ECONOMIC CONSULTING SERVICES, LLC

BEFORE THE
UNITED STATES INTERNATIONAL TRADE COMMISSION

IN THE MATTER OF
Wooden Cabinets and Vanities from China
Inv. Nos. 701-TA-620 and 731-TA-1445 (Final)

PUBLIC EXHIBITS TO THE TESTIMONY OF

JIM DOUGAN, VICE PRESIDENT

ECONOMIC CONSULTING SERVICES, LLC

February 20, 2020

Washington, D.C.
Volume –
U.S. Producers’ U.S. Shipments Increased

Sources: Prehearing Report at IV-17 (Table IV-6).
Volume –
The Commission’s Market Size Estimate Is Understated Even Relative to the Petition

• Petitioners have adopted *ex post* endorsement of market size that is significantly below even their own estimate

• Prehearing Report indicates that questionnaire data accounts for “most of” domestic production but does not attempt to quantify what is missing

• This has implications for analyzing the significance of subject import volume and market share
Volume —
Market Share of Subject Imports was Small

Sources: Prehearing Report at IV-17 (Table IV-6) and ACCI Prehearing Brief at Ex. 43.
Volume –
Market Share of Subject Imports Sold Assembled was Not Significant by Any Measure

![Bar Chart]

Sources: Prehearing Report at IV-17 (Table IV-6) and ACCI Prehearing Brief at Ex. 43.
No Price Depression – U.S. Producers’ Prices for Assembled Cabinets Were Steady over the POI

<table>
<thead>
<tr>
<th>% Change from:</th>
<th>Product 1</th>
<th>Product 2</th>
<th>Product 3</th>
<th>Product 4</th>
<th>Product 5a</th>
<th>Product 6a</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016 Q1 - 2019 Q3</td>
<td>-1.5%</td>
<td>-10.0%</td>
<td>4.9%</td>
<td>-4.5%</td>
<td>8.0%</td>
<td>-10.2%</td>
</tr>
<tr>
<td>2016 Q1 - 2018 Q4</td>
<td>-2.5%</td>
<td>-3.7%</td>
<td>7.7%</td>
<td>0.5%</td>
<td>9.7%</td>
<td>-2.9%</td>
</tr>
</tbody>
</table>

Sources: Prehearing Report at V-9 to V-13 (Tables V-3 to V-7) and at V-15 (Table V-9).
No Price Depression – U.S. Producers’ Prices for RTA Cabinets Increased over the POI

<table>
<thead>
<tr>
<th>% Change from:</th>
<th>Product 5b</th>
<th>Product 6b</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016 Q1 - 2019 Q3</td>
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<tr>
<td>2016 Q1 - 2018 Q4</td>
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</tbody>
</table>

Sources: Prehearing Report at V-14 (Table V-8) and V-16 (Table V-10).
No Price Depression — Public Data Corroborates Increase in U.S. Prices

Producer Price Indices for Cabinets
Jan 2016 = 100

--- Custom wood kitchen cabinets, bathroom vanities, and related cabinet sold directly to customers
--- Stock wood kitchen cabinets and related cabinetwork for permanent installation
--- Custom wood kitchen cabinets and related cabinetwork not sold direct to customer at retail

Purchaser Responses Provide No Evidence of Price Depression

• Prelim LSLRs – none of the 13 purchasers reported that U.S. producers lowered prices to compete with subject imports

• Final QRs – Only 9 of 27 purchasers reported U.S. producers lowered price to compete with subject imports

• And [ ]

Sources: Prehearing Report at V-35 and V-36 (Table V-15), Prelim Staff Report at V-25.
No Price Suppression – Subject Imports Did Not Prevent Price Increases that Otherwise would Have Occurred

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<tbody>
<tr>
<td>Average Net Sales Value</td>
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<td>[ ]</td>
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<tr>
<td>Total COGS</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
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<td>[ ]</td>
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<tr>
<td>Gross Profit</td>
<td>[ ]</td>
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</tbody>
</table>

- U.S. producers were able to raise prices to recover increases in COGS

Sources: Prehearing Report at VI-6 (Table VI-2).
No Price Suppression –
Subject Imports Did Not Cause Any Observed Cost-Price Squeeze

