

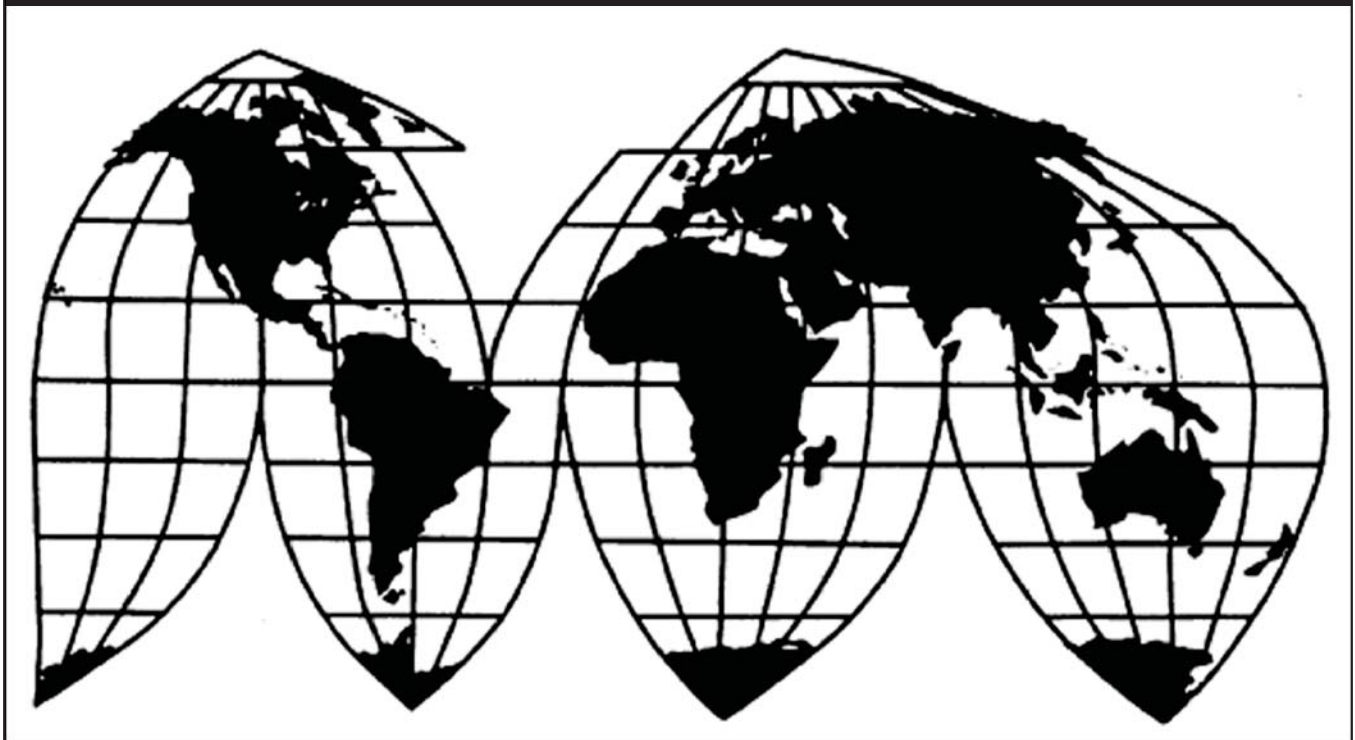
Tool Chests and Cabinets from China and Vietnam

Investigation Nos. 701-TA-575 and 731-TA-1360-1361 (Preliminary)

Publication 4697

June 2017

U.S. International Trade Commission



Washington, DC 20436

U.S. International Trade Commission

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PART I: INTRODUCTION

BACKGROUND

These investigations result from petitions filed with the U.S. Department of Commerce (“Commerce”) and the U.S. International Trade Commission (“USITC” or “Commission”) by Waterloo Industries Inc., Sedalia, Missouri, on April 11, 2017, alleging that an industry in the United States is materially injured and threatened with material injury by reason of subsidized imports of tool chests and cabinets¹ from China and less-than-fair-value (“LTFV”) imports of tool chests and cabinets from China and Vietnam. The following tabulation provides information relating to the background of these investigations.^{2 3}

Effective date	Action
April 11, 2017	Petition filed with Commerce and the Commission; institution of Commission investigations (82 FR 18309, April 18, 2017)
May 1, 2017	Commerce’s notice of AD initiation (82 FR 21523, May 9, 2017); Commerce’s notice of CVD initiation (82 FR 21516, May 9, 2017)
May 2, 2017	Commission’s conference
May 25, 2017	Commission’s vote
May 26, 2017	Commission’s determination
June 5, 2017	Commission’s views

STATUTORY CRITERIA AND ORGANIZATION OF THE REPORT

Statutory criteria

Section 771(7)(B) of the Tariff Act of 1930 (the “Act”) (19 U.S.C. § 1677(7)(B)) provides that in making its determinations of injury to an industry in the United States, the Commission--

shall consider (I) the volume of imports of the subject merchandise, (II) the effect of imports of that merchandise on prices in the United States for domestic like products, and (III) the impact of imports of such merchandise on domestic producers of domestic like products, but only in the context of production operations within the United States; and. . .

¹ See the section entitled “The Subject Merchandise” in *Part I* of this report for a complete description of the merchandise subject in this proceeding.

² Pertinent *Federal Register* notices are referenced in appendix A, and may be found at the Commission’s website (www.usitc.gov).

³ A list of witnesses appearing at the conference is presented in appendix B of this report.

may consider such other economic factors as are relevant to the determination regarding whether there is material injury by reason of imports.

Section 771(7)(C) of the Act (19 U.S.C. § 1677(7)(C)) further provides that--⁴

In evaluating the volume of imports of merchandise, the Commission shall consider whether the volume of imports of the merchandise, or any increase in that volume, either in absolute terms or relative to production or consumption in the United States is significant. . . . In evaluating the effect of imports of such merchandise on prices, the Commission shall consider whether. . . (I) there has been significant price underselling by the imported merchandise as compared with the price of domestic like products of the United States, and (II) the effect of imports of such merchandise otherwise depresses prices to a significant degree or prevents price increases, which otherwise would have occurred, to a significant degree. . . . In examining the impact required to be considered under subparagraph (B)(i)(III), the Commission shall evaluate (within the context of the business cycle and conditions of competition that are distinctive to the affected industry) all relevant economic factors which have a bearing on the state of the industry in the United States, including, but not limited to. . . (I) actual and potential decline in output, sales, market share, gross profits, operating profits, net profits, ability to service debt, productivity, return on investments, return on assets, and utilization of capacity, (II) factors affecting domestic prices, (III) actual and potential negative effects on cash flow, inventories, employment, wages, growth, ability to raise capital, and investment, (IV) actual and potential negative effects on the existing development and production efforts of the domestic industry, including efforts to develop a derivative or more advanced version of the domestic like product, and (V) in {an antidumping investigation}, the magnitude of the margin of dumping.

In addition, Section 771(7)(J) of the Act (19 U.S.C. § 1677(7)(J)) provides that—⁵

(J) EFFECT OF PROFITABILITY.—The Commission may not determine that there is no material injury or threat of material injury to an industry in the United States merely because that industry is profitable or because the performance of that industry has recently improved.

⁴ Amended by PL 114-27 (as signed, June 29, 2015), Trade Preferences Extension Act of 2015.

⁵ Amended by PL 114-27 (as signed, June 29, 2015), Trade Preferences Extension Act of 2015.

Organization of report

Part I of this report presents information on the subject merchandise, alleged subsidy/dumping margins, and domestic like product. *Part II* of this report presents information on conditions of competition and other relevant economic factors. *Part III* presents information on the condition of the U.S. industry, including data on capacity, production, shipments, inventories, and employment. *Parts IV* and *V* present the volume of subject imports and pricing of domestic and imported products, respectively. *Part VI* presents information on the financial experience of U.S. producers. *Part VII* presents the statutory requirements and information obtained for use in the Commission's consideration of the question of threat of material injury as well as information regarding nonsubject countries.

MARKET SUMMARY

Tool chests and cabinets generally are used to store tools and equipment. The leading U.S. producer of tool chests and cabinets is Waterloo, while leading producers of tool chests and cabinets outside the United States include Zhongshan Geelong Manufacturing Co. Ltd. ("Geelong") and Jiangsu Tongrun Equipment Technology Co. Ltd. ("Jiangsu Tongrun") of China and the CSPA Group of Vietnam. The leading U.S. importers of tool chests and cabinets from China are ***, while the leading importer of tool chests and cabinets from Vietnam is **. The leading importer of tool chests and cabinets from Canada, the only nonsubject source of imports into the United States,⁶ is **.

Apparent U.S. consumption of tool chests and cabinets totaled approximately *** units (\$**) in 2016. Currently, five firms have confirmed production of tool chests and cabinets in the United States.⁷ U.S. producers' U.S. shipments of tool chests and cabinets totaled *** units (\$**) in 2016, and accounted for *** percent of apparent U.S. consumption by quantity and *** percent by value. U.S. importers' U.S. shipments of imports from subject sources totaled approximately 2.0 million units (\$295.9 million) in 2016 and accounted for *** percent of apparent U.S. consumption by quantity and *** percent by value. U.S. importers' U.S. shipments of imports from nonsubject sources totaled *** units (\$**) in 2016 and accounted for *** percent of apparent U.S. consumption by quantity and *** percent by value.

SUMMARY DATA AND DATA SOURCES

A summary of data collected in these investigations is presented in appendix C. Except as noted, U.S. industry data are based on questionnaire responses of four firms that accounted

⁶ Conference transcript, p. 166 (Enger).

⁷ Four firms submitted questionnaire responses. A fifth firm **. A sixth firm, Snap-on, was identified by respondents as a possible producer of tool chests and cabinets. Conference transcript, p. 141 (Enger). Snap-on indicated that **.

for the great majority of U.S. production of tool chests and cabinets during 2016.⁸ U.S. imports are based on the questionnaire responses of 20 importers that accounted for the great majority of imports from China, imports from Vietnam, and imports from nonsubject sources during 2016.⁹ Foreign industry data in China are based on the questionnaire responses of 11 producers and one exporting firm that Staff believes accounted for the great majority of tool chest and cabinet production and exports to the United States from China during 2016. Foreign industry data in Vietnam are based on the questionnaire responses of five producers and exporters that reported accounting for *** percent of tool chests and cabinets produced in Vietnam and *** percent of exports to the United States from Vietnam during 2016.¹⁰

PREVIOUS AND RELATED INVESTIGATIONS

Tool chests and cabinets have not been subject to previous antidumping and/or countervailing duty investigations in the United States.

NATURE AND EXTENT OF ALLEGED SUBSIDIES AND SALES AT LTFV

Alleged subsidies

On May 9, 2017, Commerce published a notice in the *Federal Register* of the initiation of its countervailing duty investigation on tool chests and cabinets from China.¹¹ Commerce identified the following government programs in China:¹²

⁸ Petitioner Waterloo argues that Waterloo and Metal Box International (“MBI”) represent 100 percent of U.S. production of tool chests and cabinets. Petitioner’s postconference brief, pp. 12-13 and exh. 6. The two additional U.S. producers which submitted usable questionnaire responses accounted for *** percent of total reported U.S. production in 2016. Waterloo and MBI primarily sell to ***, whereas Matco Tools Corporation (“Matco”) and Stanley Black & Decker sell primarily to ***. Further information regarding responding U.S. producers and their shipments of merchandise that matches the physical characteristics identified in the scope and that are prepackages for retail sale can be found in *Part III*. Table C-2 presents data ***.

⁹ Responding U.S. importers reported importing *** units from China, compared to responding Chinese exporters’ reported *** units exported to the United States. Responding U.S. importers reported importing *** units from Vietnam, which exceeded responding Vietnamese exporters’ reported exports to the United States, after accounting for responding Vietnamese exporters response that they collectively represent *** percent of all exports from Vietnam to the United States. Respondent Geelong testified that it knew of only one importer of tool chests and cabinets from Canada, SPG International. Conference transcript, p. 141 (Enger). ***.

¹⁰ The five producers and exporters from Vietnam submitted a single, joint questionnaire response. The five firms are: Amex Metal Corp.; Clearwater Metal Vietnam JSC; CSPS Co., Ltd.; Kinox Corp.; and Rabat Corp. (collectively “CSPS Group”).

¹¹ *Certain Tool Chests and Cabinets from the People’s Republic of China: Initiation of Countervailing Duty Investigation*, 82 FR 21516, May 9, 2017.

1. Preferential lending
 - Policy loans to the tool chest industry
 - Export loans from Chinese state-owned banks
2. Export credits from Export-Import Bank of China
 - Export seller's credit
 - Export credit guarantees
 - Export buyer's credit
3. Tax programs
 - Income tax reduction for high or new technology enterprises
 - Income tax deductions for research and development ("R&D") expenses under the enterprise income tax law
 - Provincial Government of Guangdong tax offset for R&D
4. Indirect tax programs
 - Import tariff and value-added tax ("VAT") reductions for foreign-invested enterprises ("FIEs") can certain domestic enterprises using imported equipment in encouraged industries
 - VAT refunds for PIEs purchasing domestically-produced equipment
5. Government provision of goods and services for less than adequate remuneration ("LTAR")
 - Government provision of hot-rolled/cold-rolled coiled steel for LTAR
 - Provision of electricity for LTAR
6. Grant Programs
 - Government of China ("GOC") and sub-central government subsidies for the development of famous brands and China world top brands
 - Special fund for energy savings technology reform
 - Small and medium-sized enterprises (SMEs) international market exploration/development fund
 - SME technology innovation fund
 - Export assistance grants

Alleged sales at LTFV

On May 9, 2017, Commerce published a notice in the *Federal Register* of the initiation of its antidumping duty investigations on tool chests and cabinets from China and Vietnam. Commerce has initiated antidumping duty investigations based on estimated dumping margins

(...continued)

¹² *Certain Tool Chests and Cabinets from the People's Republic of China: Enforcement and Compliance Office of AD/CVD Operations Countervailing Duty Investigation Initiation Checklist, May 1, 2017.*

of 159.99 percent for tool chests and cabinets from China and 21.85 percent for tool chests and cabinets from Vietnam.¹³

THE SUBJECT MERCHANDISE

Commerce's scope

Commerce has defined the scope of these investigations as follows:¹⁴

The scope of these investigations covers certain metal tool chests and tool cabinets, with drawers, (tool chests and cabinets), from the People's Republic of China (the PRC) and the Socialist Republic of Vietnam (Vietnam). The scope covers all metal tool chests and cabinets, including top chests, intermediate chests, tool cabinets and side cabinets, storage units, mobile work benches, and work stations and that have the following physical characteristics:

- (1) a body made of carbon, alloy, or stainless steel and/or other metals;*
- (2) two or more drawers for storage in each individual unit;*
- (3) a width (side to side) exceeding 15 inches for side cabinets and exceeding 21 inches for all other individual units but not exceeding 60 inches;*
- (4) a drawer depth (front to back) exceeding 10 inches but not exceeding 24 inches; and*
- (5) prepackaged for retail sale.*

For purposes of this scope, the width parameter applies to each individual unit, i.e., each individual top chest, intermediate top chest, tool cabinet, side cabinet, storage unit, mobile work bench, and work station.

Prepackaged for retail sale means the units are packaged in a cardboard box or other container suitable for retail display and sale. Subject tool chests and cabinets are covered whether imported in assembled or unassembled form. Subject merchandise includes tool chests and cabinets produced in the PRC or Vietnam but assembled, prepackaged for sale, or subject to other minor processing in a third country prior to importation into the United States. Similarly, it would include tool chests and cabinets produced in the PRC or Vietnam that are later found to be assembled, prepackaged for sale, or subject to other minor processing after importation into the United States.

¹³ *Certain Tool Chests and Cabinets from the People's Republic of China and the Socialist Republic of Vietnam: Initiation of Less-Than-Fair-Value Investigations*, 82 FR 21523, May 9, 2017.

¹⁴ *Ibid.*

Subject tool chests and cabinets may also have doors and shelves in addition to drawers, may have handles (typically mounted on the sides), and may have a work surface on the top. Subject tool chests and cabinets may be uncoated (e.g., stainless steel), painted, powder coated, galvanized, or otherwise coated for corrosion protection or aesthetic appearance.

Subject tool chests and cabinets may be packaged as individual units or in sets. When packaged in sets, they typically include a cabinet with one or more chests that stack on top of the cabinet. Tool cabinets act as a base tool storage unit and typically have rollers, casters, or wheels to permit them to be moved more easily when loaded with tools. Work stations and work benches are tool cabinets with a work surface on the top that may be made of rubber, plastic, metal, wood, or other materials.

Top chests are designed to be used with a tool cabinet to form a tool storage unit. The top chests may be mounted on top of the base tool cabinet or onto an intermediate chest. They are often packaged as a set with tool cabinets or intermediate chests, but may also be packaged separately. They may be packaged with mounting hardware (e.g., bolts) and instructions for assembling them onto the base tool cabinet or onto an intermediate tool chest which rests on the base tool cabinet. Smaller top chests typically have handles on the sides, while the larger top chests typically lack handles. Intermediate tool chests are designed to fit on top of the floor standing tool cabinet and to be used underneath the top tool chest. Although they may be packaged or used separately from the tool cabinet, intermediate chests are designed to be used in conjunction with tool cabinets. The intermediate chests typically do not have handles. The intermediate and top chests may have the capability of being bolted together.

Side cabinets are designed to be bolted or otherwise attached to the side of the base storage cabinet to expand the storage capacity of the base tool cabinet.

Subject tool chests and cabinets also may be packaged with a tool set included. Packaging a subject tool chest and cabinet with a tool set does not remove an otherwise covered subject tool chest and cabinet from the scope. When this occurs the tools are not part of the subject merchandise.

Excluded from the scope of the investigations are tool boxes, chests and cabinets with bodies made of plastic, carbon fiber, wood, or other non-metallic substances. Also excluded from the scope of the investigations are portable metal tool boxes. Portable metal tool boxes have each of the following characteristics:

- (1) fewer than three drawers;*
- (2) a handle on the top that allows the tool box to be carried by hand; and*
- (3) a width that is 21 inches or less; and depth (front to back) not exceeding 10 inches.*

Also excluded from the scope of the investigations are industrial grade steel tool chests and cabinets. The excluded industrial grade steel tool chests and cabinets are those:

- (1) having a body that is over 60 inches wide; or*
- (2) having each of the following physical characteristics:*
 - (a) a body made of steel that is 0.055" or more in thickness;*
 - (b) all drawers over 21" deep;*
 - (c) all drawer slides rated for 200 lbs. or more; and*
 - (d) not prepackaged for retail sale.*

Also excluded from the scope of the investigations are work benches with fewer than two drawers. Excluded work benches have a solid top working surface, fewer than two drawers, are supported by legs and have no solid front, side, or back panels enclosing the body of the unit.

