

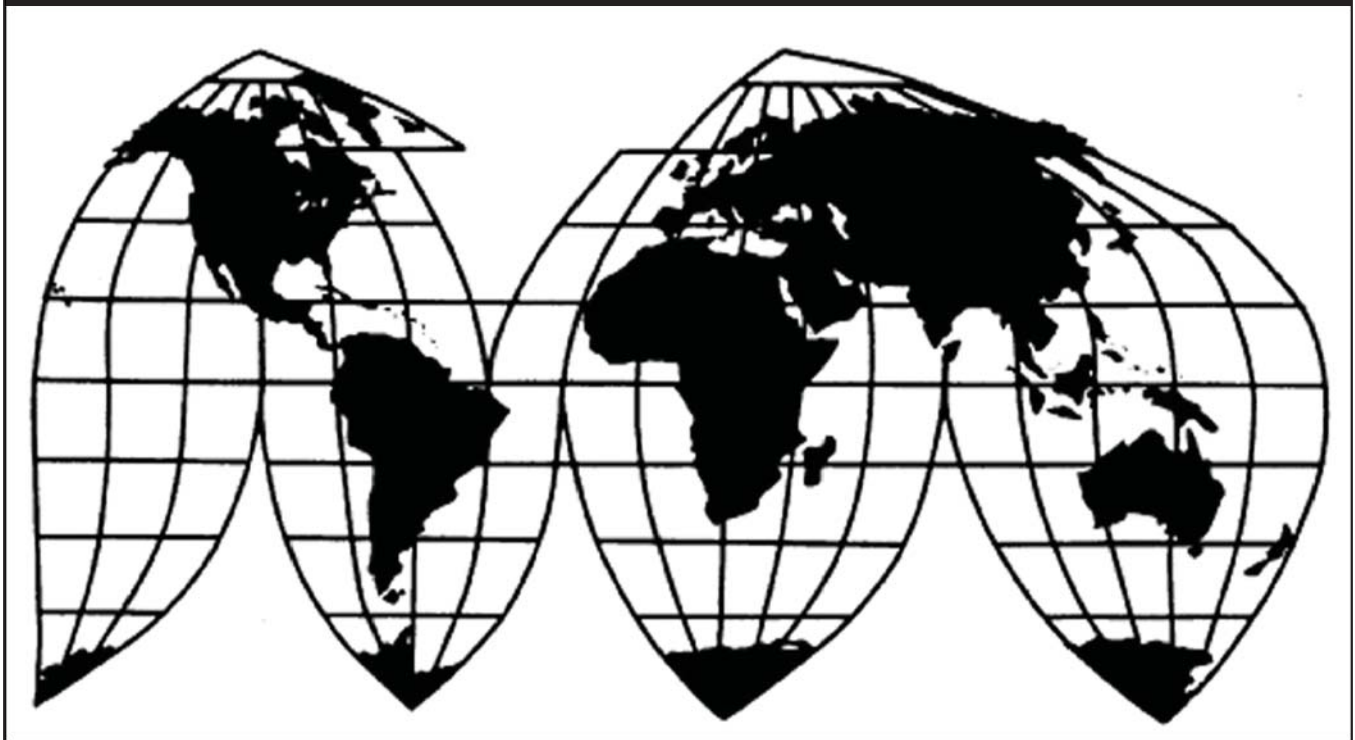
# Drawn Stainless Steel Sinks from China

Investigation Nos. 701-TA-489 and 731 TA 1201 (Final)

Publication 4390

April 2013

**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-489 and 731-TA-1201 (Final)

DRAWN STAINLESS STEEL SINKS FROM CHINA

## DETERMINATIONS

On the basis of the record<sup>1</sup> developed in the subject investigations, the United States International Trade Commission (Commission) determines, pursuant to sections 705(b) and 735(b) of the Tariff Act of 1930 (19 U.S.C. § 1671d(b)) and (19 U.S.C. § 1673d(b)) (the Act), that an industry in the United States is materially injured by reason of imports of drawn stainless steel sinks from China, provided for in subheading 7324.10.00 of the Harmonized Tariff Schedule of the United States, that the U.S. Department of Commerce has determined are subsidized and sold in the United States at less than fair value (“LTFV”).<sup>2</sup>

## BACKGROUND

The Commission instituted these investigations effective March 1, 2012, following receipt of a petition filed with the Commission and Commerce by Elkay Manufacturing Company, Oak Brook, IL. The final phase of the investigations was scheduled by the Commission following notification of a preliminary determinations by Commerce that imports of drawn stainless steel sinks from China were subsidized within the meaning of section 703(b) of the Act (19 U.S.C. § 1671b(b)) and dumped within the meaning of 733(b) of the Act (19 U.S.C. § 1673b(b)). Notice of the scheduling of the final phase of the Commission’s investigations and of a public hearing 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* on October 22, 2012 (77 FR 64545). The hearing was held in Washington, DC, on February 21, 2013, and all persons who requested the opportunity were permitted to appear in person or by counsel.

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

<sup>2</sup> All six Commissioners voted in the affirmative.





## VIEWS OF THE COMMISSION

Based on the record in the final phase of these investigations, we find that an industry in the United States is materially injured by reason of imports of drawn stainless steel sinks from China found to have been subsidized by the Government of China and sold in the United States at less than fair value (“LTFV”).

### I. BACKGROUND

The petition in these investigations was filed on March 1, 2012, by Elkay Manufacturing Company (“Petitioner” or “Elkay”), the largest U.S. producer of drawn stainless steel sinks.<sup>1</sup> Petitioner appeared at the hearing and filed prehearing and posthearing briefs. Kohler Company (“Kohler”), a U.S. producer of drawn stainless steel sinks until it closed its domestic production facility in 2009, filed prehearing and posthearing briefs in support of the petition. Representatives from Franke Consumer Products (“Franke”) and Just Manufacturing Company (“Just”), U.S. producers of drawn stainless steel sinks, also appeared at the hearing in support of the petition.

A joint prehearing brief was filed on behalf of AmeriSink Inc. (“Amerisink”), Chemcore Industries, Inc. (“Chemcore”), Kraus USA (“Kraus”), Soci LP, Lenova Sinks (A&C Global Inc.), and MR Direct International, U.S. importers of drawn stainless steel sinks from China. A joint posthearing brief was filed on behalf of Amerisink, Chemcore, and Kraus (collectively, “Respondents”). Representatives from Amerisink, Chemcore, and Kraus appeared at the hearing in opposition to the petition.

U.S. industry data are based on questionnaire responses of five firms that accounted for approximately 100 percent of U.S. production of drawn stainless steel sinks during the period for which data were collected (January 2009 - September 2012). Data for U.S. imports from China and nonsubject countries are based on official Commerce import statistics and from questionnaire responses from 24 U.S. importers that are believed to have accounted for 32.0 percent of total subject imports from China and \*\*\* percent of total U.S. imports of drawn stainless steel sinks from nonsubject countries in 2011.<sup>2</sup>

### III. DOMESTIC LIKE PRODUCT

#### A. In General

In determining whether an industry in the United States is materially injured or threatened with material injury by reason of imports of subject merchandise, the Commission first defines the “domestic like product” and the “industry.”<sup>3</sup> 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.”<sup>4</sup> In turn, the Tariff Act defines “domestic like product” as “a

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<sup>1</sup> Confidential Staff Report (“CR”) at I-1, Public Staff Report (“PR”) at I-1; CR/PR at Table III-1.

<sup>2</sup> Coverage was calculated using the quantity of subject imports from China reported by responding U.S. importers in 2011 (952,957 units) compared to official Commerce import statistics, adjusted for nonsubject fabricated stainless steel sinks (3,179,282 units); coverage for imports from nonsubject countries was calculated using the quantity reported by responding U.S. importers (\*\*\*) compared to adjusted Commerce import statistics (\*\*\*) units). CR at I-4, PR at I-3.

<sup>3</sup> 19 U.S.C. § 1677(4)(A).

<sup>4</sup> 19 U.S.C. § 1677(4)(A).

product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation.”<sup>5</sup>

The decision regarding the appropriate domestic like product 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.<sup>6</sup> No single factor is dispositive, and the Commission may consider other factors it deems relevant based on the facts of a particular investigation.<sup>7</sup> The Commission looks for clear dividing lines among possible like products and disregards minor variations.<sup>8</sup> Although the Commission must accept Commerce’s determination as to the scope of the imported merchandise that is subsidized or sold at less than fair value,<sup>9</sup> the Commission determines what domestic product is like the imported articles Commerce has identified.<sup>10</sup>

## **B. Product Description**

Commerce defined the scope of the imported merchandise under investigation as follows:

The products covered by the scope of this investigation are stainless steel sinks with single or multiple drawn bowls, with or without drain boards, whether finished or unfinished, regardless of type of finish, gauge, or grade of stainless steel (“Drawn Stainless Steel Sinks”). For purposes of this scope definition, the term “drawn” refers to a manufacturing process using metal forming technology to produce a smooth basin with seamless, smooth, and rounded corners. Drawn stainless steel sinks are available in various shapes and configurations and may be described in a number of ways including flush mount, top mount, or undermount (to indicate the attachment relative to the countertop). Stainless steel sinks with multiple drawn bowls that are joined through a welding operation to form one unit are covered by the scope of the investigations. Drawn

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<sup>5</sup> 19 U.S.C. § 1677(10).

<sup>6</sup> 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).

<sup>7</sup> See, e.g., S. Rep. No. 96-249 at 90-91 (1979).

<sup>8</sup> Nippon, 19 CIT at 455; Torrington, 747 F. Supp. at 748-49; see also S. Rep. No. 96-249 at 90-91 (1979) (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.”).

<sup>9</sup> See, e.g., USEC, Inc. v. United States, 34 Fed. Appx. 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).

<sup>10</sup> 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 in which Commerce found five classes or kinds).

Stainless Steel Sinks are covered by the scope of the investigations whether or not they are sold in conjunction with non-subject accessories such as faucets (whether attached or unattached), strainers, strainer sets, rinsing baskets, bottom grids, or other accessories. Excluded from the scope of the investigations are stainless steel sinks with fabricated bowls. Fabricated bowls do not have seamless corners, but rather are made by notching and bending the stainless steel, and then welding and finishing the vertical corners to form the bowls. Stainless steel sinks with fabricated bowls may sometimes be referred to as “zero radius” or “near zero radius” sinks.<sup>11</sup>

The primary raw material used in drawn stainless steel sinks is stainless steel, which provides a combination of strength, light weight, flexibility, toughness, stain and heat resistance, easy maintenance, and aesthetic appeal.<sup>12</sup> Drawn sinks are available in various grades (steel alloy compositions)<sup>13</sup> and gauges (sheet thicknesses).<sup>14</sup> Individual basins (bowls) in drawn sinks are seamless, with concave bottom surfaces for rapid drainage. Whether consisting of only a single basin or multiple basins joined together, these sinks are available in two different mounting configurations, for either top (drop-in) mounting above the countertop or for bottom (under) mounting beneath the countertop.<sup>15</sup> Drawn stainless steel sinks are found predominantly in residential kitchens and to a much lesser extent in commercial or institutional applications.<sup>16</sup>

### **C. Analysis and Conclusion**

In the preliminary phase of these investigations, Petitioner argued that the domestic like product should not be expanded to include fabricated stainless steel sinks.<sup>17</sup> Respondents did not address this issue. Respondents also argued at the time that top mount steel sinks and undermount steel sinks are separate like products.<sup>18</sup> Petitioner disagreed and argued that drawn stainless steel sinks are offered in a large variety of shapes, sizes, and configurations, and that no clear dividing line separates any type of

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<sup>11</sup> 77 Fed. Reg. at 60673 (Oct. 4, 2012) (footnote omitted). In a footnote to the notice, Commerce stated that mounting clips, fasteners, seals, and sound-deadening pads are also covered by the scope of these investigations if they are included within the sales price of the drawn stainless steel sink. Mounting clips, fasteners, seals, and sound-deadening pads are not covered by the scope of these investigations if they are not included within the sales price of the drawn stainless steel sinks, regardless of whether they are shipped with or entered with drawn stainless steel sinks.

<sup>12</sup> Petition at 9-11.

<sup>13</sup> Stainless steel for drawn sinks worldwide is most commonly of 300 series chromium-nickel alloy steels. Among the two most common 300 series alloys, grade 304 is most commonly used worldwide for higher priced drawn sinks, whereas grade 301 is more typical for lower priced drawn sinks. Grade 316 is used in food service and laboratory applications that require high resistance to acids and chlorides. Drawn sinks produced with 200 series chromium-nickel-manganese alloy steels are more susceptible to rust due to the low nickel content. The 400 series chromium alloy ferritic steels are used in some parts of the world, particularly in Brazil, as grades 440 and 430 are easier to draw than other 400 series alloys. Petition at 4; see generally CR at I-11, PR at I-10.

<sup>14</sup> Commonly cited thicknesses for these sinks are, in descending order, 22, 20, 18, and 16 gauge stainless steel. Petition at 4.

<sup>15</sup> Petition at 4.

<sup>16</sup> CR at I-11, PR at I-10.

<sup>17</sup> Petitioner’s Postconference Brief at 5.

<sup>18</sup> Respondents’ Postconference Brief at 3.

drawn sinks from other drawn sinks.<sup>19</sup> In its preliminary determinations, the Commission considered these two issues: (1) whether to define the domestic like product broader than the scope to include fabricated sinks; and (2) whether the domestic like product should be divided into top mount and undermount drawn stainless steel sinks. The Commission found that it would not be appropriate to expand the domestic like product to include fabricated stainless steel sinks.<sup>20</sup> The Commission also found that the differences between top mount and undermount drawn stainless steel sinks did not warrant separating them into distinct like products.<sup>21</sup> Accordingly, the Commission defined the domestic like product as drawn stainless steel sinks coextensive with the scope of the investigations.<sup>22</sup>

In these final phase investigations, Petitioner and Kohler ask the Commission to define a single domestic like product coextensive with the scope.<sup>23</sup> Respondents state that they are no longer arguing that top mount and undermount sinks should be treated as separate like products, but rather view all drawn stainless steel sinks as a commodity product.<sup>24</sup>

We define the domestic like product as coextensive with the scope: drawn stainless steel sinks. In terms of physical characteristics and end uses, top mount, undermount, and dual-mount sinks, which are all within the scope of these investigations, all have drawn stainless steel bowls, which are identically shaped in many cases.<sup>25</sup> Regardless of type, most drawn sinks are used in residential kitchens where they serve the same purpose.<sup>26</sup>

All styles of drawn stainless steel sinks can be produced in the same manufacturing facility, on the same equipment, and by the same employees.<sup>27</sup> The production processes are very similar for all drawn stainless steel sinks; the only major differences are that there is a “rim forming operation” and a faucet hole-punching operation for top mounts, neither of which is performed in undermount production.<sup>28</sup>

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<sup>19</sup> Petitioner’s Postconference Brief at 11.

<sup>20</sup> Drawn Stainless Steel Sinks from China, Inv. Nos. 701-TA-489 and 731-TA-1201 (Preliminary), USITC Pub. 4317 at 7-9 (Apr. 2012).

<sup>21</sup> USITC Pub. 4317 at 9-12

<sup>22</sup> USITC Pub. 4317 at 12.

<sup>23</sup> Petitioner’s Prehearing Brief at 5-15; Kohler’s Prehearing Brief at 2-5.

<sup>24</sup> Respondents’ Posthearing Brief, Responses to Commission Questions, at 2-3; Tr. at 145 (Perry).

<sup>25</sup> CR at I-16, PR at I-13.

<sup>26</sup> CR at I-16, PR at I-13-I-14.

<sup>27</sup> CR at I-17, PR at I-14.

<sup>28</sup> Revised and Corrected Transcript of Commission’s February 21, 2013, Hearing (“Tr.”) at 19-20 (Rogers). The starting material in the manufacturing process is cold-rolled stainless steel sheet in coils of the desired gauge, from which rectangular blanks are cut to the proper size, based on the final basin geometry, for the subsequent forming operations. Petition at 4-5; CR at I-12 n.26, PR at I-11 n.26. The blanks are then fitted between dies to form the steel, by a combination of drawing and stretching, into the initial rim and basin shape. Depending on the basin’s intended dimensions, subsequent annealing (heat treating) and forming stages may be necessary to attain the final shape. Next, the drain hole is counter punched at the bottom of the basin. To assemble sinks with two (or more) basins, the side rims of adjoining individual basins are welded. Afterwards, the welded joints are flattened under a planisher (roll smoother) and machine sanded to produce flush joint surfaces. Subsequent stamping operations with suitably shaped dies and punches in hydraulic presses form the deck (raised platform) and pierce the holes for eventual mounting of the faucet(s) and any accessories. Petition at 4-5. Stamping operations also form a raised lip around the outer rim of sinks designed for top mounting in the countertop to prevent water from spilling over the sink rim. CR at I-13, PR at I-11. By contrast, these two steps are not necessary for the flat rims of sinks designed for bottom mounting because the faucet and accessory holes are drilled into the countertop beyond the outer edge of the sink. Id. Rims on both types of sinks are trimmed to final geometry. Interior basin surfaces (and rim surfaces  
(continued...)

Generally, all drawn stainless steel sinks are interchangeable for use in kitchens and are offered in overlapping sizes, gauges, and design.<sup>29</sup> The only difference is in how the sinks are mounted; top-mount sinks are predominantly used with laminate countertops, and undermount sinks are generally used with solid countertops such as granite or quartz.<sup>30</sup> Most producers and some purchasers perceive that all drawn stainless steel sinks are the same except for the different mounting process used for undermount sinks,<sup>31</sup> although some importers and purchasers reported that some end users consider undermount sinks to be a higher quality product than top mount sinks.<sup>32</sup>

All drawn countertop sinks move through similar channels of distribution. Virtually all domestically produced drawn stainless steel sinks, including both top mount and undermount sinks, are sold to distributors rather than end users.<sup>33</sup> They are all sold through plumbing wholesalers, big-box retailers, manufactured housing producers and builders, and over the internet.<sup>34</sup> The pricing product data collected by the Commission indicate that the prices for domestically produced undermount sinks were more than \*\*\* the prices of domestically produced top mount sinks.<sup>35</sup>

The record shows that both top mount and undermount drawn stainless sinks overlap in physical characteristics and end uses, interchangeability, channels of distribution, manufacturing facilities, production processes, and production employees. Although evidence regarding customer and producer perceptions is mixed, and there are differences in the prices of top mount sinks and undermount sinks, these distinctions are insufficient to establish a clear dividing line between different types of drawn stainless steel sinks. Based on the record in the final phase of these investigations, we accordingly define a single domestic like product that is coextensive with the scope of these investigations as defined by Commerce.<sup>36</sup>

### III. 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

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<sup>28</sup>(...continued)

for top mount sinks) are ground and buffed to remove irregularities and to impart the finish. Id. Finally, sound-dampening materials (pads, sprays, or both) are applied to the exterior surface(s) of the basin(s) both to avoid collection of surface condensation and to minimize vibrations from kitchen utensils being dropped into the sink. Petition at 4-5; Tr. at 58-59 (Rogers).

<sup>29</sup> Tr. at 28-29 (Whittington).

<sup>30</sup> Kohler’s Prehearing Brief at 3.

<sup>31</sup> CR at I-17-I-18, PR at I-14-I-15.

<sup>32</sup> CR at I-18, PR at I-15.

<sup>33</sup> CR at I-19, PR at I-15-I-16.

<sup>34</sup> CR at I-19, PR at I-15-I-16.

<sup>35</sup> CR/PR at Tables V-1 to V-6. This price difference, however, may be due in part to the differences in the gauge range of the top mount and undermount products selected for the price comparisons. Pricing products 1-3 (top mounts) have a gauge of 20-24; pricing products 4-6 (undermounts) have a gauge range of 16-20. CR at V-4, PR at V-3. The thicker gauges (16-20) indicate higher steel content which, all else being equal, should translate into higher prices due to higher raw material costs. Petitioner’s Posthearing Brief, Answers to Commission Questions, at 7.

<sup>36</sup> No party has argued for a domestic like product definition including fabricated stainless steel sinks, and there is no new analysis that would call into question the analysis of fabricated stainless steel sinks in the preliminary determinations.

proportion of the total domestic production of the product.”<sup>37</sup> 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.

We must determine whether any producer of the domestic like product should be excluded from the domestic industry pursuant to 19 U.S.C. § 1677(4)(B). This provision allows the Commission, if appropriate circumstances exist, to exclude from the domestic industry producers that are related to an exporter or importer of subject merchandise or which are themselves importers.<sup>38</sup> Exclusion of such a producer is within the Commission’s discretion based upon the facts presented in each investigation.

The record indicates that four domestic producers are subject to possible exclusion under the related parties provision. Three of these domestic producers (\*\*\*) are related to an importer, exporter, and/or foreign producer of subject merchandise, while domestic producers \*\*\* are related parties by virtue of the fact that each company imported subject merchandise during the period of investigation.<sup>39</sup>

We now examine for each of the related parties whether appropriate circumstances exist that would support the producer’s exclusion from the domestic industry.<sup>40</sup>

\*\*\*.<sup>41</sup> \*\*\* was the largest domestic producer of drawn stainless steel sinks in 2011, accounting for \*\*\* percent of reported domestic production.<sup>42</sup> It is the Petitioner in these investigations.<sup>43</sup>

\*\*\* imports of subject merchandise were \*\*\* units in 2009, \*\*\* units in 2010, and \*\*\* units in 2011; they were \*\*\* units in January-September (“interim”) 2011 and \*\*\* units in interim 2012.<sup>44</sup> Its ratio of subject imports to domestic production was \*\*\* percent in 2009, \*\*\* percent in 2010, and \*\*\* percent in 2011; it was \*\*\* percent in interim 2011 and \*\*\* percent in interim 2012.<sup>45</sup> \*\*\* reported that it imported subject merchandise \*\*\*.<sup>46</sup> \*\*\* ratio of operating income to net sales was \*\*\* the industry average throughout the period of investigation.<sup>47 48 49</sup>

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<sup>37</sup> 19 U.S.C. § 1677(4)(A).

<sup>38</sup> 19 U.S.C. § 1677(4)(B). The primary factors the Commission has examined in deciding whether appropriate circumstances exist to exclude a related party include the following: (1) the percentage of domestic production attributable to the importing producer; (2) the reason the U.S. producer has decided to import the product subject to investigation, *i.e.*, whether the firm benefits from the LTFV sales or subsidies or whether the firm must import in order to enable it to continue production and compete in the U.S. market, and (3) the position of the related producer vis-a-vis the rest of the industry, *i.e.*, whether inclusion or exclusion of the related party will skew the data for the rest of the industry. *See, e.g., Torrington Co. v. United States*, 790 F. Supp. 1161 (Ct. Int’l Trade 1992), *aff’d without opinion*, 991 F.2d 809 (Fed. Cir. 1993).

<sup>39</sup> *See* 19 U.S.C. § 1677(4)(B)(i); CR/PR at Table III-1 and Table III-6.

<sup>40</sup> No party to these investigations argues that appropriate circumstances exist that would support any domestic producer’s exclusion from the domestic industry.

<sup>41</sup> \*\*\*. Petitioner’s Postconference Brief at Appendix A, p. 1. The Elkay product lines – Revere and Dayton – that were offered directly to fabricators during the period of investigation were \*\*\*. Petitioner’s Posthearing Brief at 3. The Revere undermount production \*\*\*. Petitioner’s Prehearing Brief at 38 and Exh. 15. \*\*\*, after the Commission’s affirmative preliminary determination. Petitioner’s Prehearing Brief at 3.

<sup>42</sup> CR/PR at Table III-1.

<sup>43</sup> CR at I-1, PR at I-1.

<sup>44</sup> CR/PR at Table III-6.

<sup>45</sup> CR/PR at Table III-6.

<sup>46</sup> CR/PR at Table III-6, n.1.

<sup>47</sup> CR/PR at Table VI-2.

<sup>48</sup> Consistent with her practice in past investigations and reviews, Commissioner Aranoff does not rely on individual-company operating income margins, which reflect a domestic producer’s financial operations related to  
(continued...)

We find that appropriate circumstances do not exist to exclude \*\*\* from the domestic industry producing drawn stainless steel sinks. \*\*\* is the Petitioner in these investigations, and accounts for a \*\*\* of drawn stainless steel sinks. Consequently, its exclusion would skew the data for the domestic industry. Its interests appear to lie more with domestic production than with importing. Compared to its domestic production, the volume of its imports was \*\*\* throughout the period of investigation. There is no clear pattern indicating that its imports or its corporate relationship with a Chinese producer of drawn stainless steel sinks have benefitted its financial operations as its operating margins in 2009 and 2011 were roughly the \*\*\*.<sup>50</sup> Moreover, no party has argued that \*\*\* should be excluded from the domestic industry.

\*\*\*.<sup>51</sup> \*\*\* was \*\*\* domestic producer in 2011, accounting for \*\*\* percent of reported domestic production in that year.<sup>52</sup> It \*\*\* the petition.<sup>53</sup>

Imports of subject merchandise that \*\*\* reported increased from \*\*\* units in 2009 to \*\*\* units in 2010, and declined to \*\*\* units in 2011; they were \*\*\* units in interim 2011 and \*\*\* units in interim 2012.<sup>54</sup> \*\*\* ratio of subject imports to domestic production increased from \*\*\* percent in 2009 to \*\*\* percent in 2010, and then increased to \*\*\* percent in 2011; it was \*\*\* percent in interim 2011 and \*\*\* percent in interim 2012.<sup>55</sup> \*\*\* reported that it imports drawn stainless steel sinks from China \*\*\*.<sup>56</sup> \*\*\* ratio of operating income to net sales was \*\*\*.<sup>57</sup>

We find that appropriate circumstances do not exist to exclude \*\*\* from the domestic industry producing drawn stainless steel sinks. Based on data showing that its imports as a ratio to its domestic production were \*\*\*, \*\*\* interests appear to lie in domestic production.<sup>58</sup> \*\*\* the petition. Moreover, it also does not appear that \*\*\* derived a significant benefit from its importation of the subject merchandise or its corporate relationship with a producer and an exporter of drawn stainless steel sinks from China, as its financial results were \*\*\* the industry average throughout the period of investigation.<sup>59</sup> Finally, no party has argued that \*\*\* should be excluded from the domestic industry.

\*\*\*. \*\*\* was \*\*\* largest domestic producer in 2011, accounting for \*\*\* percent of domestic production in that year.<sup>60</sup> It \*\*\* the petition in these investigations.

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<sup>48</sup>(...continued)

production of the domestic like product, in assessing whether a related party has benefitted from importation of subject merchandise. Rather, she determines whether to exclude a related party based principally on its ratio of subject imports to domestic production and whether its primary interests lie in domestic production or importation.

<sup>49</sup> Commissioner Pinkert does not rely upon related parties' financial performance as a factor in determining whether there are appropriate circumstances to exclude them from the domestic industry in these investigations. The record is not sufficient to infer from their profitability on U.S. operations whether they have derived a specific benefit from their status as related parties. See Allied Mineral Products v. United States, 28 CIT 1861, 1865-67 (2004).

<sup>50</sup> CR/PR at Tables III-6 and VI-2.

<sup>51</sup> \*\*\* is affiliated with Guangzhou (China) (FKP), a producer of subject merchandise in China. Moreover, \*\*\* and \*\*\* an exporter of subject merchandise, are \*\*\*. CR/PR at Table III-1.

<sup>52</sup> CR/PR at Table III-1.

<sup>53</sup> CR/PR at Table III-1.

<sup>54</sup> CR/PR at Table III-6.

<sup>55</sup> CR/PR at Table III-6.

<sup>56</sup> CR/PR at Table III-6, n.2.

<sup>57</sup> CR/PR at Table VI-2.

<sup>58</sup> CR/PR at Table III-6.

<sup>59</sup> CR/PR at Table VI-2.

<sup>60</sup> CR/PR at Table III-1.

\*\*\* imports of subject merchandise increased from \*\*\* units in 2009 to \*\*\* units in 2010, and declined to \*\*\* units in 2011; they were \*\*\* units in interim 2011 and \*\*\* units in interim 2012.<sup>61</sup> \*\*\* ratio of subject imports to domestic production increased from \*\*\* percent in 2009 to \*\*\* percent in 2010, and declined to \*\*\* percent in 2011; it was \*\*\* percent in interim 2011 and \*\*\* percent in interim 2012.<sup>62</sup> \*\*\* reported that its imports of subject merchandise were due to \*\*\*.<sup>63</sup> \*\*\* ratio of operating income to net sales was \*\*\* the industry average throughout the period of investigation.<sup>64</sup>

We find that appropriate circumstances do not exist to exclude \*\*\* from the domestic industry producing drawn stainless steel sinks. \*\*\* the petition, and its interests appear to lie more with domestic production than with importing. Compared to its domestic production, the volume of its imports was \*\*\*. Its U.S. operations also do not appear to have benefitted financially from its low volumes of imports as its financial results were \*\*\* the industry average throughout the period of investigation.<sup>65</sup> Moreover, no party has argued that \*\*\* should be excluded from the domestic industry.

\*\*\*.<sup>66</sup> \*\*\* was the \*\*\* largest domestic producer in 2009, but stopped producing drawn stainless steel sinks in the United States late that year.<sup>67</sup> It \*\*\* the petition.<sup>68</sup>

In 2009, \*\*\* imports of subject merchandise were \*\*\* units, or \*\*\* percent as a ratio to its domestic production.<sup>69</sup> \*\*\* reported that it was forced to close its domestic facility producing drawn stainless steel sinks and consolidated production in its Mexican facility in late 2009 because \*\*\* was facing falling market prices and declining market share caused by competition from increasing imports of low-priced drawn stainless steel sinks from China.<sup>70</sup> \*\*\* ratio of operating income to net sales was \*\*\* in 2009, which was \*\*\* the industry average in that year.<sup>71</sup>

We find that appropriate circumstances do not exist to exclude \*\*\* from the domestic industry. \*\*\*. In 2009, when \*\*\* produced drawn stainless steel sinks domestically, the volume of its subject imports, both absolutely and compared to its domestic production, was \*\*\*. Even after ceasing domestic production of drawn stainless steel sinks, \*\*\* did not import large quantities of subject merchandise. Its imports from China were only \*\*\* above 2009 levels in terms of units, and its imports from China were \*\*\* in interim 2012 than in interim 2011.<sup>72</sup> Although \*\*\* operating margins were \*\*\* in 2009, its imports were \*\*\* that its U.S. operations also do not appear to have benefitted financially from them.<sup>73</sup> \*\*\* also reports that it was forced to cease domestic production of drawn stainless steel sinks due to large volumes of subject imports. Moreover, no party has argued that \*\*\* should be excluded from the domestic industry.

