



ECONOMIC CONSULTING SERVICES, LLC

**BEFORE THE
UNITED STATES INTERNATIONAL TRADE COMMISSION**

**IN THE MATTER
OF**

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

PUBLIC EXHIBITS TO THE TESTIMONY OF

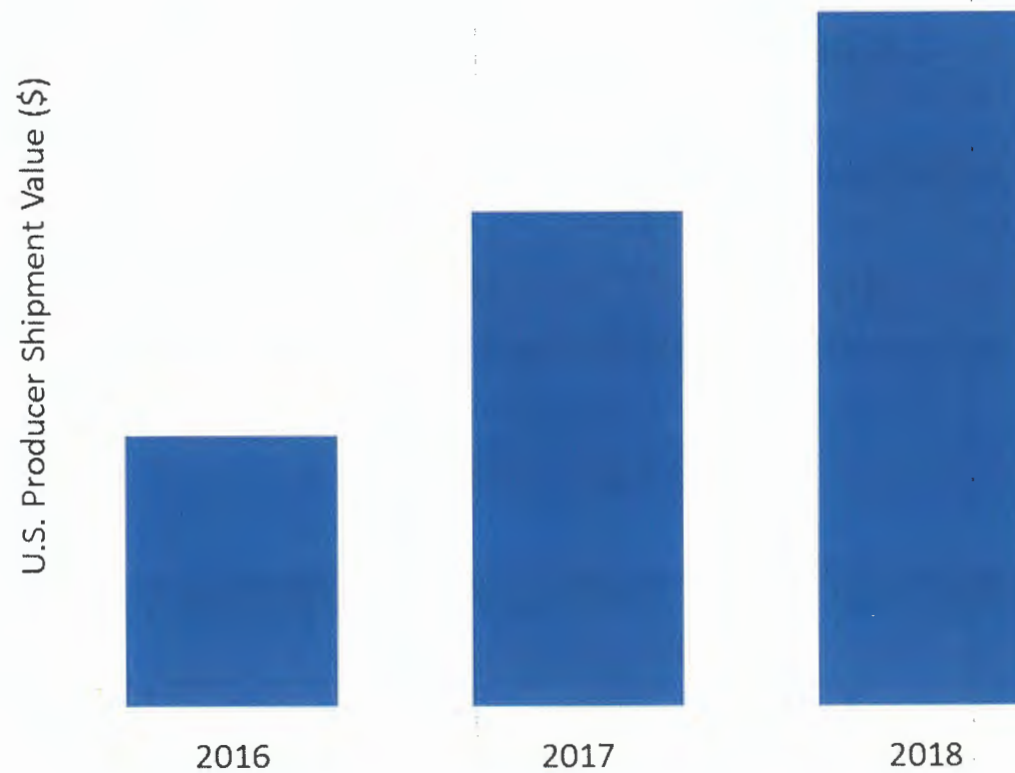
JIM DOUGAN, VICE PRESIDENT

ECONOMIC CONSULTING SERVICES, LLC

February 20, 2020

Washington, D.C.