Also excluded from the scope of the investigations are metal filing cabinets that are configured to hold hanging file folders and are classified in the Harmonized Tariff Schedule of the United States (HTSUS) at subheading 9403.10.0020.

Merchandise subject to the investigations is classified under HTSUS categories 9403.20.0021, 9403.20.0026, 9403.20.0030 and 7326.90.8688, but may also be classified under HTSUS category 7326.90.3500. While HTSUS subheadings are provided for convenience and Customs purposes, the written description of the scope of these investigations is dispositive.

Tariff treatment

Based upon the scope set forth by the Department of Commerce, information available to the Commission indicates that the merchandise subject to these investigations are imported under subheadings 7326.90.86¹⁵ (statistical reporting number 7326.90.8688, a residual or "basket" category for nonenumerated articles of iron or steel), and 9403.20.00 (statistical reporting numbers 9403.20.0021, 9403.20.0026 and 9403.20.0030, provisions for non-household furniture of various types) of the Harmonized Tariff Schedule of the United States ("HTS"). Subject merchandise may also be imported under HTS subheading 7326.90.35 (steel containers of a kind normally carried on the person, in the pocket or in the handbag). The 2017 general rate of duty is 7.8 percent *ad valorem* for HTS subheading 7326.90.35, 2.9 percent *ad valorem* for HTS subheading 7326.90.86, and free for HTS subheading 9403.20.00. Decisions on

¹⁵ On January 1, 2017, HTSUS subheading 7326.90.85 was re-designated as HTSUS subheading 7326.90.86.

the tariff classification and treatment of imported goods are within the authority of U.S. Customs and Border Protection.

THE PRODUCT

Description and applications¹⁶

The products covered by these investigations are metal tool chests and tool cabinets, typically made of steel, with two or more drawers per unit. The subject merchandise includes tool top chests, intermediate chests, cabinets, side cabinets, mobile work benches, work stations, and metal storage units with two or more drawers. Not covered by the scope of these investigations are (1) tool boxes, chests and cabinets with bodies made entirely of plastic, carbon fiber, wood, or other non-metallic substances;¹⁷ (2) portable tool boxes;^{18 19} and (3) industrial grade tool chests and cabinets.^{20 21 22}

¹⁶ Unless otherwise indicated, information in this section was taken from the petition, pp. 4-7.

¹⁷ The petitioner stated that non-metal tool chests and cabinets are produced using completely different equipment and facilities, by entirely different producers, as these products are not produced from steel that must be slit, pressed, punched and welded. Petitioner's postconference brief, p. 7.

¹⁸ Portable tool boxes, which are excluded from the scope of these investigations, are metal tool boxes with handles on the top and of a small size that makes them suitable for transporting by hand when filled with tools. Portable metal tool boxes have each of the following characteristics: (1) fewer than three drawers; (2) a handle on the top that allows the tool box to be carried by hand; (3) a width that is 21 inches or less; and depth (front to back) not exceeding 10 inches.

¹⁹ Respondent Geelong stated that the tool chest and cabinet industry does not have standard definitions for "industrial" equipment or "portable tool boxes." Instead, these terms are used as general descriptors, not as technical specifications correlating to specific criteria. Geelong's and Harbor Freight's postconference brief, p. 42.

²⁰ The scope of these investigations defined industrial grade metal tool chests and cabinets as those having each of the following physical characteristics: (1) a width of more than 60 inches or (2) having each of the following characteristics: (a) a body made of steel that is 0.055 inches or more in thickness; (b) all drawers more than 21 inches deep; (c) all drawer slides rated for 200 pounds or more; and (d) not prepackaged for retail sale.

²¹ According to the petitioner, industrial tool chests and tool cabinets are larger and heavier than subject tool chests and tool cabinets, are produced from thicker gauge steel, have deeper drawers that are rated for much heavier loads, and are not packaged for retail sale. Industrial grade tool chests are used for industrial tool storage, such as in automotive mechanic shops, and are designed to be serviced. Industrial tool chests are also sold through different channels of distribution than subject tool chest and cabinets; they are sold directly to commercial distributors, professional garages, and other industrial establishments. Petitioner's postconference brief, pp. 8-9.

²² Respondent Geelong claims that the term "industrial" is often used in a marketing context, in which it is used interchangeably, and considered synonymous with, terms such as "professional" and "heavy duty." Respondent states that there is no commonly-accepted definition of "industrial," and the

(continued...)

Subject tool chests and cabinets have at least two drawers that are designed to store tools and equipment. They have bodies that are generally produced from carbon,²³ alloy, or stainless steel, but can be produced from other metals. Tool chests and cabinets can be differentiated by size, color, number and load rating of drawers, type of drawer slides (ball bearing or friction), type of latching system, type and thickness of primary construction material (carbon or stainless steel), lock type (internal or padlock), type and load rating of casters or wheels, and total load rating and storage capacity. Some newer tool chests have additional features like power strips, USB ports, and Bluetooth connectivity (enables keyless locking and unlocking).²⁴

The thickness of the steel used in the bodies and drawers of subject tool chests and cabinets typically ranges from .018 inches to .055 inches, but most commonly falls within a range of .033 inches to .044 inches thick.

Drawers are an essential component of all subject tool chests and cabinets. Drawers are typically made of steel, but can be made from other metals. Each individual unit of subject merchandise (i.e., top chest, intermediate chest, tool cabinet, side cabinet, work station, and tool storage unit) has two or more drawers for storage of tools and equipment, although subject merchandise may also have doors, top lids or shelves in addition to drawers. Drawers are typically assembled with the finished metal tool chest and cabinet bodies with ball bearing sliders or other hardware for easy opening and closing. The drawers are designed to hold tools and other equipment and have different depths, weight ratings and compartment layouts depending on their design. Drawers have slide load ratings that indicate the amount of weight, in pounds, that they can support without failing.

Tool chests and cabinets are typically painted or epoxy- or powder-coated, but they may also be otherwise coated or made of uncoated metal, like stainless or galvanized steel. Coatings serve as protection against corrosion and improve appearance. The subject merchandise may also incorporate other non-metallic materials such as rubber, plastic, carbon fibers, or wood in the drawers, trim, worktops, or accessories.

Subject tool chests and cabinets are produced in widths (side to side) exceeding 21 inches but not exceeding 60 inches,²⁵ and have a depth (front to back) exceeding 10 inches but not exceeding 24 inches. Units with a width of 21 inches or less and/or a depth of 10 inches or less are typically portable tool boxes and are excluded from the scope. According to the

(...continued)

Petitioner devised a particular list of characteristics for tool chests and cabinets it claims meet those requirements. Geelong's and Harbor Freight's postconference brief, p. 42.

²³ The majority of subject tool chests and cabinets are made from cold-rolled carbon steel. Stainless steel tool chests are a relatively small part of the market, accounting for about 5 to 10 percent of subject tool chests sold. Conference transcript, p. 164 (Lebell). ***. Homsteel's postconference brief, p. 7, Exhibit 3.

²⁴ Sears' postconference brief, p. 3 and Exhibit 2.

²⁵ Subject side cabinets have a width exceeding 15 inches.

petitioner, units with a width exceeding 60 inches or a drawer depth exceeding 24 inches are typically industrial grade tool chests that are excluded from the scope.²⁶

Subject tool chests and cabinets include top chests, intermediate chests, tool cabinets and side cabinets, workstations, metal storage units, work stations, and mobile work benches. Each of these types of tool chests and cabinets meet the physical description above. See figures I-1 through I-6.

Figure I-1
Tool cabinet with top and intermediate chests



Source: Waterloo Industries Inc., <http://www.waterlooindustries.com/product/PIN-263RD>, retrieved April 28, 2017.

Top chests are tool chests, primarily made of steel but possibly made of other metal, that are designed to sit on top of a tool cabinet or intermediate chest. Top chests have two or more drawers for tool storage space, but they will often also open from the top allowing users to store tools in the body of the chests. Top chests may have side handles to assist the purchaser in lifting the chest out of its packaging, but their size and weight limit their portability.

²⁶ Respondent stated that some boxes may fit both the specifications identified by the Petitioner as industrial and be referred to informally as “industrial” within the industry, but this is not always the case. They pointed out that a sample Sears Craftsman product is marketed as “industrial” despite having a width of less than 60 inches. Geelong and Harbor Freight postconference brief, p. 43.

Figure I-2
Top chest



Source: Waterloo Industries Inc., <http://www.waterlooindustries.com/product/PCH-418RD>, retrieved April 28, 2017.

Intermediate (middle) chests, usually made of steel, are designed to sit between a tool cabinet and a top chest. For this reason, they typically will not open from the top. Like other subject merchandise, intermediate chests have two or more drawers for tool and equipment storage. They typically do not have handles. As with top chests, the size and weight of intermediate chests limit their portability.

Figure I-3
Intermediate chest



Source: Waterloo Industries Inc., <http://www.waterlooindustries.com/product/PIN-263RD>, retrieved April 28, 2017.

Tool cabinets are tool storage units, primarily with steel bodies, that are larger than top chests or intermediate chests. They are made to stand on the floor and act as the base for the top and intermediate chests. As with all other subject merchandise, tool cabinets have multiple drawers, although they may also have storage space incorporated with doors and shelving. Tool cabinets also typically have casters, which may be assembled with the unit before or after the product is purchased. Casters allow the cabinet to be pushed on the floor, but they may also be locked in place. Tool cabinets may also have side handles to assist with rolling the cabinets.

Figure I-4
Tool cabinet



Source: Waterloo Industries Inc., <http://www.waterlooindustries.com/product/PCA-4111RD>, retrieved April 28, 2017.

Side cabinets are tool storage units with two or more drawers that are designed to be attached to the side of a tool cabinet or work station to expand the storage space of the main tool cabinet.

Figure I-5
Side cabinet



Source: Waterloo Industries Inc., <http://www.waterlooindustries.com/product/PSC-18721RD>, retrieved April 28, 2017.

Mobile work benches or workstations otherwise fit the description of tool cabinets but also have a work surface on the top. The work surface may be made of rubber, plastic, metal, or wood.

Figure I-6
Mobile workstation



Source: Sears Holding Corp., <http://www.sears.com/craftsman-53-in-wide-8-drawer-standard-duty/p-00931011000P?sid=IDx01192011x000001&gclid=CL2t9tX-4NMCFYKEswodddgCQg&gclsrc=aw.ds&dclid=CP-Cptb-4NMCFUEINwodMX0AeQ>, retrieved May 8, 2017.

Although top chests and intermediate chests may be packaged or sold separately from tool cabinets, they are designed to be sold and used with tool cabinets. For this reason, they may come with hardware that allows them to be attached to the tool cabinet. Top chests, intermediate chests, tool cabinets, and side cabinets may be assembled and used together to form a tool storage unit. The most common combination units are a tool cabinet and chest that are 26 inches and 41 inches in width.²⁷ For example, a 26-inch combination unit might include a 22-inch chest that is designed for use with a 26-inch cabinet.²⁸

Subject tool chests and cabinets are packaged for retail sale in a corrugated box with a product descriptor and a UPC code that the retailer can scan.²⁹ In some instances, the tool chests and cabinets may include tool sets. Packages may include instructions for assembling chest and cabinet combos and/or attaching side handles and casters. Subject tool chests and cabinets are typically sold to consumers in membership club, department, hardware, and home improvement stores, and automotive parts retailers. Subject tool chests and cabinets are typically used for tool storage by “do-it-yourself” customers for home projects.³⁰

Manufacturing processes³¹

The production process typically begins with the slitting of coils of cold-rolled, flat-rolled carbon steel³² and/or stainless steel³³ into widths suitable for forming the panels and drawers

²⁷ The majority of respondent Geelong’s sales are for products having widths of 27-, 41-, or 52-inches. Conference transcript, p. 131 (Enger).

²⁸ The petitioner stated that an industry trend has been a move to larger size tool chests, from the 26- inch widths to 41- and 52-inch tool chests. Conference transcript, p. 44 (Nictakis).

²⁹ Conference transcript, p. 39 (Nictakis).

³⁰ Conference transcript, p. 63 (Nictakis).

³¹ Unless otherwise indicated, information in this section was taken from the petition, pp. 7-8.

of tool chests and cabinets.³⁴ The thickness of the coiled steel varies depending on the design and level of durability required for the individual chest or cabinet as well as the individual piece (i.e., drawer or chest and cabinet unit) that will be produced. The thicknesses may range from .018 inches to .055 inches but most commonly fall within a range of .033 inches to .044 inches thick. The coils are slit into various widths depending on the part that will be produced from the slit steel.

The slit steel moves through various processes in order to produce the component parts of the cabinets and chests (body panels, drawers, dividers, etc.). First, the steel is fed into a series of presses and punch machines where it is cut to size, punched and bent into various shapes necessary to create the components. Second, the various component pieces are welded together to form the drawers, bodies, lids, and other components of the chests and cabinets.

The individual parts are then pre-washed before being coated with paint, typically by one of two processes - either electro-coating (or "e-coating") or powder coating. E-coating involves electrically charging the metal parts and placing them in a bath of paint that holds the opposite charge. The parts are moved through the paint for a short period during which the paint adheres to the part. The part is then sprayed with a clear coat and is cured in an oven. Powder coating also involves electrically charging the parts and the coating with opposite charges, but the coating is a dry powder that is sprayed on.

Once the components are painted, the parts are assembled by hand into finished tool chests and cabinets. Ball bearing slides, casters, drawer pulls, name plates, and rubber mats and other hardware and accessories are incorporated into the product at the assembly stage or are packaged together with the tool chests and cabinets. Lastly, the finished tool chests and cabinets are packaged in corrugated boxes and labeled for retail sale before they leave the factory floor.³⁵

The petitioner produces nonsubject industrial tool chests and cabinets at the same plant that it produces subject tool chests and cabinets but with different manufacturing equipment.³⁶ The petitioner stated that manufacturing industrial tool chests requires different welding and painting equipment than subject tool chests, and different employees weld and assemble these

(...continued)

³² According to its website, Waterloo purchases 100 percent of its cold-rolled steel from American steel mills. Steel is the largest component of their products, accounting for about 40 percent of the total cost of its products. Waterloo Industries Inc., <http://www.waterlooindustries.com/about-waterloo/made-in-usa>, retrieved May 2, 2017. ***. Petitioner's posthearing brief, Exhibit 1, pp. 3.

³³ Subject tool chests and cabinets made from carbon or stainless steel can be produced with the same equipment. Conference transcript, p. 62 (Nictakis). Producing stainless steel tool chests and cabinets is more labor intensive because materials need to be protected to avoid scratching, and welding and finishing work is more detailed than in carbon steel tool chests and cabinets. Conference transcript, p. 156 (Lebell).

³⁴ The process may also begin with flat sheets that have already been cut from coils, but most modern production facilities cut their own sheets from coils.

³⁵ Petitioner's postconference brief, p. 4.

³⁶ Conference transcript, p. 22 (Nictakis).

products.³⁷ ³⁸ The petitioner stated that portable tool boxes and tool chests are produced on different equipment, through different processes, and by different employees than subject tool chests.³⁹

***⁴⁰

DOMESTIC LIKE PRODUCT ISSUES

Petitioner Waterloo argues that the Commission should find a single domestic like product consisting of all tool chests and cabinets that is coextensive with the scope of these investigations.⁴¹ Waterloo maintains that all tool chests and cabinets within the scope have similar physical characteristics and uses and are interchangeable.⁴² It contends that all tool chests and cabinets within the scope are produced using the same basic manufacturing processes, as well as on the same equipment and by the same employees.⁴³ Waterloo also maintains that all tool chests and cabinets within the scope are sold in the same channels of distribution, i.e., to retailers.⁴⁴ It claims that that producers and customers perceive all in-scope tool chests and cabinets to be the same product.⁴⁵ According to Waterloo, all tool chests and cabinets within the scope are sold within a reasonable range of similar prices based on their size and features.⁴⁶

Respondents Geelong, Harbor Freight, and Homsteel accept petitioner Waterloo's proposed domestic like product definition for the purposes of the preliminary phase of these investigations.⁴⁷ However, they urge the Commission to consider expanding the domestic like product definition to encompass certain metal tool storage products excluded from the scope

³⁷ Conference transcript, p. 42 (Nictakis).

³⁸ The Petitioner stated that they have dedicated space and equipment for producing nonsubject industrial tool chests and cabinets, but they have started cross-training their employees to be able to work on retail and industrial tool chests and cabinets production lines. They stated that this was primarily done to avoid laying off employees owing to declines in their sales volumes. Conference transcript, p. 47, (Nictakis).

³⁹ Petitioner's postconference brief, p. 7.

⁴⁰ ***.

⁴¹ Petitioner's postconference brief, pp. 4-5.

⁴² Petitioner's postconference brief, pp. 4-5 and conference transcript, p. 31 (Cannon) and p. 62 (Nictakis).

⁴³ Petitioner's postconference brief, p. 4 and conference transcript, pp. 20-21 (Nictakis) and p. 31 (Cannon).

⁴⁴ Petitioner's postconference brief, p. 5 and conference transcript, p. 11 (Cannon) and p. 20 (Nictakis).

⁴⁵ Petitioner's postconference brief, p. 5 and conference transcript, pp. 20, 28-29 (Nictakis).

⁴⁶ Petitioner's postconference brief, p. 4 and conference transcript, p. 31 (Cannon).

⁴⁷ Geelong's and Harbor Freight's postconference brief, p. 2; Homsteel's postconference brief, pp. 1-2; and conference transcript, pp. 137-138 (Marshak, Spooner, and Okun).

in any final-phase investigations, including portable tool boxes, industrial tool chests, and work benches.⁴⁸

Staff asked U.S. producers of in-scope tool chests and cabinets to report their 2016 U.S. shipments, by quantity and value, of out-of-scope portable tool boxes and out-of-scope industrial tool chests and cabinets.⁴⁹ Five producers provided responses. Two producers (***) reported producing both types of out-of-scope merchandise, while one producer (***) reported producing neither.⁵⁰

With regards to out-of-scope portable tool boxes, one responding producer (***) reported 2016 U.S. shipments of *** units (\$***), *** percent of which were sold to distributors and *** percent of which were sold to unrelated retailers.⁵¹ By comparison, greater than *** percent of U.S. producers' U.S. shipments of in-scope tool chests and cabinets in 2016 were to unrelated retailers. The average unit value of out-of-scope portable tool boxes was approximately *** the average unit value of in-scope tool chests and cabinets in 2016.⁵²

With regards to out-of-scope industrial tool chests and cabinets, three responding producers (***) reported 2016 U.S. shipments of *** units (\$***),⁵³ *** percent of which were sold to distributors, *** percent of which were sold directly to end users, and *** percent of which were sold to unrelated retailers. By comparison, greater than *** percent of U.S. producers' U.S. shipments of in-scope tool chests and cabinets in 2016 were to unrelated retailers. The average unit value of out-of-scope industrial tool chests and cabinets was approximately *** the average unit value of in-scope tool chests and cabinets in 2016.⁵⁴

The Commission's decision regarding the appropriate domestic product(s) that are "like" the subject imported product is based on a number of factors including: (1) physical characteristics and uses; (2) common manufacturing facilities and production employees; (3) interchangeability; (4) customer and producer perceptions; (5) channels of distribution; and (6) price. Staff asked all known U.S. producers and importers of tool storage units to provide supplemental information on these six factors regarding out-of-scope portable tool boxes, out-of-scope industrial tool chests and cabinets, and out-of-scope metal work benches as compared to in-scope tool chests and cabinets. The information regarding these factors discussed below, is based on the responses of six producers accounting for all reported U.S. production of in-scope tool chests and cabinets,⁵⁵ and 17 importers accounting for *** percent of reported in-scope tool chests and cabinets imported from China, *** percent of reported in-scope tool chests and cabinets imported from Vietnam, all reported in-scope tool chests and cabinets

⁴⁸ Geelong's and Harbor Freight's postconference brief, pp. 45-48.

