

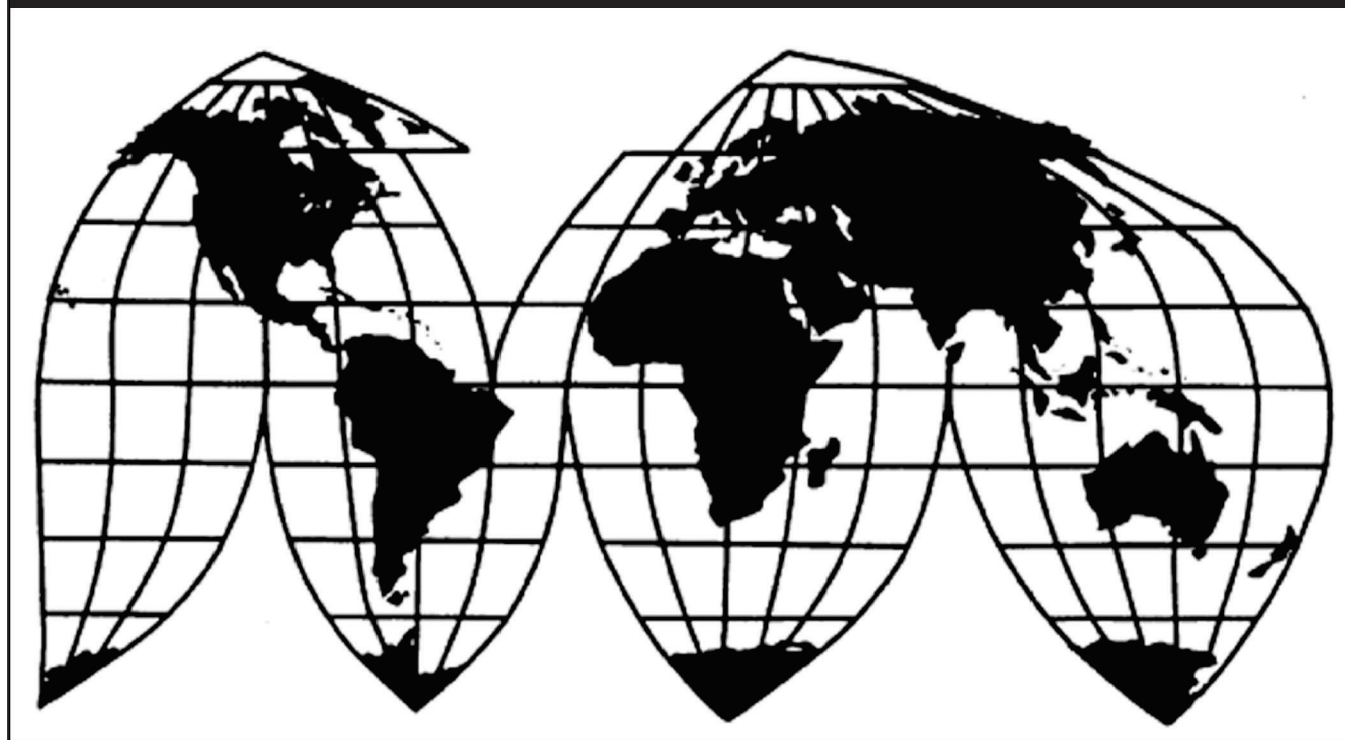
Vertical Metal File Cabinets from China

Investigation Nos. 701-TA-623 and 731-TA-1449 (Preliminary)

Publication 4914

June 2019

U.S. International Trade Commission



Washington, DC 20436

U.S. International Trade Commission

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UNITED STATES INTERNATIONAL TRADE COMMISSION
Investigation Nos. 701-TA-623 and 731-TA-1449 (Preliminary)

Vertical metal file cabinets (“VMFCs”) from China

DETERMINATIONS

On the basis of the record¹ developed in the subject investigations, the United States International Trade Commission (“Commission”) determines, pursuant to the Tariff Act of 1930 (“the Act”), that there is a reasonable indication that an industry in the United States is materially injured by reason of imports of vertical metal file cabinets (“VMFCs”) from China, provided for in subheading(s) 9403.10.00 of the Harmonized Tariff Schedule of the United States, that are alleged to be sold in the United States at less than fair value (“LTFV”) and to be subsidized by the governments of China.²

COMMENCEMENT OF FINAL PHASE INVESTIGATIONS

Pursuant to section 207.18 of the Commission’s rules, the Commission also gives notice of the commencement of the final phase of its investigations. The Commission will issue a final phase notice of scheduling, which will be published in the *Federal Register* as provided in section 207.21 of the Commission’s rules, upon notice from the U.S. Department of Commerce (“Commerce”) of affirmative preliminary determinations in the investigations under sections 703(b) or 733(b) of the Act, or, if the preliminary determinations are negative, upon notice of affirmative final determinations in those investigations under sections 705(a) or 735(a) of the Act. Parties that filed entries of appearance in the preliminary phase of the investigations need not enter a separate appearance for the final phase of the investigations. Industrial users, and, if the merchandise under investigation is sold at the retail level, representative consumer organizations have the right to appear as parties in Commission antidumping and countervailing duty investigations. The Secretary will prepare a public service list containing the names and addresses of all persons, or their representatives, who are parties to the investigations.

BACKGROUND

On April 30, 2019, Hirsh Industries LLC (“Hirsh”), Des Moines, IA, filed a petition with the Commission and Commerce, alleging that an industry in the United States is materially injured or threatened with material injury by reason of subsidized imports of VMFCs from China and LTFV imports of VMFCs from China. Accordingly, effective April 30, 2019, the Commission, pursuant to sections 703(a) and 733(a) of the Act (19 U.S.C. 1671b(a) and 1673b(a)), instituted countervailing duty investigation No. 701-TA-623 and antidumping duty investigation No. 731-TA-1449 (Preliminary).

¹ The record is defined in sec. 207.2(f) of the Commission’s Rules of Practice and Procedure (19 CFR 207.2(f)).

² 84 FR 24089 (May 24, 2019).

Notice of the institution of the Commission's investigations and of a public conference to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the *Federal Register* of May 7, 2019 (84 FR 19958). The conference was held in Washington, DC, on May 21, 2019, and all persons who requested the opportunity were permitted to appear in person or by counsel.

Views of the Commission

Based on the record in the preliminary phase of these investigations, we determine that there is a reasonable indication that an industry in the United States is materially injured by reason of imports of vertical metal file cabinets from China that are allegedly sold in the United States at less than fair value (“LTFV”) and that are allegedly subsidized by the government of China.

I. The Legal Standard for Preliminary Determinations

The legal standard for preliminary antidumping and countervailing duty determinations requires the Commission to determine, based upon the information available at the time of the preliminary determinations, whether there is a reasonable indication that a domestic industry is materially injured or threatened with material injury, or that the establishment of an industry is materially retarded, by reason of the allegedly unfairly traded imports.¹ In applying this standard, the Commission weighs the evidence before it and determines whether “(1) the record as a whole contains clear and convincing evidence that there is no material injury or threat of such injury; and (2) no likelihood exists that contrary evidence will arise in a final investigation.”²

II. Background

Hirsh Industries, LLC (“Hirsh” or “petitioner”), a domestic producer of vertical metal file cabinets (“VMFCs”), filed the petitions in these investigations on April 30, 2019. Hirsh appeared at the staff conference and submitted a postconference brief. No respondents appeared at the conference or submitted postconference briefs.

U.S. industry data are based on the questionnaire responses of five firms accounting for the vast majority of U.S. production of VMFCs in 2018.³ U.S. import data are based on questionnaire responses from six U.S. importers supplemented by ***.⁴ The Commission did not receive responses to its questionnaires from any Chinese producers.

¹ 19 U.S.C. §§ 1671b(a), 1673b(a) (2000); *see also American Lamb Co. v. United States*, 785 F.2d 994, 1001-04 (Fed. Cir. 1986); *Aristech Chem. Corp. v. United States*, 20 CIT 353, 354-55 (1996). No party argues that the establishment of an industry in the United States is materially retarded by the allegedly unfairly traded imports.

² *American Lamb Co.*, 785 F.2d at 1001; *see also Texas Crushed Stone Co. v. United States*, 35 F.3d 1535, 1543 (Fed. Cir. 1994).

³ Confidential Report INV-RR-052 (June 7, 2019) (“CR”) at I-4, Public Report, *Vertical Metal File Cabinets from China*, Inv. Nos. 701-TA-623 and 731-TA-1449 (Preliminary), USITC Pub. 4914 at I-3 (June 2019) (“PR”).

⁴ CR at IV-1 & n.2. We explain further in section IV.B.1. below the method Commission staff used to calculate import data.

III. Domestic Like Product

In determining whether there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury by reason of imports of the subject merchandise, the Commission first defines the “domestic like product” and the “industry.”⁵ Section 771(4)(A) of the Tariff Act of 1930, as amended (“the Tariff Act”), defines the relevant domestic industry as the “producers as a whole of a domestic like product, or those producers whose collective output of a domestic like product constitutes a major proportion of the total domestic production of the product.”⁶ In turn, the Tariff Act defines “domestic like product” as “a product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation.”⁷

The decision regarding the appropriate domestic like product(s) in an investigation is a factual determination, and the Commission has applied the statutory standard of “like” or “most similar in characteristics and uses” on a case-by-case basis.⁸ No single factor is dispositive, and the Commission may consider other factors it deems relevant based on the facts of a particular investigation.⁹ The Commission looks for clear dividing lines among possible like products and disregards minor variations.¹⁰ Although the Commission must accept Commerce’s determination as to the scope of the imported merchandise that is subsidized

⁵ 19 U.S.C. § 1677(4)(A).

⁶ 19 U.S.C. § 1677(4)(A).

⁷ 19 U.S.C. § 1677(10).

⁸ See, e.g., *Cleo Inc. v. United States*, 501 F.3d 1291, 1299 (Fed. Cir. 2007); *NEC Corp. v. Department of Commerce*, 36 F. Supp. 2d 380, 383 (Ct. Int’l Trade 1998); *Nippon Steel Corp. v. United States*, 19 CIT 450, 455 (1995); *Torrington Co. v. United States*, 747 F. Supp. 744, 749 n.3 (Ct. Int’l Trade 1990), *aff’d*, 938 F.2d 1278 (Fed. Cir. 1991) (“every like product determination ‘must be made on the particular record at issue’ and the ‘unique facts of each case’”). The Commission generally considers a number of factors including the following: (1) physical characteristics and uses; (2) interchangeability; (3) channels of distribution; (4) customer and producer perceptions of the products; (5) common manufacturing facilities, production processes, and production employees; and, where appropriate, (6) price. See *Nippon*, 19 CIT at 455 n.4; *Timken Co. v. United States*, 913 F. Supp. 580, 584 (Ct. Int’l Trade 1996).

⁹ See, e.g., S. Rep. No. 96-249 at 90-91 (1979).

¹⁰ See, e.g., *Nippon*, 19 CIT at 455; *Torrington*, 747 F. Supp. at 748-49; see also S. Rep. No. 96-249 at 90-91 (Congress has indicated that the like product standard should not be interpreted in “such a narrow fashion as to permit minor differences in physical characteristics or uses to lead to the conclusion that the product and article are not ‘like’ each other, nor should the definition of ‘like product’ be interpreted in such a fashion as to prevent consideration of an industry adversely affected by the imports under consideration.”).

and/or sold at less than fair value,¹¹ the Commission determines what domestic product is like the imported articles Commerce has identified.¹²

In its notices of initiation, Commerce defined the imported merchandise within the scope of these investigations as follows:

The scope of this investigation covers freestanding vertical metal file cabinets containing two or more extendable file storage elements and having an actual width of 25 inches or less. The subject vertical metal file cabinets have bodies made of carbon and/or alloy steel and or other metals, regardless of whether painted, powder coated, or galvanized or otherwise coated for corrosion protection or aesthetic appearance. The subject vertical metal file cabinets must have two or more extendable elements for file storage (*e.g.*, file drawers) of a height that permits hanging files of either letter (8.5" x 11") or legal (8.5" x 14") sized documents.

An "extendable element" is defined as a movable load-bearing storage component including, but not limited to, drawers and filing frames. Extendable elements typically have suspension systems, consisting of glide blocks or ball bearing glides, to facilitate opening and closing.

The subject vertical metal file cabinets typically come in models with two, three, four, or five-file drawers. The inclusion of one or more additional non-file-sized extendable storage elements, not sized for storage files (*e.g.*, box or pencil drawers), does not remove an otherwise in-scope product from the scope as long as the combined height of the non-file-sized extendable storage elements does not exceed six inches. The inclusion of an integrated storage area that is not extendable (*e.g.*, a cubby) and has an actual height of six inches or less, also does not remove a subject vertical metal file cabinet from the scope. Accessories packaged with a subject vertical file cabinet, such as separate printer stands or shelf kits that sit on top of the in-scope vertical file cabinet are not considered integrated storage.

"Freestanding" means the unit has a solid top and does not have an open top or a top with holes punched in it that would permit the unit to be

¹¹ See, *e.g.*, *USEC, Inc. v. United States*, 34 Fed. App'x 725, 730 (Fed. Cir. 2002) ("The ITC may not modify the class or kind of imported merchandise examined by Commerce."); *Algoma Steel Corp. v. United States*, 688 F. Supp. 639, 644 (Ct. Int'l Trade 1988), *aff'd*, 865 F.3d 240 (Fed. Cir.), *cert. denied*, 492 U.S. 919 (1989).

¹² *Hosiden Corp. v. Advanced Display Mfrs.*, 85 F.3d 1561, 1568 (Fed. Cir. 1996) (the Commission may find a single like product corresponding to several different classes or kinds defined by Commerce); *Cleo*, 501 F.3d at 1298 n.1 ("Commerce's {scope} finding does not control the Commission's {like product} determination."); *Torrington*, 747 F. Supp. at 748-52 (affirming the Commission's determination defining six like products in investigations where Commerce found five classes or kinds).

attached to, hung from, or otherwise used to support a desktop or other work surface. The ability to anchor a vertical file cabinet to a wall for stability or to prevent it from tipping over does not exclude the unit from the scope.

The addition of mobility elements such as casters, wheels, or a dolly does not remove the product from the scope. Packaging a subject vertical metal file cabinet with other accessories, including, but not limited to, locks, leveling glides, caster kits, drawer accessories (*e.g.*, including but not limited to follower wires, follower blocks, file compressors, hanger rails, pencil trays, and hanging file folders), printer stand, shelf kit and magnetic hooks, also does not remove the product from the scope. Vertical metal file cabinets are also in scope whether they are imported assembled or unassembled with all essential parts and components included.

Excluded from the scope are lateral metal file cabinets. Lateral metal file cabinets have a width that is greater than the body depth, and have a body with an actual width that is more than 25 inches wide.

Also excluded from the scope are pedestal file cabinets. Pedestal file cabinets are metal file cabinets with body depths that are greater than or equal to their width, are under 31 inches in actual height, and have the following characteristics: (1) An open top or other the means for the cabinet to be attached to or hung from a desktop or other work surface such as holes punched in the top (*i.e.*, not freestanding); or (2) freestanding file cabinets that have all of the following: (a) At least a 90 percent drawer extension for all extendable file storage elements; (b) a central locking system; (c) a minimum weight density of 9.5 lbs./cubic foot; and (d) casters or leveling glides.

“Percentage drawer extension” is defined as the drawer travel distance divided by the inside depth dimension of the drawer. Inside depth of drawer is measured from the inside of the drawer face to the inside face of the drawer back. Drawer extension is the distance the drawer travels from the closed position to the maximum travel position which is limited by the out stops. In situations where drawers do not include an outstop, the drawer is extended until the drawer back is 3 ½ inches from the closed position of inside face of the drawer front. The “weight density” is calculated by dividing the cabinet’s actual weight by its volume in cubic feet (the multiple of the product’s actual width, depth, and height). A “central locking system” locks all drawers in a unit.

Also excluded from the scope are fire proof or fire-resistant file cabinets that meet Underwriters Laboratories (UL) fire protection standard 72, class 350,

which covers the test procedures applicable to fire-resistant equipment intended to protect paper records.¹³

VMFCs are free-standing metal storage units designed for the filing, organization, and ready retrieval of paper documents.¹⁴ The tall but narrow profile of VMFCs allow for efficient storage of hanging folders containing either U.S. letter-size (8.5 by 11 inches) or U.S. legal-size (8.5 by 14 inches) paper documents while occupying only a relatively small amount of floor space.¹⁵ Lateral metal file cabinets and pedestal file cabinets are excluded from the scope of investigation.¹⁶

A. Arguments of the Parties

Hirsh argues that the Commission’s traditional six-factor like product analysis supports a finding that the domestic like product should be defined to be all VMFCs, coextensive with the scope of the investigation. It contends that out-of-scope lateral metal file cabinets and pedestal metal file cabinets differ in important aspects from VMFCs and that the Commission should not include them in the domestic like product.¹⁷

B. Analysis and Recommendation

Based on the current record, which largely consists of uncontested information that Hirsh supplied, we define a single domestic like product consisting of all VMFCs, coextensive with the scope of the investigations.

Physical Characteristics and Uses. All VMFCs are freestanding metal file cabinets used to store documents. The cabinets have a height greater than or equal to their width and two or more extendable elements; the extendable elements must be of a height that permits hanging files of either letter (8.5 x 11 inches) or legal (8.5 x 14 inches) sized documents.¹⁸

Lateral metal file cabinets, which have been excluded from the scope, have different physical characteristics and a different spatial footprint and may have additional uses. Lateral

¹³ Vertical Metal File Cabinets From the People’s Republic of China: Initiation of Countervailing Duty Investigation, 84 Fed. Reg. 24089, 24092-93 (May 24, 2019). Vertical Metal File Cabinets From the People’s Republic of China: Initiation of Less-Than-Fair-Value Investigation, 84 Fed. Reg. 24093, 24097-98 (May 24, 2019). Commerce also noted that the “merchandise subject to the investigation is classified under Harmonized Tariff Schedule of the United States (HTSUS) subheading 9403.10.0020,” that the “subject merchandise may also enter under HTSUS subheadings 9403.10.0040, 9403.20.0080, and 9403.20.0090” and that “[w]hile HTSUS subheadings are provided for convenience and customs purposes, the written description of the scope of the investigation is dispositive.” 84 Fed. Reg. at 24093, 24097-98.

¹⁴ CR at I-3, PR at I-3.

¹⁵ CR at I-13, PR at I-11.

¹⁶ CR at I-10, PR at I-8-9.

¹⁷ Hirsh Postconference Brief at 5-10 and Exhibit 1 at 1-4.

¹⁸ Hirsh Postconference Brief at 5-6.

metal file cabinets are much wider than VMFCs; U.S.-produced lateral metal file cabinets have widths ranging from 30 to 42 inches wide whereas U.S.-produced VMFCs are between 15 inches (corresponding to letter-sized paper) and 18.25 inches wide (corresponding to legal-sized paper).¹⁹ VMFCs have both a depth and a height that is greater than or equal to their width. VMFCs range in depth from 18 to 28 inches deep, while lateral metal file cabinets are uniformly only 18 to 19 inches deep.²⁰ VMFCs have a more narrow profile than lateral metal file cabinets, and they typically have a longer drawer pull than lateral metal file cabinets.²¹ According to Hirsh, lateral metal file cabinets are built more sturdily than VMFCs to hold more weight and hold items besides documents.²² In contrast, the dimensions of VMFCs are specifically set up to store documents.²³

Pedestal metal file cabinets, which also are excluded from the scope, are multi-purpose office furniture generally used in conjunction with a desk containing typically only one file-sized drawer appropriate to hold documents and other non-file-sized drawers that can be used for office supplies. They may not have a file drawer at all. They can have an open top or other designs that allow the cabinet to be attached to a desk or work surface and may even come with padded seat tops.²⁴ Thus, these file cabinets differ physically from VMFCs and may be used for additional purposes other than storing documents.