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<sup>61</sup> CR/PR at Table III-6.

<sup>62</sup> CR/PR at Table III-6.

<sup>63</sup> CR/PR at Table III-6, n.4.

<sup>64</sup> CR/PR at Table VI-2.

<sup>65</sup> CR/PR at Table VI-2.

<sup>66</sup> \*\*\*. CR/PR at Table III-1.

<sup>67</sup> CR/PR at Table III-1.

<sup>68</sup> CR/PR at Table III-1.

<sup>69</sup> CR/PR at Table III-6.

<sup>70</sup> \*\*\* at 5.

<sup>71</sup> CR/PR at Table VI-2.

<sup>72</sup> CR/PR at Table III-6.

<sup>73</sup> CR/PR at Table VI-2.



*Conclusion.* For the reasons stated above, we find that appropriate circumstances do not exist for the exclusion of any of the related party producers from the domestic industry, and therefore we define the domestic industry to include all U.S. producers of drawn stainless steel sinks.

#### IV. MATERIAL INJURY BY REASON OF SUBJECT IMPORTS<sup>74</sup>

##### A. Legal Standard

In the final phase of antidumping and countervailing duty investigations, the Commission determines whether an industry in the United States is materially injured or threatened with material injury by reason of the imports under investigation.<sup>75</sup> 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.<sup>76</sup> The statute defines “material injury” as “harm which is not inconsequential, immaterial, or unimportant.”<sup>77</sup> In assessing whether 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.<sup>78</sup> 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.”<sup>79</sup>

Although the statute requires the Commission to determine whether the domestic industry is “materially injured or threatened with material injury by reason of” unfairly traded imports,<sup>80</sup> 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.<sup>81</sup> 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.<sup>82</sup>

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<sup>74</sup> Negligibility under 19 U.S.C. § 1677(24) is not an issue in these investigations. During the most recent 12-month period prior to the filing of the petition for which adjusted import data are available, subject imports from China accounted for \*\*\* percent of total imports. CR at IV-5, PR at IV-2.

<sup>75</sup> 19 U.S.C. §§ 1671d(b), 1673d(b).

<sup>76</sup> 19 U.S.C. § 1677(7)(B)(i). 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).

<sup>77</sup> 19 U.S.C. § 1677(7)(A).

<sup>78</sup> 19 U.S.C. § 1677(7)(C)(iii).

<sup>79</sup> 19 U.S.C. § 1677(7)(C)(iii).

<sup>80</sup> 19 U.S.C. §§ 1671d(a), 1673d(a).

<sup>81</sup> 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’d, 944 F. Supp. 943, 951 (Ct. Int’l Trade 1996).

<sup>82</sup> 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

(continued...)

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 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.<sup>83</sup> In performing its examination, however, the Commission need not isolate the injury caused by other factors from injury caused by unfairly traded imports.<sup>84</sup> 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.<sup>85</sup> It is clear that the existence of injury caused by other factors does not compel a negative determination.<sup>86</sup>

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 imports” and the Commission

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<sup>82</sup>(...continued)

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).

<sup>83</sup> 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.

<sup>84</sup> 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 v. USITC, 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, Invs. 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, Inc. v. United States, 132 F.3d 716, 722 (Fed. Cir. 1997) (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.”).

<sup>85</sup> S. Rep. 96-249 at 74-75; H.R. Rep. 96-317 at 47.

<sup>86</sup> 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.”).

“ensure{s} that it is not attributing injury from other sources to the subject imports.”<sup>87</sup> <sup>88</sup> Indeed, the Federal Circuit has examined and affirmed various Commission methodologies and has disavowed “rigid adherence to a specific formula.”<sup>89</sup>

The Federal Circuit’s decisions in Gerald Metals, Bratsk, and Mittal Steel all involved cases where the relevant “other factor” was the presence in the market of significant volumes of price-competitive nonsubject imports. The Commission interpreted the Federal Circuit’s guidance in Bratsk as requiring it to apply a particular additional methodology following its finding of material injury in cases involving commodity products and a significant market presence of price-competitive nonsubject imports.<sup>90</sup> The additional “replacement/benefit” test looked at whether nonsubject imports might have replaced subject imports without any benefit to the U.S. industry. The Commission applied that specific additional test in subsequent cases, including the Carbon and Certain Alloy Steel Wire Rod from Trinidad and Tobago determination that underlies the Mittal Steel litigation.

Mittal Steel clarifies that the Commission’s interpretation of Bratsk was too rigid and makes clear that the Federal Circuit does not require the Commission to apply an additional test nor any one specific methodology; instead, the court requires the Commission to have “evidence in the record” to “show that the harm occurred ‘by reason of’ the LTFV imports,” and requires that the Commission not attribute injury from nonsubject imports or other factors to subject imports.<sup>91</sup> Accordingly, we do not consider ourselves required to apply the replacement/benefit test that was included in Commission opinions subsequent to Bratsk.

The progression of Gerald Metals, Bratsk, and Mittal Steel clarifies that, in cases involving commodity products where price-competitive nonsubject imports are a significant factor in the U.S.

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<sup>87</sup> Mittal Steel, 542 F.3d at 877-78; 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.

<sup>88</sup> Commissioner Pinkert does not join this paragraph or the following three paragraphs. He points out that the Federal Circuit, in Bratsk, 444 F.3d 1369, and Mittal Steel, held that the Commission is required, in certain circumstances when considering present material injury, to undertake a particular kind of analysis of nonsubject imports, albeit without reliance upon presumptions or rigid formulas. Mittal Steel explains as follows:

What Bratsk held is that “where commodity products are at issue and fairly traded, price-competitive, nonsubject imports are in the market,” the Commission would not fulfill its obligation to consider an important aspect of the problem if it failed to consider whether nonsubject or non-LTFV imports would have replaced LTFV subject imports during the period of investigation without a continuing benefit to the domestic industry. 444 F.3d at 1369. Under those circumstances, Bratsk requires the Commission to consider whether replacement of the LTFV subject imports might have occurred during the period of investigation, and it requires the Commission to provide an explanation of its conclusion with respect to that factor.

542 F.3d at 878.

<sup>89</sup> 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.”).

<sup>90</sup> Mittal Steel, 542 F.3d at 875-79.

<sup>91</sup> Mittal Steel, 542 F.3d at 873 (quoting from Gerald Metals, 132 F.3d at 722), 875-79 & n.2 (recognizing the Commission’s alternative interpretation of Bratsk as a reminder to conduct a non-attribution analysis).

market, the Court will require the Commission to give full consideration, with adequate explanation, to non-attribution issues when it performs its causation analysis.<sup>92</sup>

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.<sup>93</sup> Congress has delegated this factual finding to the Commission because of the agency's institutional expertise in resolving injury issues.<sup>94</sup>

## **B. Conditions of Competition and the Business Cycle**

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

### **1. Demand Conditions**

Because drawn stainless steel sinks are sold primarily for residential kitchen applications, U.S. demand for drawn stainless steel sinks is closely tied to U.S. residential housing construction and remodeling.<sup>95</sup> The parties agree that the collapse of the U.S. housing market in 2008 caused significant contraction of the U.S. market for drawn stainless steel sinks, and that demand for drawn stainless steel sinks has subsequently been recovering.<sup>96</sup> Apparent U.S. consumption of drawn stainless steel sinks, by quantity, increased from 5.1 million units in 2009 to 5.4 million units in 2010, and was 5.5 million units in 2011.<sup>97</sup> Apparent U.S. consumption was higher in interim 2012 (4.6 million units) than in interim 2011 (4.2 million units).<sup>98</sup> The record indicates that the majority of sinks sold in the U.S. market are top mount sinks.<sup>99</sup>

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<sup>92</sup> To that end, after the Federal Circuit issued its decision in Bratsk, the Commission began to present published information or send out information requests in final phase investigations to producers in nonsubject countries that accounted for substantial shares of U.S. imports of subject merchandise (if, in fact, there were large nonsubject import suppliers). In order to provide a more complete record for the Commission's causation analysis, these requests typically seek information on capacity, production, and shipments of the product under investigation in the major source countries that export to the United States. The Commission plans to continue utilizing published or requested information in final phase investigations in which there are substantial levels of nonsubject imports.

<sup>93</sup> We provide in our respective discussions of volume, price effects, and impact a full analysis of other factors alleged to have caused any material injury experienced by the domestic industry.

<sup>94</sup> 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.").

<sup>95</sup> CR at II-8, PR at II-5.

<sup>96</sup> CR at II-9 to II-11, PR at II-5 to II-6; Petitioner's Posthearing Brief at 4; Respondents' Prehearing Brief at 3. Petitioner argues that demand for drawn stainless steel sinks is price inelastic. Petitioner's Posthearing Brief at 4; Petitioner's Prehearing Brief at 18. Drawn stainless steel sinks represent a relatively small share of the total cost of a kitchen countertop or a complete kitchen renovation, and, therefore, changes in the price level of drawn stainless steel sinks will result in small-to-moderate changes in the quantity of drawn stainless sinks demanded. CR at II-8, PR at II-5.

<sup>97</sup> CR/PR at Table IV-4.

<sup>98</sup> CR/PR at Table IV-4.

<sup>99</sup> Petitioner estimates that undermount sinks, which are sold primarily to fabricators, represent no more than 25 percent of the U.S. market for drawn stainless steel sinks. Tr. at 66 (Rogers, Dorn) (estimating that sales to fabricators account for approximately 25 percent of the total market); Tr. at 66 (Rogers) (explaining that the

(continued...)

When asked how demand for drawn stainless steel sinks had changed since January 1, 2009, the most common response by importers and purchasers was that demand had increased, while one-half of responding producers reported that demand had decreased.<sup>100</sup> Importers and purchasers that reported increased demand for drawn stainless steel sinks cited as reasons increased use of granite and solid surface countertops, increased home remodeling, and a slow improvement in the economy and home construction sector.<sup>101</sup> Firms reporting decreased demand cited as reasons the slow economy, housing market downturn and increased competition from online businesses and fabricators.<sup>102</sup>

## 2. Supply Conditions

The U.S. market is supplied by domestic producers, subject imports, and nonsubject imports. Six firms accounted for virtually all U.S. production of drawn stainless steel sinks in 2011.<sup>103</sup> One major U.S. producer, \*\*\*.<sup>104</sup> The domestic industry's share of apparent U.S. consumption, by quantity, decreased from \*\*\* percent in 2009 to \*\*\* percent in 2010 and \*\*\* percent in 2011.<sup>105</sup> The domestic industry's share of apparent U.S. consumption was \*\*\* percent in interim 2012, down from \*\*\* percent in interim 2011.<sup>106</sup>

Petitioner indicated that there are 90 or more producers of drawn stainless steel sinks in China.<sup>107</sup> Five producers of drawn stainless steel sinks in China responded to the Commission's questionnaire in these investigations: Elkay China Kitchen Solutions, Foshan Shunde Minghao Kitchen Utensils ("Minghao"), Kele Kitchenware Co., Ltd., Ningbo Oulin Kitchen Utensils Co., Ltd., and Zhuhai Kohler Kitchen and Bathroom Products Co., Ltd.<sup>108</sup> The leading U.S. importers of drawn stainless steel sinks from China are \*\*\*.<sup>109</sup> The market share of subject imports, based on quantity, increased from

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<sup>99</sup>(...continued)

fabricator market consists primarily of undermount sinks and that it has grown as a function of increased demand for granite countertops, which in turn has created increased demand for undermount sinks). In the preliminary phase of these investigations, Respondents estimated that the market for undermount sinks was 25 percent but they now contend that the volume of undermount sinks sold directly to fabricators is larger. CR I-16, n.55, PR I-13, n.55;Tr. at 143-44 (Cain); Respondents' Posthearing Brief & Responses to Commission Questions at 1. One witness for the Respondents, however, reported that the share of U.S. demand accounted for by fabricators is "small, 10%-15%." Respondents' Posthearing Brief at Exh. B. No party presented evidence to substantiate its respective estimates. The assertion, however, that undermount sinks account for a minority of the market is consistent with the data reported in the questionnaire responses, which show undermount sinks accounting for approximately 19-24 percent of reported apparent U.S. consumption of drawn stainless steel sinks. CR/PR at Tables C-2, C-3, C-4. We recognize that the questionnaire responses do not account for all of apparent U.S. consumption of drawn stainless steel sinks, but they provide the best evidence on the record to indicate the size of the various types of drawn stainless steel sinks in the U.S. market. Compare CR/PR Table C-1 to Tables C-2, C-3, C-4.

<sup>100</sup> CR at II-11, PR II-6; CR/PR Table II-3.

<sup>101</sup> CR at II-11, PR II-6.

<sup>102</sup> CR at II-11, PR II-6.

<sup>103</sup> CR/PR at Table III-1. Petitioner accounted for \*\*\* percent of domestic drawn stainless steel sink production in 2011.

<sup>104</sup> CR/PR at Table III-3. \*\*\*.

<sup>105</sup> CR/PR at Table IV-4 and Table C-1.

<sup>106</sup> CR/PR at Table IV-4 and Table C-1.

<sup>107</sup> CR at I-3, PR at I-3.

<sup>108</sup> CR at I-3 to I-4, PR at I-3.

<sup>109</sup> CR/PR Table IV-1.

40.1 percent in 2009 to 49.5 percent in 2010 and 58.3 percent in 2011.<sup>110</sup> The market share of subject imports was 61.2 percent during interim 2012, up from 58.3 percent during interim 2011.<sup>111</sup>

Leading importers of drawn stainless steel sinks from nonsubject countries include \*\*\*.<sup>112</sup> Mexico was the largest source of nonsubject imports during the period of investigation.<sup>113</sup> The market share of imports from nonsubject countries increased from \*\*\* percent in 2009 to \*\*\* percent in 2010, before declining to \*\*\* percent in 2011.<sup>114</sup> The market share of nonsubject countries was \*\*\* percent during interim 2012, down from \*\*\* percent during interim 2011.<sup>115</sup>

The record indicates that both the domestic industry and subject imports provide top mount and undermount drawn stainless steel sinks to the U.S. market, and serve to varying degrees all principal channels of distribution for drawn stainless steel sinks.<sup>116</sup> As elaborated further below, the parties do not agree on the extent to which the domestic industry may have focused on supplying particular channels of distribution.<sup>117</sup>

### **3. Substitutability and Other Conditions of Competition**

The record indicates that there is a moderate to high degree of substitutability between subject imports and the domestically produced drawn stainless steel sinks. All five responding U.S. producers reported that subject imports and the domestic like product are “always” interchangeable, and 18 of 19 responding importers reported that subject imports and the domestic like product are either “always” or “frequently” interchangeable.<sup>118</sup>

The domestic industry argues that competition in the U.S. market between subject imports and the domestic like product is based primarily on price, and that subject imports take sales from the domestic industry based solely on underselling.<sup>119</sup> Respondents argue that while top mount sinks are a high volume commodity product, the market for undermount sinks is a niche market where quality is more important

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<sup>110</sup> CR/PR at Table IV-4.

<sup>111</sup> CR/PR at Table IV-4 and Table C-1.

<sup>112</sup> CR at I-3, PR at I-3.

<sup>113</sup> CR/PR at Table IV-2.

<sup>114</sup> CR/PR at Table IV-4.

<sup>115</sup> CR/PR at Table IV-4 and Table C-1.

<sup>116</sup> CR at Tables C-2 & C-3; Petitioner’s Posthearing Brief at 9 & Responses to Commission Questions at 1, 6, 11-12, Exhibit 14 (detailing the percentages of domestic producers’ sales through various distribution channels); Kohler’s Prehearing Brief at 9-11.

<sup>117</sup> Respondents’ Posthearing Brief at 1, 9-10 & Responses to Commission Questions at 8-11, 21-22; Respondents’ Prehearing Brief at 13-14. Respondents sell primarily undermount drawn stainless steel sinks. Respondents’ Post Hearing Brief & Responses to Commission Questions at 1, 48; Tr. at 140-41 (Cruz); 207 (Levi, Cain) (explaining that 90 percent of Kraus USA sales is undermount, 99.9 percent of Chemcore’s sales is undermount and 95 percent of AmeriSink’s sales are undermount); Petitioner’s Posthearing Brief at 7-11 & Exhs. 5-7; Tr. at 32 (Whittington); Tr. at 37-40 (Hamilton); Petitioners’ Prehearing Brief at 36-38 & Exhs. 15 & 18.

<sup>118</sup> CR/PR at Table II-7. The majority of responding U.S. importers also reported that the domestic like product and subject imports are either “always” or “frequently” interchangeable with nonsubject imports. CR/PR at Table II-7.

<sup>119</sup> Petitioner’s Posthearing Brief at 3-10; Petitioner’s Prehearing Brief at 16-18; Kohler’s Prehearing Brief at 6-7.

than price.<sup>120</sup> Respondents claim that the low volume of undermount drawn stainless steel sinks that Petitioner does offer are marked up so high in price that no fabricator can afford these sinks.<sup>121</sup>

Although the parties disagree as to the importance of price, we find that the record in these investigations indicates that price is important in purchasing decisions for all drawn stainless steel sinks.<sup>122</sup> The majority of U.S. purchasers similarly reported that differences other than price between subject imports and the domestic like product are only sometimes or never a significant factor in purchasing decisions.<sup>123</sup> All five of the responding U.S. producers reported that differences other than price between subject imports and the domestic like product are only sometimes or never a significant factor.<sup>124</sup> Responses from importers were more mixed, with 9 of 20 responding importers reporting that differences other than price between U.S.-produced drawn stainless steel sinks and subject imports are “sometimes” or “never” a significant factor.<sup>125</sup>

The main input used to produce drawn stainless steel sinks is cold-rolled stainless steel coils. Between January 2009 and December 2012, prices for cold-rolled stainless steel coils were volatile and increased overall for three of the four grades most commonly used to produce drawn stainless steel sinks.<sup>126</sup> The cost of raw materials increased from \*\*\* percent to \*\*\* percent of the U.S. producers’ total cost of goods sold (“COGS”) from 2009 to 2011.<sup>127</sup> Raw materials were the largest single component of COGS during 2009 to 2011.<sup>128</sup>

Drawn stainless steel sinks are commonly sold on a spot basis and, to a lesser extent, short- and long-term contract basis. Three of the four responding U.S. producers and 15 of 22 reporting importers sell all of their product on a spot basis.<sup>129</sup>

There are no significant certification requirements for drawn stainless steel sinks that would affect sales to any particular channel of distribution. Fourteen of the 36 responding purchasers reported that they require suppliers of drawn stainless steel sinks to become certified or pre-qualified for all of their purchases, and these purchasers reported various processes for certification, which could take from 5 to 180 days.<sup>130</sup> No purchaser reported that any domestic or foreign suppliers had failed to obtain certification.<sup>131</sup>

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<sup>120</sup> Respondents’ Posthearing Brief at 10.

<sup>121</sup> Respondents’ Posthearing Brief at 2, 8-9. We observe that there is no specific record evidence that addresses “markups” domestic producers allegedly receive for specific models of drawn stainless steel sinks.

<sup>122</sup> CR/PR at Table II-10. Although Respondents argued that quality is more important than price for undermount drawn stainless steel sinks, we observe that one of Respondents’ witnesses stated in an email to a Korean producer of drawn stainless steel sinks that “\*\*\* Respondents’ Posthearing Brief at Exhibit A-2 (\*\*\*).

<sup>123</sup> CR/PR at Table II-10 (20 of 30 responding purchasers reporting that differences other than price between U.S.-produced drawn stainless steel sinks and subject imports are “sometimes” or “never” a significant factor and 10 of 30 reporting purchasers that such differences were “always” or “frequently” a factor).

<sup>124</sup> CR/PR at Table II-10.

<sup>125</sup> CR/PR at Table II-10 (11 of 20 reporting that such differences were “always” or “frequently” a factor).

<sup>126</sup> CR/PR at Figure V-1.

<sup>127</sup> CR at VI-10, PR at VI-3. Changes in the average raw materials costs was mixed at the end of the period with two producers reporting lower average raw material costs and two producers reporting higher average raw material costs. CR at VI-10, PR at VI-3.

<sup>128</sup> CR at VI-10-VI-11, PR at VI-3.

<sup>129</sup> CR at V-2, PR at V-1.

<sup>130</sup> CR at II-14, PR at II-9.

<sup>131</sup> CR at II-14, PR at II-9.

### 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.”<sup>132</sup>

Subject imports accounted for a significant portion of apparent U.S. consumption when the period of investigation began in 2009. These imports then increased dramatically in the U.S. market. The volume of subject imports, by quantity, rose from 2.0 million units in 2009 to 2.7 million units in 2010 and to 3.2 million units in 2011.<sup>133</sup> This 57.0 percent increase in subject import volume from 2009 to 2011 far outpaced the 7.9 percent increase in apparent U.S. consumption over the same period.<sup>134</sup> The volume of subject imports was higher in interim 2012 (2.8 million units) than in interim 2011 (2.4 million units).<sup>135</sup> Moreover, the volume of subject imports increased substantially relative to the domestic industry’s production levels during the period of investigation. The ratio of subject imports to domestic production increased from \*\*\* percent in 2009 to \*\*\* percent in 2010 and \*\*\* percent in 2011, and was higher in interim 2012 (\*\*\* percent) than in interim 2011 (\*\*\* percent).<sup>136</sup>

Subject imports steadily increased their share of the U.S. market during the period of investigation. Subject imports’ share of apparent U.S. consumption, measured by quantity, increased from 40.1 percent in 2009 to 49.5 percent in 2010 and 58.3 percent in 2011, and was higher in interim 2012 (61.2 percent) than in interim 2011 (58.3 percent).<sup>137</sup> The bulk of the increase in subject import market penetration during the period came at the expense of the domestic industry.<sup>138</sup> From 2009 to 2011, the market share of drawn stainless steel sinks held by subject imports increased by 18.2 percentage points, while the market share held by the domestic industry declined by \*\*\* percentage points.<sup>139</sup> By comparison, the market share held by nonsubject imports declined irregularly by \*\*\* percentage points, from \*\*\* percent in 2009 to \*\*\* percent in 2011.<sup>140</sup>

Respondents argue that Petitioner’s failure to adapt to changing technology and distribution channels to meet the demand of the customers and the changing market is responsible for the increase in subject imports’ market share. Specifically, they contend that subject imports have been pulled into the U.S. market to service the growing demand in the internet and granite fabricator channels of distribution, and that domestic producers have chosen not to sell their products in those channels.<sup>141</sup> We reject this contention. At the outset, we observe that the domestic industry had the capacity to supply all, or even after Kohler’s exit from the domestic industry in late 2009, the overwhelming majority of U.S. demand

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<sup>132</sup> 19 U.S.C. § 1677(7)(C)(I).

<sup>133</sup> CR/PR at Table IV-3.

<sup>134</sup> CR/PR at Table C-1.

<sup>135</sup> CR/PR at Table IV-3.

<sup>136</sup> CR/PR at Table IV-5.

<sup>137</sup> CR/PR at Table IV-4.

<sup>138</sup> The domestic industry’s market share, measured by quantity, declined from \*\*\* percent in 2009 to \*\*\* percent in 2010 and \*\*\* percent in 2011, and was lower in interim 2012 (\*\*\* percent) than in interim 2011 (\*\*\* percent). CR/PR at Table IV-4.

<sup>139</sup> CR/PR at Table IV-4. The market share held by subject imports was 2.8 percentage points higher in interim 2012 than in interim 2011, while the market share held by the domestic industry was \*\*\* percentage points lower during this period.

<sup>140</sup> CR/PR at Table IV-4. The market share held by nonsubject imports was \*\*\* percent lower in interim 2012 than in interim 2011.

<sup>141</sup> Respondents’ Prehearing Brief at 17-21.



for drawn stainless steel sinks during the period of investigation.<sup>142</sup> Moreover, the domestic industry produced significant volumes of all types of drawn stainless steel sinks during the period.<sup>143</sup> The record further establishes that domestic producers sold drawn stainless steel sinks through all channels of distribution to varying degrees during the period of investigation.<sup>144</sup> Petitioner and Kohler provided evidence establishing that the major domestic producers have had a significant internet presence dating back to well before the period of investigation, and that the domestic industry's sinks compete with subject imports through the same retailers or distributors with a significant internet presence, including companies like Amazon, Overstock, Faucet Direct, Home Depot, and Lowe's.<sup>145</sup>

Domestic producers also described the numerous efforts they undertook to sell undermount sinks directly to fabricators prior to and during the period of investigation, but stated that in many cases they were unable to match the extremely low prices of subject imports.<sup>146</sup> Consequently, the domestic industry's market share for undermount drawn stainless steel sinks declined from \*\*\* percent in 2009 to \*\*\* percent in 2011, or by \*\*\* percentage points, while the market share for undermount drawn stainless steel sinks held by subject imports increased from \*\*\* percent in 2009 to \*\*\* percent in 2011, or by 13.4 percentage points.<sup>147</sup>

Moreover, according to questionnaire responses, the subject import volume of top mount drawn stainless steel sinks increased by \*\*\* percent from 2009 to 2011 despite a \*\*\* percent decline in apparent U.S. consumption for top mount drawn stainless steel sinks during this same period.<sup>148</sup> Accordingly, even if we were to accept Respondents' argument that domestic producers were not as competitive selling undermount sinks in the direct to fabricator market, we find that a significant quantity of subject imports

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<sup>142</sup> Apparent U.S. consumption of drawn stainless steel sinks, by quantity, increased from 5.1 million units in 2009 to 5.4 million units in 2010, and was 5.5 million units in 2011; it was higher in interim 2012 (4.6 million units) than in interim 2011 (4.2 million units). CR/PR at Table IV-4. The domestic industry's capacity decreased from \*\*\* units in 2009 to \*\*\* units in 2010, and \*\*\* in 2011; capacity was \*\*\* sinks during the interim periods. CR/PR at Table III-2.

<sup>143</sup> CR/PR at Tables C-2, C-3, & C-4.

<sup>144</sup> Petitioner's Posthearing Brief, Answers to Commission Questions, at 11-12 & Exh. 14.

<sup>145</sup> Petitioner's Posthearing Brief at 8-9 & Exhs. 5-7; Tr. at 32 (Whittington); Kohler's Prehearing Brief at 8-9 & Exh. 8. We observe that Respondents do not sell drawn stainless steel sinks directly to customers via their own internet sites; rather, in most cases they provide drop shipping to the customer after an order is placed for a drawn stainless steel sink on one of the aforementioned companies' internet sites. Tr. at 145-146 (Levi). In fact, Petitioner appears to be the only manufacturer of drawn stainless steel sinks that sells directly to U.S. fabricators by allowing them to purchase undermount sinks directly through Elkay's dedicated Revere website. Tr. at 69-70 (Rogers).

<sup>146</sup> Petitioner's Prehearing Brief at 36-38 & Exhs. 15 & 18; Petitioner's Posthearing Brief at 7-11; Tr. at 37-40 (Hamilton); Kohler's Prehearing Brief at 8-11. Further information on underselling by the subject imports is presented in section IV.C. below.

A witness for Respondents acknowledged that Petitioner was "making undermount sinks probably before anybody." Tr. at 156 (Crain). In 2005, Elkay introduced two lines of "value priced" sinks, the Dayton line and the Revere line, specifically to supply fabricators with drawn stainless steel sinks and regain sales to fabricator customers who had switched to significantly lower priced Chinese sinks. Petitioner's Prehearing Brief at Exh. 15. These efforts were largely unsuccessful because Petitioner was unable to reduce its pricing enough to compete against Chinese sinks. Petitioner's Prehearing Brief at Exh. 15. Kohler stated that in 2009 it produced \*\*\*. Kohler's Prehearing Brief at 9. Kohler observed that in \*\*\*. Kohler's Prehearing Brief at 10 & Exhibit 7 (\*\*\*). Accordingly, Kohler was \*\*\*. Kohler's Prehearing Brief at 10.

<sup>147</sup> CR/PR at Table C-3. The record shows that the domestic industry had significant unused capacity to supply any increase in demand for undermount drawn stainless steel sinks during the period of investigation. CR/PR at Table C-1 & Table C-3.

<sup>148</sup> CR/PR at Table C-2. Subject imports of top mount drawn stainless steel sinks increased irregularly from \*\*\* units in 2009 to \*\*\* units in 2011.

were not undermount sinks sold directly to the fabricator market, but consisted of drawn stainless steel sinks that competed directly with the domestic like product and whose increasing volumes displaced market share held by the domestic industry.<sup>149</sup>

We conclude that the volume of subject imports from China and the increase in that volume are significant both in absolute terms and relative to consumption and production in the United States.

### **C. 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.<sup>150</sup>

As addressed above in the discussion of the conditions of competition, the evidence on the record indicates that there is a moderately high degree of substitutability between drawn stainless steel sinks produced domestically and those imported from China.<sup>151</sup> The record supports the fact that price is an important – though not exclusive – consideration in U.S. purchasers’ sourcing decisions.<sup>152</sup>

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<sup>149</sup> Compare Tables C-2, C-3, & C-4 (showing subject import volumes for top mount, undermount, and dual-mount drawn stainless steel sinks, respectively); Respondents’ Posthearing Brief at Exh. B (estimating that the countertop fabricator market accounts for \*\*\* of the U.S. market for drawn stainless steel sinks). We observe that Respondents’ witnesses who presented testimony during these investigations sell primarily undermount drawn stainless steel sinks. Respondents’ Posthearing Brief, Answers to Commission Questions, at 48; Tr. at 207 (Levi) (Crain) & (Cruz). Accordingly, their arguments in these investigations focused on undermount drawn stainless steel sinks, and they have presented no material arguments to explain the significant increase in subject imports of top mount sinks from 2009 to 2011.

<sup>150</sup> 19 U.S.C. § 1677(7)(C)(ii).

<sup>151</sup> CR/PR at Table II-7.

<sup>152</sup> CR/PR at Tables II-4 & II-5.