⁴⁹ In addition, Staff asked U.S. producers to report whether or not they produce out-of-scope work benches. Three producers (***) reported that they produce such merchandise. ***, email message to USITC staff, ***, ***, email message to USITC staff, ***; and ***, email message to USITC staff, ***.

⁵⁰ ***.

⁵¹ ***.

⁵² ***.

⁵³ ***.

⁵⁴ ***.

⁵⁵ ***.

imported from nonsubject sources, and 97.8 percent of reported in-scope tool chests and cabinets imported from all sources in 2016.

Physical characteristics and uses

Producers and importers were asked to compare in-scope tool chests and cabinets with select out-of-scope products on the basis of the differences and similarities in physical characteristics and uses. Table I-1 presents their responses.

Table I-1
Tool chests and cabinets: Comparability of in-scope tool chests and cabinets to select out-of-scope products' physical characteristics and uses

Product pair	Number of U.S. producers reporting				Number of U.S. importers reporting			
	F	M	S	N	F	M	S	N
Physical characteristics and uses:								
In-scope tool chests and out-of-scope portable tool boxes	1	0	0	5	2	2	9	2
In-scope tool chests and out-of-scope industrial tool chests	2	0	1	3	3	9	3	0
In-scope tool chests and out-of-scope other metal work benches	0	0	1	5	2	1	8	3

Note.--F=fully comparable for the same; M=mostly comparable or the similar; S=somewhat comparable or similar; and N=never or not-at-all comparable or similar.

Source: Compiled from data submitted in response to Commission questionnaires.

Manufacturing facilities and production employees

Producers and importers were asked to compare in-scope tool chests and cabinets with select out-of-scope products on the basis of whether the products are manufactured in the same facilities, from the same inputs, on the same machinery and equipment, and using the same employees. Table I-2 presents their responses.

Table I-2

Tool chests and cabinets: Comparability of in-scope tool chests and cabinets to select out-of-scope products' manufacturing facilities, production processes, and production employees

Product pair	Number of U.S. producers reporting				Number of U.S. importers reporting			
	F	M	S	N	F	M	S	N
Manufacturing facilities, production processes, and production employees: In-scope tool chests and out-of-scope portable tool boxes	1	0	0	3	7	4	1	1
In-scope tool chests and out-of-scope industrial tool chests	2	1	0	2	8	5	1	0
In-scope tool chests and out-of-scope other metal work benches	1	0	0	3	6	4	2	1

Note.--F=fully comparable for the same; M=mostly comparable or the similar; S=somewhat comparable or similar; and N=never or not-at-all comparable or similar.

Source: Compiled from data submitted in response to Commission questionnaires.

Interchangeability

Producers and importers were asked to compare in-scope tool chests and cabinets with select out-of-scope products on the basis of the ability to substitute the products in the same application. Table I-3 presents their responses.

Table I-3

Tool chests and cabinets: Comparability of in-scope tool chests and cabinets to select out-of-scope products' interchangeability

Product pair	Number of U.S. producers reporting				Number of U.S. importers reporting			
	F	M	S	N	F	M	S	N
Interchangeability: In-scope tool chests and out-of-scope portable tool boxes	1	0	0	5	3	4	3	5
In-scope tool chests and out-of-scope industrial tool chests	2	1	1	2	6	5	4	0
In-scope tool chests and out-of-scope other metal work benches	0	0	1	5	4	2	5	4

Note.--F=fully comparable for the same; M=mostly comparable or the similar; S=somewhat comparable or similar; and N=never or not-at-all comparable or similar.

Source: Compiled from data submitted in response to Commission questionnaires.

Customer and producer perceptions

Producers and importers were asked to compare in-scope tool chests and cabinets with select out-of-scope products on the basis of perceptions as to the differences and/or similarities in the products in the market. Table I-4 presents their responses.

Table I-4

Tool chests and cabinets: Comparability of in-scope tool chests and cabinets to select out-of-scope products' customer and producer perceptions

Product pair	Number of U.S. producers reporting				Number of U.S. importers reporting			
	F	M	S	N	F	M	S	N
Customer and producer perceptions: In-scope tool chests and out-of-scope portable tool boxes	1	0	0	5	5	3	5	2
In-scope tool chests and out-of-scope industrial tool chests	2	0	1	3	5	2	7	2
In-scope tool chests and out-of-scope other metal work benches	0	0	1	4	3	1	9	2

Note.--F=fully comparable for the same; M=mostly comparable or the similar; S=somewhat comparable or similar; and N=never or not-at-all comparable or similar.

Source: Compiled from data submitted in response to Commission questionnaires.

Channels of distribution

Producers and importers were asked to compare in-scope tool chests and cabinets with select out-of-scope products on the basis of the channels of distribution/market situation through which the products are sold. Table I-5 presents their responses.

Table I-5

Tool chests and cabinets: Comparability of in-scope tool chests and cabinets to select out-of-scope products' channels of distribution

Product pair	Number of U.S. producers reporting				Number of U.S. importers reporting			
	F	M	S	N	F	M	S	N
Channels of distribution: In-scope tool chests and out-of-scope portable tool boxes	2	0	3	1	8	5	2	0
In-scope tool chests and out-of-scope industrial tool chests	1	1	1	3	6	6	2	2
In-scope tool chests and out-of-scope other metal work benches	0	1	2	2	7	7	1	0

Note.--F=fully comparable for the same; M=mostly comparable or the similar; S=somewhat comparable or similar; and N=never or not-at-all comparable or similar.

Source: Compiled from data submitted in response to Commission questionnaires.

Price

Producers and importers were asked to compare in-scope tool chests and cabinets with select out-of-scope products on the basis of whether prices are comparable or differ between the products. Table I-6 presents their responses.

Table I-6
Tool chests and cabinets: Comparability of in-scope tool chests and cabinets to select out-of-scope products' prices

Product pair	Number of U.S. producers reporting				Number of U.S. importers reporting			
	F	M	S	N	F	M	S	N
Price: In-scope tool chests and out-of-scope portable tool boxes	0	0	0	6	3	1	5	6
In-scope tool chests and out-of-scope industrial tool chests	0	1	1	4	3	3	6	3
In-scope tool chests and out-of-scope other metal work benches	0	0	1	5	3	4	4	3

Note.--F=fully comparable for the same; M=mostly comparable or the similar; S=somewhat comparable or similar; and N=never or not-at-all comparable or similar.

Source: Compiled from data submitted in response to Commission questionnaires.

PART II: CONDITIONS OF COMPETITION IN THE U.S. MARKET

U.S. MARKET CHARACTERISTICS

Subject tool chests and cabinets include tool top chests, intermediate chests, tool cabinets, side cabinets, mobile work benches, work stations, and metal storage units, and include two or more drawers per unit. They are typically manufactured from cold-rolled steel and may include drawers, trim, or other components.¹ Subject tool chests and cabinets are prepackaged for retail sale and typically are placed in homes and garages and used for tool and equipment storage by consumers.^{2 3}

Apparent U.S. consumption of tool chests and cabinets increased slightly during 2014-16. Overall, apparent U.S. consumption in 2016 was *** percent higher than in 2014.

CHANNELS OF DISTRIBUTION

As noted above, tool chests and cabinets are typically prepackaged for sale directly to consumers, primarily through home improvement stores (e.g., Home Depot), club stores (e.g., Costco), hardware stores (e.g., Ace Hardware), other retail outlets, or online stores (e.g., Amazon).⁴ U.S. producers sold mainly to retailers, while most tool chests and cabinets imported from China and Vietnam were imported by retailers which in turn sold to final consumers/end users. Imports from other countries (specifically Canada) were mainly sold to distributors (table II-1).

Table II-1

Tool chests and cabinets: U.S. producers' and importers' U.S. commercial shipments, by sources and channels of distribution, 2014-16

* * * * *

GEOGRAPHIC DISTRIBUTION

U.S. producers and importers of tool chests and cabinets from China and Vietnam reported selling to all regions in the contiguous United States (table II-2). For U.S. producers, *** percent of sales were within 100 miles of their production facility, *** percent were between 101 and 1,000 miles, and *** percent were over 1,000 miles. Importers sold 20.5

¹ Petition, Vol. I, pp. 1, 4.

² Petition, Vol. I, p. 14.

³ Respondents contend that there is no clear distinction between metal tool boxes for the retail market and those for industrial applications, nor do they agree that there is a clear distinction between portable tool boxes, work benches, and subject tool boxes. Conference transcript, pp. 84-88 (Enger).

⁴ Petition, Vol. I, p. 15.

percent within 100 miles of their U.S. point of shipment, 28.1 percent between 101 and 1,000 miles, and 51.4 percent over 1,000 miles.

**Table II-2
Tool chests and cabinets: Geographic market areas in the United States served by U.S. producers and importers**

Region	U.S. producers	Importers	
		China	Vietnam
Northeast	4	13	3
Midwest	4	15	3
Southeast	4	13	3
Central Southwest	4	14	3
Mountain	4	14	3
Pacific Coast	4	15	3
Other ¹	3	6	1
All regions (except Other)	4	13	3
Reporting firms	4	16	3

¹ All other U.S. markets, including AK, HI, PR, and VI.

Source: Compiled from data submitted in response to Commission questionnaires.

SUPPLY AND DEMAND CONSIDERATIONS

U.S. supply

Domestic production

Based on available information, U.S. producers of tool chests and cabinets have the ability to respond to changes in demand with large changes in the quantity of shipments of U.S.-produced tool chests and cabinets to the U.S. market. The factor leading to this degree of responsiveness of supply is the availability of large amounts of unused capacity. All other factors reflect limited supply responsiveness.

Industry capacity

Petitioner Waterloo reported that it and MBI are the only U.S. producers of tool chests and cabinets;⁵ however, two other firms (Stanley Black & Decker and Matco) also reportedly produced these products. Domestic capacity utilization decreased from *** percent in 2014 to *** percent in 2016. A decline in total production accounted for almost all the reduction in capacity utilization. This relatively low level of capacity utilization suggests that U.S. producers may have substantial ability to increase production of tool chests and cabinets in response to an increase in prices.

⁵ Petition, Vol. I, p. 2.

Alternative markets

U.S. producers' exports, as a share of total shipments, were *** percent in 2014 through 2016. This indicates that U.S. producers may have very limited ability to shift shipments between the U.S. market and other markets in response to price changes.

Inventory levels

U.S. producers' inventories declined *** between 2014 and 2016. Relative to total shipments, U.S. producers' inventory levels decreased from *** percent in 2014 to *** percent in 2016. These inventory levels suggest that U.S. producers may have limited ability to respond to changes in demand with changes in the quantity shipped from inventories.

Production alternatives

Two U.S. producers (***) produced other products (***) on the same equipment as they used to produce tool chests and cabinets. No other producer reported producing any other products on the same equipment as tool chests and cabinets. The production of *** on shared equipment increased from *** percent in 2014 to *** percent in 2016. Thus the ability to shift production between products may be limited.

Supply constraints

Two producers reported that their painting capacity limited production. One firm reported that its constraints were skilled labor and ability to increase production speeds.

Subject imports from China⁶

Based on available information, producers of tool chests and cabinets from China have the ability to respond to changes in demand with large changes in the quantity of shipments of tool chests and cabinets to the U.S. market. The main contributing factors to this degree of responsiveness of supply are the availability of unused capacity, the ability to shift shipments from alternate markets, and the ability to shift production to or from alternate products.

Industry capacity

The Chinese industry's capacity utilization decreased from *** percent in 2014 to *** percent in 2016. Capacity increased from *** to *** units, while production increased from ***

⁶ For data on the number of responding foreign firms and their share of U.S. imports from China, please refer to Part I, "Summary Data and Data Sources."

to *** units. This relatively low level of capacity utilization suggests that Chinese producers may have substantial ability to increase production of product in response to an increase in prices.

Alternative markets

The Chinese industry's shipments to its home market increased from *** percent of total shipments to *** percent between 2014 and 2016, while its shipments to export markets other than the United States decreased from *** percent of total shipments to *** percent. These data indicate that Chinese producers may have some ability to shift shipments between domestic or other markets and the U.S. market in response to price changes.

Inventory levels

Responding Chinese firms' inventories declined. Relative to total shipments, inventory levels decreased from *** percent of total shipments in 2014 to *** percent in 2016. These inventory levels suggest that responding foreign firms may have limited ability to respond to changes in demand with changes in the quantity shipped from inventories.

Production alternatives

Responding foreign producers stated that they could switch production from tool chests and cabinets to other products. Other products that responding foreign producers reportedly can produce on the same equipment as tool chests and cabinets are other storage cabinets (safety cabinets, job site box, safes, racks, garage storage cabinets); work benches (work table without drawer and saw horse); low voltage lighting; grills; office furniture; trash cans; trailer dollies; saw stands; sheet metal products; and various machines (including motors, saws, drill press, cement mixers, dust collectors, chipper shredders, tillers, edgers, and chicken pluckers). Factors affecting foreign producers' ability to shift production include the down time and retooling required when changing products.

Supply constraints

Factors reported to constrain supply included availability of electricity, availability of raw materials, delays in parts supply, seasonal shortages in shipping containers, production space constraints, time required for the powder coating process, equipment bottlenecks, time required for hand work, labor availability/quality (worker shortage), and sewage discharge limitations.

Subject imports from Vietnam⁷

Based on available information, the producer of tool chests and cabinets from Vietnam has the ability to respond to changes in demand with moderate changes in the quantity of shipments of tool chests and cabinets to the U.S. market. The main contributing factors to this degree of responsiveness of supply are the availability of unused capacity and growing capacity. Factors mitigating responsiveness of supply include low inventories, lack of ability to shift production to or from alternate products, and a relatively small share sold in other markets.

Industry capacity

The Vietnamese industry's capacity utilization decreased from *** percent in 2014 to *** percent in 2016. During the same period, capacity increased from *** to *** units. Capacity utilization declined as capacity increased more than production between 2014 and 2016. This relatively moderate level of capacity utilization in 2016 suggests that the Vietnamese producer may have moderate ability to increase production of product in response to an increase in prices.

Alternative markets

The Vietnamese industry's shipments to markets other than the United States, as a percentage of total shipments, increased from *** to *** percent between 2014 and 2016. There were ***. This indicates that the Vietnamese producer has limited ability to shift shipments from other markets to the U.S. market in response to price changes.

Inventory levels

The Vietnamese industry's inventories declined during 2014-16. Relative to total shipments, inventory levels decreased from *** percent in 2014 to *** percent in 2016. These inventory levels suggest that responding Vietnamese producer may have limited ability to respond to changes in demand with changes in the quantity shipped from inventories.

Production alternatives

The Vietnamese producer reported that it ***.

⁷ For data on the number of responding foreign firms and their share of U.S. imports from Vietnam, please refer to Part I, "Summary Data and Data Sources."

Supply constraints

The responding Vietnamese producer reported that ***. In addition, capacity was estimated assuming production 50 weeks per year, ***.

Nonsubject imports

Nonsubject imports accounted for less than one percent of total U.S. imports in 2016. The largest source of nonsubject imports during 2014-16 was Canada.⁸

U.S. demand

Based on available information, the overall demand for tool chests and cabinets is likely to experience small-to-moderate changes in response to changes in price. The main contributing factor is the somewhat limited range of substitute products. Purchases may be more responsive to price changes because of the long useful life of most tool boxes. If the price increases, households may delay purchases of new tool boxes. Increasing the amount of storage in a household's tool chests and cabinets may be achieved by purchasing a new larger basic unit or by purchasing less expensive add-on units to attach to existing tool chests and cabinets. Finally, purchasers may adjust to increased prices by purchasing smaller tool chests and cabinets or by purchasing tool chests and cabinets products with less expensive features.

End uses and cost share

U.S. demand for tool chests and cabinets are final goods used for tool storage in homes (including workshops and garages); in industrial applications (such as mechanics, technicians, offices, salons, light commercial, farms, and restaurants); and in institutions (such as schools and hospitals). Tool chests and cabinets are used to hold tools used for household repair or construction projects, automobile repairs, and to build equipment or machinery. Tool chests and cabinets hold parts or components for working with the tools, or can be used for storage of other household items, as a work surface or space, a charging station, and to hold other small products such as jewelry or collections.

Tool chests typically are used for a number of years. Inexpensive tool chests may break and need replacement within a few years, while better quality tool chests are more likely to be replaced when the number of tools becomes too large for the original box, or when a family moves to a larger home.⁹ For the household, the cost share of the tool chests and cabinets depends on how frequently and effectively it is used. Tool chests and cabinets used in commercial environments act as capital investments.

⁸ Conference transcript, pp. 166 (Enger).

⁹ Conference transcript, pp. 60, 149-151 (Nictakis, Enger, Lebell, and Grela).

Business cycles

Three of the four responding U.S. producers and 12 of 19 importers indicated that the market was subject to business cycles or distinct conditions of competition. Purchases were reported to vary over the course of the year, with increased purchases for Father's Day and during the Christmas holiday season.¹⁰ Reported changes in conditions of competition were competition from imports, and the decline of Sears and its Craftsman-branded tool chests that has allowed competition from other retailers.

Demand trends

A plurality of firms reported an increase in U.S. demand for tool chests and cabinets since January 1, 2014 (table II-3). Demand was reportedly increased by more home improvement projects, the economic recovery, and increases in home building and sales. Demand was also reported to have increased for larger units. Responding firms reporting decreased demand cited economic stagnation; the increased availability of substitute storage units; declining demand from the farming, mechanical, and industrial sectors; and homeowners no longer able or wanting to do their own repairs.