Manufacturing Facilities, Production Processes, and Employees. *** are believed to be responsible for the vast majority of domestic production of VMFCs and collectively accounted for *** percent of reported U.S. production of VMFCs in 2018.²⁵ They both produce VMFCs on equipment dedicated to the production of VMFCs using employees that are also dedicated to that production.²⁶ Hirsh produces VMFCs, lateral metal file cabinets, and pedestal metal file cabinets, but it produces them on different equipment, using different manufacturing processes.²⁷ Hirsh produces VMFCs using a manufacturing process that is largely automated. In contrast, its production of lateral file cabinets and pedestal metal file cabinets is more labor intensive than its production of VMFCs.²⁸

¹⁹ Hirsh Postconference Brief, Exhibit 1 at 1.

²⁰ Hirsh Postconference Brief at 5, Exhibit 1 at 1.

²¹ Hirsh Postconference Brief at 7.

²² CR/PR at I-16. Hirsh Postconference Brief, Exhibit 1 at 1.

²³ Hirsh Postconference Brief, Exhibit 1 at 1-2.

²⁴ CR at I-16. Hirsh Postconference Brief at 6, n.3. Transcript of Commission Conference held May 21, 2019 (“Tr.”) at 20-21 (Wetterberg).

²⁵ CR/PR at Table III-1.

²⁶ Hirsh Postconference Brief at 8-9. By contrast, *** smaller U.S. producers produce other equipment, including lateral files and pedestal files, on the same equipment as VMFCs. CR at III-6, PR at III-3.

²⁷ Tr. at 21 (Wetterberg).

²⁸ Tr. at 20-22 (Wetterberg).

Channels of Distribution. All VMFCs are sold primarily through big box office equipment and office supply stores, office furniture dealers, club stores, other retail outlets and online retailers.²⁹ Lateral metal file cabinets are sold through similar channels of distribution.³⁰

Interchangeability. All VMFCs are interchangeable as they vary only to a limited degree in depth, number of drawers, or their ability to accommodate either letter or legal-sized documents.³¹ Hirsh argues that lateral file cabinets are not readily interchangeable with VMFCs due to the differences in their physical characteristics and spatial footprints.³² Hirsh states that lateral metal file cabinets are interchangeable with VMFCs insofar as they are both typically used to store documents; however, lateral metal file cabinets can store other items as well, and they may not be able to be used in the same space as VMFCs.³³

Pedestal metal filing cabinets have limited interchangeability with VMFCs as they are multi-purpose office furniture which come in a variety of configurations (some supporting a desk, some attached to or hanging from a desk), with limited storage appropriate for documents. They commonly contain box and pencil drawers for office supplies.³⁴

Producer and Customer Perceptions. Domestic producers *** advertise VMFCs, lateral metal filing cabinets, and pedestal metal filing cabinets as separate products.³⁵ The Business and Institutional Furniture Manufacturers Association (“BIFMA”) publishes American National Standard Institute (“ANSI”) definitions for storage units; these definitions distinguish between vertical file cabinets, lateral file cabinets, and pedestal units, but the BIFMA/ANSI definitions for both vertical and lateral file cabinets state that the cabinets are designed to store U.S. letter or

²⁹ Hirsh Postconference Brief at 7. *See also* CR/PR at Table II-1.

³⁰ Hirsh Postconference Brief, Exhibit 1 at 3. The record does not indicate the channels of distribution for pedestal metal file cabinets.

³¹ Hirsh Postconference Brief at 6.

³² Hirsh Postconference Brief, Exhibit 1 at 2-3.

³³ Hirsh Postconference Brief, Exhibit 1 at 1-3.

³⁴ Hirsh Postconference Brief at 6, n.3

³⁵ Hirsh Postconference Brief at 7-8.

U.S. legal size documents.³⁶ All five responding domestic producers and three of four responding importers reported that there were no substitutes for VMFCs.³⁷

Price. VMFCs are sold within a range of prices depending upon depth, width, and number of drawers of the file cabinets.³⁸ According to Hirsh, VMFCs are priced considerably lower than either lateral metal file cabinets or pedestal metal file cabinets.³⁹ Hirsh provides data on prices for VMFCs, lateral metal file cabinets, and pedestal metal file cabinets produced by Hirsh or HON in which the domestic producer's prices for the VMFCs are considerably lower than the reportedly comparable lateral or pedestal file cabinets.⁴⁰

Conclusion. Given their similarities in physical characteristics and uses, manufacturing processes and employees, channels of distribution, interchangeability, and producer and customer perceptions, we include all VMFCs in the domestic like product. Based on the current record and the lack of any contrary argument, for purposes of these preliminary determinations, we do not include any out-of-scope file cabinets in the domestic like product.⁴¹ For purposes of these preliminary determinations, we define the domestic like product as VMFCs, coextensive with the scope of the investigations.

³⁶ Petition, Volume I at 5, Exhibit GEN-5. The pertinent BIFMA/ANSI definitions are as follows:

Definition 2.52, vertical file: A cabinet whose depth is greater than or equal to its width containing exclusively extendible elements. Vertical files are designed for the storage and retrieval of "US letter" or "US legal" size documents. These products are generally freestanding cabinets containing two to five extendible elements.

Definition 2.21, lateral file: A cabinet whose width is greater than its depth containing extendible elements. Lateral files are designed for the storage and retrieval of "US letter" or "US legal" size documents and may have adjustment features for other size documents. These products are generally freestanding cabinets containing two to five extendible elements.

Definition 2.31, pedestal: A self-contained unit less than or equal to 787 mm (31 in.) in height with a depth equal to or greater than its width, and having extendible elements or doors. The extendible elements are typically used for multi-functional general storage or filing. It may be freestanding, mounted under a horizontal surface, or mobile. Pedestal tops may be configured to accommodate seating or storage.

³⁷ CR/PR at II-7.

³⁸ See generally CR/PR at Tables V-3 to V-6.

³⁹ Hirsh Postconference Brief at 9-10.

⁴⁰ See Hirsh Postconference Brief at 9-10; Petition Amendment, Volume I at 13 and Exhibit GEN-Supp-4.

⁴¹ We will consider requests made in comments on the draft questionnaires to collect data concerning out-of-scope lateral metal file cabinets or pedestal metal file cabinets in any final phase of these investigations. In their draft questionnaire comments, parties seeking to include out-of-scope articles in the domestic like product should identify such products with specificity and in a way that would enable the Commission to collect appropriate data. Parties are also invited in their draft questionnaire comments to provide any additional information regarding such products that might assist the Commission in determining what data to gather and provide reasons why an alternative like product definition is appropriate.

IV. Domestic Industry

The domestic industry is defined as the domestic “producers as a whole of a domestic like product, or those producers whose collective output of a domestic like product constitutes a major proportion of the total domestic production of the product.”⁴² In defining the domestic industry, the Commission’s general practice has been to include in the industry producers of all domestic production of the like product, whether toll-produced, captively consumed, or sold in the domestic merchant market. The record in the preliminary phase of these investigations indicates that no domestic producer imported subject merchandise over the period of investigation (“POI”)⁴³ or is related to an exporter or importer of subject merchandise.⁴⁴ Therefore, there are no related party issues or other domestic industry issues in the preliminary phase of these investigations. We define the domestic industry as all domestic producers of VMFCs.

V. Negligible Imports

Pursuant to Section 771(24) of the Tariff Act, imports from a subject country of merchandise corresponding to a domestic like product that account for less than 3 percent of all such merchandise imported into the United States during the most recent 12 months for which data are available preceding the filing of the petition shall generally be deemed negligible.⁴⁵

Based on importer questionnaire responses supplemented by ***, subject imports from China accounted for *** percent of total imports of VMFCs by quantity in the 12-month period (April 2018 through March 2019) preceding the filing of the petitions.⁴⁶ Because subject imports from China exceed the applicable statutory negligibility threshold, we find that they are not negligible.

VI. Reasonable Indication of Material Injury by Reason of Subject Imports

A. Legal Standards

In the preliminary phase of antidumping and countervailing duty investigations, the Commission determines whether there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury by reason of the imports under

⁴² 19 U.S.C. § 1677(4)(A).

⁴³ The period of investigation in these investigations is 2016 through 2018.

⁴⁴ CR/PR at III-2.

⁴⁵ 19 U.S.C. §§ 1671b(a), 1673b(a), 1677(24)(A)(i), 1677(24)(B); *see also* 15 C.F.R. § 2013.1 (developing countries for purposes of 19 U.S.C. § 1677(36)). The exceptions to this general rule are not applicable here.

⁴⁶ CR/PR at Table IV-3; CR at IV-5, PR at IV-3.

investigation.⁴⁷ In making this determination, the Commission must consider the volume of subject imports, their effect on prices for the domestic like product, and their impact on domestic producers of the domestic like product, but only in the context of U.S. production operations.⁴⁸ The statute defines “material injury” as “harm which is not inconsequential, immaterial, or unimportant.”⁴⁹ In assessing whether there is a reasonable indication that the domestic industry is materially injured by reason of subject imports, we consider all relevant economic factors that bear on the state of the industry in the United States.⁵⁰ No single factor is dispositive, and all relevant factors are considered “within the context of the business cycle and conditions of competition that are distinctive to the affected industry.”⁵¹

Although the statute requires the Commission to determine whether there is a reasonable indication that the domestic industry is “materially injured or threatened with material injury by reason of” unfairly traded imports,⁵² it does not define the phrase “by reason of,” indicating that this aspect of the injury analysis is left to the Commission’s reasonable exercise of its discretion.⁵³ In identifying a causal link, if any, between subject imports and material injury to the domestic industry, the Commission examines the facts of record that relate to the significance of the volume and price effects of the subject imports and any impact of those imports on the condition of the domestic industry. This evaluation under the “by reason of” standard must ensure that subject imports are more than a minimal or tangential cause of injury and that there is a sufficient causal, not merely a temporal, nexus between subject imports and material injury.⁵⁴

In many investigations, there are other economic factors at work, some or all of which may also be having adverse effects on the domestic industry. Such economic factors might include nonsubject imports; changes in technology, demand, or consumer tastes; competition

⁴⁷ 19 U.S.C. §§ 1671b(a), 1673b(a).

⁴⁸ 19 U.S.C. § 1677(7)(B). The Commission “may consider such other economic factors as are relevant to the determination” but shall “identify each {such} factor ... and explain in full its relevance to the determination.” 19 U.S.C. § 1677(7)(B).

⁴⁹ 19 U.S.C. § 1677(7)(A).

⁵⁰ 19 U.S.C. § 1677(7)(C)(iii).

⁵¹ 19 U.S.C. § 1677(7)(C)(iii).

⁵² 19 U.S.C. §§ 1671b(a), 1673b(a).

⁵³ *Angus Chemical Co. v. United States*, 140 F.3d 1478, 1484-85 (Fed. Cir. 1998) (“{T}he statute does not ‘compel the commissioners’ to employ {a particular methodology}.”), *aff’g*, 944 F. Supp. 943, 951 (Ct. Int’l Trade 1996).

⁵⁴ The Federal Circuit, in addressing the causation standard of the statute, observed that “{a}s long as its effects are not merely incidental, tangential, or trivial, the foreign product sold at less than fair value meets the causation requirement.” *Nippon Steel Corp. v. USITC*, 345 F.3d 1379, 1384 (Fed. Cir. 2003). This was further ratified in *Mittal Steel Point Lisas Ltd. v. United States*, 542 F.3d 867, 873 (Fed. Cir. 2008), where the Federal Circuit, quoting *Gerald Metals, Inc. v. United States*, 132 F.3d 716, 722 (Fed. Cir. 1997), stated that “this court requires evidence in the record ‘to show that the harm occurred ‘by reason of’ the LTFV imports, not by reason of a minimal or tangential contribution to material harm caused by LTFV goods.’” *See also Nippon Steel Corp. v. United States*, 458 F.3d 1345, 1357 (Fed. Cir. 2006); *Taiwan Semiconductor Industry Ass’n v. USITC*, 266 F.3d 1339, 1345 (Fed. Cir. 2001).

among domestic producers; or management decisions by domestic producers. The legislative history explains that the Commission must examine factors other than subject imports to ensure that it is not attributing injury from other factors to the subject imports, thereby inflating an otherwise tangential cause of injury into one that satisfies the statutory material injury threshold.⁵⁵ In performing its examination, however, the Commission need not isolate the injury caused by other factors from injury caused by unfairly traded imports.⁵⁶ Nor does the “by reason of” standard require that unfairly traded imports be the “principal” cause of injury or contemplate that injury from unfairly traded imports be weighed against other factors, such as nonsubject imports, which may be contributing to overall injury to an industry.⁵⁷ It is clear that the existence of injury caused by other factors does not compel a negative determination.⁵⁸

Assessment of whether material injury to the domestic industry is “by reason of” subject imports “does not require the Commission to address the causation issue in any particular way” as long as “the injury to the domestic industry can reasonably be attributed to the subject

⁵⁵ Uruguay Round Agreements Act Statement of Administrative Action (SAA), H.R. Rep. 103-316, vol. I at 851-52 (1994) (“{T}he Commission must examine other factors to ensure that it is not attributing injury from other sources to the subject imports.”); S. Rep. 96-249 at 75 (1979) (the Commission “will consider information which indicates that harm is caused by factors other than less-than-fair-value imports.”); H.R. Rep. 96-317 at 47 (1979) (“in examining the overall injury being experienced by a domestic industry, the ITC will take into account evidence presented to it which demonstrates that the harm attributed by the petitioner to the subsidized or dumped imports is attributable to such other factors;” those factors include “the volume and prices of nonsubsidized imports or imports sold at fair value, contraction in demand or changes in patterns of consumption, trade restrictive practices of and competition between the foreign and domestic producers, developments in technology and the export performance and productivity of the domestic industry”); *accord Mittal Steel*, 542 F.3d at 877.

⁵⁶ SAA at 851-52 (“{T}he Commission need not isolate the injury caused by other factors from injury caused by unfair imports.”); *Taiwan Semiconductor Industry Ass’n*, 266 F.3d at 1345 (“{T}he Commission need not isolate the injury caused by other factors from injury caused by unfair imports Rather, the Commission must examine other factors to ensure that it is not attributing injury from other sources to the subject imports.” (emphasis in original)); *Asociacion de Productores de Salmon y Trucha de Chile AG v. United States*, 180 F. Supp. 2d 1360, 1375 (Ct. Int’l Trade 2002) (“{t}he Commission is not required to isolate the effects of subject imports from other factors contributing to injury” or make “bright-line distinctions” between the effects of subject imports and other causes.); *see also Softwood Lumber from Canada*, Inv. Nos. 701-TA-414 and 731-TA-928 (Remand), USITC Pub. 3658 at 100-01 (Dec. 2003) (Commission recognized that “{i}f an alleged other factor is found not to have or threaten to have injurious effects to the domestic industry, *i.e.*, it is not an ‘other causal factor,’ then there is nothing to further examine regarding attribution to injury”), *citing Gerald Metals*, 132 F.3d at 722 (the statute “does not suggest that an importer of LTFV goods can escape countervailing duties by finding some tangential or minor cause unrelated to the LTFV goods that contributed to the harmful effects on domestic market prices.”).

⁵⁷ S. Rep. 96-249 at 74-75; H.R. Rep. 96-317 at 47.

⁵⁸ *See Nippon Steel Corp.*, 345 F.3d at 1381 (“an affirmative material-injury determination under the statute requires no more than a substantial-factor showing. That is, the ‘dumping’ need not be the sole or principal cause of injury.”).

imports.”⁵⁹ The Commission ensures that it has “evidence in the record” to “show that the harm occurred ‘by reason of’ the LTFV imports,” and that it is “not attributing injury from other sources to the subject imports.”⁶⁰ The Federal Circuit has examined and affirmed various Commission methodologies and has disavowed “rigid adherence to a specific formula.”⁶¹

The question of whether the material injury threshold for subject imports is satisfied notwithstanding any injury from other factors is factual, subject to review under the substantial evidence standard.⁶² Congress has delegated this factual finding to the Commission because of the agency’s institutional expertise in resolving injury issues.⁶³

B. Conditions of Competition and the Business Cycle

The following conditions of competition inform our analysis of whether there is a reasonable indication of material injury by reason of subject imports.

1. Demand Conditions

Demand for VMFCs is related to overall demand for office furniture as reflected in office vacancy rates and the general business cycle.⁶⁴ Based on all of available information on the record, demand for VMFCs appears to be gradually declining. Although there has been some movement in recent years toward electronic records retention, Hirsh states that VMFCs are mature products that continue to serve an important storage function, and it considers overall demand for VMFCs to be resilient even though demand contracted to some extent during the

⁵⁹ *Mittal Steel*, 542 F.3d at 876, 878; *see also id.* at 873 (“While the Commission may not enter an affirmative determination unless it finds that a domestic industry is materially injured ‘by reason of’ subject imports, the Commission is not required to follow a single methodology for making that determination ... {and has} broad discretion with respect to its choice of methodology.”) *citing United States Steel Group v. United States*, 96 F.3d 1352, 1362 (Fed. Cir. 1996) and S. Rep. 96-249 at 75. In its decision in *Swiff-Train v. United States*, 793 F.3d 1355 (Fed. Cir. 2015), the Federal Circuit affirmed the Commission’s causation analysis as comports with the Court’s guidance in *Mittal*.

⁶⁰ *Mittal Steel*, 542 F.3d at 873 (quoting from *Gerald Metals*, 132 F.3d at 722), 877-79. We note that one relevant “other factor” may involve the presence of significant volumes of price-competitive nonsubject imports in the U.S. market, particularly when a commodity product is at issue. In appropriate cases, the Commission collects information regarding nonsubject imports and producers in nonsubject countries in order to conduct its analysis.

⁶¹ *Nucor Corp. v. United States*, 414 F.3d 1331, 1336, 1341 (Fed. Cir. 2005); *see also Mittal Steel*, 542 F.3d at 879 (“*Bratsk* did not read into the antidumping statute a Procrustean formula for determining whether a domestic injury was ‘by reason’ of subject imports.”).

⁶² We provide in our discussion below a full analysis of other factors alleged to have caused any material injury experienced by the domestic industry.

⁶³ *Mittal Steel*, 542 F.3d at 873; *Nippon Steel Corp.*, 458 F.3d at 1350, *citing U.S. Steel Group*, 96 F.3d at 1357; S. Rep. 96-249 at 75 (“The determination of the ITC with respect to causation is ... complex and difficult, and is a matter for the judgment of the ITC.”).

⁶⁴ *See* CR at II-5, PR at II-3. Hirsh Postconference Brief at 12.

POI.⁶⁵ Most U.S. firms reported a decrease in U.S. demand for VMFCs since January 1, 2016; four U.S. producers and four U.S. importers reported a decrease in U.S. demand, and two U.S. importers reported an increase in demand.⁶⁶ A Hirsh executive provided testimony at the conference of a negative correlation between office vacancy rates and demand, stating that as office vacancies go up, demand for VMFCs goes down, and in the last quarter of 2018, the office vacancy rate was 16.7 percent, only 0.3 percent higher than the previous year. This could be seen as an indication of stable demand for VMFCs.⁶⁷ Apparent U.S. consumption increased slightly from *** units in 2016 to *** units in 2017 before decreasing to *** units in 2018.⁶⁸

2. Supply Conditions

Domestic shipments, subject imports, and nonsubject imports all supplied the U.S. market over the POI. The domestic industry held the largest share of the U.S. market during the POI, which decreased from *** percent in 2016 to *** percent in 2017 and *** percent in 2018.⁶⁹ *** was the largest domestic producer, accounting for *** percent of U.S. production in 2018, and *** was the second-largest producer, accounting for *** percent of U.S. production in that year; these two producers accounted for almost all U.S. production in 2018.⁷⁰ ***.⁷¹ Their share of the market decreased from *** percent in 2016 to *** percent in 2017 and *** percent in 2018.⁷² Subject import market share increased from *** percent in 2016 to *** percent in 2017 and *** percent in 2018.⁷³ *** was the largest importer of subject merchandise in 2018.⁷⁴

⁶⁵ Hirsh Postconference Brief at 12.