The Commission requested quarterly pricing data on seven products.<sup>153</sup> Products 1 to 3 are top mount sinks, products 4 to 6 are undermount sinks, and product 7 is a dual-mount sink. Five U.S. producers and 15 importers provided some pricing data, although not all firms provided data for all products and all quarters.<sup>154</sup> No producers or importers reported usable data for product 7.<sup>155</sup> Pricing data accounted for \*\*\* percent of U.S. producers' U.S. shipments during the period, \*\*\* percent of U.S. imports from China, and \*\*\* percent of imports from Mexico, the largest nonsubject source of drawn stainless steel sinks.<sup>156</sup>

The subject imports were priced lower than the domestic like product in 77 out of 90 quarterly pricing comparisons, with an average underselling margin of 31.0 percent.<sup>157</sup> Because price is an important consideration in purchasing decisions, we find this widespread underselling at frequently high margins to be significant. We also find that the observed underselling allowed subject imports to gain significant sales volume and market share at the expense of the domestic industry; these gains in volume and market share were described above in section IV.C.

Respondents allege that the underselling by subject imports may be due to differences in the channels of distribution and market segments in which the subject imports and domestic like product are concentrated. Respondents assert that they are able to sell subject merchandise at lower prices because they have essentially cut out the middlemen, such as plumbing wholesalers and big-box retailers who mark up the product, and have been able to sell to customers directly via internet sales and direct sales to fabricators. We found above that the record does not support Respondents' contention that they sell

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<sup>153</sup> The products for which pricing data were requested were as follows: Product 1 - 300 series stainless steel, regardless of finish, top mount with overall dimensions of 33 inches x 22 inches, two bowls with both bowls 14 inches x 15¾ inches, and each bowl depth 6 inches. Gauge 20-24. All dimensions plus/minus 2 inches, except bowl depth plus/minus 1 inch; Product 2 - 300 series stainless steel, regardless of finish, top mount with overall dimensions of 25 inches x 22 inches, one bowl 21 inches x 15¾ inches, and bowl depth 6 inches. Gauge 20-24. All dimensions plus/minus 2 inches, except bowl depth plus/minus 1 inch; Product 3 - 300 series stainless steel, regardless of finish, top mount with overall dimensions of 33 inches x 22 inches, two bowls with both bowls 14 inches x 15¾ inches, and each bowl depth 8<sup>1/16</sup> inches. Gauge 20-24. All dimensions plus/minus 2 inches, except bowl depth plus/minus 1 inch; Product 4 - 300 series stainless steel, regardless of finish, undermount with overall dimensions of 31¼ inches x 17¾ inches (with flange), two bowls with both bowls 14 inches x 15¾ inches, and each bowl depth 8 inches. Gauge 16-20. All dimensions plus/minus 2 inches, except bowl depth plus/minus 1 inch; Product 5 - 300 series stainless steel, regardless of finish, undermount with overall dimensions of 23 inches x 17¾ inches (with flange), one bowl 21 inches x 15¾ inches, and bowl depth 8 inches. Gauge 16-20. All dimensions plus/minus 2 inches, except bowl depth plus/minus 1 inch; Product 6 - 300 series stainless steel, regardless of finish, undermount with overall dimensions of 31¾ inches x 20½ inches (with flange), two bowls with one bowl 14 inches x 15¾ inches and one bowl 13½ inches x 18 inches, and bowl depths of 8 and 10 inches respectively. Gauge 16-20. All dimensions except bowl depth plus/minus 2 inches (but each bowl must be a different size), bowl depth plus/minus 1 inch (each bowl may be the same or a different depth); and Product 7 - 300 series stainless steel, regardless of finish, dual-mount with overall dimensions of 33 inches x 22 inches, two bowls with both bowls 14 inches x 15¾ inches, and each bowl depth 6 inches. Gauge 20-24. All dimensions plus/minus 2 inches, except bowl depth plus/minus 1 inch. CR at V-4, PR at V-2-V-3.

<sup>154</sup> CR at V-4, PR at V-2-V-3.

<sup>155</sup> CR at V-4 n.3, PR at V-3 n.3.

<sup>156</sup> CR at V-4-V-5, PR at V-3. \*\*\*. CR at VII-12 & n.31, PR at VII-7 n.31.

<sup>157</sup> CR/PR at Table V-8. Prices for imported drawn stainless steel sinks from China undersold prices for U.S.-produced drawn stainless steel sinks for products 1, 2, 4, 5 and 6 in all quarters where both prices were reported with a single exception. CR/PR at Table V-8. For product 3, imported drawn stainless steel sinks from China oversold the domestic like product in 12 quarters where both prices were reported, but undersold the domestic like product in the three most recent quarters for which data were collected (Jan-March 2013-July-Sept. 2013). CR/PR at Table V-8. Prices for imported drawn stainless steel sinks from China were lower than prices from Mexico in all 90 comparisons. CR at V-19, PR at V-8.

drawn stainless steel sinks to different channels of distribution than the domestic industry. Even if respondents did use unique channels of distribution to sell some subject merchandise, however, we still would find that our pricing data accurately reflect significant underselling by subject imports. The pricing data in these investigations reflect the Commission's usual practice of collecting data representing the first arms' length transaction in the United States for both subject imports and the domestic like product; in other words, the data reflect transactions to the same level of trade. Furthermore, the pricing data collected represent significant quantities of both subject imports and the domestic like product, notwithstanding that they do not include any direct sales from the foreign producer to a U.S. customer. In the large majority of price comparisons based on the first arms' length transaction in the United States, and in all comparisons of undermount drawn stainless steel sinks, the subject imports undersold the domestic like product by significant margins.<sup>158</sup> Consequently, the record does not identify any distinction between the subject imports and the domestic like product sufficient to mitigate the significance of the observed underselling throughout the period.

We also examined evidence concerning the domestic industry's allegations of lost sales and lost revenues.<sup>159</sup> <sup>160</sup> Despite the relatively small share of confirmed lost sales and lost revenue allegations, we stress that three of four responding purchasers named by domestic producers in their lost sales and lost revenue allegations reported switching purchases of drawn stainless steel sinks from U.S. producers to suppliers of imports from China during the period of investigation.<sup>161</sup> Two of these three purchasers reported that price was at least part of the reason for the shift.<sup>162</sup> In addition, three of four responding purchasers named in lost sales and lost revenue allegations indicated that U.S. producers reduced their prices in order to compete with prices of subject imports from China during the period of investigation.<sup>163</sup> This provides further evidence of the significance of the low prices of subject imports from China and supports our conclusion that subject imports gained market share during the period examined at the expense of the domestic industry through aggressive pricing.

We have also considered movement in U.S. and subject prices over the period of investigation. Prices for U.S.-produced drawn stainless steel sinks generally fluctuated during the period examined. Specifically, prices for domestically produced products 1, 2, and 6 were higher at the end of the period than at the beginning, while prices for products 3, 4, and 5 were lower.<sup>164</sup> Prices for imports from China decreased during this period.<sup>165</sup> Given the lack of any clear trends in reported U.S. prices, we do not find that subject imports depressed prices to a significant degree.

We have also examined whether subject imports have prevented price increases, which otherwise would have occurred, to a significant degree during the period examined. The domestic industry's COGS to net sales ratio decreased from \*\*\* percent in 2009 to \*\*\* percent in 2010 and then increased to \*\*\* percent in 2011.<sup>166</sup> Although the COGS to net sales ratio increased somewhat from 2010 to 2011, the

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<sup>158</sup> The average underselling margin by subject imports was 31.0 percent. CR/PR at Table V-8. Moreover, counsel for Respondents acknowledged "extreme margins of underselling here by the Chinese" in these investigations. Tr. at 217 (Perry).

<sup>159</sup> \*\*\*. CR/PR at Tables V-9 to V-10. \*\*\*. CR at V-24, PR at V-9.

<sup>160</sup> Commissioner Aranoff further views \*\*\*.

<sup>161</sup> CR at V-21 n.9, PR at V-9 n.9. One of these three purchasers (\*\*\*) indicated that it had "partially" shifted purchases.

<sup>162</sup> CR at V-21, PR at V-9.

<sup>163</sup> CR at V-21, PR at V-9.

<sup>164</sup> CR at V-5, PR at V-3.

<sup>165</sup> CR at V-5, PR at V-3.

<sup>166</sup> CR/PR at Table C-1.

increase, which was limited to that time period and only marginally exceeded 2009 levels, is not enough to support a finding of significant price suppression during the period of investigation.

Rather, we find that the primary mechanism through which the negative effects of subject import pricing are manifested in these investigations is through pervasive underselling, which allowed subject imports to take significant sales volume and market share from the domestic industry during the period of investigation.

#### **D. Impact of the Subject Imports from China**<sup>167</sup>

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.”<sup>168</sup> These factors include output, sales, inventories, capacity utilization, market share, employment, wages, productivity, profits, cash flow, return on investment, ability to raise capital, 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.”<sup>169</sup>

We find that imports of drawn stainless sinks from the subject producers in China had a significant adverse impact on the domestic industry during the investigation period. Nearly all domestic industry performance indicators declined between 2009 and 2011 despite an increase in apparent U.S. consumption of 7.9 percent.<sup>170</sup>

Production fell by \*\*\* percent, from \*\*\* units in 2009 to \*\*\* units in 2010 and then to \*\*\* units in 2011.<sup>171</sup> During interim 2012, production was \*\*\* units, but this increase of only \*\*\* percent from interim 2011 levels was well below the increased rate in apparent U.S. consumption of 11.8 percent.<sup>172</sup> In late 2009, Kohler, then a major domestic producer of drawn stainless steel sinks, ceased production of drawn stainless steel sinks in the United States due primarily to its inability to compete with low priced subject imports.<sup>173</sup> Kohler’s exit from the domestic industry resulted in a \*\*\* percent reduction of the industry’s average capacity from 2009 to 2010.<sup>174</sup> There was \*\*\* to average capacity in 2011 and

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<sup>167</sup> We have considered the magnitude of the dumping margins found by Commerce. 19 U.S.C. § 1677(7)(C)(iii). In its antidumping investigation concerning subject imports from China, Commerce found weighted-average dumping margins of 27.14 percent to 39.87 percent for 21 specific producer and exporter combinations, and 76.53 percent for the all others/China-wide rate. CR/PR at Table I-2; 78 Fed. Reg. 13,019 (Feb. 26, 2013). We also considered the magnitude of countervailable subsidies. In its final affirmative countervailing duty investigation of subject imports from China, Commerce found a subsidy rate of 4.8 percent for Guangdong Yingao Kitchen Utensils Co., Ltd. and Foshan Magang Kitchen Utensils Co., Ltd.; 12.21 percent for Zhongshan Superte Kitchenware Co., Ltd.; 12.26 percent for Foshan Zhaoshun Trade Co., Ltd.; and 8.51 percent for all others. CR/PR at Table I-1; 78 Fed. Reg. 13,017 (Feb. 26, 2013).

<sup>168</sup> 19 U.S.C. § 1677(7)(C)(iii); see also SAA at 851, 885 (“In material injury determinations, the Commission considers, in addition to imports, other factors that may be contributing to overall injury. While these factors, in some cases, may account for the injury to the domestic industry, they also may demonstrate that an industry is facing difficulties from a variety of sources and is vulnerable to dumped or subsidized imports.”).

<sup>169</sup> 19 U.S.C. § 1677(7)(C)(iii); see also SAA at 851, 885; Live Cattle from Canada and Mexico, Invs. Nos. 701-TA-386, 731-TA-812-813 (Preliminary), USITC Pub. 3155 at 25 n.148 (Feb. 1999).

<sup>170</sup> CR/PR at Table C-1.

<sup>171</sup> CR/PR at Table III-2; CR/PR at Table C-1.

<sup>172</sup> CR/PR at Table III-2; CR/PR at Table C-1.

<sup>173</sup> Kohler’s Prehearing Brief at 1.

<sup>174</sup> CR/PR at Table III-2; CR/PR at Table C-1.

capacity also remained \*\*\* between interim 2011 and 2012.<sup>175</sup> Despite the decline in capacity and increase in demand for drawn stainless steel sinks, the domestic industry's capacity utilization decreased from \*\*\* percent in 2009 to \*\*\* percent in 2010, and then to \*\*\* percent in 2011; capacity utilization was \*\*\* percent during interim 2012, up slightly from \*\*\* percent in interim 2011.<sup>176</sup>

Domestic producers' U.S. shipments followed a similar trend of overall decline.<sup>177</sup> From 2009 to 2011 the total quantity of the domestic industry's U.S. shipments fell by \*\*\* percent,<sup>178</sup> declining from \*\*\* units in 2009 to \*\*\* units in 2010 and to \*\*\* units in 2011.<sup>179</sup> In interim 2012, domestic producers' U.S. shipments were \*\*\* units, up from \*\*\* units in interim 2011, but this increase of only \*\*\* percent does not match the corresponding 11.8 percent increase in apparent consumption.<sup>180</sup> The domestic industry's share of apparent U.S. consumption declined from \*\*\* percent in 2009 to \*\*\* percent in 2011 by quantity; in interim 2012 it was \*\*\* percent, down from \*\*\* percent in interim 2011.<sup>181</sup>

The industry's employment indicators also suffered. The number of production and related workers decreased from \*\*\* in 2009 to \*\*\* in 2010 and to \*\*\* in 2011, an overall decrease of \*\*\* percent.<sup>182</sup> The number of production and related workers was \*\*\* during interim 2012, down from \*\*\* during interim 2011.<sup>183</sup> From 2009 through 2011, total hours worked and wages paid declined by \*\*\* percent and \*\*\* percent respectively.<sup>184</sup> During interim 2012, the total hours worked was \*\*\* , up from \*\*\* in interim 2011, and wages paid were \$\*\*\* , up from \$\*\*\* in 2011.<sup>185</sup> From 2009 through 2011, hours worked per worker increased by \*\*\* percent, while productivity, unit labor costs, and hourly wages during the same periods showed small changes.<sup>186</sup> In interim 2012 compared to interim 2011, hours worked per worker increased \*\*\* percent, hourly wages increased by \*\*\* percent, productivity increased \*\*\* percent, and unit labor costs rose by \*\*\* percent.<sup>187</sup>

As the domestic industry's output and market share declined, so did its sales revenues. The domestic industry's net sales decreased from \$\*\*\* in 2009 to \$\*\*\* in 2010, and then to \$\*\*\* in 2011, an overall reduction of \*\*\* percent.<sup>188</sup> This decline is a result of the domestic industry's reduced shipments, as unit values were essentially the same from 2009 to 2010 and increased by \*\*\* percent from 2010 to

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<sup>175</sup> CR/PR at Tables III-2 and III-3; CR/PR at Table C-1.

<sup>176</sup> CR/PR at Table III-2; CR/PR at Table C-1.

<sup>177</sup> U.S. shipments constitute the majority of the domestic industry's total shipments; however, export shipments also declined by \*\*\* percent by quantity over the period; in interim 2012 exports were lower by \*\*\* percent by quantity than in interim 2011. CR/PR at Table III-4; CR/PR at Table C-1.

<sup>178</sup> CR/PR at Table C-1. End-of-period inventories decreased each year, falling from \*\*\* units in 2009 to \*\*\* units in 2010 to \*\*\* units in 2011. CR/PR at Table III-5. Ending inventory quantities fell by \*\*\* percent overall and decreased moderately relative to total shipments. CR/PR at Table III-5. End-of-period inventories were \*\*\* units in interim 2012, up slightly from \*\*\* units in interim 2011. CR/PR at Table III-5.

<sup>179</sup> CR/PR at Table III-4; CR/PR at Table C-1.

<sup>180</sup> CR/PR at Table III-4.

<sup>181</sup> CR/PR at Table IV-4.

<sup>182</sup> CR/PR at Table III-7.

<sup>183</sup> CR/PR at Table III-7.

<sup>184</sup> CR/PR at Table C-1. Hours worked fell from \*\*\* in 2009 to \*\*\* in 2010 to \*\*\* million in 2011. CR/PR at Table III-7. Wages paid were \$\*\*\* in 2009, \$\*\*\* in 2010, and \$\*\*\* in 2011. CR/PR at Table III-7.

<sup>185</sup> CR/PR at Table C-1.

<sup>186</sup> CR/PR at Table III-7. From 2009 to 2011, hourly wages increased by \*\*\* percent, productivity decreased by \*\*\* percent, and unit labor costs rose by \*\*\* percent. CR/PR at Table III-7.

<sup>187</sup> CR/PR at Table III-7.

<sup>188</sup> CR/PR at Table VI-1.

2011.<sup>189</sup> The domestic industry's net sales values were slightly lower in interim 2012 than in interim 2011. In interim 2012, the unit sales value was \$\*\*\*, down from \$\*\*\* in interim 2011.<sup>190</sup>

The domestic industry's operating income declined irregularly, rising from \$\*\*\* in 2009 to \$\*\*\* million in 2010, and then dropping to \$\*\*\* in 2011, resulting in an overall decrease of \*\*\* percent.<sup>191</sup> The domestic industry's operating margins increased at the beginning of the period, from \*\*\* percent in 2009 to \*\*\* percent in 2010, but then decreased to \*\*\* percent in 2011.<sup>192</sup> In 2011, \*\*\*.<sup>193</sup>

The domestic industry's operating income in interim 2012 was \$\*\*\*, and its operating margin was \*\*\* percent, up from \$\*\*\* and \*\*\* percent, respectively, in interim 2011.<sup>194</sup> Respondents assert that, because subject imports increased to their highest levels in interim 2012, as well as the fact that the cost of raw materials also rose overall during the period of investigation, the increase in the domestic industry's net income and operating income from interim 2011 to interim 2012 demonstrates that the domestic industry has not been injured by subject imports.<sup>195</sup> We reject this assertion. The fact that some of the domestic industry's indicators may have improved from their lowest levels during the interim periods does not negate the fact that virtually all of the domestic industry's indicators deteriorated significantly from 2009 to 2011 as subject import volume increased. Moreover, net income and operating income are only two of the indicators that we evaluate in determining whether subject imports have had an adverse impact on the domestic industry.

Our evaluation of several other factors rebuts Respondents' argument that interim period data demonstrate that there is no causal nexus between increasing subject import volumes and the condition of the domestic industry. For example, as noted above, the domestic industry's share of apparent consumption, as well as the total number of PRWs employed by the domestic industry, were lower in interim 2012 than in interim 2011. Moreover, as described above, other apparent improvements in the domestic industry's indicators of output in interim 2012 generally lagged behind increased apparent U.S. consumption.<sup>196</sup> For example, the \*\*\* percent increase in the domestic industry's U.S. shipments in interim 2012 is well below the 11.8 percent increase in apparent U.S. consumption for drawn stainless steel sinks in interim 2012. Furthermore, \*\*\*, which accounted for \*\*\* percent of production for 2011,<sup>197</sup> \*\*\*. Instead, \*\*\*<sup>198\*\*\*</sup>.<sup>199</sup> 200 \*\*\*.<sup>201</sup> The remaining producer, \*\*\*.<sup>202</sup> \*\*\*.<sup>203</sup>

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<sup>189</sup> See CR/PR at Table VI-2. Unit sales values were \$\*\*\* in 2009, \$\*\*\* in 2010, \$\*\*\* in 2011. CR/PR at Table C-1.

<sup>190</sup> CR/PR at Table VI-1; CR/PR at Table C-1.

<sup>191</sup> CR/PR at Table VI-1.

<sup>192</sup> CR/PR at Table VI-1. Capital expenditures declined from \$\*\*\* in 2009 to \$\*\*\* in 2010 to \$\*\*\* in 2011. CR/PR at Table VI-4. Research and development expenses decreased from \$\*\*\* in 2009 to \$\*\*\* in 2010 and \$\*\*\* in 2011. CR/PR at Table VI-4.

<sup>193</sup> CR/PR at Table VI-1, CR/PR at Table VI-2.

<sup>194</sup> CR/PR at Table VI-1. Capital expenditures in interim 2012 were \$\*\*\*, down from \$\*\*\* in interim 2011. CR/PR at Table VI-4. Research and development expenses were \$\*\*\* in interim 2012, down from \$\*\*\* in interim 2011. CR/PR at Table VI-4.

<sup>195</sup> Respondents' Posthearing Brief at 11-12.

<sup>196</sup> CR/PR at Table C-1.

<sup>197</sup> CR/PR at Table III-1.

<sup>198</sup> Petitioner presented evidence which shows that, following the filing of the petition, the domestic industry was able to regain sales from subject imports. Petitioner's Posthearing Brief at 14 and Exh. 2; Petitioner's Prehearing Brief at 25-26, 35-36. In fact, since the filing of the petition and the imposition of preliminary duties, domestic producers have obtained new business that formerly went to subject imports. Tr. at 143 (Crain); Petitioner's Posthearing Brief & Responses to Commission Questions at 7 & 12; Petitioner's Prehearing Brief at 25-26, 35-36.

(continued...)

We find that there is a causal nexus between the subject imports and the deteriorating condition of the domestic industry. Significant and increasing volumes of subject imports undersold the domestic like product and displaced domestic production in market share, leading to significant declines in the domestic industry's production, shipments, capacity utilization, employment, and profitability.

We have also considered whether there are other factors that may have had an adverse impact on the domestic industry during the period examined to ensure that we are not attributing injury from such other factors to the subject imports. We recognize that the depressed state of the economy generally and the housing market specifically, particularly when measured by housing starts, had a role in the domestic industry's performance at the start of the period. Nevertheless, as previously noted, apparent U.S. consumption improved from 2009 to 2011 and continued to improve during the interim periods while many of the domestic industry's performance indicators deteriorated. Consequently, given the improvement in apparent U.S. consumption during the period, the domestic industry's deteriorating performance during this time cannot reasonably be attributed to any alleged depressed conditions in the economy. Similarly, we find unpersuasive Respondents' claim that any injury to the domestic industry was caused by its focus upon top mount sinks and its refusal to sell to all channels of distribution, particularly the fabricator and internet markets. As demonstrated above, the domestic industry sells undermount sinks and participates in all channels of distribution, but has been losing significant amounts of market share with respect to both undermount sinks and top mount sinks during the period examined due to underselling by subject imports.

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<sup>198</sup>(...continued)

Further, following the Commission's affirmative preliminary determinations, \*\*\* and it has been able to increase employment. CR/PR at Table III-3; Petitioner's Posthearing Brief. at 3 &12; Tr. at 26 (Rogers).

<sup>199</sup> CR/PR at Table VI-2. Although the Commission relies on the industry-wide financial information covering the period of investigation, we have also examined the full-year data for 2012 submitted by Elkay and Franke and consider it consistent with our determination. Elkay submitted its full-year 2012 financial results for the Commission's consideration, indicating that it considered its interim 2012 financial results to be overstated due to the under-accrual of items which were not fully recognized until its 2012 year-end close. Because \*\*\*. CR/PR at Table VI-2 n.2; CR at VI-14, n.24, PR at VI-4 n.24; CR at VI-16 n.32, PR at VI-4 n.32. \*\*\*. CR/PR at Table VI-2, n.2; CR at VI-16 n.32, PR at VI-4 n.32. In addition to reductions in capital expenditures, which had the effect of reducing the amount of depreciation expense recognized by \*\*\*, \*\*\* relative improvement in its gross profit ratio in interim 2012 is further explained, in part, by \*\*\*. CR at VI-12 n.20; PR at VI-3 n.20.

<sup>200</sup> Commissioner Aranoff recognizes the 2012 \*\*\*. However, she relies on the industry-wide financial information contained in the staff report, rather than these individual company data, in reaching her determination.

<sup>201</sup> CR/PR at Table VI-2.

<sup>202</sup> CR at VI-16, PR at VI-4. \*\*\*. CR at VI-16 n. 33, PR at VI-4 n.33.

<sup>203</sup> CR at VI-16-VI-17 n.33; PR at VI-4 n.33.



We have also examined the role of nonsubject imports in these investigations.<sup>204 205</sup> Mexico is the largest nonsubject source of U.S. imports of drawn stainless steel sinks, representing \*\*\* percent of total U.S. imports of this product.<sup>206</sup> Unlike subject imports, nonsubject imports constituted a relatively \*\*\* share of the U.S. market for drawn stainless steel sinks.<sup>207</sup> Moreover, the pricing data collected by the Commission show that prices for imported drawn stainless steel sinks from Mexico were higher than prices for product imported from China in all 90 possible comparisons and higher than U.S.-produced sinks in 82 of 90 possible comparisons.<sup>208</sup> The average unit values (“AUVs”) of nonsubject imports from all sources other than Mexico were lower than the AUVs of the domestic industry’s U.S. shipments, and were higher than the AUVs of subject imports, throughout the period of investigation.<sup>209</sup> Respondents’ witnesses acknowledged that the prices that they are being quoted from potential nonsubject suppliers of drawn stainless steel sinks are higher than the prices quoted by producers in China.<sup>210</sup> Thus, nonsubject imports cannot explain either the declines in market share, or the magnitude of the consequent declines in output, employment, and financial performance that the domestic industry sustained during the period of investigation.<sup>211 212</sup>

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<sup>204</sup> Based on the record evidence in these investigations, Commissioner Pinkert finds that price-competitive nonsubject imports were a significant factor in the U.S. market for drawn stainless steel sinks during the period of investigation. He also finds, however, that regardless of whether drawn stainless steel sinks constitute a commodity product, nonsubject imports would not have replaced the subject imports without benefit to the domestic industry had the subject imports exited the market. Nonsubject imports were at much lower volume and market share levels than the subject imports, which suggests it is unlikely that nonsubject imports would have replaced the subject imports in their entirety. CR/PR at Table IV-2 and Table IV-4. Moreover, most nonsubject imports came from Mexico, and reported prices for imports from Mexico were higher than those of the subject imports in all 90 price comparisons. CR at V-19; PR at V-8. In fact, Respondents’ witnesses acknowledged that the price quotes they received from potential nonsubject suppliers were higher than the prices quoted by producers in China. Tr. at 185-86 (Levi) and 187 (Crain). Thus, any replacement of the subject imports by nonsubject imports would very likely have been at higher prices, which would have benefitted the domestic industry.

<sup>205</sup> Although the record indicates that drawn stainless steel sinks are highly interchangeable regardless of source, that does not necessarily mean that drawn stainless steel sinks are a commodity product. Respondents themselves have noted differences in the types of sinks covered by the scope of these investigations, including differences in top mount and undermount sinks, and the pricing data collected by the Commission indicates substantial price differentials between the two types of sinks. CR/PR at Tables V-1 to V-6.

<sup>206</sup> CR at VII-12, PR at VII-7. \*\*\*. Respondents have acknowledged that it would take at least six to 12 months to increase production of drawn stainless steel sinks in nonsubject countries to the level that now exists in China. Tr. at 168 (Levi); Tr. at 177-178 (Cruz). In contrast, due to the pendency of these investigations, Petitioner has obtained new business for both top mount and undermount drawn stainless steel sinks that formerly went to subject imports from \*\*\*. Petitioner’s Prehearing Brief at 25-25, 35-36.

<sup>207</sup> Nonsubject imports’ share of apparent U.S. consumption declined irregularly from \*\*\* percent in 2009 to \*\*\* percent in 2011; it was lower in interim 2012 (\*\*\* percent) than in interim 2011 (\*\*\* percent). CR/PR at Table C-1.

<sup>208</sup> CR at V-19; PR at V-8.

<sup>209</sup> CR/PR at Table C-1.

<sup>210</sup> Tr. at 186 (Levi) (stating that quoted prices from potential nonsubject suppliers are 10 to 25 percent higher than prices quoted in China); Tr. at 187 (Crain) (prices quoted for drawn stainless steel sinks from Malaysia are about \$4 higher than the prices quoted from China and prices quoted from Korea are about \$10 higher than the prices quoted from China).

<sup>211</sup> CR/PR at Tables V-4 to V-6. Respondents have made several legal arguments about the nature of the causation analysis that the Commission must undertake. Respondents’ Prehearing Brief at 6-15. We specifically disagree with the proposition that the Commission is required to use a prospective replacement/benefit analysis. To the contrary, the Federal Circuit has explained that it does not require the Commission to utilize any particular

(continued...)

Consequently, the record in these investigations indicates a causal nexus between the subject imports and the declines in the condition of the domestic industry and thus demonstrates material injury by reason of subject imports. We therefore conclude that subject imports have had an adverse impact on the domestic industry.

## CONCLUSION

For the above-stated reasons, we find that an industry in the United States is materially injured by reason of dumped and subsidized imports of drawn stainless steel sinks from China.

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<sup>211</sup>(...continued)

methodology in its causation analysis, including the use of a replacement/benefit test. See, e.g., Mittal Steel, 543 F.3d at 876-77 and the discussion in Section IV.A supra. Moreover, the Federal Circuit has made clear that any nonattribution analysis applies retrospectively and not prospectively and that there is no requirement that the Commission determine the potential effectiveness of a possible remedial order. Mittal Steel, 543 F.3d at 876. Moreover, even assuming the Respondents' other arguments on the legal requirements are correct, which we do not, the record indicates a sufficient causal link between the subject imports and the material injury experienced by the domestic industry. For the reasons stated above, which detail the Commission's consideration of nonattribution issues in its causation analysis, an affirmative determination is warranted based on the record in these investigations.

<sup>212</sup> Commissioner Pinkert does not join the preceding footnote. He notes, however, his view that the Federal Circuit had made it clear that the Bratsk/Mittal Steel causation analysis is to be performed on a retrospective basis.

# PART I: INTRODUCTION

## BACKGROUND

These investigations result from a petition filed with the U.S. Department of Commerce (“Commerce”) and the U.S. International Trade Commission (“USITC” or “Commission”) by Elkay Manufacturing Company (“Elkay” or “Petitioner”), Oak Brook, IL, on March 1, 2012, 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 drawn stainless steel sinks<sup>1</sup> from China. The following tabulation provides information relating to the background of these investigations.<sup>2</sup>

Effective date	Action
March 1, 2012	Petition filed with Commerce and the Commission; institution of the Commission's investigation (77 FR 13631, March 7, 2012)
March 27, 2012	Commerce's notice of initiation of antidumping and countervailing duty investigations (77 FR 18207 and 18211)
April 16, 2012	Commission's preliminary determinations (77 FR 23752, April 20, 2012)
August 6, 2012	Commerce's preliminary countervailing duty determination (77 FR 46717)
September 20, 2012	Commerce's preliminary countervailing duty determination, realignment with antidumping duty investigation (77 FR 58355)
October 4, 2012	Commerce's preliminary antidumping duty determination (77 FR 60673, October 4, 2012)
October 4, 2012	Scheduling of final phase of Commission investigations (77 FR 64545, October 22, 2012)
February 26, 2013	Commerce's final countervailing duty determination (78 FR 13017) and antidumping duty determination, (78 FR 13019)
February 21, 2013	Commission's hearing <sup>1</sup>
March 21, 2013	Commission's vote
April 4, 2013	Commission's determinations due to Commerce
<sup>1</sup> App. B presents a list of witnesses appearing at the hearing.	