Table II-3
Tool chests and cabinets: Firms' responses regarding U.S. demand and demand outside the United States

Item	Increase	No change	Decrease	Fluctuate
Demand in the United States				
U.S. producers ¹	3	1	0	1
Importers	8	2	4	4
Demand outside the United States				
U.S. producers	0	3	0	1
Importers	1	3	1	2

¹ One producer responded both that demand had increased and that it fluctuated (based on promotions).

Source: Compiled from data submitted in response to Commission questionnaires.

Substitute products

All four responding U.S. producers and most importers (10 of 18) reported that there were no substitutes for tool chests and cabinets. Substitutes that were reported included: other types of metal storage containers for tools such as racks, shelving, buckets, bins, jobsite boxes, portable work station, tool/service carts, kitchen/garage cabinets; storage containers made of other material (plastic, soft side, wood, or particle board); and storage containers outside the subject product scope, such as portable tool storage containers, industrial tool chests, and tool chests with less than two drawers.

¹⁰ Conference transcript, pp. 57-58 (Nictakis).

SUBSTITUTABILITY ISSUES

The degree of substitution between domestic and imported tool chests and cabinets depends upon such factors as relative prices, quality (e.g., product specification, reliability of supply, defect rates, etc.), and conditions of sale (e.g., price discounts/rebates, lead times between order and delivery dates, payment terms, product services, etc.). Based on available data, staff believes that there is moderate-to-high degree of substitutability between domestically produced tool chests and cabinets and tool chests and cabinets imported from subject sources.

Lead times

U.S. produced tool chests and cabinets are primarily sold from inventory, while imports are mainly produced-to-order. U.S. producers reported that *** percent of their commercial shipments were from inventories, with lead times averaging *** days. The remaining *** percent of their commercial shipments were produced-to-order, with lead times averaging *** days. Importers reported that 56.0 percent of their commercial shipments were produced-to-order, with lead times averaging 78 days, 28.7 percent were from U.S. inventories with lead times averaging 19 days, and 15.3 percent from foreign inventories with lead times averaging 119 days.

Factors affecting purchasing decisions

Purchasers responding to lost sales lost revenue allegations¹¹ were asked to identify the main purchasing factors their firm considered in their purchasing decisions for tool chests and cabinets. The major purchasing factors identified by firms include quality (reported by all 6 purchasers), price/cost (reported by 5 purchasers), timely availability (2), innovation, features, customization, product range, and brand (all 1 each).

¹¹ This information is compiled from responses by purchasers identified by Petitioners and other U.S. producers to the lost sales lost revenue allegations. See Part V for additional information.

Branding

Most tool box brands are owned by the retailer rather than by the producer. Sears sells tool chests under its Craftsman brand, which is characterized as the leading product by market share for tool storage.¹² Most of the tool chests Sears sold were produced by Waterloo.¹³ As the number of Sears stores declined, other retailers selling other brands of tool chests increased their market share. Waterloo reports that it has “supplied virtually all major retailers of this product either with {its} own brands or with house-branded products.”¹⁴ Other brands include: Husky, Dewalt, and Milwaukee (for Home Depot); PerforMax and Masterforce (for Menards Tool Shop); Stanley (for Walmart); Gladiator (for Whirlpool); and Prosteel, Stanley, and Kobalt (steel and stainless steel) (for Lowe’s).¹⁵ Within brands or series there are lines based on quality distinctions, such as good/better/best. For example, Sears sells lines designated as “basic, heavy duty, premium heavy duty, and professional tool chests.”¹⁶

Comparison of U.S.-produced and imported tool chests and cabinets

In order to determine whether U.S.-produced tool chests and cabinets can generally be used in the same applications as imports from China and Vietnam, U.S. producers and importers were asked whether the products can always, frequently, sometimes, or never be used interchangeably. As shown in table II-9, most responding producers reported product from the United States was always interchangeable with product from China and Vietnam, and product from China was always interchangeable with product from Vietnam. U.S. producers did not compare product from other sources. Most importers reported that product from the United States and from subject countries were always or frequently interchangeable.

Reasons interchangeability was limited included: imports were “stylized;” different engineering, specifications, capacity, and paint finish color and hardware; Vietnamese product is more customized than U.S. product; U.S. and Chinese products differ on a wide array of quality and innovations, in product range, product specifications, and volume requirements; unique angle iron base and peg boards; Vietnamese product quality is less than domestic product; and European products have features not suitable for U.S. work environments.

¹² Conference transcript, p. 109 (Arvia).

¹³ Conference transcript, p. 113 (Arvia).

¹⁴ Conference transcript, p. 25 (Sallee).

¹⁵ Conference transcript, pp. 90, 98 (Enger, LeBell). Respondent Geelong postconference brief, Attachment A exhibit 16.

¹⁶ Conference transcript, p. 16 (Spooner).

Table II-9

Tool chests and cabinets: Interchangeability between tool chests and cabinets produced in the United States and in other countries, by country pairs

Country pair	Number of U.S. producers reporting				Number of U.S. importers reporting			
	A	F	S	N	A	F	S	N
U.S. vs. subject countries:								
U.S. vs. China	3	0	1	0	5	5	4	3
U.S. vs. Vietnam	2	0	0	0	2	2	2	1
Subject countries comparisons:								
China vs. Vietnam	2	0	0	0	3	3	0	0
Nonsubject countries comparisons:								
U.S. vs. Mexico	0	0	0	0	1	2	0	0
U.S. vs. other nonsubject	0	0	0	0	1	1	2	0
China vs. Mexico	0	0	0	0	1	2	0	0
China vs. other nonsubject	0	0	0	0	1	1	2	0
Vietnam vs. Mexico	0	0	0	0	1	2	0	0
Vietnam vs. other nonsubject	0	0	0	0	1	1	2	0
Mexico vs. other nonsubject	0	0	0	0	1	1	0	0

Note.—A=Always, F=Frequently, S=Sometimes, N=Never.

Source: Compiled from data submitted in response to Commission questionnaires.

In addition, producers and importers were asked to assess how often differences other than price were significant in sales of tool chests and cabinets from the United States, subject, or nonsubject countries. As seen in table II-11, most U.S. producers reported that there were sometimes or never differences other than price between product from the United States and China, while all responding producers reported there were never differences other than price between tool chests from the United States and Vietnam and between product from China and Vietnam. In contrast, half of the responding importers reported that there were always differences other than price between product from the United States and China and between product from China and Vietnam and most responding importers reported that there were always differences other than price between U.S. and Vietnamese product.

Table II-11

Tool chests and cabinets: Significance of differences other than price between tool chests and cabinets produced in the United States and in other countries, by country pairs

Country pair	Number of U.S. producers reporting				Number of U.S. importers reporting			
	A	F	S	N	A	F	S	N
U.S. vs. subject countries:								
U.S. vs. China	0	0	2	2	9	1	5	3
U.S. vs. Vietnam	0	0	0	2	4	1	1	1
Subject countries comparisons:								
China vs. Vietnam	0	0	0	2	3	1	1	1
Nonsubject countries comparisons:								
U.S. vs. Mexico	0	0	0	0	0	0	2	1
U.S. vs. other nonsubject	0	0	0	0	1	1	1	1
China vs. Mexico	0	0	0	0	0	0	2	1
China vs. other nonsubject	0	0	0	0	1	1	1	1
Vietnam vs. Mexico	0	0	0	0	0	0	2	0
Vietnam vs. other nonsubject	0	0	0	0	1	1	1	1
Mexico vs. other nonsubject	0	0	0	0	0	0	1	1

Note.--A = Always, F = Frequently, S = Sometimes, N = Never.

Source: Compiled from data submitted in response to Commission questionnaires.

Reported differences other than price included: Chinese product is higher quality and stylized with range of colors, sizes, and formats that are sold only online/digitally; imports provide a greater variety of products; Vietnamese products are of higher quality, customized, have lower return rates, have higher consumer ratings, develop customized products more quickly, and include after sale service and support; domestic product does not have the innovations, quality, or features of imports; foreign producers have more sophisticated automation capacity to handle volumes and create unique features; limited production capacity in domestic facilities and high volume tool storage products tends to be highly tooled with significant capital investments that limit product ranges offered by some facilities (such as limited drawer size); and Waterloo was only able to offer prices for smaller tool chests, but U.S. quality in the larger size segment was inferior to imported product.

PART III: U.S. PRODUCERS' PRODUCTION, SHIPMENTS, AND EMPLOYMENT

The Commission analyzes a number of factors in making injury determinations (see 19 U.S.C. §§ 1677(7)(B) and 1677(7)(C)). Information on the alleged subsidies and dumping margins was presented in *Part I* of this report and information on the volume and pricing of imports of the subject merchandise is presented in *Part IV* and *Part V*. Information on the other factors specified is presented in this section and/or *Part VI* and (except as noted) is based on the questionnaire responses of four firms that accounted for the large majority of U.S. production of tool chests and cabinets during 2016.

U.S. PRODUCERS

The Commission issued a U.S. producer questionnaire to twelve firms based on information contained in the petition, information provided by respondents, and staff research. Four firms provided usable data on their productive operations.¹

Table III-1 lists U.S. producers of tool chests and cabinets, their production locations, positions on the petition, and shares of total production.

Table III-1
Tool chests and cabinets: U.S. producers, their positions on the petition, production locations, and shares of reported production in 2016

Firm	Position on petition	Production location(s)	Share of production (percent)
Cornwell	***	Wadsworth, OH	***
Matco	***	Stow, OH Lakewood, NY	***
MBI	***	Franklin Park, IL	***
Stanley Black & Decker	***	Georgetown, OH	***
Waterloo Industries	Support	Sedalia, MO	***
Total			100.0

¹ Cornwell ***. ***, Cornwell, message to USITC staff, May 8, 2016.

Source: Compiled from data submitted in response to Commission questionnaires.

Petitioner Waterloo contends that two U.S. companies, Waterloo and MBI, represent the entirety of the domestic production of tool chests and cabinets. Waterloo argues that other responding U.S. firms are producers of out-of-scope industrial tool storage units.²

¹ A fifth firm, ***, was unable to submit a questionnaire response, but provided Staff with supplemental information.

² Petitioner's postconference brief, pp. 12-13 and exh. 6.

Matco and Stanley Black & Decker (via its subsidiary Mac Tools) have each affirmed to the Commission that they produce tool chests and cabinets matching the physical characteristics set forth in Commerce’s scope and packaged according to the petitioners’ own characterization of prepackaged for retail sale as merchandise “packaged in a corrugated box...{with} a product descriptor and a UPC code {so} that the retailer can scan the box out of the store.”³ ***.⁴

Snap-on, a similar company to Matco and Mac Tools, indicated that ***. It stated that ***.⁵

Table III-2 presents information on U.S. producers’ ownership, and related/affiliated firms. One U.S. producer is related to a foreign producer and exporter of the subject merchandise. In addition, as discussed in greater detail below, three U.S. producers directly import the subject merchandise and one U.S. producer purchases the subject merchandise from U.S. importers.

**Table III-2
Tool chests and cabinets: U.S. producers’ ownership and related and/or affiliated firms, 2014-16**

* * * * *

Table III-3 presents U.S. producers’ reported changes in operations since January 1, 2014. There was one reported consolidation, and one prolonged shutdown or curtailment. In addition, ***, while MBI stated that unless import relief is granted, it plans to permanently close its production operations later in 2017.⁶

**Table III-3
Tool chests and cabinets: U.S. producers’ reported changes in operations, since January 1, 2014**

* * * * *

U.S. PRODUCTION, CAPACITY, AND CAPACITY UTILIZATION

Table III-4 and figure III-1 present U.S. producers’ production, capacity, and capacity utilization. From 2014 to 2016, U.S. producers’ capacity increased by *** percent, while production decreased by *** percent and capacity utilization decreased by *** percentage points. Three of the four producers reported a decline in production from 2014 to 2016, and all four producers reported a decline in capacity utilization over the same period.

³ Staff telephone interview with ***; Staff telephone interview with ***; Conference transcript, p. 39 (Nictakis).

⁴ Staff telephone interview with ***; Staff telephone interview with ***.

⁵ ***, message to USITC staff, ***.

⁶ Conference transcript, p. 30 (Liss).

Table III-4
Tool chests and cabinets: U.S. producers' production, capacity, and capacity utilization, 2014-16

* * * * *

Figure III-1
Tool chests and cabinets: U.S. producers' production, capacity, and capacity utilization, 2014-16

* * * * *

Firms reported operating between 50 and 52 weeks per year; however the reported hours worked per week varied from 16 for *** to 144 hours for ***. Producers calculated their production capacities based on equipment capabilities and manufacturing efficiency standards.⁷ Producers were also asked to report constraints on their capacity to produce flanges. Reported constraints included sales orders (***), paint line capacity (***), and manpower/production line speeds (***).

Alternative products

Table III-5 presents data on U.S. producers' capacity and production of other products using the same equipment and machinery as tool chests and cabinets. *** reported producing non-metal tool chests and cabinets on the same equipment; *** reported producing industrial grade tool chests and cabinets on the same equipment; *** reported producing tool boxes on the same equipment; and *** reported producing other out-of-scope merchandise on the same equipment. Waterloo reported that it produces industrial grade tool chests and cabinets *** on separate machinery from tool chests and cabinets, but that its employees are cross-trained to work on multiple types of machinery.⁸ Tool chests and cabinets represented *** percent of all products made on the same equipment from 2014 to 2016. This was largely due to ***.

Table III-5
Tool chests and cabinets: U.S. producers' overall plant capacity and production on the same equipment as subject production, 2014-16

* * * * *

U.S. PRODUCERS' U.S. SHIPMENTS AND EXPORTS

Table III-6 presents U.S. producers' U.S. shipments, export shipments, and total shipments. With regards to quantity, U.S. shipments, of which commercial U.S. shipments represented greater than *** percent, decreased by *** percent from 2014 to 2016, while

⁷ Waterloo, which represented *** percent of total reported capacity in 2016, based its capacity calculations on actual achievable levels of production. It stated that its reported production capacity ***. Petitioner's postconference brief, exh. 1, p. 4.

⁸ Conference transcript, pp. 41-42 and 47 (Nictakis).

export shipment increased by *** percent from 2014 to 2015 before decreasing by *** percent from 2015 to 2016. With regards to value, U.S. shipments decreased by a sizably smaller amount than by quantity from 2014 to 2016. Average unit values for U.S. shipments ranged from \$*** dollars per unit to \$*** dollars per unit, with *** and export shipments being approximately *** and *** times more expensive, respectively.⁹ ***.

Table III-6
Tool chests and cabinets: U.S. producers' U.S. shipments, export shipments, and total shipments, 2014-16

* * * * *

U.S. PRODUCERS' INVENTORIES

Table III-7 presents U.S. producers' end-of-period inventories and the ratio of these inventories to U.S. producers' production, U.S. shipments, and total shipments. From 2014 to 2016, end-of-period inventories decreased by *** percent, while the ratio of inventories to U.S. production, U.S. shipments, and total shipments each decreased by more than *** percentage points. ***.

Table III-7
Tool chests and cabinets: U.S. producers' inventories, 2014-16

* * * * *

U.S. PRODUCERS' IMPORTS AND PURCHASES

U.S. producers' direct imports of tool chests and cabinets are presented in table III-8. Three U.S. producers reported directly importing tool chests and cabinets from ***. Reported reasons for importing include satisfying customer's demand for low prices, to serve the retail market, and to offer low-end tool carts for a lower price than the high-end tool carts that are manufactured in the United States.

Table III-8
Tool chests and cabinets: U.S. producers' U.S. direct imports, 2014-16

* * * * *

U.S. producers' purchases of imports of tool chests and cabinets are presented in table III-9. One U.S. producer, *** reported purchasing imports from China, ***. *** described its reasoning as follows: "****". *** reported purchasing tool chests and cabinets imported from China from *** as well as purchasing tool chests and cabinets of unknown origins from ***.

⁹ ***.

Table III-9

Tool chests and cabinets: U.S. producers' U.S. purchases of imports, 2014-16

* * * * *

U.S. EMPLOYMENT, WAGES, AND PRODUCTIVITY

Table III-10 shows U.S. producers' employment-related data. The number of production and related workers ("PRWs") decreased by *** percent from 2014 to 2015 before increasing by *** percent from 2015 to 2016. *** reported an increase in PRWs from 2014 to 2016, while *** reported a decrease. From 2014 to 2016, total hours worked increased by *** percent, hours worked per PRW increased by *** percent, wages paid increased by *** percent, and hourly wages increased by \$*** dollars per hour. Over the same period, productivity decreased by *** units per hour, and unit labor costs increased by \$*** per unit. *** indicated that its *** in PWRs was a result of ***. *** indicated that its *** in PWRs is a result of ***. *** indicated that its *** in PRWs was a result of ***. *** indicated that ***.

Table III-10

Tool chests and cabinets: Average number of production and related workers, hours worked, wages paid to such employees, hourly wages, productivity, and unit labor costs, 2014-16

* * * * *

PART IV: U.S. IMPORTS, APPARENT U.S. CONSUMPTION, AND MARKET SHARES

U.S. IMPORTERS

The Commission issued importer questionnaires to 62 firms believed to be importers of subject tool chests and cabinets, as well as to all U.S. producers of tool chests and cabinets.¹ As discussed in *Part I*, usable questionnaire responses were received from 20 companies, representing greater than 90 percent of U.S. imports from China, virtually all imports from Vietnam, and virtually all imports from nonsubject countries in 2016. Table IV-1 lists all responding U.S. importers of tool chests and cabinets from China, Vietnam, and nonsubject sources, their locations, and their shares of U.S. imports, in 2016.

¹ The Commission issued questionnaires to those firms identified in the petition, along with firms that, based on a review of data provided by ***, may have accounted for a large share of total imports under HTS statistical reporting numbers 7326.90.8688 and 9403.20.0030 in 2016.

Table IV-1
Tool chests and cabinets: U.S. importers, their headquarters, and share of total imports by source, 2016

Firm	Headquarters	Share of imports by source (percent)				
		China	Vietnam	Subject	Nonsubject	All import sources
Amazon	Seattle, WA	***	***	***	***	***
Costco	Issaquah, WA	***	***	***	***	***
CSPS Industries ¹	Torrance, CA	***	***	***	***	***
Excel	Chino, CA	***	***	***	***	***
Extreme Tools	Plainfield, IL	***	***	***	***	***
Harbor Freight ²	Calabasas, CA	***	***	***	***	***
Home Depot ³	Atlanta, GA	***	***	***	***	***
International Tool Boxes ⁴	Drummondville, QC	***	***	***	***	***
L G Sourcing ⁵	Wilkesboro, NC	***	***	***	***	***
Matco ⁶	Stow, OH	***	***	***	***	***
Menard	Eau Claire, WI	***	***	***	***	***
Meridian (USA) ⁷	Centennial, CO	***	***	***	***	***
Milwaukee Tool ⁸	Brookfield, WI	***	***	***	***	***
OSH ⁹	San Jose, CA	***	***	***	***	***
Quality Craft ¹⁰	Springfield, MO	***	***	***	***	***
Sears	Hoffman Estates, IL	***	***	***	***	***
Seville Classics ¹¹	Torrance, CA	***	***	***	***	***
Stanley Black & Decker ¹²	Southington, CT	***	***	***	***	***
Steelman ¹³	Chino, CA	***	***	***	***	***
Walmart	Bentonville, AR	***	***	***	***	***
Waterloo	Sedalia, MO	***	***	***	***	***
Total		100.0	100.0	100.0	100.0	100.0

¹ CSPS Industries ***.