⁶⁶ CR/PR at Table II-4; CR at II-6, PR at II-4.

⁶⁷ Tr. at 64 (Bailey); CR at II-5, PR at II-3.

⁶⁸ CR/PR at Table IV-5. Our apparent U.S. consumption data in these investigations are derived from data on U.S. shipments of domestic producers provided in questionnaire responses and data on U.S. imports. CR/PR at Table IV-4. Since HTS statistical reporting number 9403.10.0020 is a basket category involving both in-scope VMFCs and other products, Commission staff derived import data for in-scope merchandise on the basis of both questionnaire responses and ***. Staff compared import data on in-scope merchandise contained in usable questionnaire responses from six U.S. importers to *** of these importers' imports of merchandise under HTS statistical reporting number 9403.10.0020 to determine a ratio between these importers' in-scope and out-of-scope merchandise under this HTS reporting number. Then, staff applied that ratio to the remaining merchandise under HTS reporting number 9402.10.0020 to estimate the remaining volume of in-scope and out-of-scope merchandise entering under this reporting number. Staff combined the data received from the questionnaire respondents and the estimated import volumes as described above to derive import volume data. CR/PR at IV-1, n.2.

⁶⁹ CR/PR at Table IV-5.

⁷⁰ CR/PR at Table III-1.

⁷¹ CR/PR at IV-2, n.5.

⁷² CR/PR at Table IV-5.

⁷³ CR/PR at Table IV-5.

⁷⁴ CR/PR at Table IV-1.

3. Substitutability and Other Conditions

There is a high degree of substitutability between domestically produced VMFCs and subject imports.⁷⁵ Four out of five U.S. producers and two of three U.S. importers reported that subject imports from China were always interchangeable with the domestic like product.⁷⁶ The record shows that price is an important consideration in purchasing VMFCs. Four out of five responding U.S. producers and all three responding U.S. importers reported that differences other than price were never important in purchasing decisions involving domestically produced VMFCs and subject imports.⁷⁷ Purchasers that responded to the lost sales and lost revenue survey identified price as one of the two most important factors along with “value” in purchasing decisions.⁷⁸ A Hirsh executive testified at the conference that online retailers of VMFCs have systems in place that automatically check competitors’ pricing, and thus, subject imports have an immediate impact on U.S. market pricing.⁷⁹

During the POI, an appreciable share of subject imports were imported by retailers. *** was the retailer with the largest reported imports of subject merchandise, followed by ***.⁸⁰ In January 2019, ***, acquired ***; Hirsh contends that this acquisition has concentrated *** purchasing power for VMFCs.⁸¹ Based on 2018 data, domestically produced VMFCs are *** sold through annual contracts while subject imports are *** sold through spot sales.⁸² Some contracts have provisions allowing pass-throughs of raw material costs. Three of five U.S. producers reported that prices were indexed to raw materials. ***.⁸³

Raw materials accounted for *** percent of the cost of goods sold (“COGS”) for VMFCs in 2016, *** percent in 2017, and *** percent in 2018.⁸⁴ VMFCs are primarily made of cold-rolled steel, although they may be produced using galvanized steel.⁸⁵ Steel costs represented

⁷⁵ CR at II-7, PR at II-5.

⁷⁶ CR/PR at Table II-6. One U.S. producer reported that subject imports from China were sometimes interchangeable with the domestic like product, and one U.S. importer reported that subject imports from China were never interchangeable with the domestic like product. *Id.*

⁷⁷ CR/PR at Table II-7. One U.S. producer reported that differences other than price were frequently important. *Id.*

⁷⁸ CR at II-8, PR at II-5.

⁷⁹ Hirsh Postconference Brief at 15. Tr. at 61-62 (Bailey).

⁸⁰ Hirsh Postconference Brief at 15-16. CR/PR at Table IV-1. ***; ***. Table IV-1 only contains data on subject imports reported in importer questionnaire responses. As discussed above in the context of our apparent U.S. consumption data, our import data, including our subject import data, were derived using both importer questionnaire data and ***.

⁸¹ Hirsh Postconference Brief at 27.

⁸² CR/PR at Table V-2.

⁸³ CR at V-4, PR at V-3. *See also* Hirsh Postconference Brief at 23-24 and Exhibit 4, Declaration of Thomas Bailey at 1, 3.

⁸⁴ CR/PR at Table VI-1.

⁸⁵ CR/PR at V-1.

*** percent of the domestic industry's total 2018 raw material costs.⁸⁶ The cost of cold-rolled steel increased by *** percent between January 2016 and December 2018.⁸⁷

Hirsh contends that tariffs imposed in 2018 pursuant to Section 232 of the Trade Expansion Act of 1962⁸⁸ ("section 232 tariffs") increased the domestic industry's costs for cold-rolled steel.⁸⁹

VMFCs from China have been subject to additional tariffs under Section 301 of the Trade Act of 1974⁹⁰ ("section 301 tariffs"), since September 2018.⁹¹ Hirsh asserts that section 301 tariffs have had essentially no impact on the U.S. market for VMFCs, either due to the Chinese government's actions in reducing the value of the Chinese currency or the Chinese producers' absorption of the duty.⁹²

C. Volume of Subject Imports

Section 771(7)(C)(i) of the Tariff Act provides that 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."⁹³

Subject imports had a substantial and increasing presence in the U.S. market during the POI. The volume of subject imports increased from *** units in 2016 to *** units in 2017 and *** units in 2018, a level *** percent higher than in 2016, at a time of stable to declining apparent U.S. consumption.⁹⁴ Subject imports increased and gained market share at the expense of both the domestic industry and nonsubject imports. Subject imports' share of apparent U.S. consumption sharply increased from *** percent in 2016 to *** percent in 2017 to *** percent in 2018, an overall increase of *** percentage points.⁹⁵ The bulk of the subject imports' gain in market share came from the domestic industry, which lost *** percentage points in market share from 2016 to 2018, while nonsubject imports lost *** percentage points.⁹⁶

In light of the foregoing, we find that the volume of subject imports and the increase in the volume of subject imports are significant in both absolute terms and relative to consumption in the United States.

⁸⁶ CR/PR at Table VI-4; CR/PR at VI-11.

⁸⁷ CR/PR at V-1 and Figure V-1, EDIS Doc. No. 678263.

⁸⁸ 19 U.S.C. § 1862.

⁸⁹ Hirsh Postconference Brief at 17. *See also* Tr. at 15 ("These [section 232] tariffs increase our costs for cold-rolled steel.") (Bailey). Imported VMFCs are not subject to Section 232 tariffs. *See generally* CR at I-7, n.11, PR at I-5-6, n.11.

⁹⁰ 19 U.S.C. § 2411.

⁹¹ Notice of Modification of Section 301 Action: China's Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation, 83 Fed. Reg. 47974 (Sept. 21, 2018). *See also* CR at I-5-6, PR at I-4-5.

⁹² Hirsh Postconference Brief at 18, Tr. at 16 (Bailey).

⁹³ 19 U.S.C. § 1677(7)(C)(i).

⁹⁴ CR/PR at Table IV-2 and Table C-1.

⁹⁵ CR/PR at Table IV-5 and Table C-1.

⁹⁶ CR/PR at Table IV-5 and Table C-1.

D. Price Effects of the Subject Imports

Section 771(7)(C)(ii) of the Tariff Act provides that, in evaluating the price effects of subject imports, 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.⁹⁷

As addressed in section VI.B.3 above, the record indicates that there is a high degree of substitutability between subject imports and the domestic like product and that price is an important factor in purchasing decisions.

Four U.S. producers provided usable quarterly f.o.b. pricing data for four VMFC pricing products,⁹⁸ although not all firms reported pricing for all products for all quarters.⁹⁹ Reported pricing data account for approximately *** percent of U.S. producers' U.S. shipments of VMFCs in 2018.¹⁰⁰ No importer of subject merchandise provided usable pricing data on any of the requested pricing products.¹⁰¹

We have examined several sources of data in our underselling analysis. An important characteristic of this market is that a substantial share of subject imports were imported into the United States directly by retailers. The record contains 19 instances of quarterly import purchase cost data representing *** percent of total subject imports from China in 2018.¹⁰² The record shows that the purchase costs of subject imports were lower than the prices for the domestic like product in 17 out of 19 instances, or in *** percent of the price comparisons, at cost differentials ranging from *** to *** percent.¹⁰³ Moreover, on a volume basis, there were *** units of subject imports in quarters in which their purchase costs were lower than the

⁹⁷ 19 U.S.C. § 1677(7)(C)(ii).

⁹⁸ CR at V-5, PR at V-4. The pricing products are as follows: Product 1: Vertical metal file cabinet, 17.75" – 18.25" deep, two file drawers, letter size (14.25" – 15.25" wide), containing a lock, not containing casters.

Product 2: Vertical metal file cabinet, 17.75" – 18.25" deep, two file drawers and one pencil drawer, letter size (14.25" – 15.25" wide), containing a lock, not containing casters.

Product 3: Vertical metal file cabinet, 17.75" – 18.25" deep, three file drawers, letter size (14.25" – 15.25" wide), containing a lock, not containing casters.

Product 4: Vertical metal file cabinet, 17.75" – 18.25" deep, four file drawers, letter size (14.25" – 15.25" wide), containing a lock, not containing casters.

⁹⁹ CR at V-5, PR at V-4.

¹⁰⁰ CR at V-5, PR at V-4.

¹⁰¹ CR at V-5, PR at V-4.

¹⁰² Derived from CR/PR at Tables V-3—V-6 and Table IV-2. *** importers, *** and *** provided import purchase cost data for the requested pricing products.

¹⁰³ Derived from CR/PR at Tables V-3—V-6.

prices for the domestic like product and only *** units of subject imports in the two quarters in which their purchase costs were higher than the prices for the domestic like product.¹⁰⁴

We additionally requested that direct importers provide additional estimated costs above landed duty paid value associated with their importing activities. We recognize that import purchase cost data may not reflect the total cost of importing. *** estimated that it saved *** landed duty-paid value by directly importing VMFCs.¹⁰⁵ The average differential between import purchase costs and prices for the domestic like product is *** percent.¹⁰⁶ The large differential between the import purchase costs and prices for the domestic like product indicates that the subject imports were priced lower than the domestic like product.

Moreover, the lower prices of the subject imports led to the domestic industry losing large quantities of sales. In particular, Hirsh reports that it *** of VMFCs to *** in early 2018. Notwithstanding having supplied *** for over a decade, Hirsh reportedly lost most of its *** account after requesting the enforcement of a price-adjustment provision in its supply contract when costs increased.¹⁰⁷ Hirsh contends that it received \$*** in net revenue from sales of VMFCs to *** in 2017, but that it has received less than \$*** in net revenue from sales of VMFCs to *** since May 2018.¹⁰⁸ Hirsh received an email from *** stating that ***.”¹⁰⁹ *** responses to our questions on lost sales are consistent with Hirsh’s description of these events. *** reported that it purchased subject imports rather than the domestic like product, that subject imports were priced lower, and that price was a primary reason for purchasing the subject imports.¹¹⁰

Considering the available purchase cost and pricing data, Hirsh’s loss of substantial sales to *** due to the lower prices of subject imports, and *** responses to our questions on lost sales, we find that subject import prices were generally lower than prices for the domestic like product. We therefore find that there has been significant underselling by the subject imports.

Further, we find that the significant underselling by the subject imports led to lost sales, which in turn caused the domestic industry to lose considerable market share to subject

¹⁰⁴ Derived from CR/PR at Tables V-3—V-6. The purchase cost data were higher than the domestic prices in two quarters at cost differentials ranging from *** percent to *** percent higher. *Id.*

¹⁰⁵ CR at V-6, PR at V-4.

¹⁰⁶ Derived from CR/PR at Tables V-3—V-6.

¹⁰⁷ Hirsh had supplied *** with VMFCs ***. Hirsh states that its contract with *** contained a price adjustment clause providing that Hirsh’s steel cost would be *** percent of its price for VMFCs to ***. In January 2017, Hirsh asked *** for a price increase to cover its increased costs; at the time, Hirsh states that it was entitled to an *** percent price increase. Hirsh states that instead of honoring the terms of the agreement, *** put all of the models of VMFCs that Hirsh supplied out for bid. To keep the business, Hirsh agreed to maintain pricing for an additional 12 months. In May 2018, however, *** began sourcing VMFCs from Chinese producer ***. Hirsh Postconference Brief at 23-24.

¹⁰⁸ Hirsh Postconference Brief at 24.

¹⁰⁹ Hirsh Postconference Brief, Exhibit 4, Affidavit of Thomas Bailey and Attachments 1-2.

¹¹⁰ CR/PR at Table V-10. *** did not estimate the quantity of VMFCs from China that it purchased instead of the domestic like product. Between 2017 and 2018, *** purchases of VMFCs produced in the United States ***, while its imports of subject imports from China ***. ***.

imports. As stated previously in our volume discussion, subject import market share increased by *** percentage points from 2016 to 2018 while the domestic industry lost *** percentage points of market share.¹¹¹

We have examined available data on price trends. Prices for each of the four domestically produced pricing products were higher in the fourth quarter of 2018 than in the first quarter of 2016.¹¹² Subject import purchase costs also increased for the period data were reported.¹¹³

We have also considered whether subject imports have prevented price increases which otherwise would have occurred to a significant degree. Raw material costs constitute a large share of total COGS for the production of VMFCs, and steel (typically cold-rolled steel) constitutes the largest individual raw material cost.¹¹⁴ The cost of cold-rolled steel increased by *** percent from 2016 to 2018.¹¹⁵ The domestic industry's ratio of COGS to net sales steadily increased over the POI from *** percent in 2016 to *** percent in 2017 and *** percent in 2018.¹¹⁶ The COGS to net sales ratio increased because unit COGS, driven by sharply increasing unit raw material costs, substantially outpaced the increase in unit net sales value over the POI.¹¹⁷ As steel costs increased over the POI, domestic producers were unable to raise their prices to cover their costs. Hirsh has asserted that its concerns over losing sales to subject suppliers has constrained it from raising its prices, as its customers compete against the purchasers of the subject imports.¹¹⁸ Even in situations where Hirsh's contracts contain price-adjustment provisions allowing it to pass through cost increases to its customers, it maintains that it has not insisted on enforcing these provisions due to concerns that by doing so, it could lose sales to these customers to subject imports.¹¹⁹ Similarly, other domestic producers stated in their questionnaire responses either that they could not increase prices or they could not

¹¹¹ CR/PR at Table C-1.

¹¹² CR/PR at Tables V-3—V-6.

¹¹³ CR/PR at Tables V-3—V-6. Purchase cost data for Product 4 covered July 2016 to December 2018, but the data for Products 1-3 were only available for the final three quarters of 2018. *Id.*

¹¹⁴ CR/PR at V-1, Table VI-4.

¹¹⁵ CR/PR at V-1, EDIS Doc. No. 678263.

¹¹⁶ CR/PR at Table VI-1.

¹¹⁷ CR/PR at Tables VI-1 and VI-2.

¹¹⁸ Hirsh Postconference Brief at 28-29. Hirsh contends that *** has pressured Hirsh not to increase prices and has required Hirsh to send its product packaging to China, which Hirsh contends is a sign that it is competing against Chinese suppliers for sales to ***. *** only accepted a partial price increase when Hirsh wanted to raise its prices in response to increased costs. *** has told Hirsh that *** has produced a full set of samples of *** VMFCs — which Hirsh supplies — and that *** on the *** products. Furthermore, *** on Hirsh-supplied VMFCs, and Hirsh is concerned it could lose *** decides to source VMFCs from China. Hirsh Postconference Brief at 15, 25-28, Exhibit 4, Affidavit of Thomas Bailey.

¹¹⁹ Hirsh Postconference Brief at 23-24 *** , Exhibit 4, Declaration of Thomas Bailey ***.

cover cost increases.¹²⁰ Based on the foregoing, we find that subject imports have prevented price increases for the domestic like product which otherwise would have occurred to a significant degree.¹²¹

In conclusion, in light of the significant underselling, the substantial lost sales that led to the domestic industry losing market share to the subject imports, and the role of the subject imports in limiting the domestic industry's ability to raise prices commensurately with increased costs, we find that the subject imports had significant effects on prices for the domestic like product.

E. Impact of the Subject Imports¹²²

Section 771(7)(C)(iii) of the Tariff Act provides that the Commission, in examining the impact of the subject imports on the domestic industry, "shall evaluate all relevant economic factors which have a bearing on the state of the industry." These factors include output, sales, inventories, capacity utilization, market share, employment, wages, productivity, gross profits, net profits, operating profits, cash flow, return on investment, return on capital, ability to raise capital, ability to service debt, research and development, and factors affecting domestic prices. No single factor is dispositive and all relevant factors are considered "within the context of the business cycle and conditions of competition that are distinctive to the affected industry."¹²³

Domestic industry production and output indicators declined over the POI as the industry steadily lost market share to subject imports. Production capacity was steady over the POI while production declined, causing capacity utilization to decline as well.¹²⁴ U.S. shipments declined by *** percent over the POI, falling from *** units in 2016 to *** units in 2017 and *** units in 2018.¹²⁵ End-of-period inventories declined by *** percent over the POI, and were *** units in 2016, *** units in 2017, and *** units in 2018.¹²⁶ Domestic industry market share

¹²⁰ Hirsh Postconference Brief at 30. See Domestic Producer Questionnaires of ***, Question IV-20a at 39, EDIS Doc. Nos. ***; Domestic Producer Questionnaire of ***, Question IV-20b at 39, EDIS Doc. No. ***; Domestic Producer Questionnaire of ***, Question IV-17 at 37, EDIS Doc. No. ***.

¹²¹ In any final phase of these investigations, we will further examine the extent to which substantial and sudden increases in raw material costs, such as those resulting from section 232 tariffs on steel, are passed through to purchasers.

¹²² In its notice initiating the antidumping duty investigation on VMFCs from China, Commerce reported estimated dumping margins ranging from 121.75 to 198.50 percent. *Vertical Metal File Cabinets From the People's Republic of China: Initiation of Less-Than-Fair-Value Investigation*, 84 Fed. Reg. 24093, 24095 (May 24, 2019).

¹²³ 19 U.S.C. § 1677(7)(C)(iii). This provision was amended by the Trade Preferences Extension Act of 2015, Pub. L. 114-27.

¹²⁴ Domestic production capacity was *** units in 2016, 2017, and 2018. Domestic production was *** units in 2016 and 2017, and *** units in 2018. Capacity utilization was *** percent in 2016, *** percent in 2017, and *** percent in 2018. CR/PR at Table III-4.

¹²⁵ CR/PR at Tables III-6 and C-1.

¹²⁶ CR/PR at Table III-7.

declined steadily from *** percent in 2016 to *** percent in 2017 and *** percent in 2018, a decline of *** percentage points.¹²⁷

Most employment-related indicators declined from 2016 to 2018. The domestic industry's number of production workers, total hours worked, and total wages paid decreased over the POI by *** percent, *** percent, and *** percent respectively.¹²⁸ Productivity also declined from 2016 to 2018.¹²⁹ By contrast, hourly wages increased.¹³⁰

The domestic industry's financial performance also declined over the POI. Net sales value decreased by *** percent, from \$*** in 2016 to \$*** in 2017 to \$*** in 2018.¹³¹ Total COGS was \$*** in 2016, \$*** in 2017, and \$*** in 2018. The COGS to net sales ratio was *** percent in 2016, *** percent in 2017, and *** percent in 2018.¹³² Because of the larger decline in unit net sales revenue compared to unit COGS from 2016 to 2017, and the smaller increase in unit net sales revenue compared to unit COGS from 2017 to 2018, as well as the decline in total net sales quantity from 2016 to 2018, the domestic industry's gross profit steadily declined from \$*** in 2016 to \$*** in 2017 and \$*** in 2018.¹³³ Operating income also declined each year of the POI. It was \$*** in 2016, \$*** in 2017, and \$*** in 2018. The domestic industry's ratio of operating income to net sales declined from *** percent in 2016 to *** percent in 2017 to *** percent in 2018.¹³⁴ Net income fell from \$*** in 2016 to \$*** in 2017 to \$*** in 2018.¹³⁵ The domestic industry's capital expenditures decreased from \$*** in 2016 to \$*** in 2017 before increasing to \$*** in 2018.¹³⁶

As discussed above, a significant volume of low-priced subject imports that were highly substitutable with the domestic like product significantly undersold the domestic like product. These low-priced subject imports gained sizable sales that otherwise would have been made by the domestic industry; as a result, the subject imports increased their market share at the

¹²⁷ CR/PR at Tables IV-5 and C-1.