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<sup>1</sup> See the section entitled “The Subject Merchandise” in *Part I* of this report for a complete description of the merchandise subject to these investigations.

<sup>2</sup> Pertinent *Federal Register* notices are referenced in app. A, and may be found at the Commission's website ([www.usitc.gov](http://www.usitc.gov)).

## 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--

*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, profits, productivity, return on investments, and utilization of capacity, (II) factors affecting domestic prices, (III) actual and potential negative effects on cash flow, inventories, employment, wages, growth, ability to raise capital, and investment, (IV) actual and potential negative effects on the existing development and production efforts of the domestic industry, including efforts to develop a derivative or more advanced version of the domestic like product, and (V) in {an antidumping investigation}, the magnitude of the margin of dumping.*

### Organization of report

Part I of this report presents information on the subject merchandise, subsidy/dumping margins, and domestic like product. Part II of this report presents information on conditions of competition and other relevant economic factors. Part III presents information on the condition of the U.S. industry, including data on capacity, production, shipments, inventories, and employment. Parts IV and V present the volume of subject imports and pricing of domestic and imported products, respectively. Part VI

presents information on the financial experience of U.S. producers. Part VII presents the statutory requirements and information obtained for use in the Commission's consideration of the question of threat of material injury as well as information regarding nonsubject countries.

## MARKET SUMMARY

There are four principal U.S. firms currently producing drawn stainless steel sinks in the United States: (1) Elkay, (2) Franke Consumer Products Inc. ("Franke"), (3) Just Manufacturing Company ("Just Manufacturing"), and (4) Moen Incorporated ("Moen").<sup>3</sup> These firms are believed to have accounted for nearly all of U.S. production of drawn stainless steel sinks in the United States in 2011.

The leading U.S. importers of drawn stainless steel sinks from China are \*\*\*. Leading importers of drawn stainless steel sinks from nonsubject countries include \*\*\*.

The petitioner indicated that there are 90 or more producers of drawn stainless steel sinks in China. The following five producers of drawn stainless steel sinks in China responded to the Commission's questionnaire in the final phase of these investigations: Elkay China Kitchen Solutions, Foshan Shunde Mianghao Kitchen Utensils, Ltd. ("Minghao"), Kele Kitchenware Co., Ltd., Ningbo Oulin Kitchen Utensils Co., Ltd., and Zhuhai Kohler Kitchen & Bathroom Products Co., Ltd.<sup>4</sup>

Apparent U.S. consumption of drawn stainless steel sinks totaled approximately 5.5 million sinks (\$301.4 million) in 2011. U.S. producers' U.S. shipments of drawn stainless steel sinks totaled \*\*\* sinks (\$\*\*\*) in 2011, and accounted for \*\*\* percent of apparent U.S. consumption by quantity and \*\*\* percent by value. U.S. imports of drawn stainless steel sinks from China totaled 3.2 million sinks (\$119.1 million) in 2011 and accounted for 58.3 percent of apparent U.S. consumption by quantity and 39.5 percent by value. U.S. imports from nonsubject sources totaled \*\*\* sinks (\$\*\*\*) in 2011 and accounted for \*\*\* percent of apparent U.S. consumption by quantity and \*\*\* percent by value.

## SUMMARY DATA AND DATA SOURCES

Appendix C presents a summary of data collected in these investigations.<sup>5</sup> U.S. industry data are based on questionnaire responses of five firms that accounted for approximately 100 percent of U.S. production of drawn stainless steel sinks during the period for which data were collected (2009-September 2012). Data for U.S. imports from China and nonsubject countries are based on official DOC import data and from questionnaire responses from 24 U.S. importers that are believed to have accounted for 32.0 percent of total subject imports from China and \*\*\* percent of total U.S. imports of drawn stainless steel sinks from nonsubject countries in 2011.<sup>6</sup>

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<sup>3</sup> Kohler Company ("Kohler") also produced drawn stainless steel sinks in the United States \*\*\*. In addition, Advance Tabco and Eagle Group produce drawn stainless steel sinks; the combined production of those two firms accounted for \*\*\* of total drawn stainless steel sink production in 2011.

<sup>4</sup> The following six producers of drawn stainless steel sinks in China responded to the Commission's questionnaire in the preliminary investigations: Elkay China, Foshan Shunde Minghao Kitchen Utensils ("Minghao"), Guangdong Dongyuan Kitchenware, Jiangmen Jin Ke Ying, Shenzhen Ke Hua Xing, and Zhongshan Superte Kitchenware.

<sup>5</sup> Table C-1 presents summary data concerning all drawn stainless steel sinks; Table C-2 presents summary data concerning top mount drawn stainless steel sinks; Table C-3 presents summary data concerning undermount drawn stainless steel sinks; and Table C-4 presents summary data concerning dual mount drawn stainless steel sinks.

<sup>6</sup> Coverage was calculated using the quantity of U.S. imports from China reported by responding U.S. importers in 2011 (952,957) compared to official Commerce import statistics, adjusted for fabricated stainless steel sinks (3,179,282); coverage for imports from nonsubject countries was calculated using the quantity reported by responding U.S. importers (\*\*\*) compared to adjusted Commerce import statistics (\*\*\*)

## PREVIOUS AND RELATED INVESTIGATIONS

There have been no previous antidumping or countervailing duty investigations on drawn stainless steel sinks in the United States.

On November 19, 2012, China requested the establishment of a WTO Dispute Settlement Panel with United States regarding Countervailing and Anti-Dumping Measures on Certain Products From China, including drawn stainless steel sinks. On December 11, 2012, the Office of the U.S. Trade Representative requested comments from the public concerning issues raised in this dispute.<sup>7</sup>

## NATURE AND EXTENT OF SUBSIDIES AND SALES AT LTFV

### Subsidies

On February 26, 2013, Commerce published a notice in the *Federal Register* of its final determination of countervailable subsidies for producers and exporters of drawn stainless steel sinks from China.<sup>8</sup> Commerce identified the following government programs in China:

1. Special Funds for Development of Foreign Trade (Foshan City)
2. Special Funds of Guangdong Province for Development of Foreign Trade
3. Support Funds of Guangdong Province of Export Rebate for Mechanic, Electronic and High-tech Products
4. Special Funds of Shunde District for International Market Expansion
5. Subsidy to Attend Domestic Fair in Shanghai
6. Subsidy to Attend Overseas Fair
7. Interest Discount for Export Goods
8. Technology and Trade Specific Fund of Guangdong Province
9. International Market Development Fund for Export Companies

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<sup>7</sup> 77 FR 73732, December 11, 2012.

<sup>8</sup> *Drawn Stainless Steel Sinks From the People's Republic of China: Final Affirmative Countervailing Duty Determination*, 78 FR 13017, February 26, 2013. Commerce's unpublished decision memo of February 19, 2013, C-570-984, *Issues and Decision Memorandum for the Final Determination in the Countervailing Duty Investigation of Drawn Stainless Steel Sinks from the People's Republic of China*.

Commerce also determined the following programs to have been not used by the respondents:

1. The State Key Technology Renovation Fund
2. “Famous Brands” Awards
3. Grants to Cover Legal Fees in Trade Remedy Cases
4. Special Fund for Energy Saving Technology Reform
5. The Clean Production Technology Fund
6. Grants for Listing Shares
7. Guangdong Province Science and Technology Bureau Project Fund (aka Guangdong Industry, Research, University Cooperating Fund)
8. Export Rebate for Mechanic, Electronic, and High-tech Products
9. Funds for Outward Expansion of Industries in Guangdong Province
10. Fund for Small and Medium Enterprises Bank-enterprise Cooperation Projects
11. Special Fund for Fostering Stable Growth of Foreign Trade
12. Local Government Deposits Into Bank Accounts
13. Treasury Bond Loans or Grants
14. Preferential Loans for SOEs
15. Provincial Tax Exemptions and Reductions for “Productive” FIEs
16. Tax Reductions for FIEs Purchasing Chinese-made Equipment
17. Tax Reductions for FIEs in Designated Geographic Locations
18. Tax Reductions for Technology- or Knowledge-intensive FIEs
19. Tax Reductions for FIEs that are also High or New Technology Enterprises
20. Tax Reductions for HNTES Involved in Designated Projects
21. Tax Offsets for Research and Development at FIEs
22. Tax Credits for Domestically Owned Companies Purchasing Chinese-made Equipment
23. Tax Reductions for Export-oriented FIEs
24. Tax Refunds for Reinvestment of FIE Profits in Export-Oriented Enterprises
25. Tax Reduction for High-tech Industries in Guangdong Province
26. Import Tariff and VAT Exemptions for FIEs and Certain Domestic Enterprises Using Imported Equipment in Encouraged Industries
27. VAT Rebates on FIE Purchases of Domestically Produced Equipment
28. City Tax and Surcharge Exemptions for FIEs
29. Exemptions from Administrative Charges for Companies in Industrial Zones
30. VAT and Import Duty Exemptions on Imported Material
31. VAT Rebates on Domestically Produced Equipment
32. Provision of Land to SOEs at LTAR
33. Exemptions from Land Development Fees
34. Land Purchase Grants
35. Grants to Hire Post-doctoral Workers
36. Financial Subsidies: Interest Subsidies, Preferential Loans, and Lowered Interest Rates
37. Tax Reductions or Exemptions
38. Shunde Intensive Industrial Zone Preferential Land Grants
39. Shunde Intensive Industrial Zone Tax Reductions
40. Shunde Intensive Industrial Zone Preferential Electricity Rates
41. Foshan City Grants to “Contract-Honoring and Promise-Keeping” Enterprises
42. Foshan City Financial Subsidies to “Contract-Honoring and Promise-Keeping” Enterprises

Table I-1 presents Commerce’s findings of subsidization of drawn stainless steel sinks in China.

**Table I-1**  
**Drawn stainless steel sinks: Commerce’s final subsidy determination with respect to imports from China**

<b>Entity</b>	<b>Final countervailable subsidy margin (percent)</b>
Guangdong Yingao Kitchen Utensils Co., Ltd., and Foshan Magang Kitchen Utensils Co.,Ltd.	4.80
Zhongshan Superte Kitchenware Co., Ltd.	12.21
Foshan Zhaoshun Trade Co., Ltd.	12.26
All others	8.51
Source: 78 FR 13017, February 26, 2013.	

**Sales at LTFV**

On February 26, 2013, Commerce published a notice in the *Federal Register* of its final determination of sales at LTFV with respect to imports from China.<sup>9</sup> Table I-2 presents Commerce’s dumping margins with respect to imports of drawn stainless steel sinks from China.

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<sup>9</sup> *Drawn Stainless Steel Sinks from the People’s Republic of China: Antidumping Duty Investigation*, 78 FR 13019, February 26, 2013. Commerce’s unpublished decision memo of February 19, 2013, A-570-983, *Issues and Decision Memorandum for the Final Determination in the Antidumping Duty Investigation of Drawn Stainless Steel Sinks from the People’s Republic of China*.



**Table I-2****Drawn stainless steel sinks: Commerce's final weighted-average LTFV margins with respect to imports from China**

<b>Exporter</b>	<b>Producer</b>	<b>Final dumping margin (percent)</b>
Zhongshan Superte Kitchenware Co., Ltd./Zhongshan Superte Kitchenware Co., Ltd. invoiced as Foshan Zhaoshun Trade Co., Ltd.	Zhongshan Superte Kitchenware Co., Ltd	39.87
Guangdong Dongyuan Kitchenware Industrial Co., Ltd	Guangdong Dongyuan Kitchenware Industrial Co., Ltd	27.14
B&R Industries Limited	Xinhe Stainless Steel Products Co., Ltd and Jiamen XHHL Stainless Steel Manufacturing Co., Ltd.	33.51
Elkay (China) Kitchen Solutions, Co., Ltd	Elkay (China) Kitchen Solutions, Co., Ltd	33.51
Feidong Import and Export Co., Ltd.	Jiangmen Liantai Kitchen Equipment Co.; Jiangmen Xinhe Stainless Steel Product Co., Ltd.	33.51
Foshan Shunde MingHao Kitchen Utensils Co., Ltd.	Foshan Shunde MingHao Kitchen Utensils Co., Ltd.	33.51
Franke Asia Sourcing Ltd.	Guangdong YingAo Kitchen Utensils Co., Ltd.; Franke (China) Kitchen System Co., Ltd.	33.51
Grand Hill Work Company	Zhongshan Xintian Hardware Co., Ltd	33.51
Guangdong G-Top Import and Export Co., Ltd.	Jiangmen Jin Ke Ying Stainless Steel Wares Co., Ltd.	33.51
Guangdong Yingao Kitchen Utensils Co., Ltd.	Guangdong Yingao Kitchen Utensils Co. Ltd.	33.51
Hangzhou Heng's Industries Co., Ltd.	Hangzhou Heng's Industries Co., Ltd	33.51
J&C Industries Enterprise Limited	Zhongshan Superte Kitchenware Co., Ltd.	33.51
Jiangmen Hongmao Trading Co., Ltd	Xinhe Stainless Steel Products Co., Ltd.	33.51
Jiangmen New Star Hi-Tech Enterprise Ltd.	Jiangmen New Star Hi-Tech Enterprise Ltd.	33.51
Jiangmen Pioneer Import & Export Co., Ltd.	Jiangmen Ouert Kitchen Appliance Manufacturing Co., Ltd.; Jiangmen XHHL Stainless Steel Manufacturing Co., Ltd.	33.51
Jiangxi Zoje Kitchen & Bath Industry Co., Ltd.	Jiangxi Offidun Industry Co. Ltd.	33.51
Ningbo Oulin Kitchen Utensils Co., Ltd.	Ningbo Oulin Kitchen Utensils Co., Ltd.	33.51
Primy Cooperation Limited	Primy Cooperation Limited	33.51
Shunde Foodstuffs Import & Export Company Limited of Guangdong	Bonke Kitchen & Sanitary Industrial Co., Ltd	33.51
Zhongshan Newecan Enterprise Development Corporation	Zhongshan Xintian Hardware Co., Ltd.	33.51
Zhuhai Kohler Kitchen & Bathroom Products Co., Ltd.	Zhuhai Kohler Kitchen & Bathroom Products Co., Ltd.	33.51
All others/ PRC-Wide Rate *		76.53

Source: 78 FR 13019, February 26, 2013.

## THE SUBJECT MERCHANDISE

### Commerce's scope

Commerce has defined the scope of these investigations as follows:

*The products covered by the scope of these investigations are drawn stainless steel sinks with single or multiple drawn bowls, with or without drain boards, whether finished or unfinished, regardless of type of finish, gauge, or grade of stainless steel (“drawn stainless steel sinks”).<sup>10</sup> For purposes of this scope definition, the term “drawn” refers to a manufacturing process using metal forming technology to produce a smooth basin with seamless, smooth, and rounded corners. Drawn stainless steel sinks are available in various shapes and configurations and may be described in a number of ways including flush mount, top mount, or undermount (to indicate the attachment relative to the countertop— see below). Stainless steel sinks with multiple drawn bowls that are joined through a welding operation to form one unit are covered by the scope of the investigations. Drawn stainless steel sinks are covered by the scope of the investigations whether or not they are sold in conjunction with non-subject accessories such as faucets (whether attached or unattached), strainers, strainer sets, rinsing baskets, bottom grids, or other accessories.*

*Excluded from the scope of the investigations are stainless steel sinks with fabricated bowls. Fabricated bowls do not have seamless corners, but rather are made by notching and bending the stainless steel, and then welding and finishing the vertical corners to form the bowls. Stainless steel sinks with fabricated bowls may sometimes be referred to as “zero radius” or “near zero radius” sinks.<sup>11</sup>*

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<sup>10</sup> Mounting clips, fasteners, seals, and sound-deadening pads are also covered by the scope of these investigations if they are included within the sales price of the drawn stainless steel sink. Mounting clips, fasteners, seals, and sound-deadening pads are not covered by the scope of these investigations if they are not included within the sales price of the drawn stainless steel sinks, regardless of whether they are shipped with or entered with drawn stainless steel sinks.

<sup>11</sup> *Drawn Stainless Steel Sinks From the People's Republic of China: Antidumping Duty Investigation*, 77 FR 60673, October 4, 2012.

## Tariff treatment

Drawn stainless steel sinks are classifiable in the Harmonized Tariff Schedule of the United States (“HTS”) under subheading 7324.10.00 and have been reported for statistical purposes under the new statistical reporting number 7324.10.0010 since July 1, 2012.<sup>12 13</sup> Table I-3 presents the current tariff rates for drawn stainless steel sinks:

**Table I-3**  
**Drawn stainless steel sinks: Tariff rates, 2013**

HTS provision	Article description	General <sup>1</sup>	Special <sup>2</sup>	Column 2 <sup>3</sup>
		Rates ( <i>percent ad valorem</i> )		
7324	Sanitary ware and parts thereof, of iron or steel:			
7324.10.00	Sinks and wash basins, of stainless steel.....	3.4%	Free	40%
7324.10.0010	Stainless steel sinks with one or more drawn bowls (basins) .....			
7324.10.0020	Other .....			
	Baths:			
7324.21	Of cast iron, whether or not enameled:			
7324.21.1000	Coated or plated with precious metal .....	Free		20%
7324.21.5000	Other .....	Free		40%
7324.29.0000	Other .....	Free		40%
7324.90.0000	Other, including parts .....	Free		40%
<sup>1</sup> Normal trade relations, formerly known as the most-favored-nation duty rate. <sup>2</sup> Special rates not applicable when General rate is free. <sup>3</sup> Applies to imports from a small number of countries that do not enjoy normal trade relations duty status.				
Source: Harmonized Tariff Schedule of the United States (2013), January 1, 2013.				

<sup>12</sup> Change Record to Supplement 1 of the HTS (2012), p. 4.

<sup>13</sup> Any mounting brackets, fasteners, or other installation hardware are only classifiable with drawn stainless steel sinks if they are imported together in appropriate numbers for the number of such sinks. Separate import shipments of such items not accompanying those of drawn stainless steel sinks are not classified in the affected subheading and are not included in the data reported by the Commission. Some mounting brackets, fasteners, or other installation hardware may be classifiable under HTS 7324.90.00, but could be classified as fasteners, bolts, or other parts of more general use.

## THE PRODUCT

### Description and applications

The product subject to these investigations is drawn stainless steel sinks. The stainless steel provides a combination of strength, light weight, flexibility, toughness, stain and heat resistance, easy maintenance, and aesthetic appeal.<sup>14</sup> Drawn sinks are available in various grades (steel alloy compositions)<sup>15</sup> and gauges (sheet thicknesses).<sup>16</sup> Individual basins (bowls) in drawn sinks are seamless, with concave bottom surfaces for rapid drainage. Whether consisting of only a single basin or multiple basins joined together, these sinks are available in several different mounting configurations, for either top (drop-in) mounting above the countertop or for bottom (under) mounting beneath the countertop.<sup>17 18</sup> Drawn stainless steel sinks are found predominantly in residential kitchens, and only to a much lesser extent in commercial or institutional applications.<sup>19</sup> Both domestically produced and imported drawn stainless steel sinks are sold through wholesale plumbing-supply distributors, countertop fabricators, residential and commercial builders, manufactured-home builders, kitchen and bath show rooms, countertop fabricators, big-box retail home-improvement stores, and Internet websites.<sup>20</sup>

### Manufacturing processes<sup>21</sup>

The manufacturing process for drawn stainless steel sinks, although highly capital intensive,<sup>22</sup> is well established worldwide,<sup>23</sup> consisting of multiple steps (each with its own dedicated hydraulic presses,

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<sup>14</sup> Petition, pp. 9-11; and petitioner's postconference brief, p. 5.

<sup>15</sup> Stainless steel for drawn sinks worldwide is most commonly of 300 series chromium-nickel alloy steels. Among the two most common 300 series alloys, grade 304 is most commonly used worldwide for higher priced drawn sinks, whereas grade 301 is more typical for lower priced drawn sinks. Grade 316 is used in food service and laboratories applications that require high resistance to acids and chlorides. Drawn sinks produced with 200 series chromium-nickel-manganese alloy steels are more susceptible to rust due the low nickel content. The 400 series chromium alloy ferritic steels are used in some parts of the world, particularly in Brazil, as grades 440 and 430 are easier to draw than other 400 series alloys. Petition, p. 4; and conference transcript, pp. 60-62 (Rogers). For more information about the metallurgical and physical properties of these alloys, see: Stainless Steel Information Center, "Stainless Steel Overview Alloy Classifications;" and Design Guidelines for the Selection and use of Stainless Steel, pp. 2-5.

<sup>16</sup> Standard industry gauges for stainless steel sheet (and corresponding nominal thickness in fractions of an inch) are 22 gauge (0.0312"), 20 gauge (0.0375"), 18 gauge (0.0500"), and 16 gauge (0.0625"). Note that the higher the numerical gauge designation, the thinner the walls of the sink basin. Petition, p. 4; and CustomPartNet, "Sheet Metal Gauge Size Chart, Stainless Steel."

<sup>17</sup> Petition, p. 4.

<sup>18</sup> Petitioner also offers a "dualmount" sink, with a shallow shaped rim, designed to be suitable for either top mounting or undermounting. Petitioner's postconference brief, p. 3; and conference transcript, pp. 53-54 (Sheehan).

<sup>19</sup> Conference transcript, p. 32 (Sheehan); and hearing transcript, pp. 27-28 (Whittington).

<sup>20</sup> Petition, p. 11; petitioner's postconference brief, p. 14; respondents' postconference brief, p. 9; conference transcript, p. 74 (Sheehan); and petitioner's prehearing brief, p. 10.

<sup>21</sup> In addition to the references cited, information in this section is compiled from petition, pp. 5, 12, and 13; comments during the showing of an Elkay video by a witness for petitioner; conference transcript, pp. 18-20 (Rogers); and hearing transcript, pp. 19-20 (Rogers).

<sup>22</sup> For example, petitioner cited capital investment costs of \$25 million to build its Ogden, Utah, facility, \$9 million to upgrade its Lumberton, North Carolina, facility, and \$12 million to convert its Broadview, Illinois, facility into what it describes as a "state-of-the-art, rapid production center for specialized stainless steel sinks." Hearing transcript, p. 22 (Rogers). More specifically, the capital cost for each individual hydraulic press is estimated by a petitioner's witness to range from \$1.2 million to \$2.0 million, with higher costs for larger capacity presses. Hearing transcript, pp. 100-101 (Rogers). Likewise, the capital cost for a complete set of tooling required to

tooling, and other equipment)<sup>24</sup> to form steel blanks into the finished sink. The starting material is cold-rolled, stainless steel sheet in coils of the desired gauge, from which rectangular blanks are cut on a forming line to the proper size,<sup>25</sup> based on the final basin geometry, for the subsequent forming operations.<sup>26</sup> The blanks are then fitted between dies to form the steel, by a combination of drawing and stretching steps,<sup>27</sup> into the initial rim and basin shape. Depending on the basin's intended dimensions, subsequent annealing (heat treating)<sup>28</sup> and forming stages may be necessary to attain the final shape.<sup>29</sup> Next, the drain hole is counter punched at the bottom of the basin. To assemble sinks with two (or more) basins, the side rims of adjoining individual basins are welded together. Afterwards, the welded joints are flattened under a planisher (roll smoother) and machine sanded to produce flush joint surfaces.<sup>30</sup> Subsequent stamping operations, with suitably shaped dies and punches in hydraulic presses, form the deck (raised platform) and pierce any holes necessary for eventual mounting of the faucet(s) and any accessories,<sup>31</sup> and form a raised lip around the outer rim of sinks designed for top mounting in the countertop to prevent water from spilling over the sink rim.<sup>32</sup> By contrast, these two steps are not necessary for the flat rims of sinks designed for undermounting, because the faucet and accessory holes are drilled into the countertop beyond the outer edge of the sink.<sup>33 34</sup> Rims on both types of sinks are trimmed to final geometry.<sup>35</sup> Rims for dual mount sinks also undergo a forming operation but is flattened and wider than that for a top mount sink to enable undermount installation.<sup>36</sup> Interior basin surfaces (and

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produce one particular sink model ranges from \$100,000 to \$300,000, according to witnesses for the petitioner and for Franke. Hearing transcript, pp. 24 and 101 (Rogers) and p. 45 (Parker).

<sup>23</sup> The extent of automation varies among individual operations, depending on local labor costs. Conference transcript, pp. 59 and 60 (Rogers).

<sup>24</sup> The constraint on facility production capacity is both the number of presses and their individual capacities. \*\*\*, producer questionnaires from the preliminary phase of these investigations.

<sup>25</sup> If the stainless steel blanks are not produced in-house by the sink manufacturer, they can be produced by a steel mill or by a steel service center. Petition, p. 5.

<sup>26</sup> Dies, punches, and other tooling for the various forming operations are specific for the particular size and shape of the drawn stainless steel sink. Hence, separate sets of tooling are needed for each individual sink model produced by the manufacturer. However, once purchased, the tooling can produce tens of thousands of sinks. Conference transcript, pp. 16 and 26 (Rogers); and hearing transcript, p. 24 (Rogers).

<sup>27</sup> Forming a sink basin often requires both drawing and stretching of the steel. The distinction between these two processes is that drawing does not alter the thickness of the steel but stretching does reduce the thickness of the steel. Petition, p. 5 and footnote 5.

<sup>28</sup> Because stainless steels tend to work harden during the forming process, annealing is required to release the accumulated strains and restore formability to the steel prior to the subsequent forming step.

<sup>29</sup> Deeper bowls lubricating and drawing a second time, and in some case, evens a third time. Hearing transcript, p. 19 (Rogers).

<sup>30</sup> Petitioner's prehearing brief, p. 12.

<sup>31</sup> Hole configuration is specified by the sink model number and holes are punched during the manufacturing process. Although technically possible, it is more difficult to cut the holes afterwards due to the hardness of stainless steel and the need for the proper cutting tools. Petition, p. 4. Petitioner further notes that mounting holes need not be cut into the rim for a drawn stainless steel sink to be considered a top-mount type. Petitioner's comments on draft questionnaire, November 13, 2012, p. 8.

<sup>32</sup> Conference transcript, p. 18 (Rogers); and hearing transcript, p. 20 (Rogers).

<sup>33</sup> Respondents' postconference brief, p. 6; and Cohn, International Concepts in Cabinetry (ICCI) Inc., exhibit 4 of respondents' postconference brief. Postconference brief filed on behalf of AmeriSink Inc., International Concepts in Cabinetry, Nantucket Sinks, MAZI, Inc., IPT Sink Company, Wells Sinkware Corp., Empire Industries, Chemcore Industries, Inc., Kraus USA, Soci LP, VIGO Industries LLC, Lenova Sinks (A&C Global, Inc.), and Pelican Sinks Int'l.

<sup>34</sup> A domestic producer notes that undermount sinks require slightly less steel to produce, which lack the deck of a top mount sink. \*\*\*, producer and importer questionnaires from the final phase of these investigations.

<sup>35</sup> Trimming also removes any sharp edges from rims of undermount sinks. Hearing transcript, p. 20 (Rogers).

<sup>36</sup> Petitioner's prehearing brief, pp. 12-13.

rim surfaces for top mount sinks) are ground and buffed to remove irregularities and to impart the finish.<sup>37</sup> Finally, sound-dampening materials (pads, sprays, or both)<sup>38 39</sup> are applied to the exterior undersurface(s) of the basin(s) both to avoid collection of surface condensation and to minimize vibrations from objects (i.e., cookware, tableware, or other kitchen utensils) being dropped into the sink.<sup>40</sup>

## DOMESTIC LIKE PRODUCT ISSUES

In the preliminary phase of these investigations, the petitioner contended that the Commission should find one domestic like product that is coextensive with the scope of these investigations, including all drawn stainless steel sinks, but excluding sinks with fabricated bowls.<sup>41</sup> While respondents did not contest whether fabricated stainless steel sinks should be included in the domestic like product,<sup>42</sup> they argued that top mount and undermount drawn stainless steel sinks should constitute two separate domestic like products.<sup>43 44</sup> Based on the limited record, the Commission stated that the differences between top mount and undermount drawn stainless steel sinks did not warrant separating them into distinct like products, and it therefore declined to divide the domestic like product into top mount and undermount sinks.<sup>45</sup>

In the final phase of these investigations, the petitioner reaffirms that the Commission should find one domestic like product coextensive with Commerce's scope of these investigations.<sup>46 47</sup> Claiming that the evidence on record clearly indicates overlap between top mount and undermount sinks with respect to each of the Commission's like product factors,<sup>48</sup> the petitioner also urges the Commission to reject any suggestions of certain respondents to breakout undermount sinks as a separate like product distinct from top mount, dual mount, and other sinks.<sup>49 50</sup> Further, according to the petitioner, any minor differences

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<sup>37</sup> Conference transcript, p. 19 (Rogers).

<sup>38</sup> Petition, pp. 4–5.

<sup>39</sup> Materials for this sprayed-on “undercoating” are usually either a fiberglass material or a rubberized compound. Certain types of petroleum-based sticky tarry substances are less common as undercoating materials, but asbestos materials are no longer acceptable. Hearing transcript, pp. 58–59 (Rogers).

<sup>40</sup> Conference transcript, p. 19 (Rogers); and hearing transcript, pp. 58–59 (Rogers).

<sup>41</sup> Conference transcript, pp. 6–7 (Dorn) and petition, p. 9.

<sup>42</sup> Information about fabricated stainless steel sinks was presented in the Commission report from the preliminary phase of these investigations, pp. I-9 to I-12.

<sup>43</sup> Respondent's postconference brief, pp. 3–15.

<sup>44</sup> In addition, respondent importer Compass Manufacturing International, LLC (“Compass”) contended that 200 series and 300 series grade stainless steel sinks constitute different products, and urged the Commission to collect data on such products. Conference transcript, pp. 105–106 (Wolfe). The Compass witness did not elaborate further and the company did not submit a postconference brief.

<sup>45</sup> The Commission indicated that it would explore this like product issue further in any final phase investigations. Commission report from the preliminary phase of these investigations, p. 12. The Commission determined that it would not expand the like product to include fabricated steel sinks. *Ibid.*, p. 7.

