Washington, D.C.
March 27, 2019

ECONOMIC CONSULTING SERVICES, LLC

JIM DOUGAN, VICE PRESIDENT

EXHIBITS TO THE TESTIMONY OF

Inv. Nos. 701-TA-620 and 731-TA-1445 (Preliminary)

Wooden Cabinets and Vanities from China

OF

IN THE MATTER

UNITED STATES INTERNATIONAL TRADE COMMISSION

BEFORE THE

ECONOMIC CONSULTING SERVICES, LLC

EGS
Overstate Subject Import Penetration
Petitioners Understate Size of U.S. Market +

Table 1

Table 3

Clean HTS code is 9403.40.9060 which covers kitchen cabinets.

Subject Imports - Clean HTS

Nonsubject Imports - Clean HTS

Petitioners - US Producers

Reference to this volume market share by calculations subject import petitioners only.
Petitioners Understate Size of U.S. Market + Overstate Subject Import Penetration (ct’d)

Even by Petitioners’ own methodology, they should have used these more recent data from the same source as their own estimates.

Contemporaneous NKBA Report sizes the market as larger still.

Petition

Industry Source

NKBA-Kitchen Only

Subject Imports - Clean HTS*  |  Rest of Market

Under any scenario, subject import penetration is very small.

*Clean HTS code is 9403.40.9060 which covers kitchen cabinets.
Likely incomplete AR coverage
External benchmarks are key in a fragmented industry
Industry sources measure shipments + consumption in value
Important statistics tracked only in value terms

Practical Reasons
Scope contains components

Wooden Bedroom Furniture and Tapered Roller Bearings
Commission has used value in similar situations, like
sizes and sizes
Cabinet and vanity units come in wide varieties of shapes

Conceptual Reasons

In terms of value
The Commission Should Measure Consumption
Value proposition is NOT based on having the lowest prices

quality rather than product variation + customization +

Value proposition is based on speed + logistical efficiency +

Proposition

Subject: Imports Have a Different Business Model + Value

a sale of a domestically-produced cabinet vs. vanity

The sale of an imported cabinet or vanity does not displace

cabinets are produced and sold in different ways

The Market and the Industry are not Monolithic

Market Segmentation

Conditions of Competition:
Imported Cabinets

- Limited scale projects
- Generally cannot supply large projects
- Limited modification possibilities
- No options for variations
- Fewer SKUs and product lead times of 1-5 days
- Sold from inventories

Ability to supply projects of 100+

- Unlimited modifiability
- Custom cabinets allow for many SKUs and product variations
- Lead times of 8-12+ weeks (custom), 2-4 weeks (stock)
- Produced to order

US Cabinets

Different Business Models

Conditions of Competition:
over Pol

higher (benchmark business model) but declined

Inventory to shipment ratios: U.S. producers effectively zero,

Difference in business models supported by AR data

would have to wait 2-4 weeks

Could get cheaper cabinets from certain U.S. producers, but

are less interested in selection of design features

Appealing to customers (a) with short windows of time and

Inventory

can ship a narrow range of products very quickly from

Subject imports have unique value to specific customers

Market niche for subject imports

Conditions of competition:
Based on speed + logistics + quality, not price.

- Niches customers must get RTA from subject imports
- QR data that U.S. Producers ship very little RTA
- No meaningful competitive overlap in RTA segment

- Easier handling, key at certain job sites (small spaces, being carried up stairways)
- Reduces chance of damage in transport
- Makes inventories efficient and cost-effective
- Efficient to stack, store, and transport

Subject imports offered in RTA flat-packs

Market niches for subject imports (ctd)

Conditions of competition:
Shihtu of this magnitude do not meet materiality thresholds.

Subject market share and growth in share even smaller.

When imports of RTA are excluded (no competitive overlap),

is very small, and increase in share is even smaller.

When market is properly sized, subject import penetration

low subject import penetration

No adverse volume effects.
Commission should give this statistic little weight.

* Fails to recognize labor constraints in marketplace conditions
* Assumption ignores OR Instruction of "normal operating capacity"
* They actually run 2 or 3 shifts instead of the 3 they could run.
* Numerous domestic producers have overstated their capacity utilization was steady, even with increased capacity.

No adverse volume effects: Capacity utilization.
Net sales AUVs grew by more than unit raw materials and unit labor costs due in part to non-recurring items. No Suppression: COGS/Net sales that 2016-2017 slight increase in 2018.

No Suppression: Net sales, Shipment, and Pricing Product AUVs increased.

No Price Depression or Price Suppression

DON'T SPECIFY WHAT "WOOD CONSTRUCTION" MEANS; COULD INCLUDE EVERYTHING virtually all USP pricing data are assembled cabinets comparison between RTA and assembled sales; not an apples-to-apples comparison.

No evidence of adverse price effects

PRICING DATA UNUSABLE FOR UNDERSELLING ANALYSES
Performance

- No causal link between import volume and industry
- Industry assets grew over POI
- Capex to depreciation greater than 100% over the POI
- Employment indicators (PRWs and wages) grew over POI
- Recurring items

- Slight decline in 2018 margins mostly attributable to non-import
- Despite increased import volume, market share U.S. industry's profitability steady from 2016 to 2017

Imports

No adverse impact by reason of subject