Volume – U.S. Producers' U.S. Shipments Increased



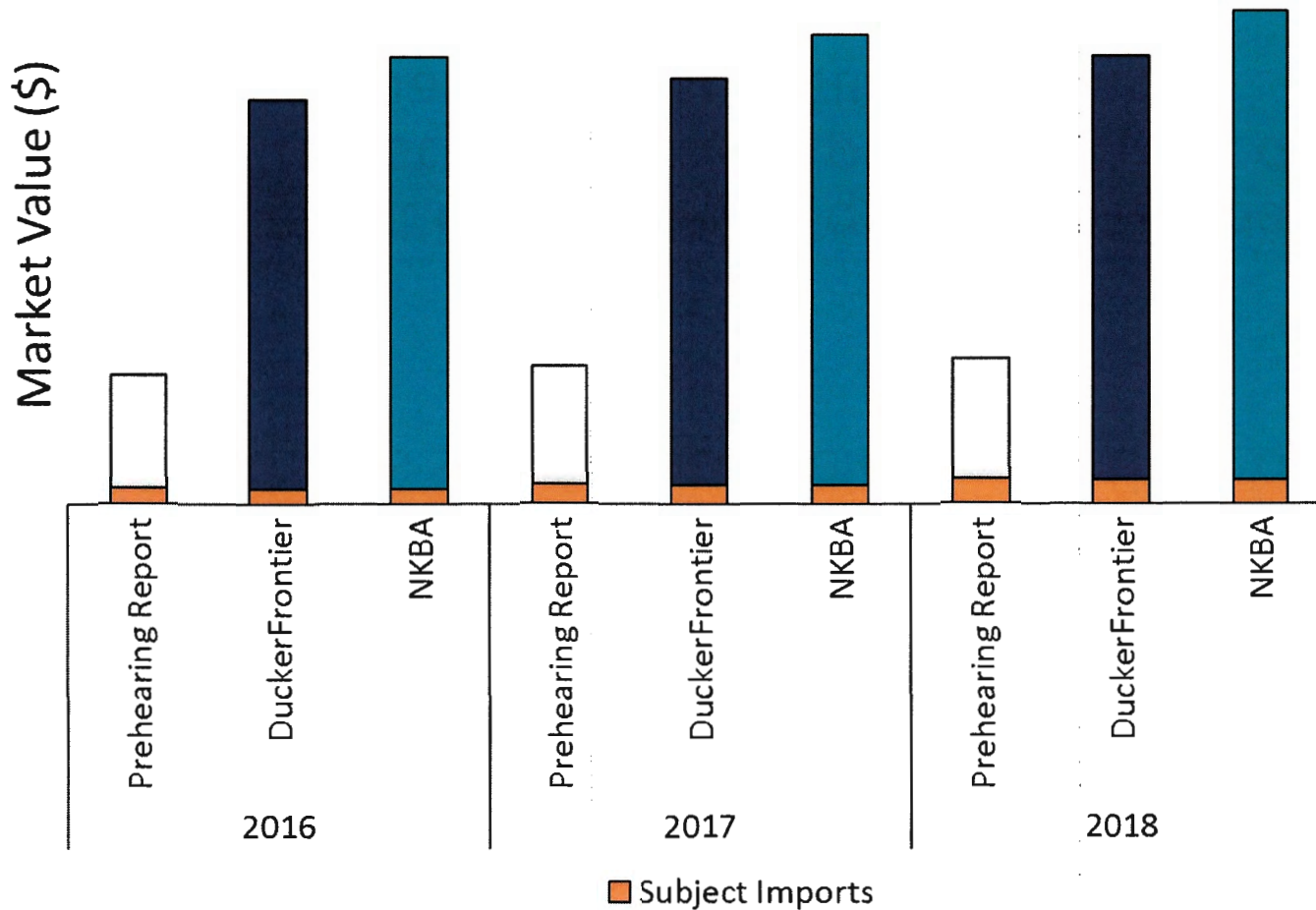
Sources: Prehearing Report at IV-17 (Table IV-6).

Volume –

The Commission's Market Size Estimate Is Understated Even Relative to the Petition