<sup>46</sup> Petitioner's prehearing brief, pp. 1, 5, and 7; and petitioner's posthearing brief, p. 2.

<sup>47</sup> Likewise, Kohler concurs with petitioner that there is 1) a single domestic like product coextensive with Commerce's scope that includes top mount, undermount, and dual-mount drawn stainless steel sinks; and 2) lack of any clear dividing lines between top mount and undermount sinks. Kohler's prehearing brief, p. 2.

<sup>48</sup> Petitioner's posthearing brief, p. 2.

<sup>49</sup> Petitioner's prehearing brief, pp. 1, 4, 5, and 7; and hearing transcript, p. 6 (Dorn).

<sup>50</sup> In contrast to these “countertop mounted sinks,” examples of “other sinks” include wall mount and free standing sinks, which petitioner claims are also within the continuum of drawn stainless steel sinks. Petitioner's prehearing brief, pp. 4 and 6. Petitioner further notes that Commerce's scope contains no exclusion(s) for wall mount or free standing sinks. Rather, these “other sinks” are manufactured from the same stainless steel, on the same production equipment, by the same production processes, and by the same employees as are top mount, undermount, and dual mount drawn stainless steel sinks. Moreover, petitioner also emphasizes that 1) no party has

between top mount and undermount sinks do not warrant separating them into distinct like products.<sup>51</sup> Likewise, the petitioner stated that it is unaware of the Commission ever finding that different modes of installation as providing a clear dividing line for creating two separate like products.<sup>52</sup> Although the respondents previously argued that top mount and undermount sinks should be separate like products in the preliminary phase of these investigations, they do not continue to do so in this final phase.<sup>53</sup>

The Commission's decision regarding the appropriate domestic product(s) that are "like" the subject imported product is based on a number of factors including: (1) physical characteristics and uses; (2) common manufacturing facilities and production employees; (3) interchangeability; (4) customer and producer perceptions; (5) channels of distribution; and (6) price. Information regarding these factors is discussed below for top mount versus undermount drawn stainless steel sinks.

## TOP MOUNT AND UNDERMOUNT DRAWN STAINLESS STEEL SINKS<sup>54</sup>

### Physical characteristics and uses

According to the petitioner, all drawn stainless steel sinks have the same essential physical characteristics and end uses, regardless of rim design for either top mounting or undermounting.<sup>55 56</sup> First, all stainless steel sinks, regardless of mounting style, share the same essential physical characteristic of having drawn stainless steel basins.<sup>57</sup> Sinks of all three mounting types are available in the same basin sizes, shapes, gauges, and (single or multiple basin) configurations,<sup>58</sup> for the basins are produced by the same drawing process and often with the same tooling.<sup>59</sup> The domestic industry producers both top mount and undermount sinks with either 18- and 20-gauge stainless steel basins.<sup>60</sup> Thicker gauge stainless steel is necessary for basins drawn deeper than 8 inches— e.g., a 9-inch deep basin requires at least 18-gauge, rather than the thinner 20-gauge, stainless steel— regardless of mounting style.<sup>61</sup> However, petitioner argues that availability of thicker 16-gauge undermount sinks from China, not otherwise available from U.S. producers, does not affect the Commission's definition of the domestic like product.<sup>62</sup> By contrast, the only distinction is the mounting method,<sup>63</sup> with differing rim shapes being

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requested the Commission to collect data specific for wall mount and free standing sinks; 2) no party has suggested that these "other sinks" be considered as a separate like product; and, based on available information, these "other sinks" are only a very small portion of U.S. output of all drawn stainless steel sinks. Petitioner's posthearing brief, answers to Commission questions, p. 14. Respondents specified that they have no comments about these "other sinks." Respondents' posthearing brief, responses to Commission questions, pp. 47–48.

<sup>51</sup> Petitioner's prehearing brief, pp. 1–2 and 4; and hearing transcript, p. 6 (Dorn).

<sup>52</sup> Petitioner's prehearing brief, p. 2; and hearing transcript, p. 6 (Dorn).

<sup>53</sup> Hearing transcript, pp. 144–145 (Perry) ; and respondents' posthearing brief, responses to Commission questions, p. 2.

<sup>54</sup> In the preliminary phase of these investigations the market share for top mount drawn stainless steel sinks was estimated, by respondents, to be 75 percent of the market for drawn stainless steel sinks, while the market share for undermount drawn stainless steel sinks was estimated to be 25 percent. Conference transcript, pp. 211–212 (Perry). In the final phase of these investigations, respondents assert that the market size held by the undermount sinks is higher than 25 percent.

<sup>55</sup> Petitioner's prehearing brief, pp. 7–8.

<sup>56</sup> Petitioner also offers a "dual mount" sink, with a shallow shaped rim, designed to be suitable for either top mounting or undermounting. Petitioner's postconference brief, p. 3; and conference transcript, pp. 53–54 (Sheehan).

<sup>57</sup> Petitioner's prehearing brief, p. 7.

<sup>58</sup> Petitioner's postconference brief, pp. 11–13; and petitioner's prehearing brief, p. 8.

<sup>59</sup> Petitioner's prehearing brief, p. 8.

<sup>60</sup> Petitioner's prehearing brief, p. 8, footnote 16,

<sup>61</sup> Kohler's prehearing brief, p. 3.

<sup>62</sup> Petitioner's prehearing brief, p. 8, footnote 16,

<sup>63</sup> Petitioner's postconference brief, p. 3; and petitioner's prehearing brief, p. 8.

formed for a top mount sink versus being trimmed-off for an undermount sink.<sup>64</sup> Second, all drawn stainless steel sinks, regardless of mounting style, are used primarily in residential kitchens where they have the same end use as a basin connected to a water supply and drainage system for washing kitchen and table ware, hands, clothes, etc.<sup>65</sup>

### **Manufacturing facilities and production employees**

The petitioner continues to emphasize that the similar basin shapes and configurations for top mount, undermount, and dual mount sinks of drawn stainless steel are all produced using the same raw materials, production lines, drawing and stamping technologies, tooling, and employees to shape the basin.<sup>66</sup> Shifting production between these three sink mounting styles involves only minor production adjustment steps that require only a few hours to change the tooling die set on the metal-forming machinery.<sup>67</sup> Petitioner produces both top mount and undermount sinks at each of its production facilities,<sup>68</sup> and is not aware of any facility with production lines dedicated to only sinks of one particular mounting style<sup>69</sup> or of any U.S. producers or sellers who offer only sinks of one particular mounting style.<sup>70</sup>

### **Interchangeability and customer and producer perceptions<sup>71</sup>**

According to the petitioner, customers and producers perceive top mount and undermount sinks as having similar physical characteristics and features from the drawing of the stainless steel basins<sup>72</sup> (even to the extent of identically shaped basins in many cases<sup>73</sup>), with the only difference being the mounting method.<sup>74</sup> Petitioner's "dual-mount" sinks are designed for either top mounting or undermounting.<sup>75</sup> Moreover, domestic producers who are also importers claim that customers expect the same level of quality and design for all sinks, regardless of mounting type;<sup>76</sup> that all physical attributes are the same<sup>77</sup> (even to the extent that the sink basins are identical in most cases<sup>78</sup>); that they are not aware of

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<sup>64</sup> Petitioner's prehearing brief, p. 7.

<sup>65</sup> Petitioner's prehearing transcript, p. 8.

<sup>66</sup> Petitioner's postconference brief, pp. 12–13 and pp. 14–15; and petitioner's prehearing brief, pp. 11–12.

<sup>67</sup> Petitioner's prehearing brief, p. 12.

<sup>68</sup> Petitioner's prehearing brief, p. 12.

<sup>69</sup> Petitioner's prehearing brief, p. 13; and hearing transcript, p. 20 (Rogers).

<sup>70</sup> Hearing transcript, p. 30 (Whittington).

<sup>71</sup> Counsel for respondents claim that both the petitioner and respondents concur that drawn stainless steel sinks are a "commodity product." Hearing transcript, pp. 13 and 128 (Perry); and respondents' posthearing brief, responses to Commission questions, p. 3. .

<sup>72</sup> Petitioner's prehearing brief, p. 13.

<sup>73</sup> More specifically, drawn stainless steel sinks of all three mounting types are available in virtually the same bowl configurations, depths, steel gauges, and shapes. Petitioner's prehearing brief, pp. 7–8.

<sup>74</sup> Petitioner's postconference brief, p. 15. Rather, differences in sink mounting are attributed by the petitioner as reflecting the customer's personal preferences, which is not substantially different than preferences among other available options for other sink characteristics, including the number, shape, and depth of basins; or drain locations. Petitioner's prehearing brief, pp. 9 and 13.

<sup>75</sup> The petitioner notes that its dual mount sinks have a rim that is flatter and wider than that of a typical top mount sink so that it can be installed as an undermount sink. Petitioner's prehearing brief, pp. 12–13. Another domestic producer reported that if the deck of a top mount sink is flat, then the sink can be dual-mounted either as a top mount or an undermount sink. \*\*\*, producer and importer questionnaires from the final phase of these investigations.

<sup>76</sup> Kohler, prehearing brief, p. 4.

<sup>77</sup> \*\*\*, producer and importer questionnaires from the final phase of these investigations; and petitioner's prehearing brief, p. 13.



producers or customers describing top mount and undermount sinks as separate product categories,<sup>79</sup> but rather are variations of the same product category;<sup>80</sup> or that any U.S. producers or merchants who offer only either top mount sinks or only undermount sinks.<sup>81</sup>

Some importers and purchasers,<sup>82</sup> claim that customers consider undermount sinks as a higher quality product than top mount sinks due to their much cleaner looks;<sup>83</sup> “trade-up” look;<sup>84</sup> easier maintenance as countertop food waste can just be brushed into the sink;<sup>85</sup> perceived higher status from being limited to installation with more expensive countertops;<sup>86</sup> thicker gauge steel;<sup>87</sup> and difficulty of removal and only being replaced when replacing the countertop.<sup>88</sup>

However, another purchaser argues that customers are typically unaware of the differences between top mount, undermount, and dual mount sink applications; and that customer perceptions of undermount sinks as more expensive than top mount sinks are often misguided, which would not be true when comparing undermount versus top mount sinks offered by the same manufacturer.<sup>89</sup> Another purchaser counters customer perceptions of top mount sinks as less costly than undermount sinks by citing the “resurgence” of top mount sinks installations with the introduction of many new styles of laminate countertops since 2009.<sup>90</sup> One importer attributes the perception of undermount sinks as more-expensive than top mount sinks being perpetuated by marketing tactics, which enables manufacturers and domestic and import vendors to sell undermount sinks at a premium. This same importer admits that the perception of undermount sinks as more upscale and modern than top mount sinks may have a “small amount of validity,” being attributable to the more recent introduction of undermount sinks to the market, which means that customers having an undermount sink as owning a relatively new sink.<sup>91</sup>

### **Channels of distribution**

Virtually all domestically produced drawn stainless steel sinks, inclusive of both top mount and undermount sinks, are sold to distributors rather than end users.<sup>92</sup> Over \*\*\* percent of U.S. producer

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<sup>78</sup> Petitioner’s prehearing brief, p. 7.

<sup>79</sup> Petitioner’s prehearing brief, p. 13.

<sup>80</sup> \*\*\*, producer and importer questionnaires from the final phase of these investigations; and petitioner’s prehearing brief, p. 14

<sup>81</sup> Petitioner’s prehearing brief, p. 13.

<sup>82</sup> According to counsel for respondents, some importers note a trend toward thicker (lower)-gauge sinks resulted from the advent of various televised cooking channels as consumers sought better kitchen equipment, which led to higher quality sinks. Hearing transcript, p. 179 (Perry); and respondents’ posthearing brief, responses to Commission questions, p. 28.

<sup>83</sup> \*\*\*, importer questionnaire from the final phase of these investigations.

<sup>84</sup> \*\*\*, purchaser questionnaire from the final phase of these investigations.

<sup>85</sup> \*\*\*, purchaser questionnaire from the final phase of these investigations.

<sup>86</sup> \*\*\*, importer questionnaire from the final phase of these investigations.

<sup>87</sup> \*\*\*, purchaser questionnaire from the final phase of these investigations. According to an importer witness for respondents, top mount sinks, are perceived to be a lower end product, containing lighter and cheaper 20-gauge, or even 21- or 22-gauge stainless steel. Hearing transcript, p. 181 (Crain). Two importer witnesses for respondents elaborated on the product quality differences imparted by differing gauges of stainless steel to drawn stainless steel sinks. Despite similar visual appearances, the weight difference is noticeable with the heavier 16- or 18-gauge drawn sinks versus the lighter 20- or 21-gauge drawn sinks. When the water is running or something falls into the sink, there is almost no sound from these heavier gauge basins compared to that emitted by from these lighter gauge basins. Similarly, a dropped pan is more likely to dent a 20-gauge basin than a thicker 16-gauge stainless steel basin. Hearing transcript, p. 180 (Levi and Crain).

<sup>88</sup> \*\*\*, purchaser questionnaire from the final phase of these investigations.

<sup>89</sup> \*\*\*, purchaser questionnaire from the final phase of these investigations.

<sup>90</sup> \*\*\*, purchaser questionnaire from the final phase of these investigations.

<sup>91</sup> \*\*\*, importer questionnaire from the final phase of these investigations.

<sup>92</sup> U.S. producers’ questionnaire at II-8a and II-8b.

shipments of drawn stainless steel sinks for all types of mountings. Petitioner argues that all drawn stainless steel sinks, including top mount, undermount, and dual mount, move through similar channels of distribution, namely plumbing wholesalers, big-box retailers, manufactured housing producers and builders, and over the internet.<sup>93</sup> No U.S. producers reported that they sell both kitchen countertops and stainless steel sinks. Also, no U.S. producers reported that they compete with mass merchandise retailers for sales of kitchen countertops and drawn stainless steel sinks (see “*Channels of Distribution*” in *Part II* for a more detailed discussion of the data).<sup>94</sup>

### **Price**

The petitioner contends that there is a broad price range for all drawn stainless steel sinks, with overlapping price points for top mount, dual mount, and undermount drawn stainless steel sinks.<sup>95</sup> Pricing practices and prices reported for domestically-produced and imported top mount and undermount drawn stainless steel sinks in response to the Commission’s questionnaires are also presented in Part V of this report, *Pricing and Related Information*.

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<sup>93</sup> Petitioner’s postconference brief, p. 14.

<sup>94</sup> See “Channels of Distribution” in Part II for a more detailed discussion of the data.

<sup>95</sup> Petitioner’s posthearing brief, p. 16, and \*\*\*. January 17, 2013 letter with attachment from King & Spalding, counsel for Elkay. As described by Franke, \*\*\*. January 15, 2013 e-mail with attachment from Franke to USITC auditor.

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

### MARKET CHARACTERISTICS

Drawn stainless steel sinks are designed for various installation methods (top mount, undermount, and flush with countertop) and can be finished in numerous ways and combinations to address aesthetic and wear requirements. Finishes can be applied through a combination of grinding and polishing operations. The steel used in drawn stainless steel sinks is commonly the 300 series Austenitic grades, although stainless steel falling within the 200 series and the 400 series can also be used. Designation 20, 18, and 16 are common gauges of steel used to produce stainless steel sinks.

Drawn stainless steel sinks are produced for a variety of customers including retailers, wholesale plumbing distributors, kitchen and bath show rooms, countertop fabricators, residential and commercial builders, and manufactured home builders. Overall, a large share of all drawn stainless steel sinks are used in residential applications.<sup>1</sup> All five responding U.S. producers and 16 of the 21 responding U.S. importers supply the product nationally (see table II-1).

The Commission sent purchasers' questionnaires to 100 companies believed to have purchased drawn stainless steel sinks during the period January 2009 to September 2012. Questionnaire responses were received from 45 purchasers, with 37 reporting that they had purchased drawn stainless steel sinks since January 1, 2009. Fifteen of the 36 responding purchasers reported that they were wholesalers; while seven characterized themselves as fabricators and three as big box wholesalers. Of the responding firms, the three largest U.S. purchasers of drawn stainless steel sinks in 2011 in terms of quantity were \*\*\* purchased domestic product and \*\*\* purchased product imported from China.

**Table II-1**

**Drawn stainless steel sinks: Number of firms that ship to geographical market areas in the United States served by U.S. producers and subject importers**

Region	U.S. producers	Importers
Northeast <sup>1</sup>	5	19
Midwest <sup>2</sup>	5	18
Southeast <sup>3</sup>	5	22
Central Southwest <sup>4</sup>	5	20
Mountains <sup>5</sup>	5	16
Pacific Coast <sup>6</sup>	5	17
Other <sup>7</sup>	5	12
All regions (except other)	5	16
Reporting firms	5	23

<sup>1</sup> Includes CT, ME, MA, NH, NJ, NY, PA, RI, and VT.

<sup>2</sup> Includes IL, IN, IA, KS, MI, MN, MO, NE, ND, OH, SD, and WI.

<sup>3</sup> Includes AL, DE, DC, FL, GA, KY, MD, MS, NC, SC, TN, VA, and WV.

<sup>4</sup> Includes AR, LA, OK, and TX.

<sup>5</sup> Includes AZ, CO, ID, MT, NV, NM, UT, and WY.

<sup>6</sup> Includes CA, OR, and WA.

<sup>7</sup> Includes all other markets in the United States not previously listed, such as AK, HI, PR, and VI.

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

<sup>1</sup> Petition, p. 11.

## CHANNELS OF DISTRIBUTION

The vast majority of domestic and nonsubject imported drawn stainless steel sinks is sold through distributors, while a majority of the imports from China were to end users. \*\*\* percent of U.S. producer shipments of drawn stainless steel sinks, while \*\*\* of importer shipments of product from China consistently went to distributors during the full calendar years in the period examined (table II-2).<sup>2</sup> \*\*\* reported importer shipments of product from Mexico, and \*\*\* of imports from all other countries were to distributors. Most of the shipments to end users were by \*\*\*. Petitioners noted that respondents in the preliminary phase of these investigations estimated about 20 to 25 percent of drawn stainless steel sinks are sold to fabricators, while respondents have now indicated that it has probably grown “quite a bit more than that.”<sup>3</sup>

As requested by the Commission at the hearing, U.S. producers Elkay, Franke, and Just Manufacturing reported more specific data for their channels of distribution. All three producers reported making a \*\*\* during 2009 to 2011. \*\*\*.<sup>4</sup>

Respondents indicated that granite fabricators almost exclusively sell undermount sinks while top mount/drop-in sinks are sold to plumbing supply houses and big box retailers.<sup>5</sup> No producers, four of 20 importers, and 13 of 37 purchasers reported that they sell both kitchen countertops and stainless steel sinks. Two importers and four purchasers reported that the kitchen countertops are installed by independent countertop fabricators that purchased the sinks from them. One importer and seven purchasers reported that they arranged for the installation of the countertop and sink at the customers’ premises using subcontractors. Six purchasers arranged for the installation of kitchen countertops and stainless steel sinks at the customers’ premises using their own employees. Several purchasers also reported that they sell kitchen countertops and drawn stainless steel sinks to customers who install the product themselves. \*\*\*. \*\*\*.

No producers, seven of 21 importers, and 16 of 34 purchasers reported that they compete with mass merchandise retailers for sales of kitchen countertops and drawn stainless steel sinks. \*\*\* indicated in its questionnaire response that although it does not sell countertops, it competes with mass retailers for the sale of drawn bowl stainless steel sinks to countertop fabricators.

### Table II-2

**Drawn stainless steel sinks: Channels of distribution for domestic product and U.S. imports sold in the U.S. market as a share of U.S. shipment quantities, by year and by source, 2009-11, January-September 2011, and January-September 2012**

\* \* \* \* \*

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<sup>2</sup> Channels of distribution data for importer \*\*\* were not usable and not included in table II-2. \*\*\*. \*\*\*.

<sup>3</sup> Hearing transcript, (Crain), pp. 143-44, (Dorn) p. 221.

<sup>4</sup> Petitioner’s posthearing brief, exhibit 14 and answers to Commissions’ questions, pp. 11-12.

<sup>5</sup> Respondents’ posthearing brief, p. 5.

## **SUPPLY AND DEMAND CONSIDERATIONS**

### **U.S. Supply**

#### **Domestic Production**

Based on available information, U.S. producers have the ability to respond to changes in demand with relatively large changes in the quantity of shipments of U.S.-produced drawn stainless steel sinks to the U.S. market. This responsiveness is due to the available capacity with which they could increase production of drawn stainless sinks.

#### ***Industry capacity***

Based on U.S. producers' reported capacity and production of drawn stainless steel sinks, the domestic industry's capacity utilization decreased from \*\*\* percent in 2009 to \*\*\* percent in 2011. Both production and capacity declined between 2009 and 2011, though production fell by about twice the rate that production capacity declined. This level of capacity utilization indicates that U.S. producers of drawn stainless steel sinks have available capacity with which they could increase production of drawn stainless steel sinks in the short run in the event of a price change.

#### ***Inventory levels***

The ratio of end-of-period inventories to total shipments for U.S. producers declined from \*\*\* percent in 2009 to \*\*\* percent in 2011. These levels of inventories suggest that U.S. producers may have a limited ability to use inventories to respond to price changes.

#### ***Alternative markets***

U.S. producers' total reported exports of their U.S.-produced drawn stainless steel sinks fell from \*\*\* percent of U.S. producers' total shipments in 2009 to \*\*\* percent in 2011. This level of exports during the period indicates that domestic producers of drawn stainless steel sinks have a limited ability to shift shipments between the United States and other markets in the short run.

#### ***Production alternatives***

All responding U.S. producers reported that they do not produce other products on the same equipment or with the same labor used to produce drawn stainless steel sinks.

#### ***Supply constraints***

One of five responding U.S. producers indicated that it had refused, declined, or been unable to supply drawn stainless steel sinks since January 1, 2009. U.S. producer \*\*\*.

## **Supply of Subject Imports from China<sup>6</sup>**

Based on available information, Chinese producers have the ability to respond to changes in demand with large changes in the quantity of shipments of drawn stainless steel sinks to the U.S. market. The main factors contributing to the large degree of responsiveness of supply are the availability of unused capacity and the ability to shift shipments from alternative markets.

### ***Industry capacity***

Capacity utilization for Chinese producers' of drawn stainless steel sinks increased from \*\*\* percent in 2009 to \*\*\* percent in 2011. This level of capacity utilization indicates that Chinese producers have available capacity with which they could increase production of drawn stainless steel sinks in the short run in the event of a price change.

### ***Inventory levels***

Chinese producers' inventories, relative to total shipments, decreased from \*\*\* percent in 2009 to \*\*\* percent in 2011. These data indicate that the Chinese producers have some ability to use inventories as a means to increase shipments to the U.S. market in the short run.

### ***Alternative markets***

Chinese producers' home market shipments and export shipments to markets other than the United States, as a share of total shipments of drawn stainless steel sinks, decreased slightly from \*\*\* percent in 2009 to \*\*\* percent in 2011. These data indicate that Chinese producers have alternative markets from which they may be able to shift shipments of drawn stainless steel sinks to the United States in the short run in the event of a price change in the U.S. market.

### ***Production alternatives***

None of the responding Chinese producers reported producing other products on the same equipment and machinery used to produce drawn stainless steel sinks.<sup>7</sup>

### ***Supply constraints***

Four of 23 importers of drawn stainless steel sinks from China reported that they had refused, declined, or been unable to supply drawn stainless steel sinks since January 1, 2009. \*\*\* indicated that its suppliers have been unable to produce sinks to match its sales volume and it has suffered shortages. \*\*\* indicated that the preliminary decision in these investigations has forced it to buy sinks from another country causing delayed and refused orders. The third importer reporting shortages was \*\*\*. In addition, importer \*\*\* reported that it was unable to fill some large purchase orders during the last few months of 2012 because of a \*\*\*.

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<sup>6</sup> Five Chinese producers of drawn stainless steel sinks responded to the foreign producer questionnaire. These producers represent \*\*\* percent of imports of drawn stainless steel sinks from China in 2011.

<sup>7</sup> This does not include the response of Chinese producer \*\*\* which indicated that it could also produce undermount sinks on same equipment as drawn stainless steel sinks which are also subject product.

## **Nonsubject Imports**

Nonsubject imports accounted for approximately \*\*\* percent of apparent U.S. consumption in 2011. The leading nonsubject source for U.S. imports of drawn stainless steel sinks is Mexico with about \*\*\* percent of U.S. consumption in 2011.

## **New Suppliers**

Almost one-half of responding purchasers indicated that new suppliers have entered the U.S. market since 2009. These new suppliers included: Allora, Amerisink, Artisan, Bonke, Cascadian Marketing, Central Aluminum, Dawn Kitchen & Bath, Eclipse, Ferguson Supply, Franke, INAX USA, KBIS, Kraus, Lenova, Moen, MSH, Morrison Supply, Nantucket, Royal USA, Stainless Mill Valley, Sterling ETC, Ukinox, Vigo, Way Global, WESPAC, Yingao, and Zoie.

## **U.S. Demand**

Based on available information, it is likely that changes in the price of drawn stainless steel sinks would result in small-to-moderate changes in the quantity of drawn stainless steel sinks demanded. The main contribution to the small-to-moderate degree of responsiveness of demand is the relatively small share of the total cost of a kitchen countertop or a complete kitchen renovation and lack of impact on price by substitute products.

## **Demand Characteristics and Business Cycle**

Overall demand for drawn stainless steel sinks is directly linked to residential home construction and residential kitchen remodeling. Petitioners and respondents indicated that the primary demand driver for stainless steel sinks is new residential construction, with leading indicators such as housing starts, disposable income, and remodeling activity.<sup>8</sup> Petitioners stated that there is virtually no seasonality in demand, while respondents stated that there may be seasonality from sales in the fall when homeowners want to renovate their kitchens for Thanksgiving or Christmas or builders who are trying to finish home construction by the end of the year.<sup>9</sup> Respondents also reported that the industry is cyclical because it is tied to housing starts, which is cyclical.<sup>10</sup>

All five responding U.S. producers, 9 of 23 importers, and 9 of 33 purchasers reported that the drawn stainless steel sinks industry is subject to business cycles or to distinctive conditions of competition. In addition to the linkage between the demand for drawn stainless steel sink industry and new construction, some companies provided additional examples of seasonality. One importer (\*\*\*) indicated that business increases steadily throughout the year and declines drastically in January; \*\*\* indicated that business increases during the summer months. However, \*\*\* indicated that the fourth quarter is the weakest for its sales.

Indicators of new housing construction and renovations were either flat or fluctuated for most of 2009 to 2011, but increased during 2012. Total seasonally adjusted housing starts fluctuated during 2009 to the first half of 2011 and then increased by about 50 percent during the second half of 2011 and 2012, but dropped off by 9 percent in January 2013 (see figure II-1). Housing starts of buildings with five units or more increased at more than the rate of starts of single unit buildings, but typically accounts for a much smaller share of total housing starts. Both real and nominal residential construction spending decreased

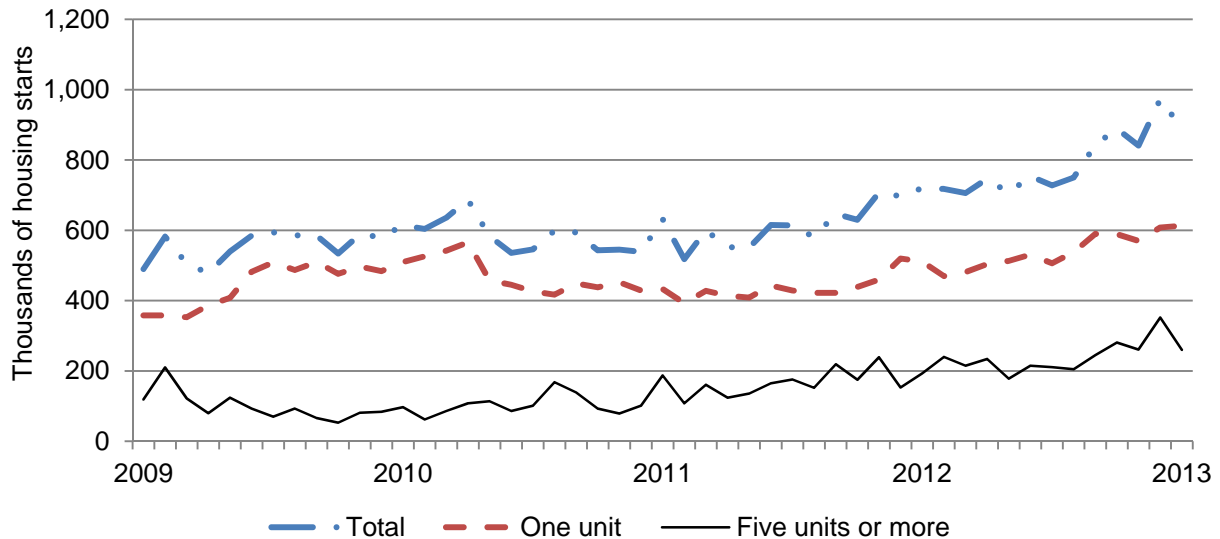
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<sup>8</sup> Petition, p. 25, Respondents' postconference brief, p. 16. Conference transcript, p. 35 (Sheehan), p. 162 (Perry), Hearing transcript, pp. 30-31 (Whittington), p. 140 (Cruz).

<sup>9</sup> Conference transcript, p. 58 (Sheehan), p. 162 (Perry), pp. 162-63 (Spicher).

<sup>10</sup> Conference transcript, p. 162 (Perry).

**Figure II-1**  
**Housing starts: Seasonally adjusted housing starts, monthly, January 2009-January 2013**



Note: Housing structures with two to four units make up only one to three percent of seasonally adjusted housing starts during a given quarter and therefore omitted from this figure.

Source: U.S. Census Bureau, Manufacturing, Mining and Construction Statistics, Construction Spending. [http://www.census.gov/construction/nrc/historical\\_data/](http://www.census.gov/construction/nrc/historical_data/) (retrieved February 20, 2013).

during 2009, then fluctuated and increased by about 20 percent in the second half of 2011 and during 2012 (figure II-2). The “Leading Indicator of Remodeling Activity” (LIRA), which measures home improvements, was flat during 2009 to 2011 (see figure II-3), but increased by 9 percent between fourth quarter of 2011 and the fourth quarter of 2012. The value of LIRA is projected to increase by 17 percent between the fourth quarter of 2012 and the fourth quarter of 2013.