² Harbor Freight ***.

³ Home Depot ***.

⁴ International Tool Boxes ***.

⁵ L G Sourcing ***.

⁶ Matco ***.

⁷ Meridian (USA) ***.

⁸ Milwaukee Tool ***.

⁹ OSH ***.

¹⁰ Quality Craft ***.

¹¹ Seville Classics ***.

¹² Stanley Black & Decker ***.

¹³ Steelman ***.

Source: Compiled from data submitted in response to Commission questionnaires.

U.S. IMPORTS

Table IV-2 and figure IV-1 presents data for U.S. imports of tool chests and cabinets from China, Vietnam and nonsubject sources. With regards to quantity, imports from China increased by *** percent, imports from Vietnam increased by *** percent, imports from subject countries combined increased by 49.1 percent, and imports from all sources increased by *** percent from 2014 to 2016. Imports from nonsubject countries increased by *** percent from 2014 to 2015 before decreasing by *** percent from 2015 to 2016, resulting in an overall increase of *** percent. The average unit values of imports from China increased from 2014 to 2015 and decreased from 2015 to 2016, for an overall increase of *** percent. The average unit values of imports from Vietnam decreased by *** percent from 2014 to 2016. The average unit values of imports from subject countries combined and from all import sources followed a similar pattern to imports from China, for an overall increase of 5.1 percent and *** percent, respectively, from 2014 to 2016. The average unit values of imports from nonsubject countries increased by *** percent from 2014 to 2016. As compared to the average unit values of imports from China, the average unit values of imports from Vietnam were approximately *** greater, while the average unit values of imports from nonsubject countries were approximately *** greater.

Table IV-2
Tool chests and cabinets: U.S. imports by source, 2014-16

Item	Calendar year		
	2014	2015	2016
	Quantity (units)		
U.S. imports from.-- China	***	***	***
Vietnam	***	***	***
Subject sources	1,434,259	1,698,310	2,139,175
Nonsubject sources ¹	***	***	***
All import sources	***	***	***
	Value (1,000 dollars)		
U.S. imports from.-- China	***	***	***
Vietnam	***	***	***
Subject sources	196,292	268,081	308,798
Nonsubject sources	***	***	***
All import sources	***	***	***
	Unit value (dollars per unit)		
U.S. imports from.-- China	***	***	***
Vietnam	***	***	***
Subject sources	137	158	144
Nonsubject sources	***	***	***
All import sources	***	***	***

Table continued on the next page.

Table IV-2 –Continued
Tool chests and cabinets: U.S. imports by source, 2014-16

Item	Calendar year		
	2014	2015	2016
	Share of quantity (percent)		
U.S. imports from.-- China	***	***	***
Vietnam	***	***	***
Subject sources	***	***	***
Nonsubject sources	***	***	***
All import sources	100.0	100.0	100.0
	Share of value (percent)		
U.S. imports from.-- China	***	***	***
Vietnam	***	***	***
Subject sources	***	***	***
Nonsubject sources	***	***	***
All import sources	100.0	100.0	100.0
	Ratio to U.S. production		
U.S. imports from.-- China	***	***	***
Vietnam	***	***	***
Subject sources	***	***	***
Nonsubject sources	***	***	***
All import sources	***	***	***

¹ Three companies reported importing tool chests and cabinets from nonsubject countries. ***.

Source: Compiled from data submitted in response to Commission questionnaires.

Figure IV-2
Tool chests and cabinets: U.S. imports by source, 2014-16

* * * * *

NEGLIGENCE

The statute requires that an investigation be terminated without an injury determination if imports of the subject merchandise are found to be negligible.² Negligible imports are generally defined in the Tariff Act of 1930, as amended, as imports from a country of merchandise corresponding to a domestic like product where such imports account for less than 3 percent of the volume of all such merchandise imported into the United States in the most recent 12-month period for which data are available that precedes the filing of the

² Sections 703(a)(1), 705(b)(1), 733(a)(1), and 735(b)(1) of the Act (19 U.S.C. §§ 1671b(a)(1), 1671d(b)(1), 1673b(a)(1), and 1673d(b)(1)).

petition or the initiation of the investigation. However, if there are imports of such merchandise from a number of countries subject to investigations initiated on the same day that individually account for less than 3 percent of the total volume of the subject merchandise, and if the imports from those countries collectively account for more than 7 percent of the volume of all such merchandise imported into the United States during the applicable 12-month period, then imports from such countries are deemed not to be negligible.³ Table IV-3 presents data for U.S. imports of tool chests and cabinets from China, Vietnam and nonsubject sources during March 2016 through February 2017, the most recent period for which data are available. Imports from China accounted for *** percent of total imports of tool chests and cabinets by quantity, while imports from Vietnam accounted for *** percent.

Table IV-3
Tool chests and cabinets: U.S. imports by source, March 2016 through February 2017

Item	March 2016 through February 2017	
	Quantity (units)	Share of quantity (percent)
U.S. imports from.-- China	***	***
Vietnam	***	***
Subject sources	2,096,936	***
Nonsubject sources	***	***
All sources	***	100.0

Source: Compiled from data submitted in response to Commission questionnaires.

CUMULATION CONSIDERATIONS

In assessing whether imports should be cumulated, the Commission determines whether U.S. imports from the subject countries compete with each other and with the domestic like product and has generally considered four factors: (1) fungibility, (2) presence of sales or offers to sell in the same geographical markets, (3) common or similar channels of distribution, and (4) simultaneous presence in the market. Respondents state that for the purposes of these preliminary-phase investigations, the statutory factors are satisfied to cumulate imports from China and Vietnam, both for purposes of a reasonable indication of material injury and threat of material injury. However, they reserve the right to address the factors on the basis of the record in any final-phase investigations.⁴ Information regarding channels of distribution, market areas, and interchangeability appear in *Part II*. Additional information concerning fungibility and simultaneous presence in the market is presented below.

³ Section 771 (24) of the Act (19 U.S.C § 1677(24)).

⁴ Geelong's and Harbor Freight's postconference brief, p. 10, fn. 22.

Fungibility

U.S. producers and importers were asked to report their U.S. shipments by product type.⁵ Their responses are presented in table IV-4. U.S. producers reported U.S. shipments *** from 2014 to 2016. Importers reported shipments of imports of each type of product from China in each year from 2014 to 2016. Importers reported shipments of imports of *** from Vietnam in each year, *** in some years, and *** in none of the years. Importers reported shipments of imports of *** from nonsubject countries in each year, *** in some years, and *** in none of the years. The greatest shares of product types for U.S. shipments, imports from China, and imports from nonsubject countries were for ***, while the greatest shares of product types for imports from Vietnam were for ***. Interchangeability is addressed in greater detail in *Part II* of this report.

Table IV-4
Tool chests and cabinets: U.S. producers' and importers' U.S. shipments, by product type, 2014-16

* * * * *

Presence in the market

Imports from *** entered the U.S. market in each year between 2014 and 2016. With respect to the most recent period for which data are available, table IV-5 and figure IV-2 present monthly import statistics for tool chests and cabinets January 2016 through February 2017. Imports from *** were present in the market in each month from January 2016 through February 2017.

Table IV-5
Tool chests and cabinets: U.S. imports by source, January 2016 through February 2017

* * * * *

Figure IV-2
Tool chests and cabinets: U.S. imports by source, January 2016 through February 2017

* * * * *

⁵ The specific product types were: prepackaged sets, top chests, intermediate chests, tool cabinets, side cabinets, and all other in-scope products. "All other in-scope products" include mobile work benches, work stations, and metal storage units with two or more drawers.

APPARENT U.S. CONSUMPTION

Table IV-6 and figure IV-3 present data on apparent U.S. consumption for tool chests and cabinets. With regards to quantity, apparent U.S. consumption decreased by *** percent from 2014 to 2015 and increased by *** percent from 2015 to 2016, for an overall increase of *** percent from 2014 to 2016. With regards to value, apparent U.S. consumption increased by *** percent from 2014 to 2016.

Table IV-6
Tool chests and cabinets: U.S. producers' U.S. shipments, U.S. importers U.S. shipments, and apparent U.S. consumption, 2014-16

Item	Calendar year		
	2014	2015	2016
	Quantity (units)		
U.S. producers' U.S. shipments	***	***	***
U.S. importers' U.S. shipments from.--			
China	***	***	***
Vietnam	***	***	***
Subject sources	1,364,789	1,514,433	2,009,688
Nonsubject sources	***	***	***
All import sources	***	***	***
Apparent U.S. consumption	***	***	***
	Value (1,000 dollars)		
U.S. producers' U.S. shipments	***	***	***
U.S. importers' U.S. shipments from.--			
China	***	***	***
Vietnam	***	***	***
Subject sources	197,125	218,381	295,851
Nonsubject sources	***	***	***
All import sources	***	***	***
Apparent U.S. consumption	***	***	***

Source: Compiled from data submitted in response to Commission questionnaires.

Figure IV-3
Tool chests and cabinets: U.S. imports and U.S. shipments of domestic product, 2014-16

* * * * * * *

U.S. MARKET SHARES

U.S. market share data are presented in table IV-7. With regards to quantity, the share of U.S. producers' U.S. shipments decreased by *** percentage points from 2014 to 2016; the share of U.S. shipments of imports from China decreased by *** percentage points from 2014 to 2015 and increased by *** percentage points from 2015 to 2016; the share of U.S. shipments of imports from Vietnam increased by *** percentage points from 2014 to 2015 and *** from 2015 to 2016; the share of U.S. shipments of imports from the subject countries combined increased by *** percentage points from 2014 to 2016; and the share of U.S. shipments of imports from nonsubject sources *** from 2014 to 2016.

Table IV-7
Tool chests and cabinets: U.S. consumption and market shares, 2014-16

* * * * *

PART V: PRICING DATA

FACTORS AFFECTING PRICES

Raw material costs

Tool chests and cabinets generally are manufactured from cold-rolled steel.¹ U.S. producers reported that raw materials as a share of cost of goods sold (“COGS”) decreased from *** percent in 2014 to *** percent in 2016. Figure V-1 shows the prices of cold-rolled carbon steel and stainless steel grade 430.

Prices tended to fall after the beginning of 2015, fluctuated through most of 2016, and generally increased in the second half of 2016. Cold-rolled carbon steel prices increased 0.4 percent between January 2014 and December 2016 while stainless steel prices decreased 15.8 percent between January 2014 and December 2016.

Figure V-1

Cost of steel: Average price of cold-rolled carbon steel and grade 430 stainless steel, by month January 2014 to February 2017

* * * * *

U.S. inland transportation costs

Two of four responding U.S. producers (***) reported that their customers typically arrange transportation. Most importers (13 of 17) reported that they arrange transportation to their customers. U.S. producers reported that their U.S. inland transportation costs ranged from 6 to 20 percent. Overall, importers reported costs of 3 to 35 percent, but 11 of 15 reported costs ranging from 3 to 15 percent.

PRICING PRACTICES

Pricing methods

Two U.S. producers (***) and 8 of 14 responding importers reported using transaction-by-transaction negotiations. Two producers (***) reported using set price lists. Importers reported selling using contracts (5 firms), price lists (6 firms), cost-plus pricing, and “retail prices determined by market and profit requirements” (table V-1).

¹ Petition, Vol. I, pp. 6, 7. Tool chests and cabinets typically are produced from carbon or, less commonly, alloy (stainless) steel but can be manufactured from other metals.

Table V-1

Tool chests and cabinets: U.S. producers' and importers' reported price setting methods, by number of responding firms¹

Method	U.S. producers	Importers ²
Transaction-by-transaction	2	9
Contract	0	5
Set price list	2	6
Other	0	2

¹ The sum of responses down may not add up to the total number of responding firms as each firm was instructed to check all applicable price setting methods employed.

² The count for importers includes retailers *** that imported tool chests and cabinets for retail sale.

Source: Compiled from data submitted in response to Commission questionnaires.

U.S. producers reported selling almost all of their tool chests and cabinets in the spot market while importers reported that more than half of their commercial sales were sold using annual contracts. Most of the remaining imports used either short-term contracts or spot sales (table V-2).

Table V-2

Tool chests and cabinets: U.S. producers' and importers' shares of U.S. commercial shipments¹ by type of sale, 2016

* * * * *

Sales terms and discounts

Two U.S. producers (***) and 11 of 18 responding importers typically quote prices on an f.o.b. basis.² ***. Most responding importers (10 of 17 responding) offer no discounts, three offered volume discounts, three offered quantity discounts, and five offered other discounts, including promotional discounts (reported by 3 importers). One importer each reported marketing co-op funds and discounts by shipment delay. ***. Eight of 17 responding importers reported sales terms of net 30, nine reported "other" terms.³

PRICE DATA

The Commission requested U.S. producers and importers to provide quarterly data for the total quantity and f.o.b. value of the following tool chests and cabinets products shipped to unrelated U.S. customers, and total quantity and import purchase costs for imports by retail firms during 2014-16.

² One importer reported that it typically sold using both f.o.b. and delivered methods. It is included in the 11 responses. Most of the importers reporting f.o.b. sales reported these shipments were from overseas.

³ A number of the importers reporting "other terms" were retailers.

Product 1.-- 26-27 inch wide top chest sold in combination with a 26-27 inch wide rolling cabinet, each with a body of cold-rolled carbon steel, having 9 to 10 total drawers (across both units) with ball bearing drawer slides, a minimum chest depth (front to back) of 15 inches, a minimum cabinet depth of 18 inches and a combined unit weight (not shipping weight) of 150 to 180 lbs.

Product 2.-- 40-46 inch wide top chest sold in combination with a 40-46 inch wide rolling cabinet, each with a body of cold-rolled carbon steel, having 16 to 21 drawers (across both units) with ball bearing slides, a chest depth of and cabinet depth of 16 to 19 inches; and combined unit weight (not shipping weight) of less than 420 lbs.

Product 3.-- 52-54 inch wide top chest sold in combination with a 52-54 inch wide rolling cabinet, each with a body of cold-rolled carbon steel, having 15 to 18 drawers (across both units) with ball bearing slides, a chest depth of and cabinet depth of 16 to 21 inches; and combined unit weight (not shipping weight) of less than 420 lbs.

Product 4.-- 45 to 56 inch wide workstation or mobile workbench, with a body of cold-rolled carbon steel, having 8 to 11 drawers or doors with ball bearing slides, a top work surface, a unit depth of 17-24 inches, and a unit weight (not shipping weight) of less than 175 lbs. This category specifically excludes work stations or mobile workbenches in which the body is made of stainless steel but includes tool chests and cabinets in which the drawers or door fronts are made of stainless steel.

Two U.S. producers and 11 importers provided usable pricing/import purchase cost data for sales/purchases of the requested products, although not all firms reported pricing/import purchase cost data for all products for all quarters.⁴ Three importers reported sales price data for product from China and two importers for product from Vietnam. Pricing data reported by these firms accounted for approximately 14.7 percent of U.S. producers' shipments of product, 0.4 percent of U.S. shipments from China, and 1.4 percent of U.S. shipments from Vietnam in 2016. Import purchase cost data reported by importers accounted for approximately 16.9 percent of subject imports from China and 26.3 percent of subject imports from Vietnam in 2016. Seven importers reported purchase cost data for product from China and one importer for product from Vietnam.

Sales price data

Pricing products 1 through 4 cover a range of products. Because large retailers attempt to differentiate their product from those of other retailers by offering different features,⁵ tool chests and cabinets of the same size can still differ by the steel gauge, drawer slide rating, and

⁴ Per-unit pricing data are calculated from total quantity and total value data provided by U.S. producers and importers. The precision and variation of these figures may be affected by rounding, limited quantities, and producer or importer estimates.

⁵ Conference transcript, pp. 90-91 (Enger).

load capacity.⁶ Tool boxes may also include electronic equipment such as refrigerators and stereos and are sometimes sold with tools.⁷

Price data for products 1-4 are presented in tables V-3 to V-6 and figures V-2 to V-5. No importer reported nonsubject country price or purchase cost data.

Table V-3

Tool chests and cabinets: Weighted-average f.o.b. prices and quantities of domestic and imported product 1 and margins of underselling/(overselling), by quarters, 2014-16

* * * * *

Table V-4

Tool chests and cabinets: Weighted-average f.o.b. prices and quantities of domestic and imported product 2 and margins of underselling/(overselling), by quarters, 2014-16

* * * * *

Table V-5

Tool chests and cabinets: Weighted-average f.o.b. prices and quantities of domestic and imported product 3 and margins of underselling/(overselling), by quarters, 2014-16

* * * * *

Table V-6

Tool chests and cabinets: Weighted-average f.o.b. prices and quantities of domestic and imported product 4 and margins of underselling/(overselling), by quarters, 2014-16

* * * * *

Figure V-2

Tool chests and cabinets: Weighted-average prices and quantities of domestic and imported product 1, by quarters, 2014-16

* * * * *

Figure V-3

Tool chests and cabinets: Weighted-average prices and quantities of domestic and imported product 2, by quarters, 2014-16

* * * * *

⁶ Conference transcript, pp. 131-132 (Enger). Other differences cited in the conference include: boxes designed to be repaired; hardness and quality of the steel; structural reinforcement, use of support brackets, and number of folds in the support brackets; quality hardware gas struts, stainless steel hinges, number of ball bearings and hardness of the slides; use of rivets vs. roll forming; depth of the drawers; and number of spot and plug welds. Conference transcript, pp. 120-123 (Grela).

⁷ Conference transcript, pp. 59, 99 (Nictakis, LeBell).

Figure V-4
Tool chests and cabinets: Weighted-average prices and quantities of domestic and imported product 3, by quarters, 2014-16

* * * * *

Figure V-5
Tool chests and cabinets: Weighted-average prices and quantities of domestic and imported product 4, by quarters, 2014-16

* * * * *

Import purchase cost data

Most of the pricing data collected, 96.1 percent of the units and 93.7 percent of the value, were from retailers reporting purchase cost data. Eight importers provided usable import purchase cost data for retail sales, seven of these firms imported from China and two from Vietnam. The largest direct retail importers by quantity were ***. Combined these *** retailers accounted for nearly 90 percent of the units and value of total reported import purchase costs. ***.⁸ ***.⁹ These data were excluded from the direct import data from product 3.