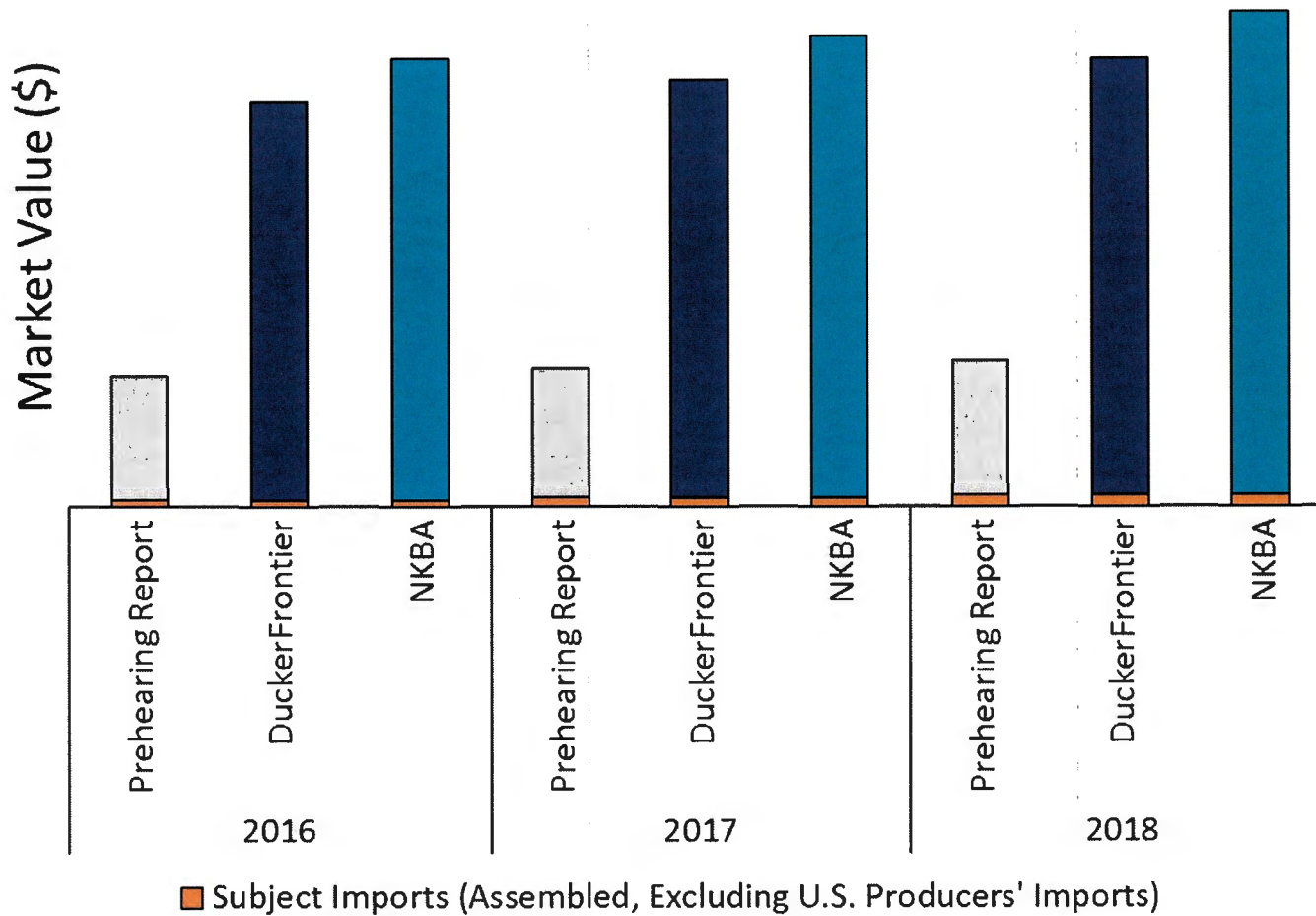
- Petitioners have adopted *ex post* endorsement of market size that is significantly below even their own estimate
- Prehearing Report indicates that questionnaire data accounts for “most of” domestic production but does not attempt to quantify what is missing
- This has implications for analyzing the significance of subject import volume and market share