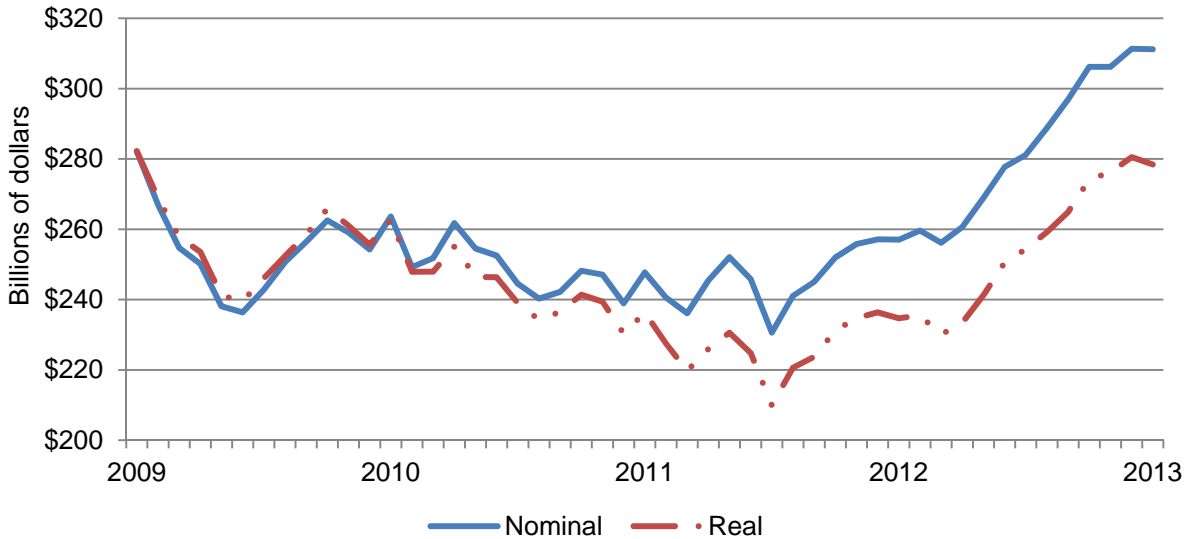
### Demand Trends

When asked how demand for drawn stainless steel sinks has changed in the United States since January 1, 2009, the most common response by importers and purchasers was that demand has increased, while one-half of responding producers reported that demand had decreased (see table II-3). Importers and purchasers that reported increased demand cited reasons such as increased use of granite and solid surface countertops, increased home remodeling, and a slow improvement in the economy and home construction sector. Firms reporting decreased demand cited the slow economy, housing market downturn, and more competition from online business and fabricators.

Most firms were not able to characterize changes in demand in non-U.S. markets. Responding firms most frequently indicated that demand had increased in non-U.S. markets since 2009, citing greater demand in Asia and more granite countertops being sold.

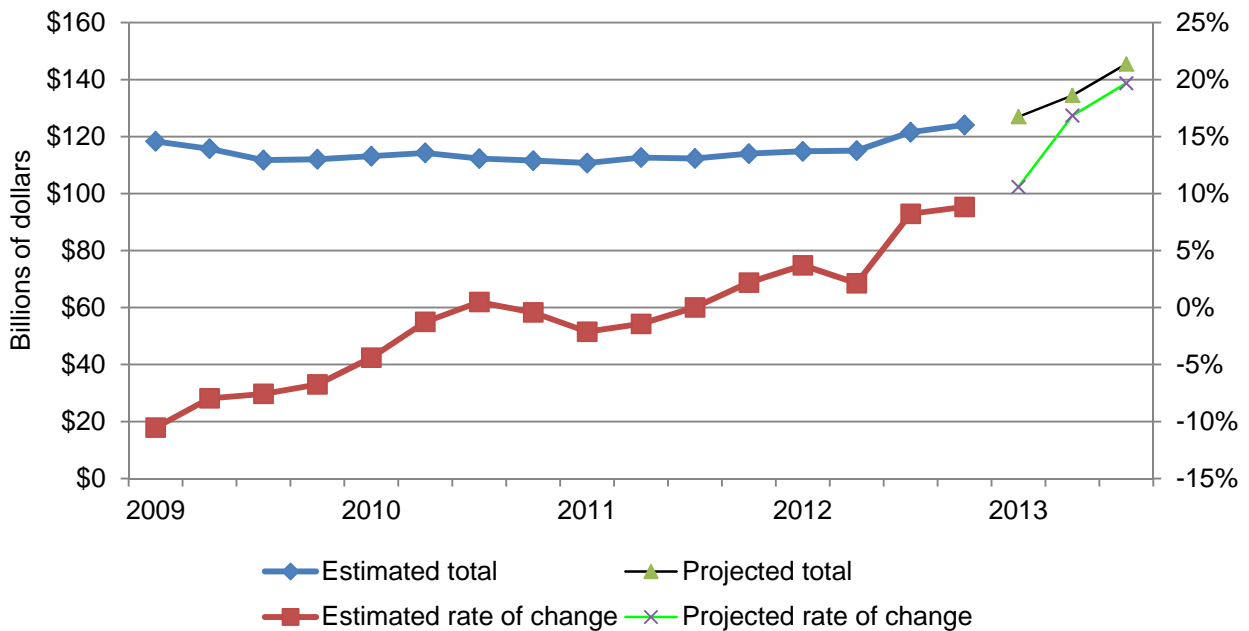


**Figure II-2**  
**Residential construction spending: Value seasonally adjusted, real and nominal, monthly, January 2009-January 2013**



Source: U.S. Census Bureau, Manufacturing, Mining and Construction Statistics, Construction Spending, Historical Data, (retrieved, March 3, 2013). <http://www.census.gov/construction/c30/c30index.html>. Bureau of Labor Statistics, Producer Price Index, Residential Construction, (retrieved March 3, 2013). <http://data.bls.gov>.

**Figure II-3**  
**Homeowner improvements: Leading indicator of remodeling activity, four quarter moving total and rate of change, estimated and projected: quarterly, January 2009-December 2013**



Source: Joint Center for Housing Studies of Harvard University. <http://www.jchs.harvard.edu/leading-indicator-remodeling-activity-lira> (retrieved January 17, 2013).

**Table II-3**

**Drawn stainless steel sinks: U.S. producer, importer, and purchaser responses regarding the demand for drawn stainless steel sinks in the United States since 2009**

Item	Number of firms reporting			
	Increase	Decrease	Fluctuate	No change
<b>U.S. Market</b>				
U.S. producers	0	3	2	1
Importers	10	5	5	3
Purchasers	12	5	7	4
<b>Non-U.S. markets</b>				
U.S. producers	1	1	1	0
Importers	4	1	2	2
Purchasers	4	2	1	1
<b>Final end use products</b>				
Purchasers	9	1	1	4
Source: Compiled from data submitted in response to Commission questionnaires.				

Changes in apparent consumption may be driven by changes in demand, supply, or both. Relative trends in changes in quantity and value of apparent consumption, coupled with the moderately inelastic demand, suggest that the increase in apparent consumption between 2009 and 2011 was at least partially driven by increased demand for drawn stainless steel sinks. Between 2009 and 2011 the quantity of apparent consumption increased by 7.9 percent while the value increased by only 1.2 percent. This implies that the AUV of apparent consumption decreased by a smaller percentage than the increase in quantity. Therefore, at least some of the increase in apparent consumption was due to increased demand since moderately inelastic demand implies that increased supply explains at most 1 percent of the increase in apparent consumption.

### **Substitute Products**

About one-half of responding importers (11 of 22) and almost two-thirds of purchasers (19 of 34), and only one responding producer reported substitutes for stainless steel sinks such as acrylic sinks, cast iron sinks, composite sinks, copper sinks, enameled steel sinks, fabricated sinks, fiberglass sinks, fireclay sinks, granite sinks, hand folded fabricated sinks, handmade sinks, plastic sinks, pressed enamel sinks, porcelain sinks, and quartz sinks, Vikrell sinks, and zero radius sinks. All responding firms except for one purchaser (\*\*\*) and one importer (\*\*\*) reported that the price of these substitutes do not affect the price of drawn stainless steel sinks.

### **Cost Share**

Estimates of the cost of drawn stainless steel sinks as a share of end-use applications varied depending on the end use. In general, drawn stainless steel sinks account for a large share of the total cost of an installed sink and a small share of the total cost of a kitchen countertop. Importer Eclipse reported that the drawn stainless steel sink makes up 10 to 15 percent of the cost of a kitchen countertop.<sup>11</sup>

<sup>11</sup> Conference transcript, p. 172 (Spicher).

## **SUBSTITUTABILITY ISSUES**

The degree of substitution between domestically produced and imported drawn stainless steel sinks depends upon such factors as relative prices, quality (e.g., grade standards, reliability of supply, etc.), and conditions of sale (e.g., price discounts/rebates, lead times between order and delivery dates, payment terms, product services, etc.). Based on available data, staff believes that there may be some differences between domestic and imported drawn stainless steel sinks, but overall, there is a moderate-to-high degree of substitution among drawn stainless steel sinks produced in the United States, the subject countries, and other import sources.

### **Factors Affecting Purchasing Decisions**

Purchasers were asked a variety of questions to determine what factors influence their decisions when buying drawn stainless steel sinks. Information obtained from their responses indicates that price, quality, and availability are relatively important factors.

#### **Factors in Purchasing**

Available information indicates that purchasers consider a variety of factors when purchasing drawn stainless steel sinks. While price and quality were cited most frequently as being important factors in their purchase decisions, other factors such as availability, product consistency, and reliability of supply were also cited as important considerations.

Thirty-one of 36 responding purchasers indicated that price was one of their top three factors in considering a purchase, of which 14 responding purchasers indicated that price was the most important factor (see table II-4). Thirty of 36 purchasers indicated that price is a very important factor in purchasing drawn stainless steel sinks (see table II-5). Twenty-five of 36 responding purchasers indicated that they either “usually” or “sometimes” purchase the lowest price drawn stainless steel sinks.

Nine of 36 responding purchasers indicated that quality was the most important factor in their purchases and 25 purchasers indicated it was one of their top three factors in making a purchase. All but two responding purchasers indicated that quality meeting industry standards was a very important factor. However, only 17 of 36 responding purchasers indicated that quality exceeding industry standards was a very important factor. U.S. purchasers identified various principal factors they considered in determining the quality of drawn stainless steel sinks. Reported factors included appearance, finish quality, consistency (of gauge, finish, quality, and thickness), grade and type of steel, style, and design. Fourteen of 36 responding purchasers reported that they require suppliers of drawn stainless steel sinks to become certified or pre-qualified for all of their purchases. These purchasers reported a variety of processes for certification. Of the purchasers requiring certification, eight companies reported that it takes from 5 to 180 days to certify a supplier, four of which reported that it takes 90 days. No purchasers reported that any domestic or foreign suppliers had failed to obtain certification.

**Table II-4**  
**Drawn stainless steel sinks: Ranking factors used in purchasing decisions, as reported by U.S. purchasers**

Factor	Number of firms reporting			
	First	Second	Third	Total
Availability	4	7	6	17
Certification	1	0	0	1
Consistency of quality	0	2	0	2
Contract	0	1	0	1
Credit	0	0	2	2
Customer demand	1	0	0	1
Delivery terms	0	1	0	1
Delivery time	0	1	1	2
Design/Innovation	1	0	0	1
Exclusivity	0	0	1	1
Lead times	0	1	0	1
Payment terms	0	0	1	1
Price	14	9	8	31
Product line	1	1	0	2
Product style and design	0	0	1	1
Quality	9	9	7	25
Range of product line	0	1	0	1
Reliability of supply	0	1	1	2
Service	0	0	2	2
Specs/size	1	0	0	1
Supply	2	1	0	3
Terms	0	0	2	2
Trade credit	0	0	1	1
Traditional supplier	2	0	2	4

Note.—Six purchasers provided additional important factors generally considered in their purchase decisions, including: quality product that can be delivered on time, meeting industry standards, country of origin, warranty, design and innovation, and contracts offered.

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

**Table II-5****Drawn stainless steel sinks: Importance of purchase factors, reported by U.S. purchasers**

Factor	Very important	Somewhat important	Not important
	<i>Number of firms responding</i>		
Availability	32	2	1
Delivery terms	22	12	2
Delivery time	25	9	2
Discounts offered	15	13	7
Extension of credit	13	14	9
Minimum quantity requirements	12	18	6
Packaging	13	20	3
Price	30	5	1
Product consistency	34	1	1
Quality meets industry standards	34	1	1
Quality exceeds industry standards	17	16	3
Product range	18	14	4
Reliability of supply	33	2	1
Technical support/service	14	15	7
U.S. transportation costs	13	14	9
Note: This table does not include a response by *** which indicated that "discounts offered" was both "somewhat important" and "not important."			
Source: Compiled from data submitted in response to Commission questionnaires.			

Almost one-half of responding purchasers indicated that availability was one of the top three most important purchasing factors, and 32 of 35 responding purchasers indicated that it was a very important factor. Most U.S. producers and importers sell drawn stainless steel sinks from inventories located in the United States. All U.S. producers reported making at least 95 percent of their shipments from inventory with lead times of one to seven days and at least 2 percent of their shipments produced-to-order with lead times of 10 to 14 days. Eighteen of 22 importers reported making at least 90 percent of their sales from inventories in the United States with lead times of 1 to 13 days in most cases. A few importers reported longer lead times of 28 to 100 days. Two importers (\*\*\*) reported making all of their sales produced-to-order with lead times of 90 days.

All but two responding purchasers indicated that product consistency was a very important factor in their purchases, and all but three responding purchasers indicated that reliability of supply was an important factor.

Both petitioner and respondent reported that drawn stainless steel sinks are commodity products.<sup>12</sup> Respondent Kraus indicated that it found that eliminating the middleman between importer and the final retailer in the distribution cycle enabled them to offer vendors a healthier profit margin so it can finally offer an affordable price to its consumer.<sup>13</sup>

<sup>12</sup> Conference transcript, p. 8 (Dorn). Hearing transcript p. 13 (Dorn), p. 145 (Perry).

<sup>13</sup> Conference transcript, p. 110 (Magarik). Hearing transcript, pp. 28-30 (Levi).

## Changes in Purchasing Patterns

Twenty-three firms reported purchasing drawn stainless steel sinks produced in the United States since 2009, with six purchasers reporting decreased purchases relative to other sources (see table II-6). Three of these purchasers reported decreasing their relative purchases due to price and two purchasers reported that the decreased purchases were due to purchasing product imported from China. Thirty firms reported purchasing drawn stainless steel sinks imported from China since 2009, with 12 purchasers reporting increased purchases relative to purchases from other sources. \*\*\* reported that its business was awarded to a Chinese supplier and \*\*\* indicated that it switched due to market conditions and increased its purchasers of Chinese product by one sku (\*\*\*).

**Table II-6**  
**Drawn stainless steel sinks: Changes in purchase patterns from U.S., subject, and nonsubject countries**

Source	Decreased	Increased	Constant	Fluctuated	Did not purchase
United States	6	2	9	6	12
China	2	12	8	8	4
Mexico	0	1	2	1	24
Other nonsubject	1	1	5	2	20

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

## Importance of Purchasing Domestic Product

Ten of 35 purchasers reported that purchasing U.S. product was an important factor in their firms' purchases. Of those 10 purchasers, seven indicated that their customers required domestically produced products and that this affected between 2 and 40 percent of their purchases. Four purchasers reported being required by law to buy U.S. product in at least some cases.

### Comparisons of Domestic Product, Subject Imports, and Nonsubject Imports

All responding U.S. producers reported that U.S.-produced drawn stainless steel sink and product imported from all sources are "always" interchangeable (table II-7). All but one importer and 21 of 28 purchasers indicated that domestic and imported product from China are "always" or "frequently" interchangeable. Importer \*\*\* indicated that U.S. producers have refused to manufacture drawn sinks \*\*\* to meet their specifications.

When comparing U.S. product to product imported from China, at least one-half of responding purchasers reported that U.S. product was "comparable" to product imported from subject countries for all characteristics except for delivery time and price (table II-8). A majority of purchasers rated U.S. product as "superior" to subject product in terms of delivery time and technical support/service. However, almost 60 percent of responding purchasers rated U.S. product as "inferior" to product imported from China in terms of price. When comparing U.S. product to product imported from Mexico and other nonsubject countries, a majority of responding purchasers reported that U.S. product was comparable for all factors. In addition, when comparing product imported from China to product imported from Mexico and other nonsubject countries, a majority of purchaser responses typically indicated that all country comparisons were "comparable".

As seen in table II-9, all responding purchasers with knowledge reported that domestically produced drawn stainless steel sinks either "always" or "usually" meet minimum quality specifications and all but two responding purchasers indicated that product imported from China "always" or "usually" meet minimum quality specification.

**Table II-7**

**Drawn stainless steel sinks: Perceived interchangeability of products produced in the United States and in other countries, by country pairs**

Country pair	U.S. producers				U.S. importers				U.S. purchasers			
	A	F	S	N	A	F	S	N	A	F	S	N
<b>Country-pair</b>												
U.S. vs. China	5	0	0	0	7	11	1	0	8	13	6	1
U.S. vs. Mexico	4	0	0	0	5	2	0	0	2	5	3	0
U.S. vs. other nonsubject	4	0	0	0	5	2	1	1	2	5	1	1
China vs. Mexico	4	0	0	0	4	3	0	1	2	5	1	0
China vs. other nonsubject	4	0	0	0	4	2	1	0	2	5	0	0
Mexico vs. other nonsubject	4	0	0	0	3	1	1	0	2	3	0	0
Note.--A = Always, F = Frequently, S = Sometimes, N = Never.												
Source: Compiled from data submitted in response to Commission questionnaires.												

All but one responding U.S. producer reported that differences other than price were “never” important for any subject country comparison, and one producer reported that differences other than price were “sometimes” important (table II-10). Importer and purchaser responses to this question varied substantially. \*\*\* indicated that quality, gauge, visual appeal, product service, and additional accessories are advantages of Chinese product versus U.S.-produced product.

**Table II-8**  
**Drawn stainless steel sinks: Comparisons of product by source country, as reported by U.S. purchasers**

Factor	U.S. vs. China			U.S. vs. Mexico			U.S. vs. Other			China vs. Mexico			China vs. Other		
	S	C	I	S	C	I	S	C	I	S	C	I	S	C	I
Availability	9	17	2	3	8	0	1	8	0	1	10	0	0	5	1
Delivery terms	12	14	2	3	8	0	0	9	0	0	9	2	0	6	0
Delivery time	14	13	1	4	7	0	2	7	0	0	9	2	0	6	0
Discounts offered	4	18	6	1	9	1	0	8	1	1	9	1	1	5	0
Extension of credit	7	20	1	1	10	0	0	8	0	0	9	2	1	5	0
Minimum quantity requirements	10	16	2	2	9	1	1	7	1	0	9	2	0	6	0
Packaging	6	22	1	4	7	0	0	9	0	0	10	1	0	6	0
Price	3	9	16	1	6	4	0	7	2	3	7	1	2	4	0
Product consistency	4	24	1	3	8	0	0	9	0	0	11	0	0	6	0
Quality meets industry standards	4	25	0	3	8	0	0	9	0	0	11	0	0	6	0
Quality exceeds industry standards	6	21	1	5	6	0	1	8	0	0	9	1	0	6	0
Product range	10	15	4	4	7	0	2	7	0	1	10	0	0	6	0
Reliability of supply	7	20	1	4	7	0	1	8	0	0	11	0	0	6	0
Technical support/service	13	14	1	4	7	0	2	7	0	0	9	2	0	6	0
U.S. transportation costs	8	19	0	4	7	0	1	8	0	0	10	1	0	6	0

Note.—S = domestic product superior, C = domestic product comparable, I = domestic product inferior.

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

**Table II-9**  
**Drawn stainless steel sinks: Ability to meet minimum quality specifications, by source**

Country	Number of firms reporting				
	Always	Usually	Sometimes	Rarely or never	Unknown
United States	15	11	0	0	6
China	13	17	2	0	3
Mexico	3	2	2	0	23

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



**Table II-10****Drawn stainless steel sinks: Perceived significance of differences other than price between products produced in the United States and in other countries, by country pairs**

Country pair	U.S. producers				U.S. importers				U.S. purchasers			
	A	F	S	N	A	F	S	N	A	F	S	N
<b>Country-pair</b>												
U.S. vs. China	0	0	1	4	6	5	4	5	8	2	10	10
U.S. vs. Mexico	0	0	1	3	1	1	1	3	1	0	6	3
U.S. vs. other nonsubject	0	0	1	3	3	2	2	3	1	0	3	5
China vs. Mexico	0	0	1	3	1	3	1	3	1	0	3	5
China vs. other nonsubject	0	0	1	3	2	1	2	3	1	1	3	4
Mexico vs. other nonsubject	0	0	1	3	0	0	2	3	1	0	3	3
Note.--A = Always, F = Frequently, S = Sometimes, N = Never.												
Source: Compiled from data submitted in response to Commission questionnaires.												

## ELASTICITY ESTIMATES

### U.S. Supply Elasticity

The domestic supply elasticity for drawn stainless steel sinks measures the sensitivity of the quantity supplied by U.S. producers to changes in the U.S. market price for drawn stainless steel sinks. The elasticity of domestic supply depends on several factors, including the level of excess capacity, the existence of inventories, and the availability of alternate markets for U.S.-produced drawn stainless steel sinks.<sup>14</sup> Previous analysis of these factors indicates that the U.S. industry has the ability for large increases or decreases in shipments to the U.S. market in response to a change in price based on unused capacity and production flexibilities. An estimate in the range of 5 to 10 is suggested.

### U.S. Demand Elasticity

The U.S. demand elasticity for drawn stainless steel sinks measures the sensitivity of the overall quantity demanded to a change in the U.S. market price of drawn stainless steel sinks. This estimate depends on factors discussed earlier such as the existence, availability, and commercial viability of substitute products, as well as the component share of drawn stainless steel sinks in the final cost of end-use products in which they are used. Because of the low cost share and little evidence that substitute products affect the price of drawn stainless steel sinks, it is likely that the aggregate demand for drawn stainless steel sinks is moderately inelastic, with values ranging between -0.50 to -1.0. In the preliminary phase of these investigations, petitioners indicated that demand for drawn stainless steel sinks is inelastic because sinks represent a negligible share of the cost a new house or kitchen renovation.<sup>15</sup>

<sup>14</sup> Domestic supply response is assumed to be symmetrical for both an increase and a decrease in demand for the domestic product. Therefore, factors affecting increased quantity supplied to the U.S. market also affect decreased quantity supplied to the same extent.

<sup>15</sup> Petitioners' postconference brief, p. 20.

### **Substitution Elasticity**

The elasticity of substitution depends upon the extent of product differentiation between domestic and imported drawn stainless steel sinks. Product differentiation, in turn, depends upon such factors as quality and condition of sale (availability, delivery, etc.). Based on available information indicating that the domestic and imported products can frequently be used interchangeably, the elasticity of substitution between U.S.-produced drawn stainless steel sinks and imported drawn stainless steel sinks is likely to be in the range of 3 to 5.

## 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 subsidies and dumping margin 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 approximately 98 percent of U.S. production of drawn stainless steel sinks over the period examined.

### U.S. PRODUCERS

The Commission sent U.S. producer questionnaires to five firms based on information contained in the petition. All five firms provided useable data on their productive operations.<sup>124</sup> \*\*\*.<sup>125</sup> During the period 2009–11, the domestic industry \*\*\*.

Presented in table III-1 is a list of current domestic producers of drawn stainless steel sinks and each company's position on the petition, production location(s), related and/or affiliated firms, and share of reported production of drawn stainless steel sinks in 2011.

**Table III-1**

**Drawn stainless steel sinks: U.S. producers of drawn stainless steel sinks, their positions on the petition, related and/or affiliated firms, and 2011 reported U.S. production and shares of production**

Firm	Position on petition	U.S. production location(s)	Related and/or affiliated firms in the United States	2011 production ( <i>sinks</i> )	Share of 2011 production ( <i>percent</i> )
Advance Tabco	(1)	Edgewood, NY	N/A	***	***
Eagle Group	(1)	Clayton, DE	N/A	***	***
Elkay <sup>2</sup>	Support	Broadview IL, Lumberton, NC, and Ogden, UT	***	***	***
Franke <sup>3</sup>	***	Rouston, LA	***	***	***
Just Manufacturing	***	Franklin Park, IL	***	***	***
Kohler <sup>4</sup>	***	Searcy, AR	***	***	***
Moen	***	Pine Grove, PA	***	***	***
Total				***	100.0

<sup>1</sup> Not available, Advance Tabco and Eagle Group did not complete U.S. producer questionnaires.

<sup>2</sup> \*\*\*.

<sup>3</sup> \*\*\*.

<sup>4</sup> \*\*\*.

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

<sup>124</sup> Two additional firms, Advance Tabco and Eagle Group, were also identified as U.S. producers \*\*\*. These firms did not complete a U.S. producer questionnaire, but have provided 2011 production and capacity data for drawn stainless steel sinks. These firms are not included throughout this report (with the exception of tables III-1 and III-2).

<sup>125</sup> \*\*\*'s U.S. producer questionnaire, question II-2, preliminary phase. \*\*\*.

## U.S. PRODUCTION, CAPACITY, AND CAPACITY UTILIZATION

U.S. producers' capacity, production, and capacity utilization data for drawn stainless steel sinks are presented in table III-2. Kohler operated only in 2009. Reported production decreased from \*\*\* drawn stainless steel sinks in 2009 to \*\*\* drawn stainless steel sinks in 2010 when Kohler had ceased its operations, and then further to \*\*\* drawn stainless steel sinks in 2011. Reported capacity decreased from \*\*\* drawn stainless steel sinks in 2009, to \*\*\* drawn stainless steel sinks in 2010 after Kohler had ceased its operations in late 2009, and \*\*\* in 2011. Capacity was constant during January-September 2011 and January-September 2012, while production slightly increased. Table III-3 summarizes the changes in operations of the domestic industry since January 2009.

**Table III-2**

**Drawn stainless steel sinks: U.S. producers' capacity, production, and capacity utilization, 2009-11, January-September 2011, and January-September 2012**

\* \* \* \* \*

**Table III-3**

**Drawn stainless steel sinks: Changes in domestic industry operations since January 1, 2009**

\* \* \* \* \*

## U.S. PRODUCERS' SHIPMENTS

Data on U.S. producers' shipments of drawn stainless steel sinks are presented in table III-4. U.S. shipments of drawn stainless steel sinks by quantity decreased by \*\*\* percent from 2009 to 2011. The unit value of U.S. shipments of drawn stainless steel sinks increased by \*\*\* percent, from \$\*\*\* to \$\*\*\*, from 2009 to 2011. U.S. producers' shipments were slightly higher during January-September 2012 than they were in during January-September 2011, and unit values were lower during January-September 2012 than they were in during January-September 2011. \*\*\* reported exporting to \*\*\*, \*\*\* reported \*\*\*, \*\*\* reported exporting \*\*\*, \*\*\* reported exporting to \*\*\*, and \*\*\* reported exporting to \*\*\*. There were \*\*\* of drawn stainless steel sinks.

**Table III-4**

**Drawn stainless steel sinks: U.S. producers' shipments, by type, 2009-11, January-September 2011, and January-September 2012**

\* \* \* \* \*

## U.S. PRODUCERS' INVENTORIES

Table III-5 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 over the period examined. Overall, such inventories declined by \*\*\* percent in terms of quantity from 2009 to 2011. As a percent of production and shipments, inventories declined moderately from 2009 to 2011 and only slightly from interim 2011 to interim 2012.

### Table III-5

**Drawn stainless steel sinks: U.S. producers' end-of-period inventories, 2009-11, January-September 2011, and January-September 2012**

\* \* \* \* \*

## U.S. PRODUCERS' IMPORTS AND PURCHASES

U.S. producers' imports and purchases of drawn stainless steel sinks are presented in table III-6. \*\*\* reported purchasing drawn stainless steel sinks. \*\*\* purchased from domestic producers because of the \*\*\*.

### Table III-6

**Drawn stainless steel sinks: U.S. producers' imports, 2009-11, January-September 2011, and January-September 2012**

\* \* \* \* \*

## U.S. EMPLOYMENT, WAGES, AND PRODUCTIVITY

The U.S. producers' aggregate employment data for drawn stainless steel sinks are presented in table III-7. The number of production and related workers (PRWs) decreased from 2009 to 2011 by \*\*\* percent, and during the interim period by \*\*\* percent. Hours worked per PRW increased by \*\*\* percent from 2009 to 2011, and during the interim period by \*\*\* percent, while productivity during the same periods remained relatively constant.

### Table III-7

**Drawn stainless steel sinks: Average number of production and related workers, hours worked, wages paid, hourly wages, productivity, and unit labor costs, 2009-11, January-September 2011, and January-September 2012**

\* \* \* \* \*



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

### U.S. IMPORTERS

Importer questionnaires were sent to 69 firms believed to be importers of drawn stainless steel sinks, as well as to five U.S. producers of drawn stainless steel sinks. Questionnaire responses were received from 30 companies, of which 6 reported not importing, representing 32.0 percent of total imports from China and \*\*\* percent of total U.S. imports of drawn stainless steel sinks from nonsubject countries in 2011.<sup>1</sup> Table IV-1 lists all responding U.S. importers of drawn stainless steel sinks from China and other sources, their locations, and their shares of reported U.S. imports, in 2011.