Import purchase cost data for products 1-4 are presented in tables V-7 to V-10. For products 1 and 3, the price of the U.S. product is higher than the import purchase costs for all but two comparisons. The U.S. price of product 2 is higher than import purchase costs in all quarters except the last three quarters of 2016. In these quarters, the purchase costs for Vietnamese product was higher but the purchase cost for Chinese product was lower. The U.S. price of product 4 was higher than import purchase costs of product from Vietnam in all but 2 quarters, but lower than the import purchase costs of product from China in all quarters.

There were a total of 75 quarters in which U.S. prices and the import purchase costs were available. Import purchase costs were lower than domestic prices in 31 of 44 quarters for Chinese product and in 26 of 31 quarters for Vietnamese product. In the remaining 18 quarters, import purchase costs were higher than U.S. prices for Chinese product in 13 quarters, and higher than U.S. prices for Vietnamese product in 5 quarters.¹⁰

Table V-7
Tool chests and cabinets: Weighted-average LDP value and quantities of domestic and imported product 1, by quarters, 2014-16

* * * * *

⁸ ***. ***.

⁹ Three importers reported import purchase costs for product 3 from China. ***.

¹⁰ Petitioners contend that the Commission should compare import purchase costs to U.S. producers' prices because direct retailer imports account for most imports. They assert that big box stores compare foreign producer prices to U.S. producer prices in their purchasing decisions. Conference transcript, p. 35 (Cannon).

Table V-8

Tool chests and cabinets: Weighted-average LDP value and quantities of domestic and imported product 2, by quarters, 2014-16

* * * * *

Table V-9

Tool chests and cabinets: Weighted-average LDP value and quantities of domestic and imported product 3, by quarters, 2014-16

* * * * *

Table V-10

Tool chests and cabinets: Weighted-average LDP value and quantities of domestic and imported product 4, by quarters, 2014-16

* * * * *

Importers/retailers reporting import purchase cost data were asked to provide additional information. Six importers reported that the share of import purchase costs for logistical or supply chain ranged from 3 to 15 percent.¹¹ Six importers reported warehouse costs that ranged from 2 to 30 percent. No importers reported currency conversion costs or “other costs”; three explained that transactions are in dollars. Three importers reported that they compared the costs of imports to U.S. producer costs, six reported comparing import costs to prices from importers and U.S. producers, and two reported that they did not compare costs to either U.S. importers or producers. Eleven importers reported that the benefits of directly importing included: wider selection (more specifications offered, greater customization, and control over design); quality; supplier advantages (more production capacity, supplier diversification, and stability of foreign suppliers); lower price (lower cost of features, low price to meet customer request); and supply chain control and efficiencies (predictable supply, consolidating and mixing product on orders). Three importers reported savings from directly importing ranging from 5 to 20 percent. Four importers explained why they were unable to estimate savings from direct imports; three of these reported that they had no information on U.S. prices and one reported that its products were customized. Six importers reported that the cost of U.S. inland transportation for product from China ranged from 2 to 24 percent.¹² One importer reported U.S. shipping costs for product from Vietnam was 10 percent of total costs of these products.¹³

¹¹ In addition, two importers answered these costs were “0”; one of these reported these reflect actual numbers and the other average ocean freight.

¹² In addition, three firms reported U.S. transportation costs of 100 percent, and thus must not have understood the question.

¹³ In addition, two firms reported U.S. transportation costs of 100 percent, and thus must not have understood the question.

Price trends

In general, U.S. prices decreased for all products during 2014-16. Import sales prices tended to increase and import purchase costs tended to decrease. Table V-11 summarizes the price trends, by country and by product. As shown in the table, domestic price decreases ranged from *** to *** percent during 2014-16. Price increases for tool chests and cabinets imported from China ranged from *** percent to *** percent. Price changes for tool chests and cabinets imported from Vietnam ranged from a decrease of *** percent to an increase of *** percent. Import purchase costs decreases ranged from *** percent to *** percent for product imported from China and import purchase costs changes for product from Vietnam ranged from a decrease of *** percent to an increase of *** percent. Petitioners claim that U.S. producer prices have fallen during 2014-16 because of competition from imports.¹⁴ Respondents claim the decline of the retailer Sears has led to Waterloo's problems, that branding causes large differences in prices, and that the prices of imports and U.S. producers' AUVs tended to increase during 2014-16.¹⁵

¹⁴ Conference transcript, p. 36 (Cannon).

¹⁵ Conference transcript, p. 89-91 (Enger); Geelong and Harbor Freight postconference brief pp. 19-22.

Table V-11
Tool chests and cabinets: Summary of weighted-average f.o.b. prices for products 1-4 from the United States, China, and Vietnam

Item	Number of quarters	Low price (dollars per unit)	High price (dollars per unit)	Change in price ¹ (percent)
Product 1				
United States	12	***	***	***
China	12	***	***	***
China—Purchase cost	12	***	***	***
Product 2				
United States	10	***	***	***
China	12	***	***	***
Vietnam	5	***	***	***
China—Purchase cost	12	***	***	***
Vietnam—Purchase cost	10	***	***	***
Product 3				
United States	10	***	***	***
China	1	***	***	***
Vietnam	3	***	***	***
China—Purchase cost	12	***	***	***
Vietnam—Purchase cost	12	***	***	***
Product 4				
United States	12	***	***	***
China	12	***	***	***
Vietnam	3	***	***	***
China—Purchase cost	12	***	***	***
Vietnam—Purchase cost	12	***	***	***

¹ Percentage change from the first quarter in 2014 in which it was available to the last quarter of 2016. In the remaining combinations, price of product 2 from Vietnam increased by *** percent between the second quarter of 2015 and the fourth quarter of 2016, price of product 3 from Vietnam decreased by *** percent between the second quarter of 2015 and the third quarter of 2016, and price of Vietnamese product 4 increased by *** percent between the second quarter of 2015 and the second quarter of 2016.

Source: Compiled from data submitted in response to Commission questionnaires.

Price comparisons

As shown in table V-12, prices for tool chests and cabinets imported from China and Vietnam were below those for U.S.-produced product in 14 of 46 instances (25,234 units); margins of underselling ranged from 0.2 to 57.6 percent. In the remaining 32 instances (12,540 units), prices for tool chests and cabinets from China and Vietnam were between 0.5 and 327.0 percent above prices for the domestic product. As shown in table V-13, underselling was

concentrated in product 2 and overselling was concentrated in products 1 and 4.¹⁶ There were relatively few comparisons for pricing product 3.

Table V-12
Tool chests and cabinets: Instances of underselling/overselling and the range and average of margins, by country, 2014-16

Source	Underselling				
	Number of quarters	Quantity ¹ (units)	Average margin (percent)	Margin range (percent)	
				Min	Max
China	8	***	***	***	***
Vietnam	6	***	***	***	***
Total	14	25,234	28.8	0.2	57.6
Source	(Overselling)				
	Number of quarters	Quantity ¹ (units)	Average margin (percent)	Margin range (percent)	
				Min	Max
China	27	***	***	***	***
Vietnam	5	***	***	***	***
Total	32	12,540	(90.3)	(0.5)	(327.0)

¹ These data include only quarters in which there is a comparison between the U.S. and subject product.

Source: Compiled from data submitted in response to Commission questionnaires.

¹⁶ Price data were provided by a limited number of firms. Product 1 prices were available for the U.S. product from ***. Product 2 prices were available for the U.S. product from ***. Product 3 prices were available for U.S. product from ***. Product 4 prices were available for U.S. product from ***.

Table V-13

Tool chests and cabinets: Instances of underselling/overselling and the range and average of margins, by product, 2014-16

Product	Underselling				
	Number of quarters	Quantity ¹ (units)	Average margin (percent)	Margin range (percent)	
				Min	Max
Product 1	1	***	***	***	***
Product 2	10	***	***	***	***
Product 3	2	***	***	***	***
Product 4	1	***	***	***	***
Total	14	25,234	28.8	0.2	57.6
Product	(Overselling)				
	Number of quarters	Quantity ¹ (units)	Average margin (percent)	Margin range (percent)	
				Min	Max
Product 1	11	***	***	***	***
Product 2	5	***	***	***	***
Product 3	2	***	***	***	***
Product 4	14	***	***	***	***
Total	32	12,540	(90.3)	(0.5)	(327.0)

¹ These data include only quarters in which there is a comparison between the U.S. and subject product.

Source: Compiled from data submitted in response to Commission questionnaires.

LOST SALES AND LOST REVENUE

The Commission requested that U.S. producers of tool chests and cabinets report purchasers where they experienced instances of lost sales or revenue due to competition from imports of tool chests and cabinets from China or Vietnam during 2014-16. Of the four responding U.S. producers, two reported that they had to either reduce prices and roll back announced price increases, and three firms reported that they had lost sales. *** submitted lost sales and lost revenue allegations. The *** responding U.S. producers identified eight firms where they lost sales or revenue (six consisting of lost sales allegations, and two consisting of lost sales and lost revenue allegations), consisting of approximately *** units.¹⁷ U.S. producers identified China as the subject source for six of the eight identified purchasers, Vietnam for two purchasers, and both China and Vietnam for one purchaser. The timing for the allegations was 2014 through 2016 and the identified method of sale for all allegations was “individual sale” for the various types of tool chests and cabinets.

¹⁷ ***. These lost sales are not included in this section.

Staff contacted all eight purchasers and received usable responses from six purchasers.^{18 19} Responding purchasers reported purchasing or importing *** of tool chests and cabinets during 2016 (table V-14). The reported change in the estimated share of purchases these firms purchased from subject import sources ranged from a decline of 27.7 percentage points to an increase of 0.1 percentage points between 2014 and 2016.

Table V-14
Tool chests and cabinets: Purchasers' responses to purchasing patterns

Purchaser	Purchases in 2016 (units)			Firms reported imports for retail sale, 2016	Subject country sources	Change in domestic share ² (pp, 2014-16)	Change in subject country share ² (pp, 2014-16)
	Domestic	Subject	All other ¹				
***	***	***	***		China	***	***
***	***	***	***	***	China	***	***
***	***	***	***	***	China	***	***
***	***	***	***	***	China	***	***
***	***	***	***	***	China	***	***
***	***	***	***	***	China	***	***
Total	***	***	***	***		***	***

¹ Includes all other sources and unknown sources.

² Percentage points (pp) change: Change in the share of the firm's total purchases of domestic and/or subject country imports between first and last years.

Source: Compiled from data submitted in response to Commission questionnaires.

Of the six responding purchasers, four reported that, since 2014, they had purchased imported tool chests and cabinets from China instead of U.S.-produced product (table V-15). Three of these purchasers reported that subject import prices were lower than U.S.-produced product, and two of these purchasers reported that price was a primary reason for the decision to purchase imported product rather than U.S.-produced product. Responding purchasers estimated that they purchased *** units of tool chests and cabinets from subject sources instead of domestically produced tool chests and cabinets in 2016.

Four of these purchasers were also the importers of record: ***. The combined imports and purchases of these firms represented nearly *** of U.S. apparent consumption in 2016. ***²⁰

Of the six responding purchasers, one (***) reported that U.S. producers had reduced prices in order to compete with lower-priced imports from subject countries (table V-16); four

¹⁸ One of the firms contacted for the lost sales lost revenue allegations (***) reported that it was not a purchaser of tool chests and cabinets, since it did not purchase any tool chests and cabinets in the United States. ***. It reported that the benefit of purchasing imports directly rather than purchasing from a U.S. importer or a U.S. producer was "****." It imported tool chests and cabinets from ***.

¹⁹ Both producers reported lost sales regarding ***.

²⁰ Some of these firms, in their importer questionnaires, reported the costs and benefits of being importers rather than purchase from importers or producers in the United States. ***. ***. ***.

reported that they did not know. *** reported that the U.S. producers made a one-time price reduction of *** percent.

Table V-15
Tool chests and cabinets: Purchasers' responses to purchasing subject imports instead of domestic product¹

Purchaser	Purchased imports instead of domestic (Y/N)	Import price lower	If purchased imports instead of domestic, was price a primary reason		
			Y/N	If Yes, quantity purchased instead of domestic (units)	Reasons other than price
***	***	***	***	***	***
***	***	***	***	***	--
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	--
***	***	***	***	***	--
Total	4 Yes 2 No	3 Yes	2 Yes 2 No	***	--

¹ All responses were for Chinese product. None of these firms reported purchasing Vietnamese product.

Source: Compiled from data submitted in response to Commission questionnaires.

Table V-16
Tool chests and cabinets: Purchasers' responses to U.S. producer price reductions

* * * * *

Responding U.S. purchasers identified various methods they use in purchasing tool chests and cabinets including: purchase orders based on need; individual purchase; purchase order; line review process with bids; purchase of quarterly promotions or in line sale of products; and select a few suppliers able to produce high grade professional tool storage designed to hold up to full time use by professional technicians.

In responding to the lost sales lost revenue survey, some purchasers provided additional information. ***."

PART VI: FINANCIAL EXPERIENCE OF U.S. PRODUCERS

BACKGROUND

U.S. producers Waterloo, Matco, and MBI reported their financial results on tool chests and cabinets.¹ *** accounted for the majority of total net sales value in 2016 (**% percent), followed by ** (%% percent) and * (%% percent).²

OPERATIONS ON TOOL CHESTS AND CABINETS

Table VI-1 presents aggregated data on U.S. producers' operations in relation to tool chests and cabinets. Table VI-2 shows the changes in average unit values of select financial indicators. Table VI-3 presents selected company-specific financial data.

Net sales

Table VI-1
Tool chests and cabinets: Results of operations of U.S. producers, 2014-16

* * * * *

Table VI-2
Tool chests and cabinets: Changes in average unit values (dollars per unit), between fiscal years

* * * * *

Table VI-3
Tool chests and cabinets: Select results of operations of U.S. producers, by company, 2014-16

* * * * *

All reported sales were commercial sales sold almost exclusively in the United States. Based on table VI-1, the quantity and value of net sales decreased from 2014 to 2016. As shown in table VI-3, **. Petitioners and respondents disagreed at the staff conference regarding the causes of declining sales volumes by Waterloo and MBI. According to respondents, Waterloo's

¹ *** did not provide adequate financial data for these investigations and is not included in this section of the report. When combining ***'s reported shipment data with the other three U.S. producers' data, the firm would represent approximately **% percent of total net sales quantity and **% percent of total net sales value in 2016.

² All three U.S. producers have fiscal years that end December 31, and have therefore reported their financial results on a calendar year basis. All U.S. producers reported their financial results on the basis of Generally Accepted Accounting Principles ("GAAP").

declining sales volume may be attributed to its dependence on sales to Sears.³ Petitioner Waterloo testified that both it and MBI sell to other firms in addition to Sears, including Lowes and Home Depot.⁴

From 2014 to 2016, the average unit net sales value increased by 47.3 percent from \$104 per unit in 2014 to \$153 per unit in 2016. ***. As shown in table VI-3, *** consistently reported the *** unit net sales value, followed by ***.⁵

Cost of goods sold and gross profit or (loss)

As shown in table VI-1, the average COGS to net sales ratio moved within a relatively narrow range, from *** percent in 2015 to *** percent in 2014. On a company-specific basis, *** moved within a relatively narrow and similar range. *** reported increasing COGS to net sales ratios from *** percent in 2014 to *** percent in 2016. *** reported increasing COGS to net sales ratios from *** percent in 2014 to *** percent in 2016. However, *** reported a decrease in COGS to net sales ratios from *** percent in 2014 to *** percent in 2016, *** than the other two companies' ratios.⁶

Raw material costs represented the largest component of COGS, accounting for between *** percent (in 2016) and *** percent (in 2014), of total COGS. As shown in table VI-3, the average unit raw material cost increased by *** percent from \$*** in 2014 to \$*** in 2016. ***. *** consistently reported the *** unit raw material cost, followed by ***.

Other factory costs were the second largest component of COGS, accounting for between *** percent (in 2014) and *** percent (in 2016), while direct labor accounted for between *** percent (in 2014) and *** percent (in 2016). As shown in table VI-3, the average unit other factory cost increased by *** percent from \$*** in 2014 to \$*** in 2016. ***. *** consistently reported the *** unit other factory costs, followed by ***.⁷

The industry's gross profit decreased from \$*** in 2014 to \$*** in 2016 as the decline in total net sales value was greater than the decline in COGS.

On a company-specific basis, ***.

³ Respondents testified that "Waterloo is a key supplier to Sears, {and} has struggled as Sears has closed its doors. We believe this is the principle reason for Waterloo's problematic market situation today, not its competition with Chinese imports." Conference transcript, pp. 89-90 (Enger). ***. ***'s U.S. producer questionnaire response, section IV-20.

⁴ Petitioners postconference brief, pp. 37-38 (Nictakis); ***'s questionnaire response, section IV-20 ***. ***'s questionnaire response, section IV-20 ***

⁵ Units covered by these investigations are metal tool chests and cabinets including top chests, intermediate chests, tool cabinets and side cabinets, mobile work benches, work stations, and a variety of other products, singularly or in sets. *** ***'s U.S. producer questionnaire response, section IV-2 and staff telephone interview with ***, May 4, 2017.

⁶ ***. Email from ***, May 4, 2017 and staff telephone interview with ***, May 4, 2017.

⁷ ***. Email from ***, May 8, 2017.

SG&A expenses and operating income or (loss)

As shown in table VI-1, the industry's SG&A expense ratio (i.e., total SG&A expenses divided by total net sales value) moved within a relatively narrow range from *** percent in 2014 to *** percent in 2016.

Operating income followed the same trend as gross profit, decreasing from \$*** in 2014 to \$*** in 2016. On a company-specific basis, ***.

Other expenses net income or (loss)

Classified below the operating income level are interest expense, other expense, and other income. U.S. producers did not report any other expenses, therefore net income or (loss) is reported same as operating income or (loss).

Variance analysis

Due to large variations in per-unit data among the reporting U.S. producers, a variance analysis is not presented in this report.

CAPITAL EXPENDITURES AND RESEARCH AND DEVELOPMENT EXPENSES

Table VI-4 presents capital expenditures and research and development ("R&D") expenses by firm. Capital expenditures increased by *** percent from 2014 to 2016. As shown in table VI-5, ***.

Table VI-4
Tool chests and cabinets: Capital expenditures and research and development expenses for U.S. producers, by firm, 2014-16

* * * * *

ASSETS AND RETURN ON ASSETS

Table VI-5 presents data on the U.S. producers' total assets and their operating return on assets.⁸ Total assets decreased from \$*** in 2014 to \$*** in 2015 and increased to \$*** in 2016.