¹²⁸ CR/PR at Table C-1. Production and related workers were *** in 2016, *** in 2017, and *** in 2018. Total hours worked were *** hours in 2016, *** hours in 2017, and *** hours in 2018. Total wages paid were \$*** in 2016 and 2017, and \$*** in 2018. CR/PR at Table III-9.

¹²⁹ Productivity, as measured in units per hour, was *** in 2016, *** in 2017, and *** in 2018. CR/PR at Table III-9.

¹³⁰ Hourly wages were \$*** in 2016, \$*** in 2017, and \$*** in 2018. CR/PR at Table III-9.

¹³¹ CR/PR at Tables VI-1 and C-1. Average unit net sales value per unit was \$*** in 2016, \$*** in 2017, and \$*** in 2018. CR/PR at Table VI-1.

¹³² CR/PR at Table VI-1. Unit COGS was \$*** in 2016, \$*** in 2017, and \$*** in 2018. *Id.*

¹³³ CR/PR at Tables VI-1 and VI-2. From 2016 to 2017 unit net sales revenue declined by \$*** while unit COGS declined by only \$***. From 2017 to 2018, unit net sales revenue increased by \$*** while unit COGS increased by \$***. CR/PR at Table VI-2.

¹³⁴ CR/PR at Table VI-1. The domestic industry's cash flow was \$*** in 2016, \$*** in 2017, and \$*** in 2018. *Id.*

¹³⁵ CR/PR at Table VI-1.

¹³⁶ CR/PR at Table VI-5. No U.S. producers reported research and development expenses. *Id.* Total assets for the VMFC industry was \$*** in 2016, \$*** in 2017, and \$*** in 2018. *** domestic producers of VMFCs reported negative effects of subject imports on their firm's investment, and *** domestic producers reported negative effects of subject imports on their firm's growth and development. CR/PR at Tables VI-7 and VI-8.

expense of the domestic industry. This resulted in larger declines in production and shipments for the domestic industry than otherwise would have occurred, notwithstanding the modest decline in apparent U.S. consumption during the POI. Moreover, the domestic industry's revenues were also lower than they would have been otherwise, because of both reduced sales and the price-suppressing effects of the subject imports. Consequently, the domestic industry's financial performance deteriorated.

In our analysis of the impact of subject imports on the domestic industry, we have taken into account whether there are other factors that may have had an adverse impact during the POI to ensure that we are not attributing injury from other factors to the subject imports. Nonsubject import volume and market share declined over the POI; consequently, nonsubject imports cannot explain the domestic industry's decline in output or market share over the POI.¹³⁷ Moreover, nonsubject imports cannot explain the domestic industry's loss of significant sales to subject imports on the basis of price. Although demand declined over the POI, the decline in demand was much lower than the decline in the domestic industry's U.S. shipments, and subject import volume rose sharply while demand fell.¹³⁸

Accordingly, for purposes of these preliminary determinations, we conclude that subject imports had a significant impact on the domestic industry.

VII. Conclusion

For the reasons stated above, we determine that there is a reasonable indication that an industry in the United States is materially injured by reason of subject imports of VMFCs from China that are allegedly subsidized and sold in the United States at less than fair value.

¹³⁷ The volume of nonsubject imports was *** units in 2016, *** units in 2017, and *** units in 2018, a decline of *** percent. Nonsubject import market share declined from *** percent of the U.S. market in 2016 to *** percent in 2017 and *** percent in 2018, a decline of *** percentage points. CR/PR at Tables IV-5 and C-1.

¹³⁸ Apparent U.S. consumption decreased by *** percent over the POI. Domestic industry U.S. shipments declined by *** percent over the POI, and subject import volume increased by *** percent. CR/PR at Table C-1.

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 Hirsh Industries LLC (“Hirsh”), Des Moines, IA, on April 30, 2019, alleging that an industry in the United States is materially injured and threatened with material injury by reason of subsidized and less-than-fair-value (“LTFV”) imports of vertical metal file cabinets (“VMFCs” or “vertical files”)¹ from China. The following tabulation provides information relating to the background of these investigations.^{2 3}

Effective date	Action
April 30, 2019	Petition filed with Commerce and the Commission; institution of Commission investigations (84 FR 19958, May 7, 2019)
May 20, 2019	Commerce’s notice of initiation of countervailing duty investigation (84 FR 24089, May 24, 2019) and antidumping duty investigation (84 FR 24093, May 24, 2019)
May 21, 2019	Commission’s conference
June 13, 2019	Date for the Commission’s vote
June 14, 2019	Date for the Commission’s determinations
June 21, 2019	Date for the Commission’s views

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.

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. . . 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

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

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.

Organization of report

Part I of this report presents information on the subject merchandise, alleged subsidy and 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

VMFCs are free-standing metal storage units designed for the filing, organization, and ready retrieval of paper documents.⁶ The leading U.S. producers of VMFCs are ***, while leading U.S. importers of VMFCs from China are ***. Leading importers of product from nonsubject countries (primarily Mexico and United Kingdom) are ***.

Apparent U.S. consumption of VMFCs totaled approximately *** in 2018. Currently, 11 firms are known to produce VMFCs in the United States. U.S. producers’ U.S. shipments of VMFCs totaled *** in 2018, and accounted for *** percent of apparent U.S. consumption by quantity and *** percent by value. U.S. imports from China totaled *** in 2018 and accounted for *** percent of apparent U.S. consumption by quantity and *** percent by value. U.S. imports from nonsubject sources totaled *** in 2018 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, table C-1. Except as noted, U.S. industry data are based on questionnaire responses of five firms that

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

⁶ Conference transcript, pp. 18-19 (Wetterberg).

accounted for the vast majority of U.S. production of VMFCs during 2018.⁷ U.S. imports are based on the questionnaire responses of six firms and are supplemented with data *** reported under HTS statistical reporting number 9403.10.0020. The Commission did not receive any questionnaire responses from any Chinese producers of VMFCs.

PREVIOUS AND RELATED INVESTIGATIONS

VMFCs have not been the subject of prior countervailing or antidumping duty investigations in the United States.

Section 301 proceedings

Section 301 of the Trade Act of 1974, as amended (“Trade Act”),⁸ authorizes the Office of the U.S. Trade Representative (“USTR”), at the direction of the President, to take appropriate action to respond to a foreign country’s unfair trade practices.⁹ VMFCs under the relevant HTS

⁷ Including the two biggest U.S. producers of VMFCs, the petitioner and the HON Company, LLC. Conference transcript, p. 27 (Morey).

⁸ 19 U.S.C. § 2411.

⁹ On August 18, 2017, USTR initiated an investigation into certain acts, policies, and practices of the Government of China related to technology transfer, intellectual property, and innovation. *Initiation of Section 301 Investigation; Hearing; and Request for Public Comments: China’s Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation*, 82 FR 40213, August 24, 2017. On April 6, 2018, USTR published its determination that the acts, policies, and practices of China under investigation are unreasonable or discriminatory and burden or restrict U.S. commerce, and are thus actionable under Section 301(b) of the Trade Act. *Notice of Determination and Request for Public Comment Concerning Proposed Determination of Action Pursuant to Section 301: China’s Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation*, 83 FR 14906, April 6, 2018. USTR further determined that it was appropriate and feasible to take action and proposed the imposition of an additional 25 percent duty on products of China with an annual trade value of approximately \$50 billion. The additional 25 percent duty was issued in two tranches. Tranche 1 covered 818 tariff subheadings, with an approximate annual trade value of \$34 billion. *Notice of Action and Request for Public Comment Concerning Proposed Determination of Action Pursuant to Section 301: China’s Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation*, 83 FR 28710, June 20, 2018. Tranche 2 covered 279 tariff subheadings, with an approximate annual trade value of \$16 billion. *Notice of Action and Request for Public Comment Concerning Proposed Determination of Action Pursuant to Section 301: China’s Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation*, 83 FR 40823, August 16, 2018.

On September 21, 2018, USTR published a notice in the *Federal Register* modifying its prior action in accordance with the specific direction of the President under his authority pursuant to Section 307(a)(1) of the Trade Act, determining to include 5,745 full and partial tariff subheadings with an approximate annual trade value of \$200 billion, while maintaining the prior action (i.e., Tranche 3). At that time, USTR determined that the rate of additional duty to be initially 10 percent ad valorem, effective September 24, 2018, and that the rate of additional duty was to increase to 25 percent ad valorem on January 1, 2019. VMFCs under relevant HTS subheadings have been subject to these 10 percent duties since that

subheadings have been subject to the successive Section 301 duties on Tranche-3 products since September 2018 to the present. See the section of this report entitled “Tariff treatment” for further information on HTS numbers applicable to VMFCs subject to this investigation.

Section 232 proclamations

Section 232 of the Trade Expansion Act of 1962, as amended (“Trade Expansion Act”),¹⁰ authorizes the President, on advice of the Secretary of Commerce, to adjust the imports of an article and its derivatives that are being imported into the United States in such quantities or under such circumstances as to threaten to impair the national security.¹¹ As noted later in this

time. *Notice of Modification of Section 301 Action: China’s Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation*, 83 FR 47974, September 21, 2018. In December 2018, USTR determined, in accordance with the direction of the President, to postpone the date on which the rate of the additional duties will increase to 25 percent for the products of China covered by the September 2018 Section 301 action. The rate of additional duty for the products covered by the September 2018 Section 301 action was scheduled to increase to 25 percent on March 2, 2019, but was temporarily postponed until further notice. *Notice of Modification of Section 301 Action: China’s Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation*, 83 FR 65198, December 19, 2018; *Notice of Modification of Section 301 Action: China’s Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation*, 84 FR 7966, March 5, 2019. On May 9, 2019, USTR published a notice in the *Federal Register* modifying its prior action in accordance with the specific direction of the President to escalate this duty rate from 10 percent to 25 percent on May 10, 2019. *Notice of Modification of Section 301 Action: China’s Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation*, 84 FR 20459, May 9, 2019. A subsequent modification was provided for subject goods exported from China prior to May 10, 2019, but still in transit, to be subject to the 10 percent duty as long as such goods entered into the United States prior to June 1, 2019. *Implementing Modification to Section 301 Action: China’s Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation*, 84 FR 21892, May 15, 2019.

On May 17, 2019, USTR published a notice in the *Federal Register* modifying its prior action in accordance with the specific direction of the President proposing further action in the form of additional duties up to 25 percent ad valorem on products of China with an annual trade value of approximately \$300 billion included in 3,805 full and partial tariff subheadings (i.e., Tranche 4), while maintaining the prior action. *Request for Comments Concerning Proposed Modification of Action Pursuant to Section 301: China’s Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation*. 84 Fed. Reg. 22564, May 17, 2019.

¹⁰ 19 U.S.C. § 1862.

¹¹ On March 8, 2018, the President issued Proclamation 9705 on *Adjusting Imports of Steel Into the United States*, under Section 232 of the Trade Expansion Act providing for additional import duties for steel mill products, effective March 23, 2018. 83 FR 11625, March 15, 2018. The President subsequently issued Proclamations 9711 (on March 22, 2018 - 83 FR 13361, March 28, 2018), 9740 (on April 30, 2018 - 83 FR 20683, May 7, 2018), 9759 (on May 31, 2018 - 83 FR 25857, June 5, 2018), 9772 (on August 10, 2018 - 83 FR 40429, August 15, 2018.), and 9777 (on August 29, 2018) on *Adjusting Imports of Steel Into the United States*. 83 FR 45025, September 4, 2018. Under these Presidential Proclamations, in addition

Part, as well as in Part V, cold-rolled flat non-alloy steel, uncoated or coated, is a key raw material input in the production of VMFCs subject to this investigation, and is subject to Section 232 tariffs.

NATURE AND EXTENT OF ALLEGED SUBSIDIES AND SALES AT LTFV

Alleged subsidies

On May 24, 2019, Commerce published a notice in the *Federal Register* of the initiation of its countervailing duty investigation on VMFCs from China.¹² Commerce identified the following government programs in China:

- A. Preferential Lending
 - 1. Policy Loans to the File Cabinets Industry
 - 2. Export Loans from Chinese State-Owned Banks
 - 3. Export Seller's Credit
 - 4. Export Buyer's Credit
 - 5. Export Credit Guarantees
- B. Income Tax and Direct Tax Program
 - 1. Income Tax Reduction for High or New Technology Enterprises
 - 2. Income Tax Deduction for Research and Development Expenses Under the Enterprise Income Tax Law
 - 3. Provincial Government of Guangdong ("PGOG") Tax Offset for R&D
- C. Indirect Tax Programs
 - 1. Import Tariff and VAT Exemptions for FIEs and Certain Domestic Enterprises Using Imported Equipment in Encouraged Industries
 - 2. VAT Refunds for FIEs Purchasing Domestically-Produced Equipment

to reporting the regular Chapters 72 and 73 of the Harmonized Tariff Schedule ("HTS" or "HTSUS") classification for the imported steel merchandise, importers shall report the following HTS classification for imported merchandise subject to the additional duty: 9903.80.01 (25 percent ad valorem additional duty for steel mill products from all countries of origin except Argentina, Australia, Brazil, and South Korea); and 9902.80.01 (50 percent ad valorem additional duty for steel mill products originating from Turkey. These duty requirements are effective with respect to goods entered, or withdrawn from warehouse for consumption, as of June 1, 2018. Section 232 Tariffs on Aluminum and Steel Duty on Imports of Steel and Aluminum Articles Under Section 232 of the Trade Expansion Act of 1962, April 2, 2019. Subsequent Presidential Proclamations reduced the additional duty on steel mill products originating from Turkey back to the original 25 percent, effective May 21, 2019 - *Adjusting Imports of Steel Into the United States*, Presidential Proclamation 9886, May 16, 2019, 84 FR 23421, May 21, 2019; and restored the duty exemptions for steel mill products originating from Canada and Mexico, effective May 20, 2019 - *Adjusting Imports of Steel Into the United States*, Presidential Proclamation 9894, May 19, 2019, 84 FR 23987, May 23, 2019.

¹² *Vertical Metal File Cabinets From the People's Republic of China: Initiation of Countervailing Duty Investigation*, 84 FR 24089, May 24, 2019.

- D. Government Provision of Goods and Services for Less Than Adequate Remuneration
 - 1. Provision of Land for Less Than Adequate Remuneration
 - 2. Provision of Hot-Rolled/Cold-Rolled Steel for Less Than Adequate Remuneration
 - 3. Provision of Galvanized Steel for Less Than Adequate Remuneration
 - 4. Provision of Zinc for Less Than Adequate Remuneration
 - 5. Provision of Electricity for Less Than Adequate Remuneration
- E. Grant Programs
 - 1. GOC and Sub-Central Government Subsidies for the Development of Famous Brand and China World Top Brands
 - 2. Special Fund for Energy Savings Technology Reform
 - 3. SME International Market Exploration/Development Fund
 - 4. SME Technology Innovation Fund
 - 5. Export Assistance Grants

Alleged sales at LTFV

On May 24, 2019, Commerce published a notice in the *Federal Register* of the initiation of its antidumping duty investigation on product from China.¹³ Commerce has initiated antidumping duty investigations based on an estimated dumping margin ranging from 121.75 to 198.50 percent for VMFCs from China.

THE SUBJECT MERCHANDISE

Commerce's scope

In the current proceeding, Commerce has defined the scope as follows:¹⁴

This investigation covers freestanding vertical metal file cabinets containing two or more extendable file storage elements and having an actual width of 25 inches or less.

The subject vertical metal file cabinets have bodies made of carbon and/or alloy steel and or other metals, regardless of whether painted, powder coated, galvanized or otherwise coated for corrosion protection or aesthetic appearance. The subject vertical metal file cabinets must have two or more extendable elements for file storage (e.g., file drawers)

¹³ *Vertical Metal File Cabinets From the People's Republic of China: Initiation of Less-Than-Fair-Value Investigation*, 84 FR 24093, May 24, 2019.

¹⁴ *Vertical Metal File Cabinets From the People's Republic of China: Initiation of Countervailing Duty Investigation*, May 24, 2019, 84 FR 24089; *Vertical Metal File Cabinets From the People's Republic of China: Initiation of Less-Than-Fair-Value Investigation*, May 24, 2019, 84 FR 24093.

of a height that permits hanging files of either letter (8.5" x 11") or legal (8.5" x 14") sized documents.

An "extendable element" is defined as a movable load-bearing storage component including, but not limited to, drawers and filing frames. Extendable elements typically have suspension systems, consisting of glide blocks or ball bearing glides, to facilitate opening closing.

The subject vertical metal file cabinets typically come in models with two, three, four, or five file drawers. The inclusion of one or more additional non-file-sized extendable storage elements, not sized for storage files (e.g., box or pencil drawers), do not remove an otherwise in-scope product from the scope as long as the combined height of the non-file-sized extendable storage elements does not exceed six inches. The inclusion of the integrated storage area that is not extendable (e.g., a cubby) and has an actual height of 6" or less, also does not remove a subject vertical metal file cabinet from the scope. Accessories packaged with a subject vertical file cabinet, such as separate printer stands or shelf kits that sit on top of the in-scope vertical file cabinet are not considered integrated storage.

"Freestanding" means the unit has solid top and does not have an open top or a top with holes punched in it that would permit the unit to be attached to, hung from, or otherwise used to support a desktop or other work surface. The ability to anchor a vertical file cabinet to a wall for stability or to prevent it from tipping over does not exclude the unit from scope.

The addition of mobility elements such as casters, wheels, or a dolly does not remove the product from the scope. Packaging a subject vertical metal file cabinet with other accessories, including, but not limited to, locks, leveling glides, caster kits, drawer accessories (e.g., including but not limited to follower wires, follower blocks, file compressors, hanger rails, pencil trays, and hanging file folders), printer stand, shelf kit and magnetic hooks, also does not remove the product from the scope. Vertical metal file cabinets are also in scope whether they are imported fully assembled or unassembled in a ready-to-assemble kit.

Excluded from the scope are lateral metal file cabinets. Lateral metal file cabinets have a width that is greater than the body depth, and have a body with an actual width that is more than 25 inches wide.

Also excluded from the scope are pedestal file cabinets. Pedestal file cabinets are metal file cabinets with body depths that are greater than or

equal to their width, are under 21” in actual height, and have the following characteristics: (1) an open top or other the means for the cabinet to be attached to or hung from a desktop or other work surface such as holes punched in the top (i.e., not freestanding); or (2) freestanding file cabinets that have all of the following: (a) at least a 90 percent drawer extension for all extendable file storage elements; (b) a central locking system; (c) a minimum weight density of 9.5 lbs./cubic foot; and (d) casters or leveling glides.

“Percentage drawer extension” is defined as the drawer travel distance divided by the inside depth dimension of the drawer. Inside depth of drawer is measured from the inside of the drawer face to the inside face of the drawer back. Drawer extension is the distance the drawer travels from the closed position to the maximum travel position which is limited by the out stops. In situations where drawers do not include an outstop, the drawer is extended until the drawer back is 3-1/2” from the closed position of inside face of the drawer front. The “weight density” is calculated by dividing the cabinet’s actual weight by its volume in cubic feet (the multiple of the product’s actual width, depth, and height). A “central locking system” locks all drawers in a unit.

Also excluded from the scope are fire proof or fire resistant file cabinets that meet Underwriters Laboratories (“UL”) fire protection standard 72, class 350, which covers the test procedures applicable to fire-resistant equipment intend to protect paper records.

