

Testimony of
Chuck Stefan

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Chuck Stefan
Vice-President
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Before the
Subcommittee on Administrative Oversight and the Courts
of the
U.S. Senate Committee on the Judiciary

Hearing on
"Leveling the Playing Field and Protecting Americans: Holding Foreign Manufacturers
Accountable"
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Chairman Whitehouse, Ranking Member Sessions, and members of the Subcommittee, thank you for allowing me the opportunity to share my experience with you this morning.

My name is Chuck Stefan and I'm one of the owners of The Mitchell Company. Mitchell builds homes in Alabama, Florida and Mississippi. Prior to the current housing crisis we were one of the top 100 single-family builders in the country.

My story today does not originate in Alabama, Florida, or Mississippi but in China and Germany. You see, we currently have 45 houses, including homes in Alabama and Florida, that have been positively identified as containing "Chinese Sheetrock" -the same defective Chinese-made drywall that has recently been reported on in the news. According to government and media investigations, these walls emit corrosive gases that smell like rotten eggs and quickly damage copper piping and wiring.

We received our first complaints about this problem in 2008, when our customers (homeowners) complained of a "rotten egg" smell in their Mitchell homes. We also discovered through our warranty records that we were continuously replacing the thin copper coils found in the air handlers in our homes, about once a year per house. After further investigation and a Wall Street Journal report about imported drywall, we confirmed that the smell and corrosion stemmed from the Chinese-made drywall in our homes.

We began to seek a resolution of the drywall matter, since this greatly impacted our business and the homes of our customers. Little did we realize that we would be up against many unnecessary and unfair procedural hurdles, simply because the defective product had been manufactured abroad.

First, it was difficult trying to figure out where the sheetrock came from. Some pieces from our Alabama homes had "Knauf" stamped on the back, while others were simply stamped "Made in China" without any manufacturer designation.

In order to identify the manufacturer of the sheetrock from our Florida homes, we had to pay \$2,300 simply to access shipping data from the Customs Department. Even with the access, we had to navigate through many different search terms and descriptions of the possible product, ranging from sheetrock, to drywall, to gypsum board. These searches, along with other information we are obtaining, will allow us to identify the manufacturer, but only after substantial time and expense. If the product had been properly marked, identification would have been as simple as reading the manufacturer's name on the product itself.

We have had a great deal of difficulty trying to hold Knauf accountable through the US court system because the Hague Convention requires us to serve this company as an overseas defendant. This is required even though Knauf has extensive operations in the US, is familiar with US language and laws, and even though Knauf is likely sending and receiving federal express packages to and from the United States on a daily basis.

The rules vary by country, but under the Hague Convention, we had to translate all of the complaints into both Mandarin Chinese and German. The translators then have to send the complaints to the country involved and get an official there to physically serve them. We estimate that it will cost \$2,100 for the German service and delay our case for an additional 12-16 weeks. Serving the two Chinese manufacturers will cost us \$3,000 and could take as long as 6 to 8 months. If we identify other Chinese defendants, we are facing additional costs and additional delays.

Unfortunately, all of these delays and expenses are especially harmful to our clients. One home had such a severe drywall problem that we had to replace the owner's washer, dryer, and refrigerator after the wiring corroded and ruined these appliances.

We have also relocated one homeowner over her concerns of living in an affected home, and we have offered to move another family to different house in their subdivision.

As you can see, the lack of registration and identification of these imported products and the difficulties involved in serving a foreign manufacturer have made a challenging task even more daunting. Foreign manufacturers should not be allowed off the hook for harming U.S. consumers and businesses like ours, especially if they are conducting substantial business here in the U.S. If American businesses can't hold foreign manufacturers accountable, it hurts their bottom line in addition to harming US consumers and homeowners. It also puts US businesses like Mitchell Homes at a competitive disadvantage. I look forward to answering any questions you may have about my experience, and thank you again for allowing me the opportunity to testify this morning.