Volume – Market Share of Subject Imports was Small



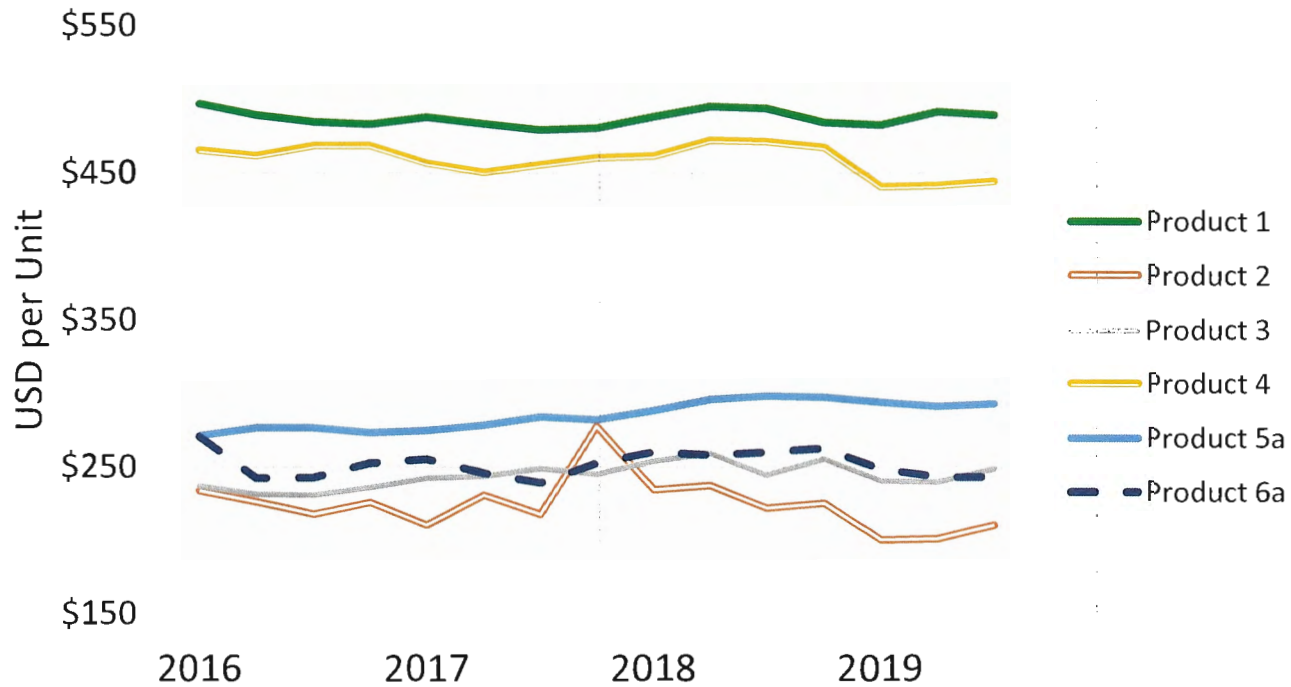
Sources: Prehearing Report at IV-17 (Table IV-6) and ACCI Prehearing Brief at Ex. 43.

Volume – Market Share of Subject Imports Sold Assembled was Not Significant by Any Measure



Sources: Prehearing Report at IV-17 (Table IV-6) and ACCI Prehearing Brief at Ex. 43.

No Price Depression – U.S. Producers’ Prices for Assembled Cabinets Were Steady over the POI



% Change from:	Product 1	Product 2	Product 3	Product 4	Product 5a	Product 6a
2016 Q1 - 2019 Q3	-1.5%	-10.0%	4.9%	-4.5%	8.0%	-10.2%
2016 Q1 - 2018 Q4	-2.5%	-3.7%	7.7%	0.5%	9.7%	-2.9%

Sources: Prehearing Report at V-9 to V-13 (Tables V-3 to V-7) and at V-15 (Table V-9).

No Price Depression – U.S. Producers’ Prices for RTA Cabinets Increased over the POI