The merchandise subject to the investigation is classified under Harmonized Tariff System of the United States (“HTSUS”) category 9403.10.0020. *The subject merchandise may also enter under HTSUS subheadings 9403.10.0040, 9403.20.0080, and 9403.20.0090.* While HTSUS subheadings are provided for convenience and Customs purposes, the written description of the scope of the investigation is dispositive.

Tariff treatment

Based upon the scope set forth by Commerce, information available to the Commission indicates that the merchandise subject to these investigations is provided for in subheading 9403.10.00 (statistical reporting number 9403.10.0020 of the HTSUS). The subject merchandise may also be imported under HTS statistical reporting numbers 9403.10.0040, 9403.20.0080, and 9403.20.0090. The 2019 column 1-general rate of duty is “Free” for HTS subheadings 9403.10.00 and 9403.20.00. Decisions on the tariff classification and treatment of imported goods are within the authority of U.S. Customs and Border Protection.

Section 301 tariff treatment

Products of China under HTS subheading 9403.10.00 for metal file cabinets and HTS subheading 9403.20.00 for other metal furniture, were included in the USTR's third enumeration ("Tranche 3" or "List 3") of products imported from China that became subject to the additional 10 percent ad valorem duties (annexes A and C of 83 FR 47974, on or after September 24, 2018).¹⁵ Until June 1, 2019, such products exported before May 10, 2019, can still be entered at the 10 percent ad valorem rate, but later shipments entering the United States are currently subject to the escalated additional duty of 25 percent, pursuant to Section 301 of the Trade Act.¹⁶ See the section of this report entitled "Section 301 proceeding" for further information about the USTR determinations. See also U.S. notes 20(e), 20(f), and 20(l) to subchapter III of HTS chapter 99.¹⁷

Section 232 tariff treatment

The raw material for manufacturing VMFCs, cold-rolled, flat non-alloy steel in coils, either uncoated or coated, is classifiable under HTS headings 7209, 7210, 7211, and 7212 that were included in the enumeration of iron and steel articles, imported on or after March 23, 2018, that became subject to the additional 25-percent ad valorem Section 232 duties.¹⁸ See the section of this report entitled "Section 232 proclamations" for further information about the President's actions to adjust imports of steel into the U.S. market. See also U.S. notes 16(a) and 16(b), subchapter III of HTS chapter 99.¹⁹ Although additional duties on various steel products of chapters 72 and 73 have been imposed under Section 232, the imported file cabinets and their related chapter 94 provisions are not covered by the additional duty.

¹⁵ *Notice of Modification of Section 301 Action: China's Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation*, 83 FR 47974, September 21, 2018.

¹⁶ *Notice of Action Pursuant to Section 301: China's Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation*, 83 FR 65918, December 19, 2018; *Notice of Modification of Section 301 Action: China's Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation*, 84 FR 7966, March 5, 2019; *Notice of Modification of Section 301 Action: China's Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation*, 84 FR 20459, May 9, 2019.

¹⁷ *HTSUS (2019) Revision 6*, USITC Publication 4897, May 2019, ch. 99, pp. 99-III-5 to 99-III-6, 99-III-63, 99-III-64.

¹⁸ *Adjusting Imports of Steel Into the United States*, Presidential Proclamation 9705, March 8, 2018, 83 FR 11625, March 15, 2018.

¹⁹ *HTSUS (2019) Revision 6*, USITC Publication 4897, May 2019, ch. 72, pp. 16, 19; ch. 99, pp. 99-III-21 to 99-III-22, 99-III-44, 99-III-52, 99-III-71 to 99-III-72.

THE PRODUCT

Description and applications²⁰

VMFCs are freestanding²¹ furniture units that generally are of a height and depth greater than their width, which is less than 25 inches wide. Most vertical files are produced from cold-rolled, flat non-alloy (carbon) steel, which may sometimes also be galvanized.²² ²³ The tall but narrow profile of vertical files provides for efficient storage, organizing, and retrieval of hanging folders containing either U.S. letter-size (8.5 inches by 11 inches) or U.S. legal-size (8.5 inches by 14 inches) paper documents, while occupying only a small floor area,²⁴ in commercial, institutional, and home offices.

The subject vertical files are available with two, three, four, or five extendable file storage drawers (figure I-1), but can also include smaller, extendable storage drawers not designed for files (*e.g.*, a box drawer or pencil drawer).²⁵ The individually extendable storage drawers of vertical files typically have suspension systems consisting of glide blocks or ball bearings that facilitate opening and closing (figure I-2). Ball bearings and other parts of the sliding mechanism are generally made of steel, while the rollers on which the ball bearings slide can be made from steel, high-density nylon (*i.e.*, high-density polyethylene), or other materials.²⁶ Other features of vertical files include various accessories, such as drawer handles and card-label holders, which can be manufactured from a variety of materials, including anodized aluminum.²⁷ Surfaces of vertical files can also be painted, powder-coated, galvanized, or otherwise coated for corrosion protection or to enhance their aesthetic appearance.

²⁰ Unless noted otherwise, information in this section is compiled from the petition, pp. 3-6.

²¹ The term “freestanding” indicates that the vertical file has a closed top and is not produced to support, hang from, or be attached to desktops or other furniture. See Commerce’s scope.

²² Staff conference transcript, pp. 53-54 (Wetterberg).

²³ Although vertical files also could be constructed from other metallic materials, witness for the petitioner testified that he was not aware of vertical files being readily available of stainless steel, other alloy steels, or aluminum. Staff conference transcript, p. 55 (Wetterberg).

²⁴ Staff conference transcript, p. 19 (Wetterberg).

²⁵ Vertical files containing a top drawer with a non-file-sized extendable storage unit are included within the scope of this investigation.

²⁶ How Products Are Made, “File Cabinet,” <http://www.madehow.com/Volume-1/File-Cabinet.html>, retrieved May 15, 2019.

²⁷ How Products Are Made, “File Cabinet,” <http://www.madehow.com/Volume-1/File-Cabinet.html>, retrieved May 15, 2019.

Figure I-1
VMFCs: In-scope vertical files with varying numbers of extendable storage drawers (not to scale)¹



Four-drawer vertical file



Hirsh SOHO three drawer vertical file with two file drawers and a non-file-sized extendable storage unit

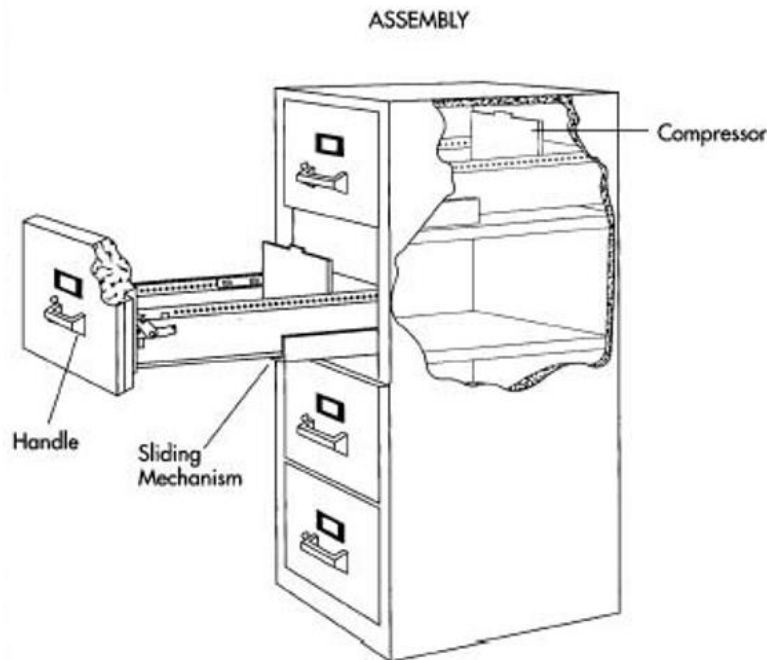


Two-drawer vertical file

Note.-- Each vertical file has a width of 25 inches or less and a height and depth that is greater than its width.

Source (from left to right): ULINE, "Vertical File Cabinet – Letter, 4 Drawer, Black," https://www.uline.com/Product/Detail/H-1915BL/File-Cabinets-and-Mailroom/Vertical-File-Cabinet-Letter-4-Drawer-Black?pricode=WA9301&gadtype=pla&id=H-1915BL&gclid=EAlaIqobChMlyvbaleWd4glVjJyzCh2qgAA3EAQYAiABEgKtp_D_BwE&gclsrc=aw.ds, retrieved May 15, 2019; Amazon, "Hirsh SOHO 3 Drawer File Cabinet Charcoal," https://www.amazon.com/Hirsh-SOHO-Drawer-CabinetCharcoal/dp/B01ASUWBQM/ref=pd_lpo_vtph_229_bs_img_1?encoding=UTF8&psc=1&refRID=6JCXFTVBH5Q632M0ZPTJ, retrieved May 16, 2019; Amazon, "25 (inch) Deep Commercial 2 Drawer Letter Size High Side Vertical File Cabinet Color: Black," <https://www.amazon.com/Commercial-Drawer-Letter-Vertical-Cabinet/dp/B0033JE7BI>, retrieved May 16, 2019.

Figure I-2
VMFCs: An assembled vertical file cabinet



Source: How Products are Made, "File Cabinet," <http://www.madehow.com/Volume-1/File-Cabinet.html>, retrieved May 13, 2019.

Vertical files are produced to meet the Business and Institutional Furniture Manufacturers Association ("BIFMA") Standard X5.9-2019 for storage units. This new standard was approved by the American National Standards Institute ("ANSI") on February 1, 2019 and supersedes the previous July 16, 2012 version.²⁸ Standard X5.9-2019 defines the specific tests, laboratory equipment, and conditions for testing and evaluating a storage units' performance, durability, and structural adequacy. BIFMA previously had a separate Standard X5.3 for vertical files that was withdrawn, as the tests in X5.9-2019 also now apply to these products.²⁹ Physical proportions, among other features, distinguish the subject VMFCs from non-subject metal storage cabinets (figure I-3). For example, lateral metal file cabinets ("lateral files") are much wider than they are deep. Lateral files currently available in the U.S. market are typically 30-42 inches wide but only 18-19 inches deep. They also tend to be of heavier-duty construction, being designed to hold more weight than vertical files.³⁰ Pedestal cabinets are described by a Petitioner's witness as "multi-purpose metal storage cabinets" designed as office

²⁸ Petition, exh. Gen-5 "BIFMA definitions."

²⁹ Miller, Brad, "BIFMA Revises Storage Units Standard," BIFMA, February 7, 2019, <https://www.bifma.org/news/437345/BIFMA-Revises-Storage-Units-Standard.htm>, retrieved May 29, 2019.

³⁰ Petitioner's postconference brief, p. 7; staff conference transcript, pp. 19-20 (Wetterberg).

Figure I-3
Metal storage cabinets: Out-of-scope lateral and pedestal file cabinets (not to scale)



Three-drawer lateral file



Lorell® three-drawer pedestal file cabinet

Source (from left to right): National Business Furniture, “Spectrum Three Drawer Lateral File - 36”W,” <https://www.nationalbusinessfurniture.com/files/lateral-files/spectrum-three-drawer-lateral-file-36w-30761>, retrieved May 28, 2019; Office Depot, “Lorell® 19”D 3-Drawer Mobile Letter-Size Steel Pedestal File Cabinet,” <https://www.officedepot.com/a/products/453023/Lorell-19-D-3-Drawer-Mobile/?jsessionid=0000kVrwfU42OitUonLTIvdMAyX:1crjkcgc>, retrieved May 28, 2019.

furniture for “multi-purpose station storage,” typically with several smaller box or pencil drawers but not always with a file-size drawer.³¹ According to BIFMA Standard X5.9-2019, pedestal cabinets are less than or equal to 31 inches in height with a depth equal to or greater than their width,³² being designed to fit under or hang from beneath a desktop or other work surface. Pedestal cabinets that are not free-standing are open topped for under mounting. By contrast, free-standing pedestal cabinets often include padded seat tops.³³

Manufacturing processes³⁴

The vertical file production process begins with slitting of cold-rolled, flat-rolled carbon steel in coils into different widths for forming the various components of the body panels and drawers.³⁵ The thickness (gauge) of the steel coil used depends on the desired design and level

³¹ Staff conference transcript, pp. 20-21 (Wetterberg).

³² Petition, exh. Gen-5 “BIFMA definitions.”

³³ Petitioner’s postconference brief, p. 7; staff conference transcript, pp. 20-21 (Wetterberg). See also Commerce’s scope exclusion.

³⁴ Unless noted otherwise, information in this section is compiled from the Petition, pp. 6-7.

³⁵ The process can also begin with flat sheets already cut from coils, but most modern production facilities cut their own sheet from coils.

of durability of the final product.³⁶ The slit widths are then fed into a series of pressing and punching machines that cut them into blanks of suitable shapes for the various pieces of a vertical file.

To produce the cabinet shell, blanks are loaded onto a cabinet assembly line where they are folded, notched, and punched into the body panel.³⁷ Drawer supports (both vertical and horizontal rails) are automatically joined together to complete the drawer support assembly. The draw support assembly is then welded onto the cabinet sides. These sides are bent into a U-shape and top panels, and kick plates fabricated from flat-rolled steel are welded onto the cabinet assembly. The cabinet shell is then hung on a paint conveyor and paint is applied in a fully automated spraying process.³⁸

Likewise, to produce the drawers, blanks are fed directly from the coil-feed lines into drawer assembly machines where they undergo similar cutting, flanging, and bending processes on automated lines to form the drawers. Drawer bottoms and sides are stamped from galvanized, cold-rolled steel while the drawer fronts are fabricated from pre-painted coiled steel in a progressive die. The drawer parts are delivered to an automated drawer assembly machine, and the drawers are automatically assembled.

After the paint is applied, the cabinet shells are loaded onto packing line conveyors and drawer glide blocks or ball bearing glides are installed, depending on the model of the final product. Handles are attached to the front of the drawers, and the drawers are then installed into the cabinets. Accessories such as locks, leveling glides, caster kits, drawer accessories (*e.g.*, including follower wires, follower blocks, file compressors, hanger rails, pencil trays, and hanging file folders), printer stands, shelf kits, and magnetic hooks are incorporated into the product at the assembly stage or are packaged together with the cabinets. Following completion of the assembly process, the finished product is then placed into cartons with foam packaging material, and the cartons are then labeled and sealed before being shipped to customers.

³⁶ Steel gauge is one of the engineering factors considered by the Petitioner when redesigning its products for enhanced strength and durability. Although steel thickness was noted to have declined overall for vertical files since the 1950s, there were instances when thicker-gauge steel was required to meet new product performance demands, *e.g.*, for shipping via FedEx. Staff conference transcript, pp. 77-78 (Wetterberg).

³⁷ According to one source, steel coils with a width of 11.8 to 15.7 inches are typically used in larger components such as the wall of the file cabinet. In order to make smaller components such as compressors, a smaller ribbon of steel from the coil is rolled onto a machine that cuts it to size with a die, while the shelves and dividers of the vertical file are produced by unrolling coils and stamping pieces out on a press. How Products Are Made, "File Cabinet," <http://www.madehow.com/Volume-1/File-Cabinet.html>, retrieved May 17, 2019.

³⁸ This same source notes that the paint is dispersed in a powder form, and once painted, the various parts of the vertical file cabinet are heated to secure the paint, which ensures a durable finish. How Products Are Made, "File Cabinet," <http://www.madehow.com/Volume-1/File-Cabinet.html>, retrieved May 17, 2019.

Petitioner's witnesses did not note any different manufacturing processes used by producers of vertical files in China, but they did note the (1) less-efficient and more labor-intensive production,³⁹ (2) the thicker-gauge steel,⁴⁰ and (3) that more packaging material was used in China.⁴¹ The Petitioner and *** reported producing vertical files by a dedicated manufacturing process, equipment, and employees, which do not overlap with production of the nonsubject metal storage cabinets.⁴² The highly standardized dimensions of vertical files, being available in two different widths (for holding either letter- or legal-size folders), allows for a high degree of automation of lines capable of multiple units per minute.⁴³

DOMESTIC LIKE PRODUCT ISSUES

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) interchangeability; (3) channels of distribution; (4) common manufacturing facilities, production processes, and production employees; (5) customer and producer perceptions; and (6) price. Information regarding these factors is discussed below.

Physical characteristics and uses

Vertical files are produced from flat-rolled steel (typically cold-rolled steel) coils or other metals and have two to five drawers sized to permit hanging files for paper documents. All vertical files also have a width (side to side) of 25 inches or less, and consistent with the product definition adopted by BIFMA, all vertical files in the market today have both a depth and a height that is greater than or equal to their width.⁴⁴

These physical characteristics of vertical files differ from those of lateral files⁴⁵ and pedestal cabinets. Lateral files are document and general office storage units that are much wider than they are deep.⁴⁶ These typically have a width of 30 to 42 inches and tend to be sturdier to hold more weight; they are more complex and labor intensive to build. Pedestal⁴⁷

³⁹ Staff conference transcript, pp. 56-57 (Wetterberg).

⁴⁰ Staff conference transcript, p. 78 (Wetterberg).

⁴¹ Staff conference transcript, pp. 78-79 (Bailey).

⁴² Petitioner's postconference brief, pp. 8-9; conference transcript, pp. 21-22 (Wetterberg) and p. 57 (Bailey).

⁴³ Petitioner's postconference brief, pp. 8-9; conference transcript, pp. 21-22 (Wetterberg) and p. 57 (Bailey).

⁴⁴ Petitioner's postconference brief, Responses to questions from Commission staff, p. 5.

⁴⁵ Conference transcript, p. 20 (Wetterberg).

⁴⁶ BIFMA defines a lateral file cabinet as any file cabinet with a body width that is greater than the body depth. Lateral files are typically 18 to 20 inches deep with widths of 30 inches or more. Petition, exh. Gen-5 "BIFMA definitions."

⁴⁷ BIFMA defines a pedestal file cabinet as a self-contained unit that is less than or equal to 31 inches in height with a depth equal to or greater than its width. Petition, exh. Gen-5 "BIFMA definitions."

cabinets are flexible, multi-purpose metal storage cabinets. Rather than just serving as functional document storage, pedestals are typically made to be office furniture, designed for multi-purpose work station storage and may or may not include file storage.⁴⁸ Under industry standards, they are no more than 31 inches in height, and they are most often much lower than that. This is because they are made to fit under, hang from, or support a desk or other work surface.⁴⁹

Interchangeability

All VMFCs are built to accommodate either letter or legal sized documents, by the depth of the unit (typically 18 to 28 inches), and for the number of file drawers (two to five).⁵⁰ Hirsh maintains that VMFCs are reportedly not readily interchangeable with other types of office furniture and metal storage.⁵¹

Channels of distribution

All VMFCs are sold through similar channels of distribution, and are sold primarily through "big box" office equipment and office supply stores, office furniture dealers, club stores, other retail outlets, as well as through online retailers.⁵²

Customer and producer perceptions

Producers, resellers, and customers of vertical files distinguish vertical files from lateral files and pedestal cabinets in their sales and technical literature.⁵³ Domestic producers Hirsh and Hon, for example, each advertise and market vertical files as a separate distinct product from lateral files and pedestal cabinets.⁵⁴ All major retailers distinguish between vertical files, lateral files, and pedestal cabinets in their catalogues and on-line literature.⁵⁵

Manufacturing facilities and production employees

All vertical files are produced using the same basic manufacturing process and are produced on the same equipment by the same employees. Other types of metal storage cabinets that are not within the scope are reportedly not made on the same equipment, do not

⁴⁸ Conference transcript, pp. 20-21 (Wetterberg).

⁴⁹ Conference transcript, p. 20 (Wetterberg).

⁵⁰ Petitioner's postconference brief, Responses to questions from Commission staff, p. 6.

⁵¹ Petitioner's postconference brief, Responses to questions from Commission staff, pp. 6-7.

⁵² Petitioner's postconference brief, Responses to questions from Commission staff, p. 7.

⁵³ Petitioner's postconference brief, Responses to questions from Commission staff, pp. 7-8.

⁵⁴ Conference transcript, p. 21 (Wetterberg).