**Table IV-1**  
**Drawn stainless steel sinks: U.S. importers, source(s) of imports, U.S. headquarters, and shares of imports in 2011**

Firm	Headquarters	Source of Imports	Share of imports (percent)			
			China	Mexico	Other	Total
Amerisinks	San Leandro, CA	***	***	***	***	***
BLANCO America, Inc.	Lumberton, NJ	***	***	***	***	***
Chemcore Industries	Austin, TX	***	***	***	***	***
Elkay Manufacturing Co.	Oak Brook, IL	***	***	***	***	***
Ferguson Enterprises, Inc.	Newport News, VA	***	***	***	***	***
Franke Consumer Products	Ruston, LA	***	***	***	***	***
Hajoca Corporation	Hardmore, PA	***	***	***	***	***
Home Depot U.S.A., Inc.	Atlanta, GA	***	***	***	***	***
Houzer Incorporated	Hamilton, NJ	***	***	***	***	***
IKEA	Westhampton, NJ (and Switzerland from May 2009)	***	***	***	***	***
International Concepts in Cabinetry (ICCI)/Eclipse	Mill Valley, CA	***	***	***	***	***
Kohler Co.	Kohler, WI	***	***	***	***	***
Kpax, Inc	Hialeah, FL	***	***	***	***	***
Kraus USA Inc.	Port Washington, NY	***	***	***	***	***
L G Sourcing, Inc.	Wilkesboro, NC	***	***	***	***	***
Leedo Manufacturing	East Bernard, TX	***	***	***	***	***
Moen Incorporated	North Olmsted, OH	***	***	***	***	***
Plexicor (USA) Inc.	Millersville, MD	***	***	***	***	***
Posey Supply Co., Inc.	Double Springs, AL	***	***	***	***	***
Royal USA, Inc.	Sterling, VA	***	***	***	***	***
Seena Stone LLC (Nantucket Sinks)	North Kingstown, RI	***	***	***	***	***
Soci LP	McKinney, TX	***	***	***	***	***
Waterway International Inc.	Gardena, CA	***	***	***	***	***
Wespac International, LLC	Fort Lauderdale, FL	***	***	***	***	***
Total			100.0	100.0	100.0	100.0

<sup>1</sup> \*\*\*.

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

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

<sup>1</sup> Coverage was calculated using the quantity of U.S. imports from China reported by responding U.S. importers in 2011 (1,017,477) compared to official Commerce import statistics, adjusted for fabricated stainless steel sinks (3,179,282); coverage for imports from nonsubject countries was calculated using the quantity reported by responding U.S. importers (\*\*\*) compared to adjusted Commerce import statistics (\*\*\*)

## U.S. IMPORTS

Table IV-2 presents data for U.S. imports of drawn stainless steel sinks from China and all other sources.<sup>2</sup> As shown in table IV-2, China was the largest source of imports during the period examined. Imports from China increased from 2009 to 2011 by 57 percent. Mexico was the second largest source of imports, and imports from Mexico peaked in 2010 and decreased in 2011. Imports from all other sources combined peaked in 2010 and decreased in 2011. Imports from China were higher in January-September 2011 than they were in January-September 2012. Imports from Mexico decreased from January-September 2011 to January-September 2012. Imports from all other sources combined were higher in January-September 2012 than they were in January-September 2011.

## NEGLIGIBILITY

The statute requires that an investigation be terminated without an injury determination if imports of the subject merchandise are found to be negligible.<sup>3</sup> Negligible imports are generally defined in the Tariff Act of 1930, as amended, as imports from a country of merchandise corresponding to a domestic like product where such imports account for less than 3 percent of the volume of all such merchandise imported into the United States in the most recent 12-month period for which data are available that precedes the filing of the petition or the initiation of the investigation. However, if there are imports of such merchandise from a number of countries subject to investigations initiated on the same day that individually account for less than 3 percent of the total volume of the subject merchandise, and if the imports from those countries collectively account for more than 7 percent of the volume of all such merchandise imported into the United States during the applicable 12-month period, then imports from such countries are deemed not to be negligible.<sup>4</sup> Imports from China accounted for \*\*\* percent of total imports of drawn stainless steel sinks by quantity during 2011.

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<sup>2</sup> Compiled from official Commerce statistics and adjusted to exclude imports of fabricated stainless steel sinks as reported in data submitted in response to Commission questionnaires in the preliminary phase of these investigations. Adjustments for the interim period are based on the percentage of fabricated stainless steel sinks reported in 2011.

<sup>3</sup> 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)).

<sup>4</sup> Section 771(24) of the Act (19 U.S.C. § 1677(24)).



**Table IV-2**  
**Drawn stainless steel sinks: U.S. imports, by sources, 2009-11, January-September 2011, and January-September 2012**

Source	Calendar year			January-September	
	2009	2010	2011	2011	2012
<b>Quantity (sinks)</b>					
China	2,025,125	2,686,397	3,179,282	2,421,895	2,838,315
Mexico	***	***	***	***	***
All others	***	***	***	***	***
Subtotal (nonsubject)	***	***	***	***	***
Total	***	***	***	***	***
<b>Value (1,000 dollars)</b>					
China	73,160	101,721	119,071	88,123	108,149
Mexico	***	***	***	***	***
All others	***	***	***	***	***
Subtotal (nonsubject)	***	***	***	***	***
Total	***	***	***	***	***
<b>Unit value (per sink)</b>					
China	36.13	37.87	37.45	36.39	38.10
Mexico	***	***	***	***	***
All others	***	***	***	***	***
Subtotal (nonsubject)	***	***	***	***	***
Average	***	***	***	***	***
<b>Share of quantity (percent)</b>					
China	75.8	77.2	85.0	86.1	87.1
Mexico	***	***	***	***	***
All others	***	***	***	***	***
Subtotal (nonsubject)	***	***	***	***	***
Total	100.0	100.0	100.0	100.0	100.0
<b>Share of value (percent)</b>					
China	64.1	70.1	73.1	72.9	77.9
Mexico	***	***	***	***	***
All others	***	***	***	***	***
Subtotal (nonsubject)	***	***	***	***	***
Total	100.0	100.0	100.0	100.0	100.0
<p>Source: Compiled from official Commerce statistics and adjusted to exclude imports of fabricated stainless steel sinks as reported in data submitted in response to Commission questionnaires in the preliminary phase of these investigations. Adjustments for the interim period are based on the percentage of fabricated stainless steel sinks reported in 2011.</p>					

## APPARENT U.S. CONSUMPTION

Data concerning apparent U.S. consumption of drawn stainless steel sinks during January 2009-2011 and January-September 2011 and 2012 are shown in table IV-3. Apparent U.S. consumption increased from 2009 to 2011, rising 7.9 percent during that time; apparent consumption rose even more in the interim period.

**Table IV-3**

**Drawn stainless steel sinks: U.S. shipments of domestic product, U.S. imports by sources, and apparent U.S. consumption, 2009-11, January-September 2011, and January-September 2012**

Item	Calendar year			January-September	
	2009	2010	2011	2011	2012
<b>Quantity (sinks)</b>					
U.S. producers' U.S. shipments	***	***	***	***	***
U.S. imports from.-- China	2,025,125	2,686,397	3,179,282	2,421,895	2,838,315
Mexico	***	***	***	***	***
All other sources	***	***	***	***	***
Subtotal (nonsubject)	***	***	***	***	***
Total U.S. imports	***	***	***	***	***
Apparent U.S. consumption	5,052,835	5,423,422	5,453,786	4,151,499	4,639,433
<b>Value (1,000 dollars)</b>					
U.S. producers' U.S. shipments	***	***	***	***	***
U.S. imports from.-- China	73,160	101,721	119,071	88,123	108,149
Mexico	***	***	***	***	***
All other sources	***	***	***	***	***
Subtotal (nonsubject)	***	***	***	***	***
Total U.S. imports	***	***	***	***	***
Apparent U.S. consumption	297,767	295,909	301,408	228,584	246,380
Note.--Because of rounding, figures may not add to the totals shown.					
Source: Compiled from data submitted in response to Commission questionnaires.					

## U.S. MARKET SHARES

U.S. market share data are presented in table IV-4. U.S. producers' market share declined both on a quantity and value basis; falling from \*\*\* percent in 2009 to \*\*\* percent in 2011 based on quantity and from \*\*\* to \*\*\* percent based on value. Interim period data also indicate a decline in U.S. producers' market share.

**Table IV-4**  
**Drawn stainless steel sinks: U.S. consumption and market shares, 2009-11, January-September 2011, and January-September 2012**

Source	Calendar year			January-September	
	2009	2010	2011	2011	2012
<b>Quantity (sinks)</b>					
Apparent U.S. consumption	5,052,835	5,423,422	5,453,786	4,151,499	4,639,433
<b>Value (\$1,000)</b>					
Apparent U.S. consumption	297,767	295,909	301,408	228,584	246,380
<b>Share of quantity (percent)</b>					
U.S. producers' U.S. shipments	***	***	***	***	***
U.S. imports from.-- China	40.1	49.5	58.3	58.3	61.2
Mexico	***	***	***	***	***
All other sources	***	***	***	***	***
Subtotal (nonsubject)	***	***	***	***	***
Total U.S. import shipments	***	***	***	***	***
<b>Share of value (percent)</b>					
U.S. producers' U.S. shipments	***	***	***	***	***
U.S. imports from.-- China	24.6	34.4	39.5	38.6	43.9
Mexico	***	***	***	***	***
All other sources	***	***	***	***	***
Subtotal (nonsubject)	***	***	***	***	***
Total U.S. import shipments	***	***	***	***	***
Note.--Because of rounding, figures may not add to the totals shown.					
Source: Compiled from data submitted in response to Commission questionnaires.					

## RATIO OF IMPORTS TO U.S. PRODUCTION

Information concerning the ratio of imports to U.S. production of drawn stainless steel sinks is presented in table IV-5.

**Table IV-5**

**Drawn stainless steel sinks: U.S. production, U.S. imports, and ratios of imports to U.S. production, 2009-11, January-September 2011, and January-September 2012**

Item	Calendar year			January-September	
	2009	2010	2011	2011	2012
<b>Quantity (sinks)</b>					
U.S. production	***	***	***	***	***
U.S. imports from.-- China	2,025,125	2,686,397	3,179,282	2,421,895	2,838,315
Mexico	***	***	***	***	***
All other sources	***	***	***	***	***
Subtotal (nonsubject)	***	***	***	***	***
Total U.S. Imports	***	***	***	***	***
<b>Ratio of imports to production (percent)</b>					
U.S. imports from.-- China	***	***	***	***	***
Mexico	***	***	***	***	***
All other sources	***	***	***	***	***
Subtotal (nonsubject)	***	***	***	***	***
Total U.S. Imports	***	***	***	***	***
Source: Compiled from data submitted in response to Commission questionnaires.					

## PART V: PRICING AND RELATED INFORMATION

### FACTORS AFFECTING PRICES

As noted in Part II, drawn stainless steel sinks are influenced by demand factors such as new residential housing and kitchen renovations. On the supply side, drawn stainless steel sink prices also vary according to product specifications.

#### Raw Material Costs

Raw materials account for approximately \*\*\* percent of the cost of drawn stainless steel sinks. The principal raw material used to produce drawn stainless steel sinks is stainless cold-rolled steel coils and typically series 300 stainless steel is used. As shown in figure V-1, prices for several series of stainless cold-rolled steel used to produce drawn stainless steel sinks have fluctuated since 2009, with three of the four grades increasing from \*\*\* percent between January 2009 and December 2012. Regarding changes in raw material costs since January 2009, most responding firms indicated that prices for stainless steel, the most significant raw material in drawn stainless steel sinks, had increased.

#### Figure V-1

**Material costs: Cold-rolled stainless coils, monthly average U.S. negotiated domestic transaction prices by stainless steel grades, January 2009-December 2012**

\* \* \* \* \*

#### U.S. Inland Transportation Costs

Most U.S. producers' shipping costs, as a share of the delivered price of drawn stainless steel sinks, ranged from 2 to 9 percent.<sup>1</sup> The majority of importers' estimates ranged from 1 to 15 percent.<sup>2</sup> All U.S. producers and all but two importers reported arranging shipping for their customers. In addition, one producer and one importer reported that both they and their customers arrange for shipping. Nineteen of 22 responding importers reported shipping from a storage facility rather than the point of importation.

U.S. producers tend to make sales at a further distance from their point of shipment than importers. All responding producers reported that more than 90 percent of their shipments were 101 miles or more. Thirteen of 20 responding importers report that at least 65 percent of their shipments were 101 miles or more. Three importers reported that more than 90 percent of their shipments were for distances of 100 miles or less.

#### Pricing Methods

Most U.S. producers and importers use price lists and some also use contracts or transaction-by-transaction negotiations. All five producers and 15 of 23 responding importers reported using price lists. In addition, three producers and nine importers reported using transaction-by-transaction negotiations and two producers and eight importers reported using contracts.

Most sales of drawn stainless steel sinks are made on a spot basis. Three of four producers and 15 of 20 importers sell entirely on a spot basis, and two other importers reported that more than 92 percent of their sales are on a spot basis. One producer and four importers reported making at least 98 percent of their sales using short-term contracts. Importer \*\*\* reported making all its sales using long-

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<sup>1</sup> U.S. producer \*\*\* reported that shipping cost made up 60 percent of the delivered price.

<sup>2</sup> Importer \*\*\* reported that shipping costs made up 99 percent of the delivered price.

term contracts. Short-term contracts by producers and importers typically cover 90 to 365 days with fixed prices during the contract period.

### **Price Leadership**

About one-half of responding purchasers identified price leaders in the market for drawn stainless steel sinks. Seven purchasers named Elkay as a price leader, three named Lowe's, three named Heng's, three named Kohler, two named Menard's, two name LaSalle Bristol, and several other suppliers were mentioned once. One purchaser named "imports from China from multiple sources."

### **Sales Terms and Discounts**

U.S. producers and importers commonly quote prices on either an f.o.b. or delivered basis. Three producers and 12 importers quote prices on an f.o.b. basis, and three producers and ten importers quote prices on a delivered basis.

The majority of producers and importers offer volume-based discounts. Four of five responding producers and 12 of 21 responding importers reported that they offer quantity discounts. Only one producer and two importers reported offering annual discounts. \*\*\*. Five importers reported not offering any discounts.

### **PRICE DATA**

The Commission requested U.S. producers and importers of drawn stainless steel sinks to provide quarterly data for the total quantity and value of their shipments to U.S. distributors of the following seven products during January 2009-September 2012:

**Product 1.**-- 300 series stainless steel, regardless of finish, top mount with overall dimensions of 33 inches x 22 inches, two bowls with both bowls 14 inches x 15<sup>3</sup>/<sub>4</sub> inches, and each bowl depth 6 inches. Gauge 20-24. All dimensions plus/minus 2 inches, except bowl depth plus/minus 1 inch.

**Product 2.**-- 300 series stainless steel, regardless of finish, top mount with overall dimensions of 25 inches x 22 inches, one bowl 21 inches x 15<sup>3</sup>/<sub>4</sub> inches, and bowl depth 6 inches. Gauge 20-24. All dimensions plus/minus 2 inches, except bowl depth plus/minus 1 inch.

**Product 3.**-- 300 series stainless steel, regardless of finish, top mount with overall dimensions of 33 inches x 22 inches, two bowls with both bowls 14 inches x 15<sup>3</sup>/<sub>4</sub> inches, and each bowl depth 8<sup>1</sup>/<sub>16</sub> inches. Gauge 20-24. All dimensions plus/minus 2 inches, except bowl depth plus/minus 1 inch.

**Product 4.** -- 300 series stainless steel, regardless of finish, undermount with overall dimensions of 31<sup>1</sup>/<sub>4</sub> inches x 17<sup>3</sup>/<sub>4</sub> inches (with flange), two bowls with both bowls 14 inches x 15<sup>3</sup>/<sub>4</sub> inches, and each bowl depth 8 inches. Gauge 16-20. All dimensions plus/minus 2 inches, except bowl depth plus/minus 1 inch.

**Product 5.**-- 300 series stainless steel, regardless of finish, undermount with overall dimensions of 23 inches x 17<sup>3</sup>/<sub>4</sub> inches (with flange), one bowl 21 inches x 15<sup>3</sup>/<sub>4</sub> inches, and bowl depth 8 inches. Gauge 16-20. All dimensions plus/minus 2 inches, except bowl depth plus/minus 1 inch.

**Product 6.**-- 300 series stainless steel, regardless of finish, undermount with overall dimensions of 31<sup>3</sup>/<sub>4</sub> inches x 20<sup>1</sup>/<sub>2</sub> inches (with flange), two bowls with one bowl 14 inches x 15<sup>3</sup>/<sub>4</sub> inches and one bowl 13<sup>1</sup>/<sub>2</sub> inches x 18 inches, and bowl depths of 8 and 10 inches respectively. Gauge 16-20. All dimensions except bowl depth plus/minus 2 inches (but each bowl must be a different size), bowl depth plus/minus 1 inch (each bowl may be the same or a different depth).

**Product 7.**-- 300 series stainless steel, regardless of finish, dual mount with overall dimensions of 33 inches x 22 inches, two bowls with both bowls 14 inches x 15<sup>3</sup>/<sub>4</sub> inches, and each bowl depth 6 inches. Gauge 20-24. All dimensions plus/minus 2 inches, except bowl depth plus/minus 1 inch.

Products 1 to 3 are top mount sinks, products 4 to 6 are undermount sinks, and product 7 is a dual mount sink. Five U.S. producers and 15 importers provided some price data, although not all firms provided data for all products and all quarters.<sup>3</sup> Producer price data accounted for \*\*\* percent of the quantity of U.S. shipments during this period. Importer price data accounted for \*\*\* percent of U.S. imports from China and \*\*\* percent of U.S. imports from Mexico.

### **Price Trends**

Quarterly weighted-average prices and shipment quantities for the six products for which there are data are presented in tables V-1 through V-6 and figure V-2. U.S. producer prices and prices of imports from China for all six products fluctuated during the period examined. Prices for two of the three U.S.-produced top mount products (products 1 and 2) and for one of the three U.S.-produced undermount products (product 6) increased between the first quarter of 2009 and third quarter of 2012, while the prices for the other products declined during this period (see table V-7). Prices for products 1-6 imported from China decreased during this period.

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<sup>3</sup> Fourteen importers reported price data for imports from China, while one importer, \*\*\*, reported price data for imports from Mexico. No producers or importers reported usable data for product 7. Importer \*\*\* reported price data for products \*\*\* that was not used because it was not valued at the wholesale level of competition.

**Table V-1**

**Drawn stainless steel sinks: Weighted-average f.o.b. prices and quantities of domestic and imported product 1,<sup>1</sup> and margins of underselling/(overselling), by quarters, January 2009-September 2012**

\* \* \* \* \*

**Table V-2**

**Drawn stainless steel sinks: Weighted-average f.o.b. prices and quantities of domestic and imported product 2,<sup>1</sup> and margins of underselling/(overselling), by quarters, January 2009-September 2012**

\* \* \* \* \*

**Table V-3**

**Drawn stainless steel sinks: Weighted-average f.o.b. prices and quantities of domestic and imported product 3,<sup>1</sup> and margins of underselling/(overselling), by quarters, January 2009-September 2012**

Period	United States		China			Mexico	
	Price (per sink)	Quantity (sinks)	Price (per sink)	Quantity (sinks)	Margin (percent)	Price (per sink)	Quantity (sinks)
<b>2009:</b>							
Jan.-Mar.	\$***	***	\$***	***	***	\$***	***
Apr.-June	***	***	***	***	***	***	***
July-Sept.	***	***	***	***	***	***	***
Oct.-Dec.	***	***	***	***	***	***	***
<b>2010:</b>							
Jan.-Mar.	***	***	66.67	16,917	***	***	***
Apr.-June	***	***	***	***	***	***	***
July-Sept.	***	***	64.06	25,125	***	***	***
Oct.-Dec.	***	***	71.37	11,153	***	***	***
<b>2011:</b>							
Jan.-Mar.	***	***	69.57	11,919	***	***	***
Apr.-June	***	***	70.30	13,283	***	***	***
July-Sept.	***	***	70.23	14,440	***	***	***
Oct.-Dec.	***	***	74.84	12,134	***	***	***
<b>2012:</b>							
Jan.-Mar.	***	***	57.15	24,799	***	***	***
Apr.-June	***	***	57.24	16,320	***	***	***
July-Sept.	***	***	53.22	20,883	***	***	***
<sup>1</sup> Product 3--300 series stainless steel, regardless of finish, top mount with overall dimensions of 33 inches x 22 inches, two bowls with both bowls 14 inches x 15¼ inches, and each bowl depth 8 1/16 inches. Gauge 20-24. All dimensions plus/minus 2 inches, except bowl depth plus/minus 1 inch.							
Source: Compiled from data submitted in response to Commission questionnaires.							



**Table V-4**

**Drawn stainless steel sinks: Weighted-average f.o.b. prices and quantities of domestic and imported product 4,<sup>1</sup> and margins of underselling/(overselling), by quarters, January 2009-September 2012**

Period	United States		China			Mexico	
	Price (per sink)	Quantity (sinks)	Price (per sink)	Quantity (sinks)	Margin (percent)	Price (per sink)	Quantity (sinks)
<b>2009:</b>							
Jan.-Mar.	\$150.27	8,085	\$93.62	11,878	37.7	\$***	***
Apr.-June	144.78	9,140	88.69	16,890	38.7	***	***
July-Sept.	134.56	7,802	79.97	22,056	40.6	***	***
Oct.-Dec.	129.46	7,335	82.09	22,743	36.6	***	***
<b>2010:</b>							
Jan.-Mar.	***	***	92.08	19,357	***	***	***
Apr.-June	***	***	80.14	31,920	***	***	***
July-Sept.	***	***	84.15	30,006	***	***	***
Oct.-Dec.	122.75	5,374	89.93	27,990	26.7	***	***
<b>2011:</b>							
Jan.-Mar.	***	***	87.61	26,094	***	***	***
Apr.-June	***	***	86.65	29,887	***	***	***
July-Sept.	116.82	5,519	82.43	25,262	29.4	***	***
Oct.-Dec.	135.12	3,237	83.94	23,555	37.9	***	***
<b>2012:</b>							
Jan.-Mar.	154.62	3,287	81.88	22,692	47.0	***	***
Apr.-June	134.82	3,940	70.35	34,747	47.8	***	***
July-Sept.	***	***	71.60	35,800	***	***	***

<sup>1</sup> Product 4--300 series stainless steel, regardless of finish, undermount with overall dimensions of 31¼ inches x 17¼ inches (with flange), two bowls with both bowls 14 inches x 15¼ inches, and each bowl depth 8 inches. Gauge 16-20. All dimensions plus/minus 2 inches, except bowl depth plus/minus 1 inch.

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

**Table V-5**

**Drawn stainless steel sinks: Weighted-average f.o.b. prices and quantities of domestic and imported product 5,<sup>1</sup> and margins of underselling/(overselling), by quarters, January 2009-September 2012**

Period	United States		China			Mexico	
	Price (per sink)	Quantity (sinks)	Price (per sink)	Quantity (sinks)	Margin (percent)	Price (per sink)	Quantity (sinks)
<b>2009:</b>							
Jan.-Mar.	\$127.94	13,641	\$78.60	6,975	38.6	\$***	***
Apr.-June	***	***	72.66	7,149	***	***	***
July-Sept.	***	***	78.84	9,979	***	***	***
Oct.-Dec.	141.46	8,059	63.02	12,293	55.4	***	***
<b>2010:</b>							
Jan.-Mar.	***	***	76.53	7,514	***	***	***
Apr.-June	***	***	76.48	11,382	***	***	***
July-Sept.	***	***	75.58	10,132	***	***	***
Oct.-Dec.	***	***	61.84	14,071	***	***	***
<b>2011:</b>							
Jan.-Mar.	***	***	80.73	11,248	***	***	***
Apr.-June	***	***	74.72	13,266	***	***	***
July-Sept.	***	***	76.76	10,987	***	***	***
Oct.-Dec.	***	***	66.26	14,185	***	***	***
<b>2012:</b>							
Jan.-Mar.	***	***	73.54	10,040	***	***	***
Apr.-June	***	***	60.36	14,896	***	***	***
July-Sept.	***	***	58.40	18,744	***	***	***
<sup>1</sup> Product 5--300 series stainless steel, regardless of finish, undermount with overall dimensions of 23 inches x 17¾ inches (with flange), one bowl 21 inches x 15¾ inches, and bowl depth 8 inches. Gauge 16-20. All dimensions plus/minus 2 inches, except bowl depth plus/minus 1 inch.							
Source: Compiled from data submitted in response to Commission questionnaires.							

**Table V-6**

**Drawn stainless steel sinks: Weighted-average f.o.b. prices and quantities of domestic and imported product 6,<sup>1</sup> and margins of underselling/(overselling), by quarters, January 2009-September 2012**

Period	United States		China			Mexico	
	Price (per sink)	Quantity (sinks)	Price (per sink)	Quantity (sinks)	Margin (percent)	Price (per sink)	Quantity (sinks)
<b>2009:</b>							
Jan.-Mar.	\$***	***	\$***	***	***	\$***	***
Apr.-June	***	***	***	***	***	***	***
July-Sept.	***	***	***	***	***	***	***
Oct.-Dec.	***	***	***	***	***	***	***
<b>2010:</b>							
Jan.-Mar.	***	***	***	***	***	***	***
Apr.-June	***	***	***	***	***	***	***
July-Sept.	***	***	***	***	***	***	***
Oct.-Dec.	***	***	***	***	***	***	***
<b>2011:</b>							
Jan.-Mar.	***	***	***	***	***	***	***
Apr.-June	169.84	3,708	***	***	***	***	***
July-Sept.	174.66	3,242	***	***	***	***	***
Oct.-Dec.	157.82	3,310	***	***	***	***	***
<b>2012:</b>							
Jan.-Mar.	174.19	3,068	***	***	***	***	***
Apr.-June	169.54	3,458	***	***	***	***	***
July-Sept.	174.25	2,895	***	***	***	***	***

<sup>1</sup> Product 6--300 series stainless steel, regardless of finish, undermount with overall dimensions of 31¾ inches x 20½ inches (with flange), two bowls with one bowl 14 inches x 15¾ inches and one bowl 13½ inches x 18 inches, and bowl depths of 8 and 10 inches respectively. Gauge 16-20. All dimensions except bowl depth plus/minus 2 inches (but each bowl must be a different size), bowl depth plus/minus 1 inch (each bowl may be the same or a different depth).

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

**Figure V-2**

**Drawn stainless steel sinks: Weighted-average quarterly f.o.b. selling prices and quantities of domestic and imported product, by quarters, January 2009-September 2012**

\* \* \* \* \*

**Table V-7**

**Drawn stainless steel sinks: Summary of weighted-average f.o.b. prices for products 1-6 from the United States and China**

\* \* \* \* \*

**Table V-8**  
**Drawn stainless steel sinks: Summary of underselling/(overselling) from China, January 2009-September 2012**

Country	Underselling			Overselling		
	Number of instances	Range (percent)	Average margin (percent)	Number of instances	Range (percent)	Average margin (percent)
<b>By product:</b>						
Product 1	14	4.6 to 34.7	15.5	1	9.2	9.2
Product 2	15	3.5 to 37.1	14.4	0	-	-
Product 3	3	2.9 to 8.7	5.0	12	5.2 to 26.0	16.0
Product 4	15	26.5 to 47.8	36.2	0	-	-
Product 5	15	36.2 to 55.4	42.8	0	-	-
Product 6	15	44.3 to 60.8	50.1	0	-	-
Total	77	2.9 to 60.8	31.0	13	5.2 to 26.0	15.5
Source: Compiled from data submitted in response to Commission questionnaires.						

### Price Comparisons

A total of 90 quarterly price comparisons were possible for sales between the domestic drawn stainless sink products 1-6 and those imported from China during 2009-12 (see table V-8). Prices of imports from China were lower than the U.S. producers' prices in 77 of 90 instances or 86 percent of these quarterly comparisons, with an average underselling margin of 31.0 percent. There were 13 instances of overselling with an average overselling margin of 15.5 percent. Petitioners indicated that data for product 3 are anomalous because they show underselling by Chinese sinks \*\*\*. They indicated that this disparity likely results from the lack of importer questionnaire responses, particularly the absence of a response from \*\*\*, which it believes to be a significant importer of Product 3.<sup>4</sup>

Prices for imported drawn stainless steel sinks from Mexico were higher than prices for product imported from China in all 90 possible instances and higher than U.S.-produced drawn stainless steel sinks in 82 of 90 possible instances. Respondents indicate that prices from a number of nonsubject countries are close to Chinese prices. They suggest that the Commission compare prices for imports from \*\*\* from price lists included in their briefs with prices for imports from China. However, respondents do not report any specific price comparisons or indicate which of the products in these price lists are comparable to the specific price products for which the Commission collected price data. Also, these price lists use either export prices from the country of export \*\*\* which do not include overseas shipping costs and sales markups or import prices which do not include sales mark ups and are therefore not directly comparable to the price data that is valued f.o.b. U.S. point of shipment. These price lists are also for sales in 2013 which may not be comparable to the price data which was for sales in 2009 through 2011, and first three quarters of 2012.<sup>5</sup>

<sup>4</sup> Petitioners' posthearing brief, p. 6.

<sup>5</sup> Respondents' posthearing brief, Response to questions to Respondents from the Commission, pp. 31, 34 and exhibits A-3 and B-2. Respondents' prehearing brief, p. 17 and exhibits 1 and 2.

## LOST SALES AND LOST REVENUES

The Commission requested that U.S. producers of drawn stainless steel sinks report any instances of lost sales and lost revenues experienced due to competition from imports from China since January 1, 2009. Specific lost revenue and sales allegations were made by \*\*\*. Also, three of the four non-petitioning producers (\*\*\*) reported that they had reduced prices and one, \*\*\*, reported that it had rolled back announced price increases, allegedly due to imports from China. Moreover, the same three non-petitioner producers also alleged that they had lost sales due to low-priced imports from China.

Elkay indicated that in 2010, it lost significant volume at a major home center retailer after being unable to meet the price quotes from a Chinese supplier on comparable models that were priced 20 percent below their price.<sup>6</sup> Franke indicated that in a 2009 line review with a major home improvement center it lost a tremendous amount of business to imports from China priced 30 percent lower than its price. It also indicated that in 2010 it was supplying a large countertop fabricator and lost their business because of a quoted price that was less than their raw material and production costs.<sup>7</sup> Just Manufacturing indicated that it lost its account selling drawn stainless steel since at Home Depot to imports from China.<sup>8</sup>

All of the specific lost sales and lost revenue allegations are presented in tables V-9 and V-10. More detail is provided for some of the allegations thereafter. Staff contacted 29 purchasers, of which five purchasers responded. There were \*\*\* lost sales allegations totaling \$\*\*\* and \*\*\* lost revenue allegations totaling \$\*\*\*. The bulk of the value of the allegations involved purchaser \*\*\*, representing \*\*\* percent of the value of lost sales and \*\*\* percent of value of lost revenues.

Three of four responding purchasers reported that they had shifted purchases of drawn stainless steel sinks from U.S. producers to subject imports since January 1, 2009.<sup>9</sup> Two of these three purchasers reported that price was a reason for the shift. Purchaser \*\*\* indicated that it switched due to \*\*\*.

