that data. I don't have
20 it in front of me.

21 But I believe -- I'm going to say it's
22 about 30 percent of that granite came from China.

1 I can provide that for the Committee though.

2 MR. CONCEICAO: If you could, that
3 would be great.

4 MR. MATTKE: Be happy to.

5 MR. CONCEICAO: And just to follow up
6 with that, in the even that additional duties are
7 imposed on natural stone and granite from China,
8 how quickly can U.S. suppliers ramp up capacity
9 to -- or to meet demand?

10 MR. MATTKE: It's a multi-phased
11 question. Quarrying capacity could ramp up very
12 quickly.

13 There are a lot of quarries that are
14 currently sitting idle because there's no demand
15 for them. So, going back in and doing a little
16 bit of development and starting to pull material
17 out, could happen very quickly.

18 There is significant excess capacity
19 in slabbing in manufacturing in the U.S. A
20 little hard to put a number on it.

21 But I would say we could easily double
22 in six months with how much is being

1 manufactured.

2 But to get at the question that I
3 think is on everybody's minds here a little bit,
4 is how do you replace everything coming in? It's
5 more complicated than that.

6 Because there are different stones
7 coming from all over the world, some of them we
8 have in abundance here. Some of them we don't.

9 So, to think that we're going to try
10 to replace all the capacity of the imported
11 material is not reasonable.

12 MR. CONCEICAO: All right. Thank you
13 very much.

14 MR. MATTKE: Um-hum.

15 MR. HARDMAN: Good afternoon Mr. Shah.
16 I noted that you kind of pointed out that glass
17 mosaics were one of the areas that you thought
18 wasn't available outside of China. At least not
19 in your supply.

20 There's nowhere else that --

21 MR. SHAH: It's not that there's
22 nowhere else. There's nowhere -- I think I -- we

1 estimate about 90 percent of glass mosaics today
2 come from China.

3 So, there's limited supply of very
4 niche type products for back splashes outside of
5 China. But nowhere remotely close to service
6 current demand.

7 MR. HARDMAN: Okay. And you -- and
8 the other products that you are concerned about,
9 how much of that could be sourced domestically or
10 from third countries?

11 MR. SHAH: I wholeheartedly disagree
12 with a lot of the statements here. There's by no
13 means anywhere close to the domestic capacity to
14 support the current demand for luxury vinyl tile.

15 I heard the number 50 percent
16 mentioned on a volume basis. I think it's more
17 like 70 percent of luxury vinyl tile is sourced
18 overseas.

19 On porcelain and ceramic tile, I do
20 not believe it takes one year from when you start
21 a project to have a factory in place. If you
22 look at the last few factories from the point it

1 was decided to start evaluating increasing
2 capacity to the time it started was well over one
3 year, even more than two years.

4 I heard that 650 million square feet
5 of imports, there is not that type of capacity
6 for what the market needs today.

7 The domestic market for ceramic tile
8 in general does not want to cut the types of
9 products that come from overseas. For example
10 ceramic tile, very few U.S. manufacturers even
11 want to touch ceramic tile today.

12 When you get into porcelain tile,
13 they'll have their own set of requirements. And
14 quite frankly, they'll want to cut what they can
15 make the highest margin on.

16 Right? Instead of what the needs of
17 the market are. So, the domestic production does
18 not exist on -- let's talk about granite.

19 On granite counter tops, we offer 180
20 colors today. We've attempted to offer U.S.
21 domestically sourced colors.

22 We used to have two colors. And

1 because of a lack of demand, we no longer even
2 offer those colors.

3 The granite one is pretty simple. The
4 colors that are in demand aren't available
5 domestically.

6 I would love to source domestic
7 granite. Unfortunately the consumer doesn't want
8 those looks today.

9 MR. HARDMAN: Okay. Thank you.

10 CHAIR BUSIS: Before we leave our six
11 building material witnesses, there's been a lot
12 of disagreement. If any of you would like to
13 have a final comment on something that would be
14 fine.

15 MR. CARSON: Okay. We will. Maybe
16 one -- one that -- in the European Union has
17 imposed tariffs on some of these products in
18 question, on these flooring products in question
19 for some of the same reasons relative to China.

20 Well that capacity doesn't go away
21 overseas. That capacity just finds another
22 market.

1 And that capacity is starting -- is
2 finding this market. So, -- and that point
3 didn't come out, but I think that's an important
4 point.

5 That that capacity over there is
6 finding whatever markets it can find as other
7 markets have taken actions for some of the same
8 reasons why we're discussing these actions.

9 CHAIR BUSIS: Go ahead. Just go
10 ahead, yeah.

11 MR. O'CONNOR: Yeah, I'd just comment
12 on it maybe 70 percent of vinyl, but as far as
13 capacity, imported vinyl as Brian mentioned, has
14 disrupted the U.S. flooring market.

15 It's grown. It's taken market share
16 not just from sheet vinyl or U.S. spaced LVT,
17 it's taking market share from wood, carpet,
18 laminate, sheet vinyl.

19 And we've looked at pricing and
20 there's been instances where we can't buy raw
21 materials for the costs that we could import it,
22 a finished product for.

1 So, there is a lot of disruption in
2 the market. And it has allowed a lot of
3 distribution companies basically to source
4 direct.

5 And of course if you source direct,
6 then you're not going to be for the tariff. But
7 we -- I've -- get there, we've invented one of
8 the first LVTs many years ago, and we've lost a
9 lot of market share to LVT.

10 Sheet vinyl, we -- we're probably the
11 second largest producer of sheet vinyl in the
12 U.S. And that has lost a lot of market share to
13 vinyl.

14 So, there are substitute products, I
15 think that could be used. And us -- I can only
16 speak for capacity.

17 You know, we're bringing on about 40
18 million feet a year of capacity of a product
19 that's very similar to LVT. But we're digitally
20 printing on it. It's PVC free.

21 And you know, I think we can ramp that
22 up with some modifications to our plant, you

1 know, too probably, 150 million square feet.

2 And I don't think Congoleum is alone
3 in that. I know that Armstrong has repurposed a
4 sheet vinyl plant to make LVT in the U.S.

5 So, U.S. manufacturers are finding
6 ways to make LVT and be competitive. But it is
7 very difficult at the price points that the
8 imported products are coming in at.

9 CHAIR BUSIS: Thank you. And you all
10 of course are welcome too. Mr. Astrachan, go.

11 MR. ASTRACHAN: Thank you. I've had
12 a chance to review the last expansions over the
13 last few years, and I can state with absolute
14 certainty that additional capacity can be added
15 in less than a year. Because it's not just new
16 tile factories, it's kilns added in existing tile
17 factories.

18 Even new tile factories have gone in
19 in less than a year. And we're aware of
20 additional manufacturers that want to build in
21 the U.S.

22 So, and their types of time lines from

1 the time they break ground to having a tile
2 factory up and running are less than a year.

3 So I assure you that the -- we have
4 evidence of tile capacity being brought on in
5 that time. Six hundred and fifty million is a
6 lot.

7 But it's by no means inconceivable for
8 companies that today are producing around a
9 billion square feet.

10 And there's plenty of excess capacity
11 in all sectors from countries that don't steal
12 our IP, don't mislabel, and don't dump in the
13 U.S.

14 CHAIR BUSIS: Okay. Thank you. And
15 you're all wel -- oh, did you --

16 MR. CARSON: I was going to say, as a
17 company that builds theses factories, they can be
18 built in a timely fashion.

19 CHAIR BUSIS: So thank you. This was
20 a very passionate flooring discussion. You're
21 all welcome of course to put things in your post-
22 hearing submissions.