⁵⁵ Petitioner's postconference brief, Responses to questions from Commission staff, p. 8.

use the same production processes, and are not made by the same employees. ***⁵⁶ of the domestic industry has dedicated equipment and employees for the production of VMFCs.

Price

Vertical files are typically sold within a reasonable range of similar prices based on a continuum of sizes (depth, widths, and number of drawers) and the options for other physical characteristics. Price also differentiates vertical files from other types of metal storage products⁵⁷, reportedly being priced below lateral files and pedestal files for similarly sized products.⁵⁸

⁵⁶ *** reported that their VMFC production lines do not produce any other products.

⁵⁷ Petitioner's postconference brief, Responses to questions from Commission staff, p. 9.

⁵⁸ Petitioner's postconference brief, Responses to questions from Commission staff, p. 10.

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

U.S. MARKET CHARACTERISTICS

VMFCs are an end-use product employed primarily in office and home settings to store letter or legal-sized documents.¹ The VMFC market is supplied by domestically produced VMFCs, VMFCs imported from China, and VMFCs imported from nonsubject sources. Apparent U.S. consumption of VMFCs decreased during 2016-18. Overall, apparent U.S. consumption in 2018 was *** percent lower than in 2016.

Section 301 tariffs

No U.S. producers and two U.S. importers reported that the announcement in March 2018 and subsequent implementation of tariff remedies in the section 301 investigation did not decrease demand, supply, U.S. merchandise prices, or raw material costs. However, two out of six U.S. importers reported a decrease in overall demand and supply in the United States market for VMFCs.²

CHANNELS OF DISTRIBUTION

U.S. producers sold mainly to retailers, while U.S. importers sold VMFCs from China mainly to end users, as shown in table II-1 (importers include retailers such as ***). Most VMFCs imported from other countries were sold to retailers.

Table II-1

VMFCs: U.S. producers' and importers' U.S. commercial shipments, by sources and channels of distribution, 2016-2018

* * * * *

GEOGRAPHIC DISTRIBUTION

U.S. producers and importers reported selling VMFCs 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 of their sales were between 101 and 1,000 miles, and *** percent were over 1,000 miles. Importers reported *** percent within 100 miles of their U.S. point of shipment, *** percent between 101 and 1,000 miles, and *** percent over 1,000 miles.

¹ Petition, Vol. I, p. 3.

² Please see Part I for further information on the Section 301 proceeding.

Table II-2

VMFCs: Geographic market areas in the United States served by U.S. producers and importers

Region	U.S. producers	Subject U.S. importers
Northeast	5	4
Midwest	5	4
Southeast	5	4
Central Southwest	5	4
Mountains	4	4
Pacific Coast	4	4
Other ¹	3	3
All regions (except Other)	4	4
Reporting firms	5	4

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

Table II-3 provides a summary of the supply factors regarding VMFCs from U.S. producers. The Commission did not receive any questionnaire responses from Chinese producers; therefore, these factors are not available for VMFCs imported from China.

Table II-3

VMFCs: Supply factors that affect the ability to increase shipments to the U.S. market

Country	Capacity (units)		Capacity utilization (percent)		Ratio of inventories to total shipments (percent)		Shipments by market, 2018 (percent)		Able to shift to alternate products
	2016	2018	2016	2018	2016	2018	Home market shipments	Exports to non-U.S. markets	No. of firms reporting "yes"
United States	***	***	***	***	***	***	***	***	2 of 5

Note. --***.

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

Domestic production

Based on available information, U.S. producers of VMFCs have the ability to respond to changes in demand with relatively large changes in the quantity of shipments of U.S.-produced VMFCs to the U.S. market. The main contributing factors to this degree of responsiveness of

supply are the availability of substantial unused capacity, the ability to ship out of inventory, and the ability of some U.S. producers to shift production to or from alternate products.³

Factors mitigating the responsiveness of supply include limited ability to shift shipments from alternate markets. Capacity utilization decreased as production declined while capacity was unchanged over the POI. In total, U.S. production from 2016 to 2018 decreased by *** percent. Principal export markets were ***. Other products that producers reportedly can produce on the same equipment as VMFCs include steel storage products, lockers, cabinets, shelving, desks, risers, other type of files, other types of furniture, and furniture parts.

Subject imports from China

Petitioners listed 62 Chinese firms that it reported may produce or export VMFCs from China.⁴ Although Chinese producers or exporters did not respond to the foreign producer/exporter questionnaire, according to Petitioner's estimates, subject imports of VMFCs from China were estimated to have increased from *** units in 2016 to *** units in 2018 (see table IV-4). These estimates indicate that Chinese producers of VMFCs may be able to respond to changes in prices with large changes in supply.

Imports from nonsubject sources

Nonsubject imports comprised *** percent of all U.S. imports in 2018. The largest sources of nonsubject imports during 2016-18 were Mexico, the United Kingdom, and Canada. Combined, these countries accounted for the majority of nonsubject imports in 2018. A representative for Hirsh also reported that Mexico and Canada were the largest nonsubject sources of VMFC imports.⁵

Supply constraints

All five responding U.S. producers and all six responding U.S. importers reported that they had experienced no supply constraints since January 1, 2016.

U.S. demand

Based on available information, overall demand for VMFCs is likely to experience moderate changes in response to changes in price. The main contributing factor is the somewhat limited range of substitute products. A witness for the petitioner provided testimony of a negative correlation between office vacancy rates and demand.⁶ In the last quarter of

³ Petitioner-provided testimony indicates direct fulfillment has had some effect on the amount of inventories held in its warehouse. (Conference transcript, p. 62 (Bailey)).

⁴ Petition, volume 1 general exhibits, Exhibit Gen-8.

⁵ Conference transcript, p. 57 (Bailey).

⁶ Conference transcript, p. 64 (Bailey).

2018, the office vacancy rate was 16.7 percent, increasing by only 0.3 percent from the previous year despite office employment growth.⁷

End uses

VMFCs are end-use products in business and home office settings. They are stand-alone items that are not incorporated into any other products. They are used primarily for file storage, unlike lateral file cabinets, which can be used for “general-purpose storage”.⁸

Business cycles

One of five U.S. producers and one of five responding importers indicated that the market was subject to business cycles. Specifically, *** reported that slight seasonality occurred between December and March due to tax season. No U.S. producers and no importers indicated that the market was subject to other conditions distinctive to the market for VMFCs.

Demand trends

Most firms reported a decrease in U.S. demand for VMFCs since January 1, 2016 (table II-4). *** reported file digitization as a contributing factor. However, *** reported no *** despite ***⁹ The average office vacancy rate for the top 10 markets in the United States was less than 10 percent for the fourth quarter in 2018.¹⁰

Table II-4
VMFCs: 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	---	---	4	---
Importers	2	---	4	---
Demand outside the United States				
U.S. producers	---	1	1	---
Importers	2	---	2	---

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

⁷ Real Estate Solutions by Moody’s Analytics. “Office Preliminary Trends, Q4 2018”, January 7, 2019. <https://www.reis.com/office-preliminary-trends-q4-2018/> (accessed June 7, 2019).

⁸ Conference transcript, p. 45 (Bailey).

⁹ ***

¹⁰ Transwestern Commercial Services. “Real Estate Outlook: U.S. Market Office, Fourth Quarter 2018”, retrieved June 5, 2019.

Substitute products

All five responding U.S. producers and most responding importers (three of four) reported that there were no substitutes for VMFCs. U.S. importer *** stated that other file storage products such as lateral filing cabinets, desktop file boxes, and lockers could be used in place of VMFCs. It reported, however, that the price of these did not affect the price of VMFCs.

SUBSTITUTABILITY ISSUES

The degree of substitution between domestic and imported VMFCs depends upon such factors as relative prices, quality (*e.g.*, grade standards, defect rates, etc.), and conditions of sale (*e.g.*, price discounts/rebates, lead times between order and delivery dates, reliability of supply, etc.). Based on available data, staff believes that there is a high degree of substitutability between domestically produced VMFCs and VMFCs imported from China. ***.¹¹

Lead times

VMFCs are primarily sold from inventory. U.S. producers reported that *** percent of their commercial shipments were sold from inventory with lead times averaging *** days. The remaining *** percent of their commercial shipments were produced-to-order, with lead times averaging *** days. Importers reported that *** percent of their sales were from U.S. inventories with an average lead time of *** days.

Factors affecting purchasing decisions

Purchasers responding to lost sales/lost revenue allegations¹² were asked to identify the main purchasing factors their firm considered in their purchasing decisions for VMFCs. ***.

Comparison of U.S.-produced and imported VMFCs

In order to determine whether U.S.-produced VMFCs can generally be used in the same applications as imports from China, U.S. producers and importers were asked whether the products can always, frequently, sometimes, or never be used interchangeably. As shown in table II-6, most U.S. producers and importers reported VMFCs can always be used interchangeably with imports from China. Importer responses varied on interchangeability between U.S.-produced VMFCs and VMFCs imported from nonsubject countries.

¹¹ Petitioner's postconference brief, p. 25.

¹² This information is compiled from responses by purchasers identified by Petitioners or other U.S. producers to the lost sales lost revenue allegations. See Part V for additional information.

Table II-6

VMFCs: Interchangeability between VMFCs produced in the United States and in other countries, by country pair

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	4	---	1	---	2	---	---	1
Nonsubject countries comparisons:								
U.S. vs. nonsubject	2	---	---	---	2	1	---	1
China vs. nonsubject	2	---	---	---	2	---	---	---

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 VMFCs from the United States, subject, and nonsubject countries. As seen in table II-7, most responding producers and importers reported that factors other than price were never important. No producers or importers reported any differences other than price or reasons for products not being interchangeable that reflected differences that directly affect the consumers.

Table II-7

VMFCs: Significance of differences other than price between VMFCs produced in the United States and in other countries, by country pair

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	---	1	---	4	---	---	---	3
Nonsubject countries comparisons:								
U.S. vs. nonsubject	---	---	---	2	---	1	---	3
China vs. nonsubject	---	---	---	2	---	---	1	2

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

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

Petitioner Hirsh indicates that purchaser concentration has increased since 2016 and that has created downward pressure on VMFC prices.¹³ A major market retailer *** and a large office supply distributor *** finalized their merger in March 2019.¹⁴

¹³ Conference transcript, p. 12-13 (Bailey)

¹⁴ ***

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 five firms that accounted for the vast majority of U.S. production of VMFCs during 2018.

U.S. PRODUCERS

The Commission issued a U.S. producer questionnaire to 11 firms based on information contained in the petition. Five firms provided usable data on their productive operations. Staff believes that these responses represent the vast majority of U.S. production of VMFCs. Counsel for petitioner Hirsh testified that the two major U.S. producers of vertical files are Hirsh and HON Company, LLC.¹

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

Table III-1
VMFCs: U.S. producers, their positions on the petition, production locations, and shares of reported production, 2018

Firm	Position on petition	Production location(s)	Share of production (percent)
Hirsh	Petitioner	Dover, DE	***
HON	***	Cedartown, GA	***
IMF	***	Manitowoc, WI	***
Metal Box	***	Franklin Park, IL	***
Tennsco	***	Dickson, TN	***
Total			100.0

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

Table III-2 presents information on U.S. producers' ownership, related and/or affiliated firms of VMFCs.

Table III-2
VMFCs: U.S. producers' ownership, related and/or affiliated firms

* * * * *

¹ Conference transcript, p. 27 (Morey).

As indicated in table III-2, *** are related to foreign producers of the subject merchandise and *** are related to U.S. importers of the subject merchandise. In addition, as discussed in greater detail below, *** directly import the subject merchandise *** purchase the subject merchandise from U.S. importers.

Table III-3 presents U.S. producers' reported changes in operations since January 1, 2016. Three firms (***) reported shutdowns or curtailments.

Table III-3
VMFCs: U.S. producers' reported changes in operations, since January 1, 2016

* * * * *

U.S. PRODUCTION, CAPACITY, AND CAPACITY UTILIZATION

Table III-4 and figure III-1 present data regarding U.S. producers' production, capacity, and capacity utilization. Hirsh accounted for approximately *** percent of reported capacity and *** percent of reported production of VMFCs in each year from 2016 to 2018. Producers calculated their production capacities based on multiplying equipment capabilities (both average and actual) by operating time. All U.S. producers reported that capacity remained constant during 2016-18. Over that same period, reported production increased for *** by *** percent and decreased for the remaining *** with an overall total production decrease of *** percent. Firm-by-firm capacity utilization rates ranged from a low ***² percent in 2018 by *** to a high of *** percent in 2016 by ***. A representative from Hirsh testified that the lines on which they produce VMFCs are fast, highly automated, and capable of producing multiple units per minute.³ ***.⁴

Table III-4
VMFCs: U.S. producers' production, capacity, and capacity utilization, 2016-18

* * * * *

All firms operate 50 weeks per year and the reported hours worked per week varied from 40 for ***⁵ to 132 hours per week for ***. Producers were also asked to report constraints on their capacity to produce VMFCs. Reported constraints include equipment and qualified labor (***), and key component operation issues (***).

² ***.

³ Conference transcript, p. 22 (Wetterberg).

⁴ Petitioner's postconference brief, Exhibit 4, p. 1.

⁵ ***.

Figure III-1
VMFCs: U.S. producers' production, capacity, and capacity utilization, 2016-18

* * * * *

Alternative products

As shown in table III-5, *** percent of the products produced during 2018 by U.S. producers was subject product. *** reported producing other products on the same equipment and machinery as VMFCs. *** reported producing *** and *** reported producing *** on the same equipment and machinery as VMFCs. Producers were asked about factors impacting their ability to switch production to other products on the same equipment and machinery used to produce VMFCs. *** reported that there were limited impediments to switching between products. *** reported that there are significant cost/time requirements to switch production.⁶ *** reported dedicated tooling for vertical file. Representatives from Hirsh testified that the lines on which they produce vertical files do not produce other products.⁷

Table III-5
VMFCs: U.S. producers' overall capacity and production on the same equipment as subject product, 2016-18

* * * * *

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

Table III-6 presents U.S. producers' U.S. shipments, export shipments, and total shipments. U.S. shipments decreased *** percent by quantity and *** percent by value from 2016-18. However, unit values for U.S. shipments increased by *** percent between 2016 and 2018, from \$*** to \$*** per unit. U.S. producers' U.S. shipments accounted for the vast majority of total shipments (*** percent by quantity) in 2018. *** of the five responding firms, ***, reported export shipments, which accounted for *** percent of total shipments by quantity and *** percent by value in 2018. Export shipments increased by *** percent by quantity and *** percent by value from 2016-18. *** reported internal consumption, which, on average, represented *** percent of its U.S. shipments between 2016 and 2018.⁸

Table III-6
VMFCs: U.S. producers' U.S. shipments, exports shipments, and total shipments, 2016-18

* * * * *

⁶ *** stated that the considerable amount of time necessary to switch production from one product to another was the major factor which affecting their ability to shift production capacity between products.

⁷ Conference transcript, p. 22 (Wetterberg).

⁸ *** reported *** percent of its U.S. shipments as internal consumption for 2016, *** percent for 2017, and *** percent for 2018.

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. End-of-period inventories decreased by *** percent over 2016-18. A representative for Hirsh testified that interchangeable inventory, or inventory that can be differentiated at the last minute through relatively modest changes, is important for Hirsh.⁹ Inventories as a ratio to U.S. production and U.S. shipments generally increased during 2016-17 and decreased between 2017-18. Overall, the ratio of inventories to total shipments between 2016 and 2018 decreased by *** percent.

Table III-7
VMFCs: U.S. producers' inventories, 2016-18

* * * * *

U.S. PRODUCERS' IMPORTS AND PURCHASES

U.S. producers' imports of VMFCs are presented in table III-8. U.S. producer Hirsh reported importing VMFCs from Mexico.¹⁰ The reason cited for importing was that it has multiple manufacturing locations. Hirsh owns the facility in Mexico where the imports are manufactured.^{11 ***} ^{12 ***} ¹³

Table III-8
VMFCs: U.S. producers' imports, 2016-18

* * * * *

U.S. EMPLOYMENT, WAGES, AND PRODUCTIVITY

Table III-9 shows U.S. producers' employment-related data. Production and related workers ("PRWs") decreased by *** percent, total hours worked decreased by *** percent, and total wages paid decreased by *** percent from 2016-18. Hours worked per PRWs, productivity (units per hour) and unit labor costs (dollars per unit) fluctuated between 2016 and 2018. The overall hours worked per PRWs decreased by 2.8 percent and the overall unit labor costs increased by *** between 2016 and 2018. Productivity (units per hour) increased by *** percent between 2016 and 2017 but decreased by *** percent between 2017 and 2018, for an

⁹ Conference testimony, pp. 62 (Bailey).

¹⁰ Conference transcript, p. 66 (Bailey).

¹¹ Conference transcript, p. 67 (Bailey).

¹² Petitioner's postconference brief, Exhibit 4.

¹³ Petitioner's postconference brief, Exhibit 1 "Answers to Staff Questions" p. 10.

overall decrease of *** percent between 2016 and 2018. Hourly wages constantly increased between that same time period, with an overall increase of *** percent.

Table III-9

VMFCs: Average number of production and related workers, hours worked, wages paid to such employees, hourly wages, productivity, and unit labor costs, 2016-18

* * * * *

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

U.S. IMPORTERS

The Commission issued importers' questionnaires to 68 firms believed to be importers of subject VMFCs, as well as to all U.S. producers of VMFCs.¹ Usable questionnaire responses were received from six companies. As discussed in Part I, U.S. import data are based on a combination of questionnaire responses and *** under HTS statistical reporting number 9403.10.0020 for firms that have not provided a questionnaire response.² Table IV-1 lists all responding U.S. importers of VMFCs from China and other sources, their locations, and their shares of U.S. imports, in 2018.

Table IV-1
VMFCs: U.S. importers, their headquarters, and share of total imports by source, 2018

Firm	Headquarters	Share of imports by source (percent)		
		China	Nonsubject sources	All import sources
Hirsh	West Des Moines, IA	***	***	***
LaCasse	Chicago, IL	***	***	***
Poppin	New York, NY	***	***	***
Smith	Plano, TX	***	***	***
Staples	Framingham, MA	***	***	***
The Container Store	Coppell, TX	***	***	***
Total		100.0	100.0	100.0

Note.--Shares and ratios shown as "0.0" represent values greater than zero, but less than "0.05" percent.

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

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 more than one percent of total imports under HTS subheading 9403.10.00 in 2018.

² Since HTS statistical reporting number 9403.10.0020 is a basket category involving both in-scope VMFCs and other products, the import data have been estimated using the following methodology. The Commission received usable questionnaire responses containing data on imports of in-scope merchandise from six importers. Questionnaire responses were compared to *** of these importers' imports of merchandise under HTS statistical reporting number 9403.10.0020 to determine a ratio between these importers' in-scope and out-of-scope merchandise under this HTS reporting number. That ratio was applied to the remaining merchandise under HTS reporting number 9402.10.0020 to estimate the remaining volume of in-scope and out-of-scope merchandise entering under this reporting number. The import data in this section combined data received from questionnaire respondents and the estimated import volumes as described above. Based on importer questionnaire responses received, staff estimates that imports of in-scope merchandise constitute a larger share of the merchandise entering under HTS statistical reporting number 9403.10.0020 than the petition suggests.

U.S. IMPORTS

Figure IV-1 and table IV-2 present information on U.S. imports³ of VMFCs from China and all other sources. U.S. imports from China accounted for ***⁴ percent of total imports of VMFCs by quantity and *** percent by value in 2018. Between 2016 and 2018, subject U.S. imports from China *** in quantity and *** in value. The ratio of U.S. imports' of subject VMFCs to U.S. production increased during 2016-18, reaching *** percent of U.S. production in 2018 compared with *** percent in 2016. The U.S. imports unit value (dollar per unit) has decreased by *** percent for U.S. imports from China and it increased by ***⁵ percent for U.S. imports from nonsubject sources between 2016 and 2018.