⁸ With respect to a company's overall operations, staff notes that a total asset value (i.e., the bottom line number on the asset side of a company's balance sheet) reflects an aggregation of a number of assets which are generally not product specific. Accordingly, high-level allocation factors were required in order to report a total asset value for tool chests and cabinets.

Table VI-5

Tool chests and cabinets: Value of assets used in production, warehousing, and sales, and return on assets for U.S. producers, 2014-16

* * * * *

CAPITAL AND INVESTMENT

The Commission requested U.S. producers of tool chests and cabinets to describe any actual or potential negative effects of imports of tool chests and cabinets from China and Vietnam on their firms’ growth, investment, ability to raise capital, development and production efforts, or on the scale of capital investments. Table VI-6 presents U.S. producers’ responses in a tabulated format and table VI-7 provides the narrative responses. *** reported negative effects of imports on investment and on growth and development. *** reported no such effects.

Table VI-6

Tool chests and cabinets: Actual and anticipated negative effects of imports on investment and growth and development

Item	No	Yes
Negative effects on investment	1	2
Cancellation, postponement, or rejection of expansion projects		***
Denial or rejection of investment proposal		***
Reduction in the size of capital investments		***
Return on specific investments negatively impacted		***
Other		***
Negative effects on growth and development	1	2
Rejection of bank loans		***
Lowering of credit rating		***
Problem related to the issue of stocks or bonds		***
Ability to service debt		***
Other		***
Anticipated negative effects of imports	1	2

Source: Compiled from data submitted in response to Commission questionnaires.

Table VI-7

Tool chests and cabinets: Narratives relating to actual and anticipated negative effects of imports on investment and growth and development, since January 1, 2014

* * * * *

PART VII: THREAT CONSIDERATIONS AND INFORMATION ON NONSUBJECT COUNTRIES

Section 771(7)(F)(i) of the Act (19 U.S.C. § 1677(7)(F)(i)) provides that—

In determining whether an industry in the United States is threatened with material injury by reason of imports (or sales for importation) of the subject merchandise, the Commission shall consider, among other relevant economic factors¹--

- (I) if a countervailable subsidy is involved, such information as may be presented to it by the administering authority as to the nature of the subsidy (particularly as to whether the countervailable subsidy is a subsidy described in Article 3 or 6.1 of the Subsidies Agreement), and whether imports of the subject merchandise are likely to increase,*
- (II) any existing unused production capacity or imminent, substantial increase in production capacity in the exporting country indicating the likelihood of substantially increased imports of the subject merchandise into the United States, taking into account the availability of other export markets to absorb any additional exports,*
- (III) a significant rate of increase of the volume or market penetration of imports of the subject merchandise indicating the likelihood of substantially increased imports,*
- (IV) whether imports of the subject merchandise are entering at prices that are likely to have a significant depressing or suppressing effect on domestic prices, and are likely to increase demand for further imports,*
- (V) inventories of the subject merchandise,*

¹ Section 771(7)(F)(ii) of the Act (19 U.S.C. § 1677(7)(F)(ii)) provides that “The Commission shall consider {these factors} . . . as a whole in making a determination of whether further dumped or subsidized imports are imminent and whether material injury by reason of imports would occur unless an order is issued or a suspension agreement is accepted under this title. The presence or absence of any factor which the Commission is required to consider . . . shall not necessarily give decisive guidance with respect to the determination. Such a determination may not be made on the basis of mere conjecture or supposition.”

- (VI) *the potential for product-shifting if production facilities in the foreign country, which can be used to produce the subject merchandise, are currently being used to produce other products,*
- (VII) *in any investigation under this title which involves imports of both a raw agricultural product (within the meaning of paragraph (4)(E)(iv)) and any product processed from such raw agricultural product, the likelihood that there will be increased imports, by reason of product shifting, if there is an affirmative determination by the Commission under section 705(b)(1) or 735(b)(1) with respect to either the raw agricultural product or the processed agricultural product (but not both),*
- (VIII) *the actual and potential negative effects on the existing development and production efforts of the domestic industry, including efforts to develop a derivative or more advanced version of the domestic like product, and*
- (IX) *any other demonstrable adverse trends that indicate the probability that there is likely to be material injury by reason of imports (or sale for importation) of the subject merchandise (whether or not it is actually being imported at the time).²*

Information on the nature of the alleged subsidies was presented in *Part I* of this report; information on the volume and pricing of imports of the subject merchandise is presented in *Parts IV* and *V*; and information on the effects of imports of the subject merchandise on U.S. producers' existing development and production efforts is presented in *Part VI*. Information on inventories of the subject merchandise; foreign producers' operations, including the potential for "product-shifting;" any other threat indicators, if applicable; and any dumping in third-country markets, follows. Also presented in this section of the report is information obtained for consideration by the Commission on nonsubject countries.

² Section 771(7)(F)(iii) of the Act (19 U.S.C. § 1677(7)(F)(iii)) further provides that, in antidumping investigations, ". . . the Commission shall consider whether dumping in the markets of foreign countries (as evidenced by dumping findings or antidumping remedies in other WTO member markets against the same class or kind of merchandise manufactured or exported by the same party as under investigation) suggests a threat of material injury to the domestic industry."

THE INDUSTRY IN CHINA

The Commission issued foreign producers' or exporters' questionnaires to 44 firms believed to produce and/or export tool chests and cabinets from China.³ Usable responses to the Commission's questionnaire were received from 11 producers and one exporting firm in China. These firms' exports to the United States were equivalent to virtually all U.S. imports of tool chests and cabinets from China in 2016. According to estimates requested of the responding Chinese producers, the production of tool chests and cabinets in China reported in this section of the report accounted for approximately 70 percent of overall production of tool chests and cabinets in China.⁴ Table VII-1 presents information on the tool chest and cabinet operations of the responding producers and exporters in China.

Table VII-1
Tool chests and cabinets: Summary data for producers in China, 2016

Firm	Production (units)	Share of reported production (percent)	Exports to the United States (units)	Share of reported exports to the United States (percent)	Total shipments (units)	Share of firm's total shipments exported to the United States (percent)
Changshu Zhongcheng	***	***	***	***	***	***
Hutchin	***	***	***	***	***	***
Jiangsu Tongrun	***	***	***	***	***	***
Jin Rong	***	***	***	***	***	***
Jinhua JG	***	***	***	***	***	***
Meridian (China)	***	***	***	***	***	***
Shanghai Homsteel	***	***	***	***	***	***
Shanghai ITPC	***	***	***	***	***	***
Suzhou Xindadi	***	***	***	***	***	***
Trantex	***	***	***	***	***	***
Yangzhou Triple Harvest	***	***	***	***	***	***
Geelong	***	***	***	***	***	***
Total	***	***	***	***	***	***

Source: Compiled from data submitted in response to Commission questionnaires.

³ These firms were identified through a review of information submitted in the petition and contained in proprietary Customs data.

⁴ This number is likely understated, as four firms reported that their production accounts for zero percent of total tool chest and cabinet production in China.

Changes in operations

Producers were asked to report any changes in operations since January 1, 2014. Table VII-2 presents Chinese producers' responses. There was one reported plant opening ***, three reported expansions ***, three reported acquisitions ***, one prolonged shutdown or curtailment, and three revised labor agreements ***. In addition, ***.

Table VII-2
Tool chests and cabinets: Chinese producers' reported changes in operations, since January 1, 2014

* * * * *

Operations on tool chests and cabinets

Table VII-3 presents information on the tool chest and cabinet operations of the responding producers and exporters in China. Reported capacity increased by *** percent from 2014 to 2015, decreased by *** percent from 2015 to 2016, and is projected to increase by *** percent from 2016 to 2017 and by an additional *** percent from 2017 to 2018. Reported production increased by *** percent from 2014 to 2015, decreased by *** percent from 2015 to 2016, and is projected to increase by *** from 2016 to 2017 before decreasing slightly from 2017 to 2018. Capacity utilization decreased by *** percentage points from 2014 to 2016 and is projected to increase slightly in 2017 before returning to 2016 levels in 2018. Reported exports to the United States increased by *** percent from 2014 to 2015, decreased by *** percent from 2015 to 2016, and are projected to increase by *** percent from 2016 to 2017 before decreasing by *** percent from 2017 to 2018. Exports to the United States as a share of total shipments ranged between *** and *** percent from 2014 to 2016, and are projected to decrease to *** percent by 2018.

Table VII-3
Tool chest and cabinets: Data for producers in China, 2014-16 and projection calendar years 2017 and 2018

* * * * *

Chinese producers were asked to report constraints on their capacity to produce tool chests and cabinets. Firms reported the availability of electricity, supplier reliability, space, equipment, and labor limitations, powder coating capacity, order size, product mix, sewage discharge, environmental regulations, insurance costs, and manual welding capacity as restraints on capacity.

Alternative products

All 11 responding Chinese producers reported production of other products on the same machinery as tool chests and cabinets as well as the ability to switch production (capacity) between tool chests and cabinets and other products, using the same equipment and/or labor. Firms reported being able to switch production to charcoal and gas grills and accessories, custom coolers, storage cabinets, workbenches without drawers, shelving, job site boxes, creeper and roller cabinet seats, service carts, saws and saw stands, motors, drill presses, cement mixers, dust collectors, wood chippers, tillers, edgers, chicken pluckers, and other metal sheet products. Firms reported downtime due to changing colors, time, machine, and labor capacity, common tooling and machinery, order size and lead time, designing, and efficiency standards as factors impacting their ability to switch production.

Table VII-4 presents data on Chinese producers' capacity and production of other products using the same equipment and machinery as tool chests and cabinets. Tool chests and cabinets, as a share of total production on this equipment and machinery, ranged from *** percent and *** percent from 2014 to 2016.

Table VII-4

Tool chests and cabinets: Chinese producers' overall capacity and production on the same equipment as subject production, 2014-16

* * * * *

Exports

Tables VII-5 presents data on China's top export markets of metal furniture and articles of iron or steel, by value, from 2014 to 2016.⁵ During 2016, the United States was the top export market for metal furniture and articles of iron or steel from China (30.5 percent), followed by Japan (6.7 percent), the United Kingdom (4.3 percent), and Germany (4.2 percent).

⁵ HS subheading 9403.20 specifies "metal furniture, nesoi ," and HS subheading 7326.90 specifies "articles of iron or steel, nesoi."

Table VII-5
Metal furniture and articles of iron or steel: Exports from China, 2014-16

Destination market	Calendar year		
	2014	2015	2016
	Value (1,000 dollars)		
China exports to the United States	3,381,273	3,830,077	3,499,614
China exports to other major destination markets.--			
Japan	894,655	807,212	771,246
United Kingdom	501,503	553,498	491,126
Germany	504,229	514,956	482,361
Australia	437,402	453,558	424,663
South Korea	326,519	344,654	342,892
Canada	349,752	358,319	313,382
Hong Kong	315,021	357,887	305,319
Netherlands	367,477	340,263	284,188
All other destination markets	5,714,893	5,274,183	4,576,301
Total China exports	12,792,722	12,834,606	11,491,093
	Share of value (percent)		
China exports to the United States	26.4	29.8	30.5
China exports to other major destination markets.--			
Japan	7.0	6.3	6.7
United Kingdom	3.9	4.3	4.3
Germany	3.9	4.0	4.2
Australia	3.4	3.5	3.7
South Korea	2.6	2.7	3.0
Canada	2.7	2.8	2.7
Hong Kong	2.5	2.8	2.7
Netherlands	2.9	2.7	2.5
All other destination markets	44.7	41.1	39.8
Total China exports	100.0	100.0	100.0

Source: Official exports statistics under HS subheadings 9403.20 and 7326.90 as reported by China Customs in the IHS/GTA database, accessed May 1, 2017.

THE INDUSTRY IN VIETNAM

The Commission issued foreign producers' or exporters' questionnaires to seven firms believed to produce and/or export tool chests and cabinets from Vietnam.⁶ Usable responses to the Commission's questionnaire were received from five firms that submitted a joint questionnaire response. The five firms are: Clearwater Metal Vietnam JSC; CSPA Co., Ltd.; Kinox Corp.; and Rabat Corp (collectively "CSPA Group") The CSPA Group's exports to the United States were equivalent to approximately *** percent of U.S. imports of tool chests and cabinets from Vietnam in 2016. According to estimates requested of the responding Vietnamese producers, the production of tool chests and cabinets in Vietnam reported in this section of the report accounted for approximately *** percent of overall production of tool chests and cabinets in Vietnam. Table VII-6 presents information on the tool chest and cabinet operations of the CSPA Group in Vietnam.

Table VII-6
Tool chests and cabinets: Summary data for producers in Vietnam, 2016

Firm	Production (units)	Share of reported production (percent)	Exports to the United States (units)	Share of reported exports to the United States (percent)	Total shipments (units)	Share of firm's total shipments exported to the United States (percent)
CSPA Group	***	***	***	***	***	***

Source: Compiled from data submitted in response to Commission questionnaires.

Changes in operations

As presented in table VII-7, the CSPA Group reported ***, since January 1, 2014.

Table VII-7
Tool chests and cabinets: Vietnamese producers' reported changes in operations, since January 1, 2014

* * * * *

⁶ These firms were identified through a review of information submitted in the petition and contained in proprietary Customs data.

Operations on tool chests and cabinets

Table VII-8 presents information on the tool chest and cabinet operations of the CSPA Group in Vietnam. From 2014 to 2016, reported capacity increased by *** percent and is project to remain at 2016 levels in 2017 and 2018. Reported production increased by *** percent from 2014 to 2015 before decreasing by *** percent from 2015 to 2016, and is projected to decrease by an additional *** percent in 2017. Capacity utilization decreased by *** percentage points from 2014 to 2016, and is projected to decreased by an additional *** percentage points in 2017. Reported exports to the United States increased by *** percent from 2014 to 2015, decreased by *** percent from 2015 to 2016, and is projected to decrease by an additional *** in 2017. Exports to the United States as a share of total shipments ranged between *** and *** percent from 2014 to 2016, and is projected to decrease to *** in 2017.

Table VII-8

Tool chests and cabinets: Data for producers in Vietnam, 2014-16 and projection calendar years 2017 and 2018

* * * * *

Vietnamese producers were asked to report constraints on their capacity to produce tool chests and cabinets. The CSPA Group reported *** as restraints on capacity.

Alternative products

As shown in table VII-9, the CSPA Group ***. In addition, it ***.

Table VII-9

Tool chests and cabinets: Vietnamese producers' overall capacity and production on the same equipment as subject production, 2014-16

* * * * *

Exports

Tables VII-10 presents data on Vietnam's top export markets of metal furniture and articles of iron or steel from 2014 to 2016.⁷ During 2016, the United States was the top export market for metal furniture and articles of iron or steel from Vietnam (36.7 percent), followed by Mexico (13.9 percent), Japan (13.8 percent), and Thailand (4.9 percent).

⁷ HS subheading 9403.20 specifies "metal furniture, nesoi ," and HS subheading 7326.90 specifies "articles of iron or steel, nesoi."

Table VII-10
Metal furniture and articles of iron or steel: Exports from Vietnam, 2015-16

Destination market	Calendar year		
	2014	2015	2016
	Value (1,000 dollars)		
Vietnam exports to the United States	125,990	164,467	190,925
Vietnam exports to other major destination markets.--			
Mexico	97,404	91,073	72,521
Japan	68,898	74,583	71,695
Thailand	23,909	23,265	25,574
China	18,899	18,003	17,616
South Korea	15,273	10,608	17,220
United Kingdom	14,684	12,670	16,549
Germany	15,467	13,987	15,428
France	10,561	12,873	12,172
All other destination markets	99,686	90,074	80,724
Total Vietnam exports	490,771	511,603	520,424
	Share of quantity (percent)		
Vietnam exports to the United States	25.7	32.1	36.7
Vietnam exports to other major destination markets.--			
Mexico	19.8	17.8	13.9
Japan	14.0	14.6	13.8
Thailand	4.9	4.5	4.9
China	3.9	3.5	3.4
South Korea	3.1	2.1	3.3
United Kingdom	3.0	2.5	3.2
Germany	3.2	2.7	3.0
France	2.2	2.5	2.3
All other destination markets	20.3	17.6	15.5
Total Vietnam exports	100.0	100.0	100.0

Source: Official imports statistics of imports from Vietnam under HS subheadings 9403.20 and 7326.90 as reported by various countries' statistical authorities in the IHS/GTA database, accessed May 1, 2017.

THE INDUSTRIES IN THE SUBJECT COUNTRIES (COMBINED)

Table VII-11 presents information on the tool chest and cabinet operations of the responding producers and exporters in China and Vietnam combined. Responding Chinese firms accounted for *** of the combined subject country data. The combined capacity in the subject countries increased by 40.2 percent from 2014 to 2016, and is projected to increase slightly in 2017 and 2018. Combined production increased by 16.1 percent from 2014 to 2015, decreased by 8.5 percent from 2015 to 2016, and is projected to increase slightly in 2017 and decrease slightly in 2018. Combined capacity utilization decreased by 18.0 percentage points from 2014 to 2016, and is expected to increase slightly in 2017 before returning to 2016 levels in 2018. Combined exports to the United States increased by 28.8 percent from 2014 to 2015,

decreased by 10.1 percent from 2015 to 2016, and is projected to increase by 5.0 in 2017 before decreasing by 10.1 percent from 2017 to 2018. Combined exports to the United States as a share of total combined shipments ranged from 63.0 percent to 67.1 percent from 2014 to 2016, and is projected to decrease to 60.5 percent by 2018.

Table VII-11
Tool chests and cabinets: Data on all subject industries, 2014-16 and projection calendar years 2017 and 2018

Item	Actual experience			Projections	
	Calendar year				
	2014	2015	2016	2017	2018
	Quantity (units)				
Capacity	3,650,034	5,108,374	5,116,361	5,243,227	5,353,727
Production	2,720,445	3,158,883	2,890,172	3,075,931	3,003,267
End-of-period inventories	197,972	168,524	129,533	138,791	134,535
Shipments:					
Home market shipments:					
Internal consumption/ transfers	***	***	***	***	***
Commercial shipments	***	***	***	***	***
Subtotal, home market shipments	96,250	106,033	109,483	116,214	135,750
Export shipments to:					
United States	1,662,825	2,141,274	1,925,771	2,022,709	1,817,660
All other markets	880,550	941,720	893,561	928,098	1,048,765
Total exports	2,543,375	3,082,994	2,819,332	2,950,807	2,866,425
Total shipments	2,639,625	3,189,027	2,928,815	3,067,021	3,002,175
	Ratios and shares (percent)				
Capacity utilization	74.5	61.8	56.5	58.7	56.1
Inventories/production	7.3	5.3	4.5	4.5	4.5
Inventories/total shipments	7.5	5.3	4.4	4.5	4.5
Share of shipments:					
Home market shipments:					
Internal consumption/ transfers	***	***	***	***	***
Home market shipments	***	***	***	***	***
Subtotal, home market shipments	3.6	3.3	3.7	3.8	4.5
Export shipments to:					
United States	63.0	67.1	65.8	66.0	60.5
All other markets	33.4	29.5	30.5	30.3	34.9
Total exports	96.4	96.7	96.3	96.2	95.5
Total shipments	100.0	100.0	100.0	100.0	100.0

Source: Compiled from data submitted in response to Commission questionnaires.