• RTA flat-pack is a small share of U.S. Producers’ shipments

• Subject Import RTA AUVs above or roughly equal to U.S. RTA AUVs

• U.S. Producer RTA Shipment AUVs increased over POI

• U.S. Producer RTA Pricing Data AUVs increased and showed instances of overselling by imports

Sources: Prehearing Report at III-23 (Table III-9), IV-12 (Table IV-5), V-14 (Table V-8), and V-16 (Table V-10).
Underselling Was Not Significant

• Pricing data not reliable because the definitions:
  • Do not capture market segment (Stock, Semi-Custom, or Custom)
  • Do not capture sales channel (end user, designer, dealer, etc.)
Underselling Was Not Significant – Pricing Data Demonstrate no Interaction or Causal Relationship between U.S. Cabinets and subject imports

Sources: Prehearing Report at V-9 to V-13 (Tables V-3 to V-7) and at V-15 (Table V-9).
Lost Sales Were Not Significant

- Lost sales reported in purchaser questionnaires are distorted [ ]

- Lost sales by [ ] were just [ ]% of total imports and purchases by [ ]

- Those lost sales were only [ ]% of purchases and imports of subject imports by [ ]

Sources: Prehearing Report at V-31 to V-32 (Table V-13) and at V-33 to V-34 (Table V-14).
Domestic Industry Consolidation Is an Important Condition of Competition

• Acquisitions by ACProducts, Inc.
  • Smart Cabinetry (January 2017)
  • Cabinets 2000 (April 2018)
  • Master WoodCraft Cabinetry (June 2018)
  • Elkay Wood Products Co. (January 2019)
  • Masco (February 2020, $1 billion)

• Acquisitions by American Woodmark
  • RSI Home Products, Inc. (December 2017, $1.075 billion)

Source: ACCI Prehearing Brief at 16.
No Adverse Impact –
Declines in Domestic Industry Profitability Were Not
Caused by Subject Imports

• Vast majority of observed decline in domestic industry profitability explained by non-recurring items

• Many of these non-recurring items are related to costs associated with industry consolidation and restructuring

Source: ACCI Prehearing Brief at 91.
No Adverse Impact –
U.S. Producers Were Performing Well Even Before Imposition of Duties

• Fortune Brands’ CEO recently told investors that wooden cabinets have “been a healthy—a very, very healthy part of the business even prior to these antidumping duties coming into effect;”

No Adverse Impact – Domestic Industry Generated Ample Free Cash Flow for Investment

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<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>PY 2018</th>
<th>PY 2019</th>
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<tbody>
<tr>
<td>Capital Expenditures</td>
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<tr>
<td>Depreciation Expense</td>
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<tr>
<td><strong>Free Cash Flow Calculation</strong></td>
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<tr>
<td>Cash Flow</td>
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<tr>
<td>Plus Depreciation</td>
<td>[</td>
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<tr>
<td>Less CapEx = Free Cash Flow</td>
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Source: Prehearing Report at VI-4 (Table VI-1), VI-29 (Table VI-8).
No Adverse Impact – The Domestic Industry Did Not Lack Investment Capital but Used It for Acquisitions

Source: Prehearing Report at VI-29 (Table VI-8) and ACCI Prehearing Brief at 16.
No Adverse Impact – Capacity Utilization Understated

• Prehearing Report capacity utilization ranges from [ ]% to [ ]%

• More reasonable estimate of capacity utilization at ACCI Brief Ex. 50 ranges from [ ]% to [ ]%

Sources: Prehearing Report at III-16 (Table III-5) and ACCI Prehearing Brief at Ex. 50.
No Adverse Impact –
Employment Indicators are All Positive

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>Jan-Sept 2018</th>
<th>Jan-Sept 2019</th>
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<tbody>
<tr>
<td>PRWs</td>
<td>[</td>
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<td>Total hours worked (1,000 hours)</td>
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<td>Hours worked per PRW (hours)</td>
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<tr>
<td>Wages paid ($1,000)</td>
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<tr>
<td>Hourly wages</td>
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<tr>
<td>Productivity</td>
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Source: Prehearing Report at III-30 (Table III-12).