Figure IV-1

VMFCs: U.S. import volumes and prices, 2016-18

* * * * *

Table IV-2

VMFCs: U.S. imports by source, 2016-18

* * * * *

Other sources of imports include Mexico, the United Kingdom, Taiwan, and Canada. Reported U.S. imports from other sources between 2016 and 2018, decreased by *** percent in quantity and decreased by *** percent in value. Average unit values from other sources increased by *** percent between 2016 and 2018. The ratio of U.S. imports of nonsubject VMFCs to U.S. production fluctuated between 2016-18, reaching *** percent of U.S. production in 2018.

NEGLIGIBILITY

The statute requires that an investigation be terminated without an injury determination if imports of the subject merchandise are found to be negligible.⁶ Negligible imports are generally defined in the Act, 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 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

³ ***.

⁴ ***.

⁵ ***.

⁶ 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)).

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.⁷ Imports from China accounted for *** percent of total imports of VMFCs by quantity during April 2018 through March 2019.

Table IV-3

VMFCs: U.S. imports in the twelve month period preceding the filing of the petition, April 2018 through March 2019

* * * * *

APPARENT U.S. CONSUMPTION

Table IV-4 and figure IV-2 present data on apparent U.S. consumption and U.S. market shares for VMFCs. Apparent consumption decreased by 5 percent by quantity during 2016-18.

Table IV-4

VMFCs: Apparent U.S. consumption, 2016-18

* * * * *

Figure IV-2

VMFCs: Apparent U.S. consumption, 2016-18

* * * * *

U.S. MARKET SHARES

U.S. market share data is presented in table IV-5. The share of apparent consumption attributed to U.S. importers from China increased from ***⁸ percent in 2016 to *** percent in 2018, in quantity terms, while on a value basis U.S. imports of VMFCs from China increased from *** percent market share in 2016 to *** percent in 2018.

Table IV-5

VMFCs: U.S. consumption and market shares, 2016-18

* * * * *

⁷ Section 771 (24) of the Act (19 U.S.C § 1677(24)).

⁸ ***.

PART V: PRICING DATA

FACTORS AFFECTING PRICES

Raw material costs

VMFCs are primarily made of cold-rolled steel, although they may be produced using galvanized steel. VMFCs also contain file suspension system components, are typically coated, and can also contain accessories, such as card-label holders and drawer pulls, made from various materials. During 2018, raw material costs accounted for *** percent of VMFCs' cost of goods sold. Both U.S. producers and importers reported that steel prices have increased since 2016.¹ For more information about raw material costs, see part VI. As demonstrated in Figure V-1, cold-rolled steel prices increased from January 2016 until December 2017 by *** percent. Between January 2016 and December 2018, cold-rolled steel prices peaked in July 2018, reaching a level *** percent higher than prices in January 2016, before decreasing by *** percent through April 2019. Overall, cold-rolled steel prices increased by *** percent between January 2016 and December 2018.

Figure V-1

Cold-rolled coil: Average prices, by month, January 2016-April 2019

* * * * *

Transportation costs to the U.S. market

Transportation costs for metal office filing cabinets shipped from China to the United States averaged 15.3 percent during 2018. These estimates were derived from official import data and represent transportation and other charges on imports.²

U.S. inland transportation costs

Three responding U.S. producers and three importers reported that they typically arrange transportation to their customers. U.S. producers reported that their U.S. inland transportation costs were between 4.4 percent and 19 percent, while reporting importers reported costs between 1 and 21 percent. The petitioner stated that U.S. producers of VMFCs are responsible for the costs of "direct fulfillment" to the consumer.³

¹ For more information on Section 232 tariffs, see Part I.

² The estimated transportation costs were obtained by subtracting the customs value from the c.i.f. value of the imports for 2018 and then dividing by the customs value based on the HTS subheading 9403.10.0020.

³ Conference transcript, p. 61 (Bailey).

Importers of VMFCs from China which imported for their own use or for retail sales were requested to estimate U.S. inland transportation costs (from the port of importation to the point of use). *** importers responded that U.S. inland transportation costs for their direct imports of VMFCs from China were between 21 percent *** and 55 percent *** of the total cost.

Importer *** reported costs of *** percent and importer *** reported costs of *** percent of the total cost.

PRICING PRACTICES

Pricing methods

U.S. producers and importers reported using contract negotiations, transaction-by-transaction negotiation, and set price lists when selling VMFCs (table V-1). In addition, one U.S. producer and one U.S. importer reported using “other” price setting methods.

Table V-1
VMFCs: U.S. producers’ and importers’ reported price setting methods, by number of responding firms¹

Method	U.S. producers	Importers
Transaction-by-transaction	3	4
Contract	4	3
Set price list	1	4
Other	1	1
Responding firms	5	6

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.

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

As presented in table V-2, U.S. producers sell *** using annual contracts, while spot sales accounted for *** sales of responding importers.

Table V-2
VMFCs: U.S. producers’ and importers’ shares of U.S. commercial shipments by type of sale, 2018

Item	U.S. producers	Subject U.S. importers
	Share (percent)	
Share of commercial U.S. shipments.-- Long-term contracts	***	***
Annual contract	***	***
Short-term contracts	***	***
Spot sales	***	***

Note. -- Because of rounding, figures may not add to the totals shown.

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

*** U.S. producers reported *** during the contract, and that contracts only fix price. With respect to annual contracts, three of five U.S. producers reported that prices were indexed to raw materials. No importers reported that prices were indexed to raw materials for short-term contracts. Most responding importers did not report using contracts. Hirsh reported that its annual contracts have mechanisms for raw material price adjustments but reported pressure over exercising this option.⁴

Sales terms and discounts

Both U.S. producers and importers typically quote prices on an f.o.b. basis.⁵ Three U.S. producers reported using quantity discounts, one reported having no discount policy, and one reported price negotiations based on competitive line reviews. Most importers (four of six) reported using quantity discounts. Two of these firms also reported annual volume discounts, and the three remaining importers reported discounts set by region, for retail sales periods, and/or for specific orders.

Price data and import purchase cost 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 VMFCs products shipped to unrelated U.S. customers during 2016-18:

⁴ Conference transcript, p. 15 (Bailey).

⁵ Four of five producers reported f.o.b sales but three also reported selling on a delivered basis.

Product 1.-- Vertical metal file cabinet, 17.75" — 18.25" deep, two file drawers, letter size (14.25" — 15.25" wide), containing a lock, not containing casters.

Product 2.-- Vertical metal file cabinet, 17.75" — 18.25" deep, two file drawers and one pencil drawer, letter size (14.25" — 15.25" wide), containing a lock, not containing casters.

Product 3.-- Vertical metal file cabinet, 17.75" — 18.25" deep, three file drawers, letter size (14.25" — 15.25" wide), containing a lock, not containing casters.

Product 4.-- Vertical metal file cabinet, 17.75" — 18.25" deep, four file drawers, letter size (14.25" — 15.25" wide), containing a lock, not containing casters.

Four U.S. producers provided usable pricing data for sales of requested products, although not all firms reported pricing for all products for all quarters.⁶ Pricing data reported by these firms accounted for approximately *** of U.S. producers' U.S. shipments of VMFCs in 2018. Usable pricing data were not available for U.S. shipments of VMFCs imported from China from any importer. These data are presented in tables V-3 to V-6 and figures V-2 to V-5.

In addition to price data, the Commission also requested that importers provide landed duty-paid values and quantities for imports used for internal consumption or retail sale (direct imports). Import purchase cost data was requested on a landed, duty-paid basis and not to include other costs such as inland transportation in the United States to importers' warehouse facilities or warehousing costs. *** importers provided such data for the requested pricing products. Although they are not sales data, and thus directly not comparable, these purchase cost data are also presented in tables V-3 to V-7 and figures V-2 to V-5, alongside the U.S. sales prices to unrelated U.S. customers.

These importers were asked to identify the benefits of directly importing VMFCs as opposed to purchasing them from a U.S. producer or importer. There was only one importer, ***, which reported additional costs; it reported that logistics costs were ***. It added that it ***, and its insurance was ***.

One importer, ***, estimated that it saved *** landed duty-paid value by importing itself rather than purchasing. *** reported that imports provide better quality at the same price or a lower price than domestically produced VMFCs. In addition, *** reported that imports provide more variety than domestically produced VMFCs.

⁶ 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

Table V-3

VMFCs: U.S. producers' weighted average f.o.b. sales price and importers' weighted-average purchase costs of product 1, by quarter, January 2016-December 2018.

* * * * *

Table V-4

VMFCs: U.S. producers' weighted average f.o.b. sales price and importers' weighted-average purchase costs of product 2, by quarter, January 2016-December 2018.

* * * * *

Table V-5

VMFCs: U.S. producers' weighted average f.o.b. sales price and importers' weighted-average purchase costs of product 3, by quarter, January 2016-December 2018.

* * * * *

Table V-6

VMFCs: U.S. producers' weighted average f.o.b. sales price and importers' weighted-average purchase costs of product 4, by quarter, January 2016-December 2018.

* * * * *

Figure V-2

VMFCs: Weighted-average prices and quantities of domestic and imported product 1, by quarter, 2016-2018

* * * * *

Figure V-3

VMFCs: Weighted-average prices and quantities of domestic and imported product 2, by quarter, 2016-18

* * * * *

Figure V-4

VMFCs: Weighted-average prices and quantities of domestic and imported product 3, by quarter, 2016-18

* * * * *

Figure V-5

VMFCs: Weighted-average prices and quantities of domestic and imported product 4, by quarter, 2016-18

* * * * *

Price and import purchase cost trends

In general, prices increased during 2016-18. Table V-7 summarizes the price trends, by country and by product. As shown in the table, domestic prices increased for all products and ranged from *** percent to *** percent during this time. Purchase cost data were only available for three quarters in 2018 for products 1, 2, and 3. Purchase cost data was available for product 4 from the third quarter of 2016 to the fourth quarter of 2018, however; this cost increased by *** percent over this period.

Table V-7

VMFCs: Summary of weighted-average f.o.b. prices for products 1-4 from the United States and landed duty-paid cost data for imports from China

* * * * *

Price comparisons

There were no Chinese price data available; it is therefore not possible to compare U.S. prices with the price of Chinese imports directly.

Table V-8

VMFCs: Summary of higher/(lower) unit values for purchase cost data, by source, January 2016 through December 2018

* * * * *

Lost sales and lost revenue

Staff contacted four purchasers and received responses from two purchasers. Responding purchasers reported purchasing and importing *** units of VMFCs during 2016-2018 (table V-9). ***.⁷

Of the two responding purchasers, one (***) reported that since 2016, it had purchased imported VMFCs from China instead of U.S.-produced product. It reported that subject import prices were lower than those of U.S.-produced product, and that price was a primary reason for the decision to purchase imported product rather than domestically-produced product. No purchaser estimated the quantity of VMFCs from China purchased instead of domestic product. Purchasers identified value, quality, and ease of service as non-price reasons for purchasing imported rather than U.S.-produced VMFCs.

No responding purchasers reported that U.S. producers had reduced prices in order to compete with lower-priced imports from China (table V-10); one reported that they did not know). Nevertheless, all responding U.S. producers reported having to reduce prices and/or roll back announced price increases to avoid losing sales to competing VMFCs from China.

***.

⁷ Petition, exhibit Gen-12.

Table V-9
VMFCs: Purchasers' responses to purchasing patterns

* * * * *

Table V-10
VMFCs: Purchasers' responses to purchasing subject instead of domestic, by firm

* * * * *

PART VI: FINANCIAL EXPERIENCE OF U.S. PRODUCERS

BACKGROUND

The financial results of five U.S. producers of VMFCs are presented in this section of the report. The responding U.S. producers reported their financial results on the basis of Generally Accepted Accounting Principles (“GAAP”). With the exception of ***,¹ which reported on a fiscal-year basis, firms reported their financial results on a calendar-year basis. The two largest producers of VMFCs, ***, accounted for *** percent of the reported net sales quantity in 2018.²

OPERATIONS ON VERTICAL METAL FILE CABINETS

Table VI-1 presents aggregated data on U.S. producers’ operations with respect to vertical metal file cabinets in 2016-2018. Table VI-2 presents changes in average unit value data between periods and table VI-3 presents selected company-specific financial data.

Table VI-1
VMFCs: Results of operations of U.S. producers, 2016-18

* * * * *

Table VI-2
VMFCs: Changes in AUVs between fiscal years

* * * * *

Table VI-3
VMFCs: Select results of operations of U.S. producers, by company, 2016-18

* * * * *

¹***. U.S. producers’ questionnaire response, section III-2.

² *** accounted for *** percent and *** percent, respectively, of total net sales volume in 2018. However, in terms of net sales value, *** accounted for *** percent, while *** accounted for *** percent in 2018, due to ***.

Net sales quantity and value

Net sales of VMFCs consist of commercial sales and a small amount of internal consumption and transfers to related firms, which is included but not shown separately in this section of the report.³ Commercial sales accounted for *** percent of net sales with respect to quantity and value, respectively, during the period examined. From 2016 to 2018, net sales volume decreased by *** percent and net sales revenue decreased by *** percent. There was a lot of variation in the average unit values (“AUVs”) of net sales between companies in this industry. In 2018, the net sales AUVs ranged from \$*** reported by *** to \$*** reported by ***. Overall, the average net sales unit value (dollars per unit) increased irregularly throughout the period examined, from \$*** in 2016 to \$*** in 2018. On a company-specific basis, *** companies reported lower net sales AUVs in 2018 than in 2016.⁴

Cost of goods sold and gross profit or (loss)

Raw material costs represent the largest component of overall COGS. The total cost of raw materials as a share of COGS ranged from *** percent (2017) to *** percent (2018). On a unit dollars-per-unit basis, raw material costs increased from \$*** in 2016 to \$*** in 2018. *** U.S. producers reported *** dollars-per-unit raw material costs in 2018 compared with both 2017 and 2016.^{5 6} With respect to their U.S. operations, no producers reported that they purchase inputs from related parties. Table VI-4 presents the reported raw materials, by type, for fiscal year 2018. The largest component cost of raw materials was ***, which represented *** percent of total 2018 raw material costs. ***, represented the second largest share of raw materials, accounting for between *** and *** percent (as a share of total raw materials) in 2018.

³ Among producers reporting financial data, internal consumption was only reported by ***, and represented *** percent of net sales by both volume and value for the industry during the period examined. Transfers to related firms (***) represented *** percent of net sales volume and value, respectively, for the industry during the period examined. In response to questions by staff, ***. Email from ***.

⁴ *** were the only firms to report higher net sales AUVs from 2016 to 2018. The companies reported a *** percent increase, respectively. *** reported that the increase in its net sales AUVs from 2016 to 2018 was for two reasons - both ***. Email from ***.

⁵ *** reported that the increase in its raw materials AUVs from 2016 to 2018 was primarily attributable to “steel, due to the Section 232 import tariffs.” Email from ***.

⁶ *** were the *** companies that reported a decrease in their raw material unit values during the period examined. From 2016 to 2018, *** reported a decrease of *** percent, while *** reported a decrease of *** percent. *** reported an increase of *** percent from 2016 to 2018, but a decrease of *** percent from 2017 to 2018.

Table VI-4
VMFCs: Industry raw material costs, by type, 2018

* * * * *

The second largest component of COGS during the period examined was other factory costs, which represented between *** percent (in 2018) and *** percent (in 2017) of overall COGS. On a dollars-per-unit basis, other factory costs moved within a relatively narrow range, increasing from \$*** in 2016, to \$*** in 2017, and to \$*** in 2018.⁷

Direct labor, the last component of COGS, accounted for between *** percent (in 2018) and *** percent (in 2016) of overall COGS. On a dollars-per-unit basis, direct labor moved within a relatively narrow range: \$*** in 2016, decreasing to \$*** 2017, but increasing to \$*** in 2018. *** consistently had the highest direct labor cost on dollars-per-unit basis.⁸

On an overall basis, the VMFC industry's gross profit decreased from \$*** in 2016 to \$*** in 2017 and \$*** in 2018. The decrease in gross profit from 2016 to 2018 was due to a \$*** decrease in the amount of gross profit earned per unit sold (see table VI-2) combined with a *** percent decrease in sales volume.⁹ ***.

SG&A expenses and operating income

As shown in table VI-1, the industry's SG&A expense ratio (i.e., total SG&A expenses divided by total revenue) increased from *** percent in 2016 to *** percent in 2018. The increase in the SG&A expense ratio during the period examined is attributable to a decrease in net sales value, rather than an increase in SG&A expenses. Actual SG&A expenses decreased from \$*** in 2016 to \$*** in 2018. Table VI-3 shows that from 2016 to 2018 the pattern of company-specific SG&A expense ratios were mixed in terms of directional trend, with *** companies reporting a higher SG&A expense ratio in 2018 than in 2016, and *** reporting a lower SG&A expense ratio in 2018 than in 2016.

Industry operating income followed the same directional trend as gross profit and decreased from \$*** in 2016 to \$*** in 2017, and then decreased further, to \$***, in 2018. All firms reported similar directional trends in operating income during the period examined. In 2018, *** companies (***) reported operating losses.

⁷ *** reported that the increase in its other factory costs AUVs from 2016 to 2018 was due to ***. Email from ***.

⁸ As mentioned previously, there is a wide range of net sales AUVs for VMFCs (see footnote 3 of this section for description). Similarly, there is a large degree of variation in the average unit value of COGS between the companies.

⁹ The decrease in the per-unit gross profit reflects an increase of \$*** in the per-unit COGS, which was greater than the increase of \$*** in the industry's net sales AUV.

Other expenses and net income

Classified below the operating income level are interest expense, other expenses, and other income, which are usually allocated to the product line from high levels in the corporation. Interest expense was relatively small in this industry and decreased from \$*** in 2016 to \$*** in 2018. Other expenses decreased from \$*** in 2016 to \$*** in 2018. Finally, all other income decreased irregularly from \$*** in 2016 to \$*** in 2018.

Overall, net income followed a similar directional trend to gross profit and operating income, decreasing from \$*** in 2016 to \$*** in 2017 and \$*** in 2018. In 2018, *** companies (***) reported net losses.

Variance analysis

Due to differences in cost structure and product mix between the companies, which may result in less comparability of costs among firms and a less meaningful analysis, a variance analysis is not presented in this report.

CAPITAL EXPENDITURES AND RESEARCH AND DEVELOPMENT EXPENSES

Table VI-5 presents capital expenditures and research and development (“R&D”) expenses by firm. *** responding firms provided capital expenditure data, and *** provided data on R&D expenses. *** accounted for the largest company-specific amount of capital expenditures during each year of the period examined.¹⁰ Total reported capital expenditures for the industry increased from \$*** in 2016 to \$*** in 2018.

Table VI-5
VMFCs: Capital expenditures and research and development expenses for U.S. producers, by firm, 2016-18

* * * * *

ASSETS AND RETURN ON ASSETS

Table VI-6 presents data on the U.S. producers’ total assets and their operating return on assets (“ROA”).¹¹ Total net assets for the VMFC industry decreased from \$*** in 2016 to \$*** in 2018, and the ROA declined from *** percent to *** percent during this time.¹²

¹⁰ ***.

¹¹ 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 vertical metal file cabinets.

¹² *** U.S. producers (***) had a negative ROA in 2018 due to having operating losses in 2018.

Table VI-6
VMFCs: Value of assets used in production, warehousing, and sales, and return on investment for U.S. producers, by firm, 2016-18

* * * * *

CAPITAL AND INVESTMENT

The Commission requested U.S. producers of VMFCs to describe any actual or potential negative effects of imports of VMFCs from China on their firms' growth, investment, ability to raise capital, development and production efforts, or the scale of capital investments. Table VI-7 presents the number of firms reporting an impact in each category and table VI-8 provides the U.S. producers' narrative responses.