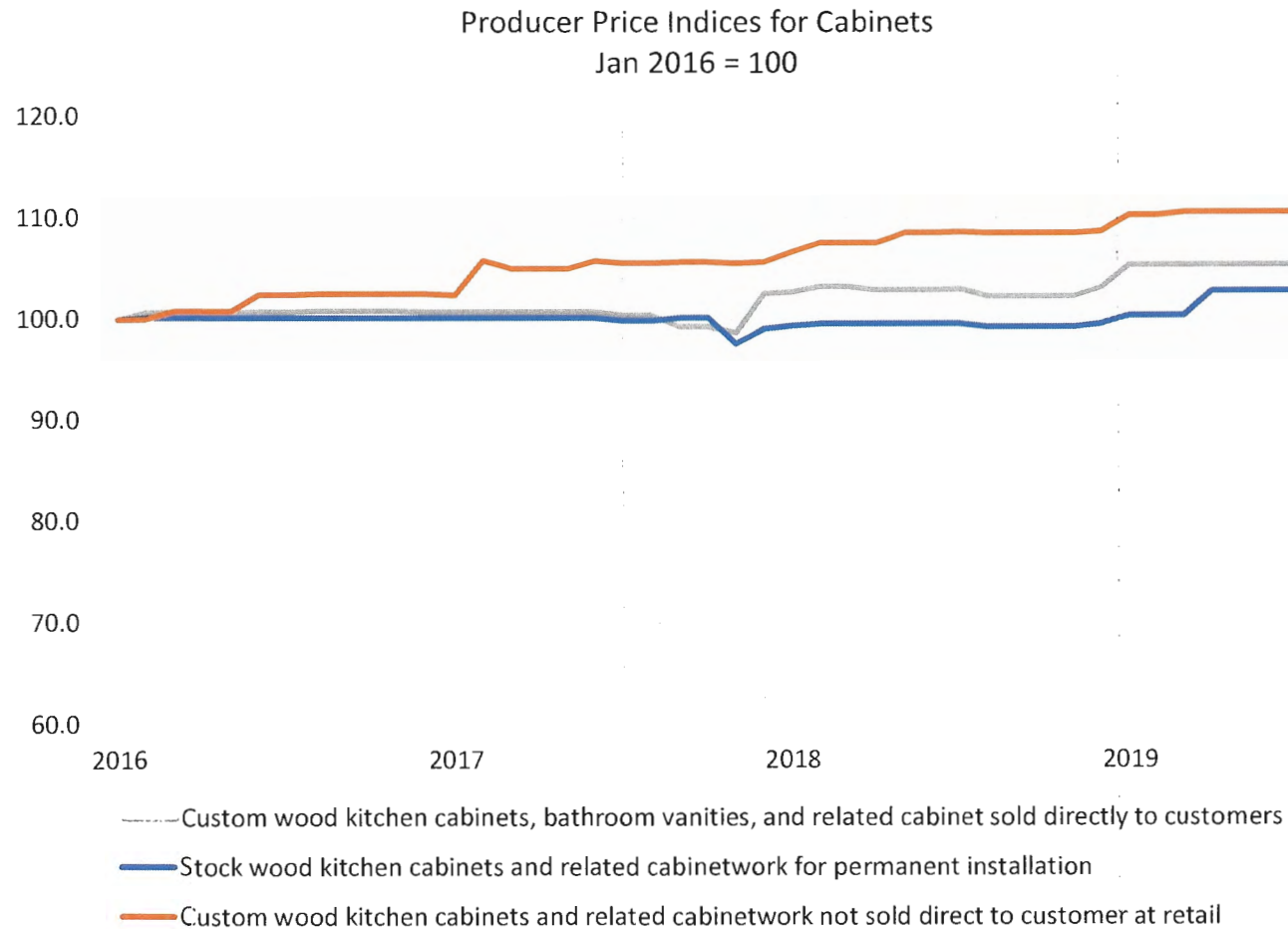


% Change from:		Product 5b	Product 6b	
2016 Q1 - 2019 Q3	[]
2016 Q1 - 2018 Q4	[]

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Sources: Prehearing Report at V-14 (Table V-8) and V-16 (Table V-10).

No Price Depression – Public Data Corroborates Increase in U.S. Prices



Source: Bureau of Labor Statistics.

Purchaser Responses Provide No Evidence of Price Depression

- Prelim LSLRs – none of the 13 purchasers reported that U.S. producers lowered prices to compete with subject imports
- Final QRs – Only 9 of 27 purchasers reported U.S. producers lowered price to compete with subject imports
- []
- And []

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No Price Suppression – Subject Imports Did Not Prevent Price Increases that Otherwise would Have Occurred

U.S. Producers' Average Sales Values and Unit COGS (Full Units) (\$/unit)

	2016	2017	2018	Jan – Sept 2018	Jan – Sept 2019
Average Net Sales Value	[]	[]	[]	[]	[]
Total COGS	[]	[]	[]	[]	[]
Gross Profit	[]	[]	[]	[]	[]