Table VII-12 presents data on combined subject producers' capacity and production of other products using the same equipment and machinery as tool chests and cabinets. Tool chests and cabinets, as a share of total production on this equipment and machinery, ranged from 34.2 percent to 37.7 percent from 2014 to 2016.

Table VII-12**Tool chests and cabinets: Overall capacity and production on the same equipment as in-scope production for producers in subject industries, 2014-16**

Item	Calendar year		
	2014	2015	2016
	Quantity (units)		
Overall capacity	10,148,914	12,322,512	12,657,876
Production:			
Tool chests and cabinets	2,720,445	3,158,883	2,890,172
Non-metal tool chests and cabinets	***	***	***
Industrial grade tool chests and cabinets	***	***	***
Tool boxes	***	***	***
All other products	4,377,211	4,268,605	4,390,192
Total production on same machinery	7,951,584	8,377,638	8,386,861
	Ratios and shares (percent)		
Overall capacity utilization	78.3	68.0	66.3
Share of production:			
Tool chests and cabinets	34.2	37.7	34.5
Non-metal tool chests and cabinets	***	***	***
Industrial grade tool chests and cabinets	***	***	***
Tool boxes	***	***	***
All other products	55.0	51.0	52.3
Total production on same machinery	100.0	100.0	100.0

Source: Compiled from data submitted in response to Commission questionnaires.

U.S. INVENTORIES OF IMPORTED MERCHANDISE

Table VII-13 presents data on U.S. importers' reported inventories of tool chests and cabinets. Inventories of imports from China increased by *** percent from 2014 to 2016, while inventories of imports from Vietnam increased by *** percent. Over the same period, inventories from the subject sources combined increased by *** percent.

Table VII-13**Tool chests and cabinets: U.S. importers' inventories, 2014-16**

* * * * *

U.S. IMPORTERS' OUTSTANDING ORDERS

The Commission requested importers to indicate whether they imported or arranged for the importation of tool chests and cabinets from China and Vietnam after December 31, 2016. Sixteen responding importers reported that they had arranged such shipments. Table VII-14 presents data reported by U.S. importers concerning their arranged imports of tool chests and cabinets.

Table VII-14
Tool chests and cabinets: Arranged imports, January through December 2017

* * * * *

ANTIDUMPING OR COUNTERVAILING DUTY ORDERS IN THIRD-COUNTRY MARKETS

There are no known trade remedy actions on tool chests and cabinets in third-country markets.

INFORMATION ON NONSUBJECT COUNTRIES

Globally, China is the largest exporter of metal furniture and articles of iron or steel from 2014 to 2016.⁸ Its exports of these broad categories of merchandise were more than twice those of the next closest source, Germany. Meanwhile, Canada was identified as a nonsubject country that supplied subject tool chests and cabinets to the United States. One producer in Canada, SPG International Ltd., manufactures a wide range of metal toolboxes and industrial storage systems designed for home and professional use at its production facility in Quebec. It exports some of those products to the United States. The company began operating in 1960 and merged with the Geelong Sales Company in 2007,⁹ giving Geelong manufacturing capabilities in North America and Asia.^{10 11 12}

⁸ HS subheading 9403.20 specifies “metal Furniture, nesoi,” and HS subheading 7326.90 specifies “articles of iron or steel, nesoi.”

⁹ Beginning in 2000, SPG had increases in the costs of raw materials and it started to face greater competition from producers in emerging global markets, including Geelong in China. These factors partially led to the decision to merge with Geelong in 2007. *SPG International Ltd. website: An industry pro at bouncing back*,

http://www.spginternational.com/logiciel/gestion_securite/telechargement/?id=731, p. 3, retrieved May 16, 2017.

¹⁰ *SPG International Ltd. website*, <http://www.spginternational.com/en/Company.aspx>, retrieved May 8, 2017.

¹¹ Conference transcript, p. 166, (Enger).

¹² *SPG International Ltd. 2015 product guide*, <http://www.spginternational.com/client/uploads/Librairies/Fichiers/International%20Catalogue%202015%20ANG.pdf>, p. 2, retrieved May 16, 2016.

APPENDIX A

FEDERAL REGISTER NOTICES

The Commission makes available notices relevant to its investigations and reviews on its website, www.usitc.gov. In addition, the following tabulation presents, in chronological order, *Federal Register* notices issued by the Commission and Commerce during the current proceeding.

Citation	Title	Link
82 FR 18309, April 18, 2017	<i>Tool Chests and Cabinets From China and Vietnam Institution of Antidumping and Countervailing Duty Investigations and Scheduling of Preliminary Phase Investigations</i>	https://www.federalregister.gov/d/2017-07749
82 FR 21523, May 9, 2017	<i>Certain Tool Chests and Cabinets from the People's Republic of China and the Socialist Republic of Vietnam: Initiation of Less-Than-Fair-Value Investigations</i>	https://www.federalregister.gov/d/2017-09370

APPENDIX B

LIST OF CONFERENCE WITNESSES

CALENDAR OF PUBLIC PRELIMINARY CONFERENCE

Those listed below appeared as witnesses at the United States International Trade Commission's preliminary conference:

Subject: Tool Chests and Cabinets from China and Vietnam
Inv. Nos.: 701-TA-575 and 731-TA-1360-1361 (Preliminary)
Date and Time: May 2, 2017 - 9:30 a.m.

Sessions were held in connection with these preliminary phase investigations in Courtroom A (room 100), 500 E Street, SW., Washington, DC.

OPENING REMARKS:

Petitioner (**Kathleen W. Cannon**, Kelley Drye & Warren LLP)
Respondents (**David M. Spooner**, Barnes & Thornburg LLP)

In Support of the Imposition of Antidumping and Countervailing Duty Orders:

Kelley Drye & Warren LLP
Washington, DC
on behalf of

Waterloo Industries Inc.

William Nictakis, President and Chief Executive Officer, Waterloo Industries Inc.

Matthew Sallee, Vice President of Marketing and Innovation, Waterloo Industries Inc.

Mitchell Liss, Vice President, Metal Box International

Gina E. Beck, Economist, Georgetown Economic Services

Kathleen W. Cannon)
Brooke M. Ringel) – OF COUNSEL
Joshua R. Morey)

In Opposition to the Imposition of
Antidumping and Countervailing Duty Orders:

Baker & McKenzie LLP
Washington, DC
on behalf of

Sears Holding Corporation

Thomas Arvia, Division Vice President, Product Management,
Sears Brands Management Corporation

Kevin M. O'Brien) – OF COUNSEL

Crowell & Moring LLP
Washington, DC
on behalf of

Clearwater Metal Vietnam, JSC

Michael Holden, Vice President, Sales and Marketing,
CSPS Industries, Inc.

Benjamin Blase Caryl) – OF COUNSEL

Adduci Mastriani & Schaumberg LLP
Washington, DC
on behalf of

Harbor Freight Tolls USA, Inc.

Louis Mastriani)
Deanna Tanner Okun) – OF COUNSEL
William C. Sjoberg)

**In Opposition to the Imposition of
Antidumping and Countervailing Duty Orders (continued):**

Grunfeld, Desiderio, Lebowitz, Silverman & Klestadt LLP
Washington, DC
on behalf of

Shanghai Homsteel Industry Co., Ltd.;
Shanghai All-Fast International Trade Co., Ltd and
Steelman EasyLife, Inc. (collectively “Hom-Steel”)

Julie LeBell, Vice President of Sales, Shanghai Homsteel
Industry Co. Ltd.

Ned H. Marshak)
) – OF COUNSEL
Kavita Mohan)

Barnes & Thornburg LLP
Washington, DC
on behalf of

Zhongshan Geelong Manufacturing Co. Ltd.
Geelong Sales (MCO) Ltd.
Geelong Sales Co. International (HK) Ltd.

Alistair Hanson-Currie, Business Development Director,
Geelong

Jamie Enger, President, Jenger LLC

Jon Fiscus, Founder and President Emeritus, Geelong USA;
and Board Member, Geelong

Bruce Malashevich, Economist, Economic Consulting Services LLC

Curtis Eward, Economist, Economic Consulting Services LLC

David M. Spooner)
) – OF COUNSEL
Christine J. Sohar Henter)

ADDITIONAL WITNESSES IN OPPOSITION:

Extreme Tools Inc.
Naperville, IL

Larry Grela, President

Ronald Sidler, Vice President

REBUTTAL/CLOSING REMARKS:

Petitioner (**Kathleen W. Cannon**, Kelley Drye & Warren LLP)

Respondents (**Deanna Tanner Okun**, Adduci Mastriani & Schaumberg LLP)

-END-

APPENDIX C
SUMMARY DATA

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Table C-1: Tool chests and cabinets summary data	C-3
Table C-2: Tool chests and cabinets summary data, excluding ***	C-5

Four-Firm Industry

Table C-1

Tool chests and cabinets: Summary data concerning the U.S. market, 2014-16

(Quantity=units; Value=1,000 dollars; Unit values, unit labor costs, and unit expenses=dollars per unit; Period changes=percent--exceptions noted)

	Reported data			Period changes		
	2014	2015	2016	2014-16	2014-15	2015-16
U.S. consumption quantity:						
Amount.....	***	***	***	***	***	***
Producers' share (fn1).....	***	***	***	***	***	***
Importers' share (fn1):						
China.....	***	***	***	***	***	***
Vietnam.....	***	***	***	***	***	***
Subject sources.....	***	***	***	***	***	***
Nonsubject sources.....	***	***	***	***	***	***
All import sources.....	***	***	***	***	***	***
U.S. consumption value:						
Amount.....	***	***	***	***	***	***
Producers' share (fn1).....	***	***	***	***	***	***
Importers' share (fn1):						
China.....	***	***	***	***	***	***
Vietnam.....	***	***	***	***	***	***
Subject sources.....	***	***	***	***	***	***
Nonsubject sources.....	***	***	***	***	***	***
All import sources.....	***	***	***	***	***	***
U.S. importers' U.S. shipments from:						
China:						
Quantity.....	***	***	***	***	***	***
Value.....	***	***	***	***	***	***
Unit value.....	***	***	***	***	***	***
Ending inventory quantity.....	***	***	***	***	***	***
Vietnam:						
Quantity.....	***	***	***	***	***	***
Value.....	***	***	***	***	***	***
Unit value.....	***	***	***	***	***	***
Ending inventory quantity.....	***	***	***	***	***	***
Subject sources:						
Quantity.....	1,364,789	1,514,433	2,009,688	47.3	11.0	32.7
Value.....	197,125	218,381	295,851	50.1	10.8	35.5
Unit value.....	\$144	\$144	\$147	1.9	(0.2)	2.1
Ending inventory quantity.....	***	***	***	***	***	***
Nonsubject sources:						
Quantity.....	***	***	***	***	***	***
Value.....	***	***	***	***	***	***
Unit value.....	***	***	***	***	***	***
Ending inventory quantity.....	***	***	***	***	***	***
All import sources:						
Quantity.....	***	***	***	***	***	***
Value.....	***	***	***	***	***	***
Unit value.....	***	***	***	***	***	***
Ending inventory quantity.....	***	***	***	***	***	***
U.S. producers':						
Average capacity quantity.....	***	***	***	***	***	***
Production quantity.....	***	***	***	***	***	***
Capacity utilization (fn1).....	***	***	***	***	***	***
U.S. shipments:						
Quantity.....	***	***	***	***	***	***
Value.....	***	***	***	***	***	***
Unit value.....	***	***	***	***	***	***
Export shipments:						
Quantity.....	***	***	***	***	***	***
Value.....	***	***	***	***	***	***
Unit value.....	***	***	***	***	***	***
Ending inventory quantity.....	***	***	***	***	***	***
Inventories/total shipments (fn1).....	***	***	***	***	***	***
Production workers.....	***	***	***	***	***	***
Hours worked (1,000s).....	***	***	***	***	***	***
Wages paid (\$1,000).....	***	***	***	***	***	***
Hourly wages (dollars).....	***	***	***	***	***	***
Productivity (units per hour).....	***	***	***	***	***	***
Unit labor costs.....	***	***	***	***	***	***

Table continued.--

Table C-1--Continued

Tool chests and cabinets: Summary data concerning the U.S. market, 2014-16

(Quantity=units; Value=1,000 dollars; Unit values, unit labor costs, and unit expenses=dollars per unit; Period changes=percent--exceptions noted)

	Reported data			Period changes		
	Calendar year			Calendar year		
	2014	2015	2016	2014-16	2014-15	2015-16
U.S. producers'						
Net sales:						
Quantity.....	***	***	***	***	***	***
Value.....	***	***	***	***	***	***
Unit value.....	***	***	***	***	***	***
Cost of goods sold (COGS).....	***	***	***	***	***	***
Gross profit or (loss).....	***	***	***	***	***	***
SG&A expenses.....	***	***	***	***	***	***
Operating income or (loss).....	***	***	***	***	***	***
Net income or (loss).....	***	***	***	***	***	***
Capital expenditures.....	***	***	***	***	***	***
Unit COGS.....	***	***	***	***	***	***
Unit SG&A expenses.....	***	***	***	***	***	***
Unit operating income or (loss).....	***	***	***	***	***	***
Unit net income or (loss).....	***	***	***	***	***	***
COGS/sales (fn1).....	***	***	***	***	***	***
Operating income or (loss)/sales (fn1).....	***	***	***	***	***	***
Net income or (loss)/sales (fn1).....	***	***	***	***	***	***

Notes:

fn1.--Reported data are in percent and period changes are in percentage points.

fn2.--Undefined.

Source: Compiled from data submitted in response to Commission questionnaires.

Two-Firm Industry

Table C-2
Tool chests and cabinets: Summary data concerning the U.S. market excluding *, 2014-16**
 (Quantity=units; Value=1,000 dollars; Unit values, unit labor costs, and unit expenses=dollars per unit; Period changes=percent--exceptions noted)

	Reported data			Period changes		
	Calendar year			Calendar year		
	2014	2015	2016	2014-16	2014-15	2015-16
U.S. consumption quantity:						
Amount.....	***	***	***	***	***	***
Producers' share (fn1).....	***	***	***	***	***	***
Importers' share (fn1):						
China.....	***	***	***	***	***	***
Vietnam.....	***	***	***	***	***	***
Subject sources.....	***	***	***	***	***	***
Nonsubject sources.....	***	***	***	***	***	***
All import sources.....	***	***	***	***	***	***
U.S. consumption value:						
Amount.....	***	***	***	***	***	***
Producers' share (fn1).....	***	***	***	***	***	***
Importers' share (fn1):						
China.....	***	***	***	***	***	***
Vietnam.....	***	***	***	***	***	***
Subject sources.....	***	***	***	***	***	***
Nonsubject sources.....	***	***	***	***	***	***
All import sources.....	***	***	***	***	***	***
U.S. importers' U.S. shipments from:						
China:						
Quantity.....	***	***	***	***	***	***
Value.....	***	***	***	***	***	***
Unit value.....	***	***	***	***	***	***
Ending inventory quantity.....	***	***	***	***	***	***
Vietnam:						
Quantity.....	***	***	***	***	***	***
Value.....	***	***	***	***	***	***
Unit value.....	***	***	***	***	***	***
Ending inventory quantity.....	***	***	***	***	***	***
Subject sources:						
Quantity.....	1,364,789	1,514,433	2,009,688	47.3	11.0	32.7
Value.....	197,125	218,381	295,851	50.1	10.8	35.5
Unit value.....	\$144	\$144	\$147	1.9	(0.2)	2.1
Ending inventory quantity.....	***	***	***	***	***	***
Nonsubject sources:						
Quantity.....	***	***	***	***	***	***
Value.....	***	***	***	***	***	***
Unit value.....	***	***	***	***	***	***
Ending inventory quantity.....	***	***	***	***	***	***
All import sources:						
Quantity.....	***	***	***	***	***	***
Value.....	***	***	***	***	***	***
Unit value.....	***	***	***	***	***	***
Ending inventory quantity.....	***	***	***	***	***	***
U.S. producers':						
Average capacity quantity.....	***	***	***	***	***	***
Production quantity.....	***	***	***	***	***	***
Capacity utilization (fn1).....	***	***	***	***	***	***
U.S. shipments:						
Quantity.....	***	***	***	***	***	***
Value.....	***	***	***	***	***	***
Unit value.....	***	***	***	***	***	***
Export shipments:						
Quantity.....	***	***	***	***	***	***
Value.....	***	***	***	***	***	***
Unit value.....	***	***	***	***	***	***
Ending inventory quantity.....	***	***	***	***	***	***
Inventories/total shipments (fn1).....	***	***	***	***	***	***
Production workers.....	***	***	***	***	***	***
Hours worked (1,000s).....	***	***	***	***	***	***
Wages paid (\$1,000).....	***	***	***	***	***	***
Hourly wages (dollars).....	***	***	***	***	***	***
Productivity (units per hour).....	***	***	***	***	***	***
Unit labor costs.....	***	***	***	***	***	***

Table continued.--

Table C-2--Continued

Tool chests and cabinets: Summary data concerning the U.S. market excluding *, 2014-16**

(Quantity=units; Value=1,000 dollars; Unit values, unit labor costs, and unit expenses=dollars per unit; Period changes=percent--exceptions noted)

	Reported data			Period changes		
	2014	2015	2016	2014-16	2014-15	2015-16
U.S. producers'						
Net sales:						
Quantity.....	***	***	***	***	***	***
Value.....	***	***	***	***	***	***
Unit value.....	***	***	***	***	***	***
Cost of goods sold (COGS).....	***	***	***	***	***	***
Gross profit or (loss).....	***	***	***	***	***	***
SG&A expenses.....	***	***	***	***	***	***
Operating income or (loss).....	***	***	***	***	***	***
Net income or (loss).....	***	***	***	***	***	***
Capital expenditures.....	***	***	***	***	***	***
Unit COGS.....	***	***	***	***	***	***
Unit SG&A expenses.....	***	***	***	***	***	***
Unit operating income or (loss).....	***	***	***	***	***	***
Unit net income or (loss).....	***	***	***	***	***	***
COGS/sales (fn1).....	***	***	***	***	***	***
Operating income or (loss)/sales (fn1).....	***	***	***	***	***	***
Net income or (loss)/sales (fn1).....	***	***	***	***	***	***

Notes:

fn1.--Reported data are in percent and period changes are in percentage points.

fn2.--Undefined.

Source: Compiled from data submitted in response to Commission questionnaires.