Table VI-7
VMFCs: Actual and anticipated negative effects of imports on investment and growth and development

* * * * *

Table VI-8
VMFCs: Narrative responses relating to actual and anticipated negative effects of imports on investment and growth and development, since January 1, 2016

* * * * *

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 earlier in 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 58 firms believed to produce and/or export VMFCs from China.³ The Commission did not receive a response from any Chinese producers. With a total output value of \$15 billion in 2017, China is the leading office furniture manufacturer and exporter. The United States as the main customer; it accounting for \$1.2 billion, or 28 percent, of total Chinese office furniture exports as it accounted for almost one-third of total world output of office furniture in 2017.⁴ According to the petitioner and Chinese producers' websites, the capacity and production of office furniture in China has increased and substantial excess capacity exists.⁵

Although public information on the VMFC industry in China is very limited, some information is available on China's broader furniture industry. China's office and home furniture industry has grown in recent years due to rising levels of domestic urbanization, increasing Chinese economic growth, and growth in export markets.⁶ According to one source, the office furniture industry (a subset of the larger furniture industry) in China has experienced an average annual growth rate of 10 percent in the past decade, and total output was approximately \$15 billion in 2017. While China is a major exporter of office furniture, domestic consumption has also risen in recent years, increasing by 2 percent in 2017 to \$11.3 billion.⁷ As the Chinese economy has grown, operational costs for producers of office furniture have also increased. Recently, the industry reportedly has experienced increasing competition from low-cost manufacturers in Malaysia, Cambodia, and Indonesia, which has resulted in certain smaller Chinese producers closing their operations.⁸ Chinese production of furniture products, including office furniture, is concentrated in the Pearl River Delta (Guangdong-Hong Kong-Macau) region, however there has been a rapidly expanding industry in the Yangtze River Delta region (i.e., greater Shanghai) as well.⁹ The remainder of this section provides an overview of firms that are believed to produce subject vertical metal file cabinets in China.

³ These firms were identified through a review of information submitted in the petition and contained in *** records.

⁴ Spinelli, M. (2018). The office furniture in China. Center for Industrial Studies (CSIL) – Milan, Italy. Petitioner's postconference brief, Exhibit 13.

⁵ Petitioner's postconference brief, p. 39, and Exhibit 13.

⁶ Business Wire, "The Furniture Market in China with a Focus on Custom Furniture (2018-2020)," September 6, 2018, <https://www.businesswire.com/news/home/20180906005685/en/Furniture-Market-China-Focus-Custom-Furniture-2018-2022>, retrieved May 20, 2019.

⁷ Spinelli, Mauro, "The Office Furniture in China," CSIL Centre for Industrial Studies, <https://www.ciff.furniture/chinese-trends/market/59-the-office-furniture-in-china>, retrieved May 20, 2019.

⁸ Spinelli, Mauro, "The Office Furniture in China," CSIL Centre for Industrial Studies, <https://www.ciff.furniture/chinese-trends/market/59-the-office-furniture-in-china>, retrieved May 20, 2019.

⁹ Daxue Consulting, "Furniture Market in China," <https://daxueconsulting.com/furniture-market-china-2/>, retrieved May 20, 2019.

Chung Wah Furniture Factory Company (“Chung Wah”) is a producer of vertical metal filing cabinets and other metal furniture pieces, and has manufacturing facilities located in China and Hong Kong. According to its website, the firm has 30,000 square meters of manufacturing capacity and has approximately 200 employees. Many products produced by Chung Wah are sold under the brand name Essen.¹⁰

Edsal Sandusky Corporation is a manufacturer of partitions and fixtures, cabinets, carts, wagons, lockers, file storage (including VMFCs), and other related products in China, and serves customers primarily in the United States. The firm has three distribution and shipping centers located in California, Tennessee, and Pennsylvania.¹¹

Xinhui Second Light Machinery Factory Co., Ltd. is a producer of metal furniture, including VMFCs and other office furniture, and has manufacturing operations located in Jiangmen, China. The firm employs 700 workers, has 250 sets of metal punching machines, 180 sets of welding machines, 6 powder coating lines (equipment imported from Germany), 6 packaging lines, and a tooling workshop. Exports account for 80 percent of its sales, with Europe, the United States, and Australia listed as major foreign markets. According to its website, Xinhui has an annual turnover of approximately \$35 million.¹²

Jiaxing Haihong Metalworking Co., Ltd. (“Jiaxing”) is a producer of metal filing cabinets, including subject VMFCs, and nonsubject metal lateral, pedestal, and storage cabinets in Pinghu, Zhejiang Province of China. Jiaxing’s manufacturing operations include CNC equipment imported from Japan and automated coating equipment imported from Germany. The firm employs between 100 and 200 workers and has annual revenue ranging between \$1 million and \$2.5 million. According to the company’s website, major foreign markets include North America, South America, and Eastern Europe.¹³

Exports

According to GTA, the leading export markets for metal office furniture (except seats) from China are the United States, Hong Kong, Japan, Germany, South Korea, Australia, Indonesia, United Arab Emirates, and the United Kingdom (table VII-1). During 2018, the United States was the top export market for metal office furniture (except seats) from China, accounting for 23.4 percent, followed by the Hong Kong, accounting for 7.1 percent. As per the petitioner, one of China’s largest vertical file producers, Jiaxing Haihong, proclaims that it exports 90 percent of its products to the United States and elsewhere, and already sells under the Staples, Costco, Haworth, Milestone, and Luxor brands.¹⁴

¹⁰ Essen Office Furniture, “About Us,” http://chungwah.com.hk/?page_id=7, retrieved May 20, 2019.

¹¹ Bloomberg, “Edsal Sandusky Corp,” <https://www.bloomberg.com/profiles/companies/6702884Z:US-edsal-sandusky-corp>, retrieved May 8, 2019.

¹² Xinhui Second Light Machinery Factory Co., Ltd., “Company Introduction,” <https://www.b2bmit.com/showroom-9040484.htm>, retrieved May 20, 2019.

¹³ Jiaxing Haihong Metalworking Co., Ltd., “Company Information,” <https://jhmcl.en.china.cn/about.html>, retrieved accessed May 20, 2019.

¹⁴ Petitioners’ postconference brief, Exhibit 13.

Table VII-1

VMFCs: Metal office furniture (except seats): Exports from China by destination market, 2016-18

Destination market	Calendar year		
	2016	2017	2018
	Quantity (units)		
Exports from China to the United States	2,397,023	3,419,858	3,556,362
Exports from China to other major destination markets.-- Hong Kong	277,264	273,057	1,080,119
Japan	601,326	715,464	951,025
Germany	317,379	449,263	872,717
South Korea	769,086	907,163	823,410
Australia	576,505	730,936	818,540
Indonesia	309,930	357,958	507,453
United Arab Emirates	450,222	462,035	390,752
United Kingdom	355,364	304,438	377,024
All other destination markets	4,792,720	5,276,364	5,804,248
Total exports from China	10,846,819	12,896,536	15,181,650
	Value (1,000 dollars)		
Exports from China to the United States	115,758	138,331	196,770
Exports from China to other major destination markets.-- Hong Kong	21,218	18,102	21,451
Japan	25,859	28,653	34,129
Germany	8,512	8,968	12,773
South Korea	13,261	15,922	19,198
Australia	34,084	41,273	41,206
Indonesia	16,972	19,716	28,205
United Arab Emirates	13,004	13,142	15,437
United Kingdom	9,719	11,215	14,390
All other destination markets	260,770	281,132	302,855
Total exports from China	519,156	576,453	686,414

Table continued on next page.

Table VII-1--Continued

VMFCs: Metal office furniture (except seats): Exports from China by destination market, 2016-18

Destination market	Calendar year		
	2016	2017	2018
	Unit value (dollars per unit)		
Exports from China to the United States	48.29	40.45	55.33
Exports from China to other major destination markets.-- Hong Kong	76.52	66.29	19.86
Japan	43.00	40.05	35.89
Germany	26.82	19.96	14.64
South Korea	17.24	17.55	23.31
Australia	59.12	56.47	50.34
Indonesia	54.76	55.08	55.58
United Arab Emirates	28.88	28.44	39.50
United Kingdom	27.35	36.84	38.17
All other destination markets	54.41	53.28	52.18
Total exports from China	47.86	44.70	45.21
	Share of quantity (percent)		
Exports from China to the United States	22.1	26.5	23.4
Exports from China to other major destination markets.-- Hong Kong	2.6	2.1	7.1
Japan	5.5	5.5	6.3
Germany	2.9	3.5	5.7
South Korea	7.1	7.0	5.4
Australia	5.3	5.7	5.4
Indonesia	2.9	2.8	3.3
United Arab Emirates	4.2	3.6	2.6
United Kingdom	3.3	2.4	2.5
All other destination markets	44.2	40.9	38.2
Total exports from China	100.0	100.0	100.0

Note.--Shares and ratios shown as "0.0" represent values greater than zero, but less than "0.05" percent.

Source: Official exports statistics under HS subheading 9403.10 as reported by China customs in the Global Trade Atlas database, accessed May 10, 2019.

U.S. INVENTORIES OF IMPORTED MERCHANDISE

Table VII-2 presents data on U.S. importers reported inventories of VMFCs. Inventories of subject imports from China increased by *** percent during 2016-18. The ratio of importers' inventories to U.S. shipments of subject imports ranged from *** percent and *** percent during 2016-18, while the ratio of inventories to U.S. shipments of imports from nonsubject sources ranged from *** percent and *** percent during the same period.

Table VII-2

VMFCs: U.S. importers' end-of-period inventories of imports by source, 2016-18

* * * * *

U.S. IMPORTERS' OUTSTANDING ORDERS

The Commission requested importers to indicate whether they imported or arranged for the importation of VMFCs from China after January 2019. This data is presented in table VII-3. *** importers, **, reported that they had arranged such imports.

Table VII-3

VMFCs: Arranged imports, January 2019 through December 2019

* * * * *

ANTIDUMPING OR COUNTERVAILING DUTY ORDERS IN THIRD-COUNTRY MARKETS

Counsel to the Petitioner testified to having no knowledge of any ongoing antidumping or countervailing duty orders or investigations in third-country markets.¹⁵ Moreover, review of quarterly notifications to the World Trade Organization's Committee on Anti-Dumping Practices found no additional import-injury orders on the subject product in third-country markets.¹⁶

INFORMATION ON NONSUBJECT COUNTRIES

At the staff conference a representative of petitioner, Hirsh, testified that Mexico and Canada are the leading nonsubject countries that provide vertical files to the U.S. market.¹⁷ U.S. importers reported shipments of VMFCs of non-subject origin predominantly from Mexico during 2016-18 (table VII-4).

¹⁵ Conference transcript, p. 57 (Cannon).

¹⁶ World Trade Organization, "Anti-dumping," https://www.wto.org/english/tratop_e/adp_e/adp_e.htm, retrieved May 17, 2019.

¹⁷ Conference transcript, p. 57 (Bailey).

Table VII-4
VMFCs: U.S. importers' U.S. shipments of nonsubject imports, by source, 2016-18

* * * * *

The industry in Mexico

Among U.S. importers that responded to the importer questionnaire, *** reported shipments of vertical files from Mexico.¹⁸ The Petitioner manufactures VMFCs in Mexico at its facility in Mexicali, Baja California Norte (“BCN”).¹⁹ ***.²⁰ Further information was not readily available about other manufacturers of vertical files in Mexico.

According to GTA, the leading export markets for metal office furniture (except seats), including vertical files, from Mexico (in terms of quantity) are the United States, Guatemala, and Costa Rica (table VII-5). During 2018, the United States was the predominant export market for metal office furniture (except seats) from Mexico, accounting for 99.2 percent of the total.

¹⁸ U.S. importer questionnaire responses at II-6a.

¹⁹ Conference transcript, pp. 66-67 (Bailey) and p. 71 (Bailey); Hirsh Industries Mexico, Internet web page, <https://www.hirshindustries.com.mx/>, retrieved May 29, 2019.

²⁰ Conference transcript, Exhibit 1 “Responses to ITC Commissioner questions” p. 9, Exhibit. 4.

Table VII-5
Metal office furniture (except seats): Exports from Mexico by destination market, 2016-18

Destination market	Calendar year		
	2016	2017	2018
	Quantity (pieces)		
Exports from Mexico to the United States	608,697	634,664	647,744
Exports from Mexico to other major destination markets.--			
Guatemala	483	582	1,682
Costa Rica	1,655	1,245	1,004
Panama	1,071	3,051	664
Honduras	277	338	627
El Salvador	295	461	336
Canada	329	262	229
Colombia	25	31	188
Argentina	1	242	123
All other destination markets	2,534	5,185	2,742
Total exports from Mexico	615,367	646,061	655,339
	Value (1,000 dollars)		
Exports to the United States	36,251	42,636	45,913
Exports to other major destination markets.--			
Guatemala	71	56	370
Costa Rica	101	83	69
Panama	80	98	52
Honduras	22	27	125
El Salvador	22	29	24
Canada	4	15	13
Colombia	6	1	34
Argentina	0	21	2
All other destination markets	210	371	533
Total exports from Mexico	36,767	43,337	47,135

Table continued on next page.

Table VII-5--Continued

Metal office furniture (except seats): Exports from Mexico by destination market, 2016-18

Destination market	Calendar year		
	2016	2017	2018
	Unit value (dollars per unit)		
Exports from Mexico to the United States	59.56	67.18	70.88
Exports from Mexico to other major destination markets.--			
Guatemala	146.22	96.29	219.87
Costa Rica	61.32	66.43	68.44
Panama	75.00	32.11	77.95
Honduras	78.06	79.30	199.76
El Salvador	73.09	62.36	72.44
Canada	12.44	58.89	57.78
Colombia	232.72	44.84	181.86
Argentina	155.00	84.93	19.50
All other destination markets	83.03	71.61	194.37
Total exports from Mexico	59.75	67.08	71.93
	Share of quantity (percent)		
Exports from Mexico to the United States	98.9	98.2	98.8
Exports from Mexico to other major destination markets.--			
Guatemala	0.1	0.1	0.3
Costa Rica	0.3	0.2	0.2
Panama	0.2	0.5	0.1
Honduras	0.0	0.1	0.1
El Salvador	0.0	0.1	0.1
Canada	0.1	0.0	0.0
Colombia	0.0	0.0	0.0
Argentina	0.0	0.0	0.0
All other destination markets	0.4	0.8	0.4
Total exports from Mexico	100.0	100.0	100.0

Note.--Shares and ratios shown as "0.0" represent values greater than zero, but less than "0.05" percent.

Source: Official exports statistics under HS subheading 9403.10 as reported by Mexico customs in the Global Trade Atlas database, accessed May 22, 2019.

GLOBAL EXPORTS

Data on global exports of metal office furniture (except seats), including VMFCs, during 2016-18 are presented in table VII-6. Canada (9.0 percent), Germany (7.9 percent), and Italy (7.5 percent) were the largest nonsubject exporters (in terms of value) in 2018, together accounting for nearly one-quarter (24.4 percent) of all global exports.

Table VII-6
Metal office furniture (except seats): Global exports by leading exporters, 2016-18

Destination market	Calendar year		
	2016	2017	2018
	Value (1,000 dollars)		
Global exports from.--			
United States	203,936	210,166	203,936
China	519,156	576,453	686,414
Global exports from all other major reporting exporters.--			
Canada	278,093	275,611	250,607
Germany	190,938	196,614	221,180
Italy	184,460	206,322	210,497
United Kingdom	116,156	106,778	131,967
Spain	108,106	114,696	122,132
Taiwan	79,911	108,824	107,073
Netherlands	59,462	81,451	89,949
Poland	53,665	62,876	74,157
All other exporters	619,593	632,828	689,569
Total global exports	2,413,476	2,572,619	2,798,864
	Share of value (percent)		
Global exports from.--			
United States	8.4	8.2	7.3
China	21.5	22.4	24.5
Global exports from all other major reporting exporters.--			
Canada	11.5	10.7	9.0
Germany	7.9	7.6	7.9
Italy	7.6	8.0	7.5
United Kingdom	4.8	4.2	4.7
Spain	4.5	4.5	4.4
Taiwan	3.3	4.2	3.8
Netherlands	2.5	3.2	3.2
Poland	2.2	2.4	2.6
All other exporters	25.7	24.6	24.6
Total global exports	100.0	100.0	100.0

Source: Official exports statistics under HS subheading 9403.10 as reported by national customs authorities in the Global Trade Atlas database, accessed May 10, 2019.

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
84 FR 19958, May 7, 2019	<i>Vertical Metal File Cabinets From China; Institution of Anti-Dumping and Countervailing Duty Investigations and Scheduling of Preliminary Phase Investigations</i>	https://www.govinfo.gov/content/pkg/FR-2019-05-07/pdf/2019-09259.pdf
84 FR 24089, May 24, 2019	<i>Vertical Metal File Cabinets From the People's Republic of China: Initiation of Countervailing Duty Investigation</i>	https://www.govinfo.gov/content/pkg/FR-2019-05-24/pdf/2019-10936.pdf
84 FR 24093, May 24, 2019	<i>Vertical Metal File Cabinets From the People's Republic of China: Initiation of Less-Than-Fair-Value Investigation</i>	https://www.govinfo.gov/content/pkg/FR-2019-05-24/pdf/2019-10937.pdf

APPENDIX B

LIST OF STAFF CONFERENCE WITNESSES

CALENDAR OF PUBLIC PRELIMINARY CONFERENCE

Those listed below are scheduled to appear as witnesses at the United States International Trade Commission’s preliminary conference:

Subject: Vertical Metal File Cabinets from China
Inv. Nos.: 701-TA-623 and 731-TA-1449 (Preliminary)
Date and Time: May 21, 2019 - 9:30 a.m.

Sessions will be held in connection with these preliminary phase investigations in Courtroom B (Room 111), 500 E Street, SW., Washington, DC.

OPENING REMARKS: **TIME**
ALLOCATION:

In Support of Imposition (**Kathleen W. Cannon**, Kelley Drye & Warren LLP) 5 minutes

In Support of the Imposition of **TIME**
Antidumping Duty and Countervailing Duty Orders:
ALLOCATION:

Kelley Drye & Warren LLP 60 minutes
Washington, DC
on behalf of

Hirsh Industries LLC

Thomas Bailey, President and CEO, Hirsh Industries LLC

Brandon Wetterberg, Director of Product Management, Hirsh Industries LLC

Dave Jensen, Vice President for Sales, Hirsh Industries LLC

Michael T. Kerwin, Assistant Director, Georgetown Economic Services LLC

William B. Hudgens, Senior Trade Analyst, Georgetown Economic Services LLC

Kathleen W. Cannon)
R. Alan Luberda) – OF COUNSEL
Joshua R. Morey)

REBUTTAL/CLOSING REMARKS:

In Support of Imposition (**Kathleen W. Cannon**, Kelley Drye & Warren LLP)

10 minutes

-END-

APPENDIX C
SUMMARY DATA

Table C-1

VMFCs: Summary data concerning the U.S. market, 2016-18

(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		
	2016	2017	2018	2016-18	2016-17	2017-18
U.S. consumption quantity:						
Amount.....	***	***	***	***	***	***
Producers' share (fn1).....	***	***	***	***	***	***
Importers' share (fn1):						
China.....	***	***	***	***	***	***
Nonsubject sources.....	***	***	***	***	***	***
All import sources.....	***	***	***	***	***	***
U.S. consumption value:						
Amount.....	***	***	***	***	***	***
Producers' share (fn1).....	***	***	***	***	***	***
Importers' share (fn1):						
China.....	***	***	***	***	***	***
Nonsubject sources.....	***	***	***	***	***	***
All import sources.....	***	***	***	***	***	***
U.S. imports:						
China:						
Quantity.....	***	***	***	***	***	***
Value.....	***	***	***	***	***	***
Unit value.....	***	***	***	***	***	***
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).....	***	***	***	***	***	***

Table continued on next page.

Table C-1--Continued

VMFCs: Summary data concerning the U.S. market, 2016-18

(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		
	2016	2017	2018	2016-18	2016-17	2017-18
U.S. producers:						
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 per hour).....	***	***	***	***	***	***
Productivity (units per hour).....	***	***	***	***	***	***
Unit labor costs.....	***	***	***	***	***	***
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.

Source: Compiled from data submitted in response to Commission questionnaires and from *** records under reporting number 9403.10.0020, accessed May 20, 2019.