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

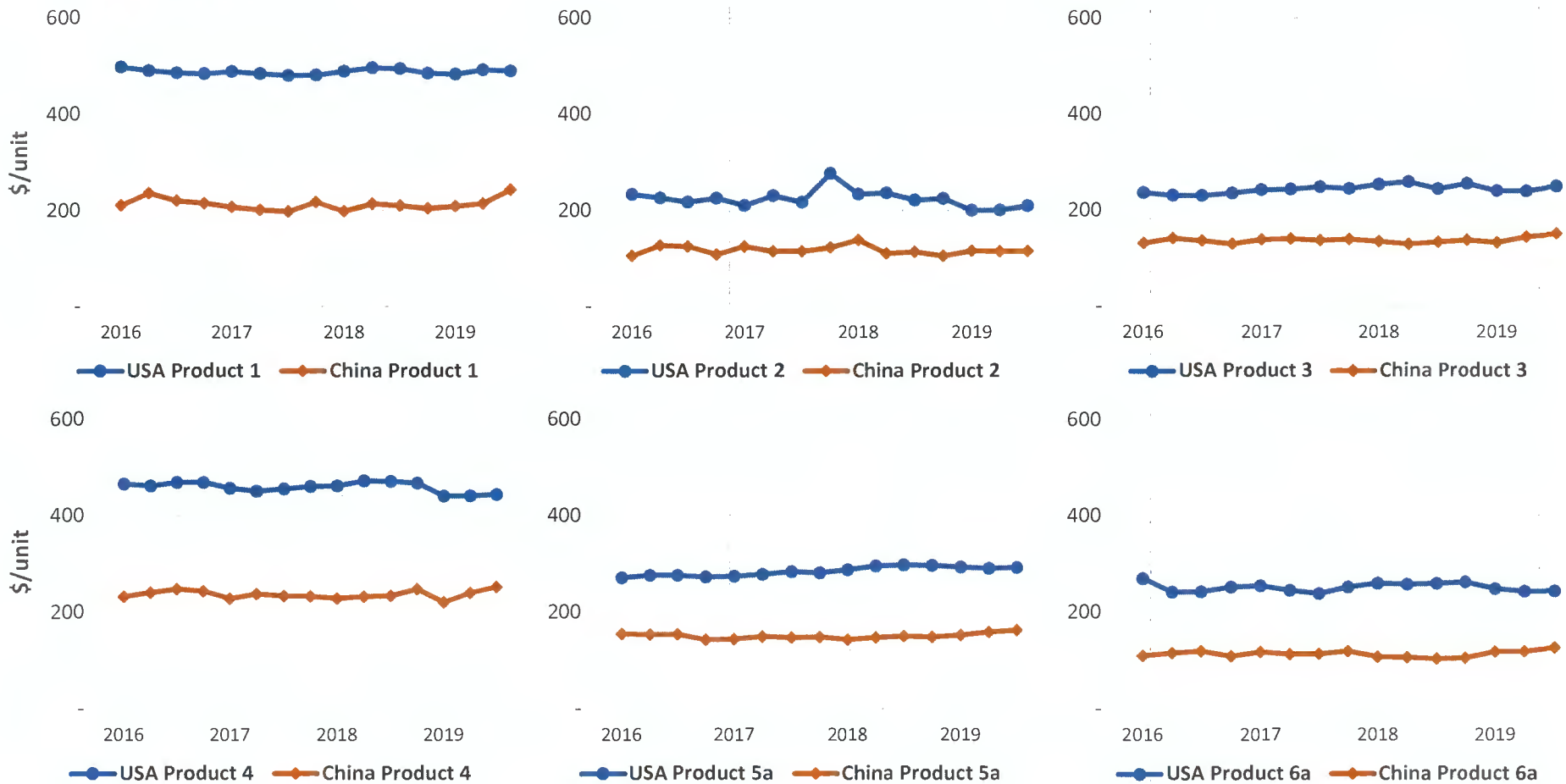
No Price Suppression – Subject Imports Did Not Cause Any Observed Cost-Price Squeeze

- RTA flat-pack is a small share of U.S. Producers' shipments
- Subject Import RTA AUVs above or roughly equal to U.S. RTA AUVs
- U.S. Producer RTA Shipment AUVs increased over POI
- U.S. Producer RTA Pricing Data AUVs increased and showed instances of overselling by imports

Underselling Was Not Significant

- Pricing data not reliable because the definitions:
 - Do not capture market segment (Stock, Semi-Custom, or Custom)
 - Do not capture sales channel (end user, designer, dealer, etc.)

Underselling Was Not Significant – Pricing Data Demonstrate no Interaction or Causal Relationship between U.S. Cabinets and subject imports



Sources: Prehearing Report at V-9 to V-13 (Tables V-3 to V-7) and at V-15 (Table V-9).

