

AFCJF Alliance for Free Choice and Jobs in Flooring

June 8, 2011

An Open Letter to Flooring Distributors and Retailers:

We would like to invite you to join an industry wide conference call in June to discuss how the current Antidumping case will impact on your business. The results of this case will shape the hardwood flooring industry for decades to come and you need to have your say in the outcome.

Some distributors and large retailers are tempted to stay neutral in the current Antidumping case, crossing their fingers and hoping for the best. Of course, you do not want to offend domestic suppliers and you feel confident that many importers will eventually find alternative sources of supply. You may believe that you can simply wait on the sidelines to see how everything shakes out and simply buy from the surviving companies still left standing. This viewpoint is understandable.

However, the disadvantage of neutrality is that you are handing over control of *your* destiny to someone else. If the petition is not dismissed, the large manufacturers in CAHP will dominate the entire hardwood flooring industry, leaving little room for any competition. Less competition might sound good until you become the one holding the short end of the stick. Just think of all the changes and consolidation of distribution that happened in the 1990's. Or consider how much choice you have today when buying carpet.

The Petitioners are directly attacking the programs you have created to diversify your business. Do you want to go back to 40 foot displays that don't meet the needs of your regional customers?

Sure, many importers will survive if this case continues. But even if your importer does provide alternative product from Vietnam or Indonesia or elsewhere, you will have to wait for that supply to develop. In the meanwhile, you will have to shoulder the additional costs of resampling new lines and consider how to handle different species with different performances or behaviors. You might completely lose some product lines which can't be adapted to the new production. Most importantly, you need to know that the Petitioners will target those new sources of supply in the near future if they succeed in this case.. The big companies want to eliminate their US competition.

We know there is a confusion about this case – but the most important thing to note is that it is not over!

In May the DOC announced *preliminary* average anti-dumping rates of 10.88%. This rate is only temporary. DOC could actually change it again next month but it will definitely change again in October. And then again in November and every year after that. One of the worst aspects of a dumping case is that it means there is no certainty at all regarding the rates. If the case goes affirmative in November, importers face added duties for the next 5 to 30 years with the risk of annual audits and retroactive liability.

You as the consignee may not face direct liability for rate changes, but your importer does and they will not continue under these conditions. Your private label programs and the steady source of supply you have been accustomed to receiving may go away if we don't kill this case in November. We need your support.

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The AFCJF will host an industry-wide conference call in June. We will have numerous guest speakers, including importers from the Bedroom Furniture case to discuss their experiences. If you are interested in participating in this call, please contact secretary@choiceandjobs.com. A few minutes of your time on that day may save you hundreds of thousands of dollars in the future.

Unlike the petitioners, we believe the market should dictate the styles and choices for the consumer rather than protectionist government actions manipulated by the Goliath US flooring manufacturers.

Don't let the Petitioners control your fate—join us in the call and join the Alliance now in going for No in November!

Jonathan Train
President
Alliance for Free Choice and Jobs in Flooring

Did You Know - For Distributors and Retailers

Beyond the tremendous risk inherent in retroactive liability if the case continues after November, did you know that:

- ***Did you know that if you develop a new product that is outside the current scope, the Petitioners can ask to put it into scope for the price of a stamp?*** [An antidumping case actively discourages innovation in an industry as creating a new design can actually open you to charges of circumvention of scope.](#)
- ***Did you know that that an annual review can be requested by the Petitioners for the cost of a stamp?*** These audits typically make the average rate increase therefore causing the price of these imports to go up each year. Some of these increases can be so large that they cause an importer to go bankrupt.
- ***Did you know that in the Wooden Bedroom Furniture case, in the initial investigation dumping margins ranged from 0 to 16%?*** But that in every single subsequent administrative review, rates increased, with current dumping margins for specific manufacturers ranging from 18 to over 30%, with some dumping margins going to over 200%.
- ***Did you know that if a manufacturer changes ownership structure, that can completely invalidate their rate—even if it was zero?*** There are no long term guarantees once the dumping order is final. You may think your supply is coming from a “safe” company. There is no “safe” company.
- ***Did you know that trade lawyers have a phrase about these cases? They say “first you kill the giant and then you clean up.”*** Petitioners wait two or three years for importers to move production to other countries and they go after imports from other sources. It becomes much easier for them to get punitive duties placed on these new imports because of the existing order. They refer to cases as “cleaning up.”
- ***We hope that you know that staying neutral is a vote for the CAHP.*** The power of the supply chain will go to the manufacturers, not to the companies closest to the consumer.

These are just a few of the facts we think you should know about these cases.