Lost Sales Were Not Significant

- Lost sales reported in purchaser questionnaires are distorted []
- Lost sales by [] were just []% of total imports and purchases by []
- Those lost sales were only []% of purchases and imports of subject imports by []

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Domestic Industry Consolidation Is an Important Condition of Competition

- Acquisitions by ACProducts, Inc.
 - Smart Cabinetry (January 2017)
 - Cabinets 2000 (April 2018)
 - Master WoodCraft Cabinetry (June 2018)
 - Elkay Wood Products Co. (January 2019)
 - Masco (February 2020, \$1 billion)
- Acquisitions by American Woodmark
 - RSI Home Products, Inc. (December 2017, \$1.075 billion)

No Adverse Impact – Declines in Domestic Industry Profitability Were Not Caused by Subject Imports

- Vast majority of observed decline in domestic industry profitability explained by non-recurring items
- Many of these non-recurring items are related to costs associated with industry consolidation and restructuring

No Adverse Impact – U.S. Producers Were Performing Well Even Before Imposition of Duties

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

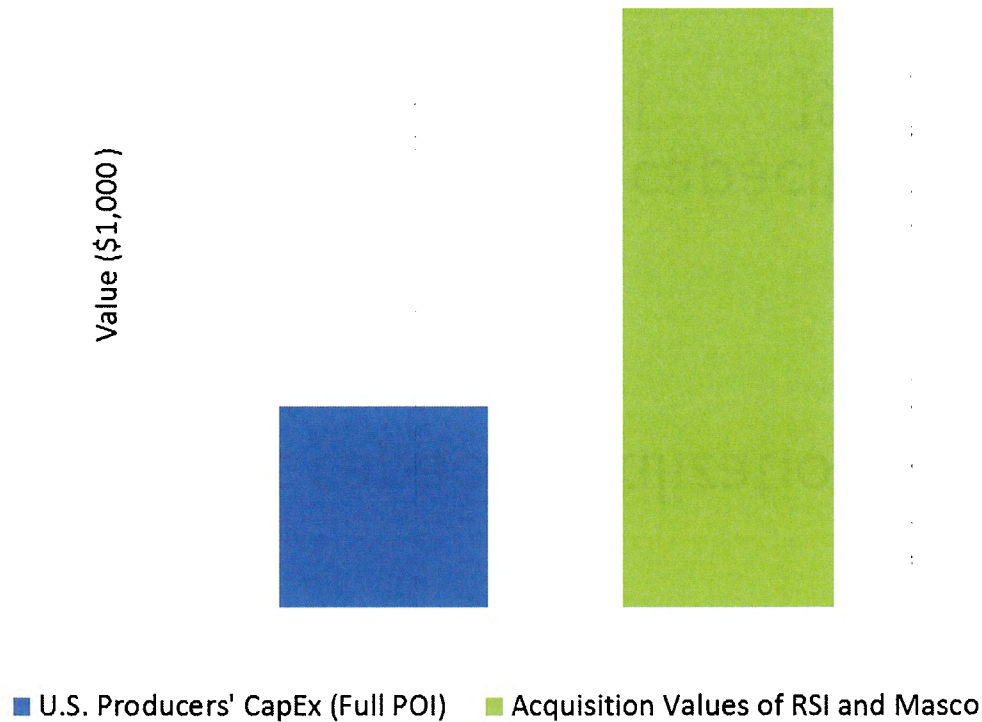
No Adverse Impact – Domestic Industry Generated Ample Free Cash Flow for Investment

		2016	2017	2018	PY 2018	PY 2019	
Capital Expenditures	[]
Depreciation Expense	[]
Free Cash Flow Calculation							
Cash Flow	[]
Plus Depreciation	[]
Less CapEx = Free Cash Flow	[]

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Source: Prehearing Report at VI-4 (Table VI-1), VI-29 (Table VI-8).

No Adverse Impact – The Domestic Industry Did Not Lack Investment Capital but Used It for Acquisitions



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Source: Prehearing Report at VI-29 (Table VI-8) and ACCI Prehearing Brief at 16.

No Adverse Impact – Capacity Utilization Understated

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

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Sources: Prehearing Report at III-16 (Table III-5) and ACCI Prehearing Brief at Ex. 50.

No Adverse Impact – Employment Indicators are All Positive

	2016	2017	2018	Jan-Sept 2018	Jan-Sept 2019
PRWs	[]	[]	[]	[]	[]
Total hours worked (1,000 hours)	[]	[]	[]	[]	[]
Hours worked per PRW (hours)	[]	[]	[]	[]	[]
Wages paid (\$1,000)	[]	[]	[]	[]	[]
Hourly wages	[]	[]	[]	[]	[]
Productivity	[]	[]	[]	[]	[]