In addition, three of four responding purchasers reported that since January 1, 2009, U.S. producers reduced their prices in order to compete with the prices of subject imports. Purchaser \*\*\* commented that “prices were more comparable.” Additionally, purchaser \*\*\* commented that “U.S. producers reduced prices on many occasions and eventually were not able to sell at the very low Chinese prices, even with manufacturing plants in our state.”

\*\*\* of \*\*\* disagreed with the two lost sales and three lost revenue allegation involving his company. Regarding the lost sales, he indicated that purchases are based on annual volume projections and that his company switched to sourcing from China due to \*\*\*.

\*\*\* agreed with one of the three lost revenue allegation involving his company.

\*\*\* disagreed with the lost sales allegation involving his company. He indicated that he purchased the product from \*\*\* and did not know or did not care about the country of origin of the sinks.<sup>10</sup>

\*\*\* indicated that his company purchased product imported from China as alleged \*\*\*, but decided to switch back to purchasing U.S.-produced product due to the long lead times and because his company was purchasing smaller volumes.<sup>11</sup>

\*\*\* disagreed with one of the two lost sales allegation involving his company. He indicated that he disagreed with the allegation involving the \*\*\* product since his firm did not purchase subject imports, but purchased U.S-produced product. For the allegation involving the \*\*\* product, he indicated that the sale was lost due to price, ability to \*\*\*. He indicated that the alleged pricing was generally accurate and price was just part of the reason for the lost sale. \*\*\*. In response to the general question including the

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<sup>6</sup> Hearing transcript (Whittington), pp. 34-35.

<sup>7</sup> Hearing transcript (Parker) p. 45.

<sup>8</sup> Hearing transcript, (Just), p. 119.

<sup>9</sup> One of these three purchasers (\*\*\*) indicated that it had “partially” shifted purchases.

<sup>10</sup> Staff interview with \*\*\* on December 6, 2012.

<sup>11</sup> Staff interview with \*\*\* of \*\*\* on April 6, 2012.

**Table V-9**  
**Drawn stainless steel sinks: U.S. producers' lost sales allegations**

\* \* \* \* \*

**Table V-10**  
**Drawn stainless steel sinks: U.S. producers' lost revenue allegations**

\* \* \* \* \*

lost sales allegations, he indicated that his firm has switched purchases from U.S. producers to suppliers of drawn stainless steel sinks from China and that price was part, but not all, of the reason, citing the comments stated above. He also indicated that U.S. producers have reduced their prices in order to compete with prices of drawn stainless sinks imported from China.<sup>12</sup>

\*\*\* of \*\*\* indicated the accepted quote of \$\*\*\* was the price of the quote from the previous year, and they suddenly increased the price to the alleged rejected quote of \$\*\*\*. He included a copy of the order confirmation at a price of \$47 from the previous year (dated April 8, 2010).

\*\*\* agreed with the three lost sales allegations involving his company.

\*\*\* agreed with three of the six lost revenue allegations involving his company.

\*\*\*.

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<sup>12</sup> Staff interview with \*\*\* of \*\*\* on April 10, 2012.

## **PART VI: FINANCIAL EXPERIENCE OF THE U.S. PRODUCERS**

### **BACKGROUND**

Five U.S. producers reported financial results on their operations on drawn stainless steel sinks.<sup>1</sup> The majority of the industry's operations is accounted for by Elkay which accounted for \*\*\* percent of total revenue.<sup>2</sup> As noted in part III of this report, Kohler ceased U.S. manufacturing operations at the end of 2009.

### **OPERATIONS ON DRAWN STAINLESS STEEL SINKS**

Income-and-loss data for operations on drawn stainless steel sinks (all types) are presented in table VI-1.<sup>3</sup> Table VI-2 presents selected company-specific financial information. A variance analysis of the financial results of drawn stainless steel sinks is presented in table VI-3.<sup>4</sup>

#### **Revenue**

As shown in table VI-1, the industry's total sales volume and corresponding revenue declined in each period with the above-referenced closure of Kohler's U.S. sink operations magnifying the overall sales decline between 2009-10. Testimony at both the Commission's staff conference and hearing indicated that prior to the period examined, in 2008 specifically, demand for stainless steel sinks contracted sharply due to the recession and corresponding housing crisis.<sup>5</sup>

Table VI-2 shows that \*\*\*.<sup>6</sup> With the exception of \*\*\*, U.S. producers reported somewhat higher sales volume in interim 2012 compared to interim 2011. The relatively large increase in \*\*\*.<sup>7</sup>

Consistent with the relatively narrow range within which average sales values moved during the period examined, the table VI-3 variance analysis shows that declines in total revenue during the full-year

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<sup>1</sup> The majority of U.S. producers reported their annual financial results based on calendar-year periods and on the basis of generally accepted accounting principles ("GAAP"). \*\*\*. E-mail with attachment from Just Manufacturing to USITC auditor, March 29, 2012.

<sup>2</sup> Elkay's U.S. producer questionnaire was verified on February 13-14, 2013. Changes pursuant to verification are reflected in this and other relevant sections of the staff report. Staff verification report, Elkay, p. 3. \*\*\*. Staff verification report, Elkay, p. 4.

<sup>3</sup> Separate financial results (on a by-firm basis) on top mount/drop in, undermount, and dual mount sinks are presented in Appendix E. \*\*\*.

<sup>4</sup> The Commission's variance analysis is calculated in three parts: sales variance, cost of goods sold ("COGS") variance, and sales, general and administrative ("SG&A") expenses variance. Each part consists of a price variance (in the case of the sales variance) or a cost variance (in the case of the COGS and SG&A variances) and a volume (quantity) variance. The sales or cost variance is calculated as the change in unit price/cost times the new volume, while the volume variance is calculated as the change in volume times the old unit price/cost. Summarized at the bottom of the variance analysis table, the price variance is from sales, the net cost/expense variance is the sum of those items from COGS and SG&A, respectively, and the net volume variance is the sum of the sales, COGS, and SG&A volume variances. All things being equal, a stable overall product mix generally enhances the utility of the Commission's variance analysis. As noted below, \*\*\*.

<sup>5</sup> Conference transcript, p. 35 (Sheehan). Hearing transcript, p. 30 (Whittington).

<sup>6</sup> \*\*\*. January 14, 2013 e-mail with attachment from Moen to USITC auditor.

<sup>7</sup> \*\*\*. January 14, 2013 e-mail with attachment from Moen to USITC auditor.

**Table VI-1**  
**Drawn stainless steel sinks (all types): Results of operations, 2009-11, January-September 2011, and January-September 2012**

\* \* \* \* \*

**Table VI-2**  
**Drawn stainless steel sinks (all types): Results of operations, by firm, 2009-11, January-September 2011, and January-September 2012**

\* \* \* \* \*

**Table VI-3**  
**Drawn stainless steel sinks (all types): Variance analysis of financial results, 2009-11, January-September 2011, and January-September 2012**

\* \* \* \* \*

increased somewhat by a negative price variance between 2009-10 and then partially offset by a positive price variance between 2010-11. In contrast, revenue was lower in interim 2012 compared to interim 2011 due to a negative price variance which exceeded the corresponding positive volume variance.

As shown in table VI-2, changes in company-specific average sales value (i.e., which collectively yielded the negative and positive price variances noted above) were not uniform; e.g., \*\*\* company to report consecutive increases in average sales value during the period.<sup>8</sup> Additionally, table VI-2 shows that there were \*\*\*.<sup>9</sup>

Directionally and \*\*\* changes in average sales value generally followed the same pattern as corresponding changes in average raw material costs. In general, this appears to be consistent with testimony at the staff conference indicating that base sales prices reflect negotiations for the cost of stainless steel, as well as adjustments for the commodity price of nickel, chrome, and iron.<sup>10</sup> As shown in table VI-1, the directional changes in overall average sales value and average raw material cost were the same during the full-year period and the interim period.<sup>11</sup>

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<sup>8</sup> \*\*\*. E-mail with attachment from Elkay to staff, March 29, 2012. \*\*\*. E-mail with attachment from Moen to USITC auditor, March 29, 2012. \*\*\*. E-mail with attachment from Just Manufacturing to USITC auditor, March 29, 2012. \*\*\*. E-mail correspondence with attachment between Franke and USITC auditor, April 3, 2012.

<sup>9</sup> \*\*\*. E-mail with attachment from Just Manufacturing to USITC auditor, January 24, 2013.

<sup>10</sup> Conference transcript, p. 24 (Rogers). At the Commission’s hearing, a U.S. industry witness noted that increases in the cost of stainless steel during the period were primarily due to increases in the underlying cost of nickel. Hearing transcript, p. 88 (Rogers).

Notwithstanding the incorporation of a stainless steel component in the base price, the inability to pass through increases in raw material costs, due to Chinese import competition, was also noted at both the Commission’s staff conference and hearing. Conference transcript, p. 24 (Rogers). Hearing transcript, p. 34 (Whittington).

<sup>11</sup> Proportionally, the overall decline in averages sales value in interim 2012 compared to interim 2011 was somewhat less compared to the decline in average raw material costs. As described by Elkay, the company \*\*\*. January 17, 2013 letter with attachment from King & Spalding, counsel for Elkay.



## Cost of Goods Sold and Gross Profit or (Loss)

Raw material cost, which makes up the largest share of COGS, moved within a relatively narrow range during the period examined (\*\*\*) percent of total COGS in 2009 to \*\*\*) percent in 2011. As described in a previous section of this report, raw material costs primarily represent stainless steel and corresponding surcharges.<sup>12</sup>

As shown in table VI-2, company-specific directional changes in average raw material costs were mixed at the end of the period with \*\*\* reporting lower average raw material costs in interim 2012 compared to interim 2011, while \*\*\* both reported higher average raw material costs.<sup>13</sup> \*\*\*.<sup>14</sup> \*\*\*.<sup>15</sup>

Consistent with a capital intensive production process that is highly automated and has a relatively low direct labor input,<sup>16</sup> the second largest component of COGS is other factory costs, ranging from a low of \*\*\* percent of total COGS in full-year 2011 to a high of \*\*\* percent in 2009. The share of direct labor ranged from a low of \*\*\* percent of total COGS in full-year 2011 to a high of \*\*\* percent in interim 2012. In addition to variations in product mix, company-specific average direct labor and other factory costs, in particular, also likely reflect differences in manufacturing such as the degree to which each producer's plant(s) is/are automated.

As shown in table VI-1, the industry's gross profit ratios (total gross profit divided by total net sales) moved within a relatively narrow range during the period examined. The highest overall gross profit ratio was generated in 2010 which \*\*\*.<sup>17</sup> While the industry's gross profit ratio was at its highest level in 2010, absolute gross profit was lower compared to 2009 which reflects factors such as Kohler's exit from the industry at the end of 2009 and lower 2010 sales volume reported by the majority of remaining producers.

At the end of the period (see table VI-2), \*\*\*.<sup>18</sup> Similarly, \*\*\* reflects cost efficiencies related to increased production volume.<sup>19</sup> \*\*\*.<sup>20</sup>

On a company-specific basis (see table VI-2), \*\*\*. In contrast, \*\*\*. \*\*\*.<sup>21</sup> \*\*\*.<sup>22</sup>

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<sup>12</sup> Conference transcript, pp. 24-25 (Rogers). As described by an Elkay company official, "{s}tainless steel producers apply a variety of surcharges for certain key raw material inputs such as nickel, chrome and iron that they use to make their steel. These surcharges effectively transfer the cost variances of those raw materials to the manufacturer, such as Elkay." Conference transcript, p. 24 (Rogers).

<sup>13</sup> As explained by Franke, \*\*\*. January 15, 2013 e-mail with attachment from Franke to USITC auditor.

According to Elkay, \*\*\*. January 17, 2013 letter with attachment from King & Spalding, counsel for Elkay.

<sup>14</sup> January 14, 2013 e-mail with attachment from \*\*\* to USITC auditor.

<sup>15</sup> As described by Just Manufacturing, \*\*\*. E-mail with attachment from \*\*\* to USITC auditor, January 24, 2013.

<sup>16</sup> Hearing transcript, pp. 21-23 (Rogers). Hearing transcript, p. 45 (Parker).

<sup>17</sup> \*\*\*. Staff verification report, Elkay, footnote 6, p. 7.

<sup>18</sup> With regard to \*\*\*. January 14, 2013 e-mail with attachment from \*\*\* to USITC auditor.

<sup>19</sup> January 15, 2013 e-mail with attachment from \*\*\* to USITC auditor.

<sup>20</sup> See also footnote 24. With regard to the pattern of its other factory costs at the end of the period, Elkay provided the following explanation: \*\*\*. January 17, 2013 letter with attachment from King & Spalding, counsel for Elkay. \*\*\*. Ibid.

<sup>21</sup> \*\*\*. January 17, 2013 letter with attachment from King & Spalding, counsel for Elkay.

As described by Franke, \*\*\*. January 15, 2013 e-mail with attachment from Franke to USITC auditor.

<sup>22</sup> With regard to this pattern, Just Manufacturing stated that it \*\*\*. E-mail with attachment from Just Manufacturing to USITC auditor, January 24, 2013.

\*\*\*.<sup>23</sup> \*\*\*.<sup>24</sup>

### SG&A Expenses and Operating Income or (Loss)

In conjunction with lower sales quantity, the absence of a substantial increase in SG&A expense ratios (total SG&A expenses divided by total net sales), or average SG&A expenses on a unit basis, generally indicates that the industry's SG&A expenses primarily reflect variable costs, as opposed to fixed costs. In addition to describing the nature of their SG&A expenses, \*\*\*.<sup>25</sup> <sup>26</sup>

Table VI-2 shows that company-specific SG&A expense ratios varied somewhat with \*\*\* SG&A expense ratios.<sup>27</sup> In response to a hearing question regarding the level of the industry's SG&A expense ratios in general, \*\*\*.<sup>28</sup>

As shown in table VI-2 \*\*\*.<sup>29</sup> <sup>30</sup>

To the extent that overall SG&A expense ratios remained within a relatively narrow range throughout the period, changes in the industry's operating income ratio generally reflect corresponding changes in gross profit, as discussed above.<sup>31</sup> On a company-specific basis, \*\*\*.<sup>32</sup> As shown in table VI-2, \*\*\*.<sup>33</sup> In 2009, the only year of the period examined when it had U.S. manufacturing operations, Kohler reported \*\*\* company-specific operating income ratio (see table VI-2).

### CAPITAL EXPENDITURES AND RESEARCH AND DEVELOPMENT EXPENSES

Data on capital expenditures and research and development ("R&D") expenses related to drawn stainless steel sinks (all types) are presented in table VI-4.<sup>34</sup>

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<sup>23</sup> February 19, 2013 letter with attachment from King & Spalding, counsel for Elkay, to USITC auditor.

<sup>24</sup> USITC auditor notes (final). \*\*\*. Staff verification report, Elkay, footnote 1, pp. 2-3.

<sup>25</sup> E-mail with attachment from Elkay to staff, March 29, 2012. \*\*\*. Ibid. See also footnote 28.

<sup>26</sup> E-mail correspondence with attachment between Franke to USITC auditor, April 3, 2012. \*\*\*. Ibid.

<sup>27</sup> \*\*\*. E-mail with attachment from Just Manufacturing to USITC auditor, March 29, 2012. \*\*\*. Ibid. \*\*\*. E-mail with attachment from Just Manufacturing to USITC auditor, January 24, 2013. USITC auditor notes (final).

\*\*\*. E-mail with attachment from Moen to USITC auditor, March 29, 2012.

<sup>28</sup> Petitioner's posthearing brief, p. 5. \*\*\*. Staff verification report, Elkay, p. 8. \*\*\*. Ibid.

<sup>29</sup> E-mail with attachment from Moen to USITC auditor, March 29, 2012.

<sup>30</sup> \*\*\*. January 15, 2013 e-mail with attachment from Kohler to USITC auditor.

<sup>31</sup> In contrast and when considering the industry's higher operating income ratio in full-year 2011 compared to interim 2011 (see table VI-1), the difference is due to a somewhat lower SG&A expense ratio in full-year 2011 compared to interim 2011.

<sup>32</sup> At the Commission's staff conference, an Elkay company official stated that "[b]ecause of its aggressive cost reduction efforts and productivity improvements, Elkay has managed to maintain positive operating income margins in its drawn stainless steel sink operations as a whole." Conference transcript p. 25 (Rogers). \*\*\*. USITC auditor notes (final).

<sup>33</sup> As described by Franke, \*\*\*. January 15, 2013 e-mail with attachment from Franke to USITC auditor.

<sup>34</sup> As reported by U.S. producers, total assets related to drawn stainless steel sinks (all types) decreased from \*\*\* in 2009 to \*\*\* in 2011. 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 assets which, in many instances, are not product specific.

**Table VI-4**  
**Drawn stainless steel sinks (all types): Capital expenditures and R&D expenses, 2009-11, January-September 2011, and January-September 2012**

\* \* \* \* \*

\*\*\*.<sup>35</sup> \*\*\* producer in terms of sales volume, accounted for the next largest share of capital expenditures at \*\*\* percent of the period total.<sup>36</sup> For the industry as a whole, as well as all producers for the majority of the period, depreciation expense \*\*\* corresponding capital expenditures.

As shown in table VI-4, \*\*\*. As described by \*\*\*.<sup>37</sup> \*\*\*.<sup>38</sup> \*\*\*.<sup>39</sup>

### CAPITAL AND INVESTMENT

The Commission requested U.S. producers to describe any actual or anticipated negative effects of imports of drawn stainless steel sinks from China on their firms' growth, investment, ability to raise capital, existing development and production efforts (including efforts to develop a derivative or more advanced version of the product), or the scale of capital investments. The U.S. producers' responses are presented below.

#### Actual Negative Effects

Elkay	***.
Franke	***.
Just Manufacturing	***.
Kohler	***.
Moen	***.

#### Anticipated Negative Effects

Elkay	***.
Franke	***.
Just Manufacturing	***.
Kohler	***. <sup>40</sup>
Moen	***.

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<sup>35</sup> As described by Elkay, \*\*\*. E-mail with attachment from Elkay to staff, March 29, 2012.

<sup>36</sup> \*\*\*. E-mail correspondence with attachment between Franke to USITC auditor, April 3, 2012.

<sup>37</sup> E-mail with attachment from Elkay to staff, March 29, 2012.

<sup>38</sup> E-mail with attachment from Moen to USITC auditor, March 29, 2012.

<sup>39</sup> E-mail with attachment from Moen to USITC auditor, March 29, 2012.

<sup>40</sup> Note: Kohler ended its relevant U.S. sink manufacturing operations in 2009.



## 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 factors<sup>1</sup>--*

- (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,*
- (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*

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<sup>1</sup> 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.”

*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).<sup>2</sup>*

Information on the nature of the subsidies was presented in *Part I*; information on the volume and pricing of imports of the subject merchandise is presented in *Part IV* and *Part 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 on nonsubject countries.

## **THE INDUSTRY IN CHINA**

The petitioner indicated that there are at least 90 producers of drawn stainless steel sinks in China.<sup>3</sup> The petitioner identified five companies whose combined production capacity of stainless steel sinks totaled 10.16 million sinks. Those companies are: Guangdong Yingao Kitchen Utensils (5.4 million sinks); Jiangmen Newstar Hi-tech Enterprise (1.3 million sinks); Zhongshan Superte Kitchenware (960,000 sinks); Bonke Kitchen & Sanitary Industrial (2.0 million sinks); and Minghao Kitchen Utensils (500,000 sinks).

The Commission sent foreign producer questionnaires to all 90 firms identified by petitioners as possible producers/exporters of drawn stainless steel sinks in China.<sup>4</sup> Five producers of drawn stainless steel sinks in China provided responses to the Commission's request for information. Table VII-1 presents 2011 capacity, production, and export shipment data for the responding Chinese firms.<sup>5</sup>

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<sup>2</sup> 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."

<sup>3</sup> Petition, p. 7 and exh. I-2.

<sup>4</sup> Commission staff attempted to contact all 90 foreign producers; however, 20 questionnaires were returned as undeliverable emails and/or failed fax transmissions.

<sup>5</sup> The following foreign producers responded in the preliminary phase, but not in the final phase of these investigations: Guangdong Dongyuan Kitchenware, Jiangmen Jin Ke Ying, Shenzhen Ke Hua Xing, and Zhogshan Superte Kitchenware.

**Table VII-1**  
**Drawn stainless steel sinks: Data for producers in China, 2011**

Producer	Capacity (sinks)	Production (sinks)	Share of reported 2011 production in China (percent)	Exports to the U.S. (sinks)	Share of reported 2011 exports to the U.S. (percent)
Elkay China Kitchen Solutions	***	***	***	***	***
Foshan Shunde Mianghao Kitchen Utensils, Ltd.	***	***	***	***	***
KELE Kitchenware Co., Ltd.	***	***	***	***	***
Ningbo Oulin Kitchen Utensils Co., Ltd.	***	***	***	***	***
Zhuhai Kohler Kitchen & Bathroom Products Co., Ltd.	***	***	***	***	***
<b>Total</b>	1,308,000	901,338	100.0	208,710	100.0
Note.--In the preliminary phase of these investigations, the following foreign producers provided these data for production and capacity, respectively: Guandong Dongyuan Kitchenware ***; Jiangmen Jin Ke Ying ***; Shenzhen Ke Hua Xing ***; and Zhogshan Superte Kitchenware ***.					
Source: Compiled from data submitted in response to Commission questionnaires.					

The five responding Chinese producers reported that they together exported 208,710 drawn stainless steel sinks to the United States during 2011, which accounts for \*\*\* percent of imports of drawn stainless steel sinks from China to the United States based on official Commerce import statistics reported under HTS statistical reporting number 7324.10.00, adjusted for fabricated sinks.

**Table VII-2**  
**Drawn stainless steel sinks: Responding Chinese manufacturers' production capacity, production, shipments and inventories, 2009-11, January-September 2011, January-September 2012, and projected 2012-13**

\* \* \* \* \*

**U.S. IMPORTERS' INVENTORIES**

Table VII-3 presents data on U.S. importers' reported inventories of drawn stainless steel sinks.

**Table VII-3**  
**Drawn stainless steel sinks: U.S. importers' end-of-period inventories of imports, 2009-11, and January-June 2011-12**

\* \* \* \* \*

## U.S. IMPORTERS' CURRENT ORDERS

The Commission requested U.S. importers to indicate whether they imported or arranged for the importation of drawn stainless steel sinks after September 30, 2012. Eighteen U.S. importers stated that they had imported or arranged for importation of drawn stainless steel sinks after September 30, 2012. Table VII-4 presents aggregate data reported by U.S. importers concerning their orders of drawn stainless steel sinks.

**Table VII-4**  
**Drawn stainless steel sinks: U.S. importers' orders for imports of drawn stainless steel sinks after September 30, 2012**

Source	Quantity ( <i>sinks</i> )	Value ( <i>in 1,000 dollars</i> )
China	143,910	8,398
Mexico	***	***
All other sources	***	***
All sources	***	***

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

## ANTIDUMPING OR COUNTERVAILING DUTY ORDERS IN THIRD-COUNTRY MARKETS

In October 2011, Canada initiated investigations into the alleged dumping and subsidizing of drawn stainless steel sinks from China.<sup>6</sup> On December 28, 2011, the Canadian International Trade Tribunal (“CITT”) made a preliminary finding of material injury. On January 25, 2012, the Canada Border Services Agency (“CBSA”) announced its affirmative preliminary antidumping and subsidy findings. The CBSA found dumping margins ranging from 21.1 to 55 percent, and found subsidy margins ranging from 0.1 to 19.5 percent. On May 24, 2012, the CITT issued its final findings of material injury.<sup>7</sup> On April 24, 2012, the CBSA reached its final determinations, finding dumping margins ranging from 4.4 to 103.1 percent, and subsidy margins ranging from 0.1 to 60.8 percent.<sup>8</sup>

In addition, South Africa imposed antidumping duties on imports of stainless steel sinks from China effective April 9, 2009. The International Trade Administration Commission of South Africa found dumping margins ranging from 10.84 to 62.41 percent.<sup>9</sup>

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<sup>6</sup> For the purpose of the Canadian investigations, the scope was defined as: stainless steel sinks with a single drawn bowl having a volume between 1,600 and 5,000 cubic inches (26,219.30 and 81,935.32 cubic centimeters) or with multiple drawn bowls having a combined volume between 2,200 and 6,800 cubic inches (36,051.54 and 111,432.04 cubic centimeters), excluding sinks fabricated by hand.

<sup>7</sup> Canadian International Trade Tribunal, Dumping and Subsidizing, Inquiries (section 42), Stainless steel sinks, Inquiry No. NQ-2011-002, Finding issued Thursday, May 24, 2012, and Reasons issued Friday, June 8, 2012.

<sup>8</sup> Canada Border Services Agency, Statement of reasons concerning the making of final determinations with respect to the dumping and subsidizing of certain stainless steel sinks originating in or exported from the People’s Republic of China, May 9, 2012.

<sup>9</sup> International Trade Administration Commission of South Africa, Report No. 314, Investigation into alleged dumping of stainless steel kitchen sinks originating in or imported from the People’s Republic of China; Dumping and subsidisation of stainless steel kitchen sinks originating in or imported from Malaysia: Final Determination, September 17, 2009; and Petition, p. 24, and exh. I-32.



## INFORMATION ON NONSUBJECT COUNTRIES

In assessing whether the domestic industry is materially injured or threatened with material injury “by reason of subject imports,” the legislative history states “that the Commission must examine all relevant evidence, including any known factors, other than the dumped or subsidized imports, that may be injuring the domestic industry, and that the Commission must examine those other factors (including non-subject imports) ‘to ensure that it is not attributing injury from other sources to the subject imports.’”<sup>10</sup>

Although detailed information is not readily available about the manufacturing capabilities of nonsubject foreign producers,<sup>11</sup> both the petitioner and the respondents provided lists, with varying degrees of detail, of source companies for stainless steel sinks.

The petitioner identified producers and provided estimates of annual capacities for producers of drawn stainless steel sinks in nonsubject countries.<sup>12</sup> Known worldwide capacity for drawn stainless steel sinks in nonsubject countries was estimated at \*\*\* sinks.<sup>13</sup> According to the petitioner, its estimates do not suggest production capacity of any nonsubject source to significantly increase exports to the U.S. market.<sup>14</sup> Similarly, a witness for the respondents cited the high level of capital investment required to open a new production facility and the time frame required to reach acceptable product quality levels as factors against new export sources being developed in the near future.<sup>15</sup> Likewise, witnesses for both the petitioner and respondents do not consider existing Chinese producers as being able to readily relocate their production abroad, in-part, given the sheer cost (estimated in the millions of dollars by an importer witness for the respondents<sup>16</sup> and as exceeding a million dollars by a witness for the petitioner<sup>17</sup>) of moving the large-scale equipment required to manufacture drawn stainless steel sinks.<sup>18</sup>

The respondents provided sample pages and e-mail correspondence that list suppliers of “stainless steel kitchen sinks” located in Bangladesh, Greece, India, Japan, Korea, Pakistan, Singapore, and Turkey.<sup>19 20</sup> According to witnesses for the respondents, importers have already sought out<sup>21</sup> and have

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<sup>10</sup> Mittal Steel Point Lisas Ltd. v. United States, Slip Op. 2007-1552 at 17 (Fed. Cir., Sept. 18, 2008), quoting from Statement of Administrative Action on Uruguay Round Agreements Act, H.R. Rep. 103-316, Vol. I at 851-52; see also Bratsk Aluminum Smelter v. United States, 444 F.3d 1369 (Fed. Cir. 2006).

<sup>11</sup> Existence of industry associations for drawn stainless steel sinks, either within or outside the United States, was not readily known to hearing witnesses. Conference transcript, p. 63 (Rogers and Just).

<sup>12</sup> Petitioner’s postconference brief, exh. 17. Additional information was not readily available to augment the previously provided producer identities and capacity estimates. Petitioner’s posthearing brief, pp. 14–15.

<sup>13</sup> Petitioner’s postconference brief, exh. 17.

<sup>14</sup> Petitioner’s postconference brief, p. 35.

<sup>15</sup> Conference transcript, p. 193 (Levi).

<sup>16</sup> Conference transcript, p. 149 (Mu).

<sup>17</sup> More specifically, a witness for the petitioner estimated the cost of moving and reinstalling a single hydraulic press overseas in excess of a million dollars, which is similar to the cost of starting over with the purchase of new equipment. Hearing transcript, pp. 101–102 (Rogers).

<sup>18</sup> Petitioner’s postconference brief, p. 35.

<sup>19</sup> Respondents’ postconference brief, p. 28 and exh. 12: “Third-Country Suppliers;” and respondents’ posthearing brief, exhs. A–C.

<sup>20</sup> The total number of suppliers (in all countries worldwide) of “stainless steel kitchen sinks” found by respondents could not be determined, for only the first page (29 suppliers listed) of 50 pages total was provided in exh. 12 of their post-conference brief. Commission staff ran an advanced search of the *Alibaba.com* website of global suppliers (cited by respondents in exh. 12) with the “manufacturers” option, which resulted in a listing of 301 manufacturers that list the exact word sequence “stainless steel kitchen sinks” among their product descriptions, of which 182 are located in China but none located in Mexico. Repeating this search found 1,402 manufacturers that list all of these four words among their product descriptions, of which 1,025 are located in China, and two that are located in Mexico.

<sup>21</sup> Conference transcript, p. 145 (Magarik) and pp. 148-149 (Mu); and hearing transcript, p. 138 (Cruz).

been approached by<sup>22</sup> nonsubject suppliers of drawn stainless steel sinks outside of China, including those located in India, Korea, Malaysia, Mexico, and Turkey, among others.<sup>23</sup> Moreover, importer \*\*\* announced the relocation for its foreign production of drawn stainless steel sinks from shuttering its Chinese facility and reestablished operations in Korea \*\*\*.<sup>24</sup> In contrast to the petitioner's claim that no other country comes close to the sheer size of China's production capacity and export volumes<sup>25</sup> or has the available capacity to expand its exports to approach the level of subject imports,<sup>26</sup> the respondents argue that any relief would not benefit the domestic industry, for imports will seek sinks from third-country sources and there is no indication that these nonsubject producers would have difficulty replacing any production lost from China.<sup>27</sup>

Table VII-5 presents world exports of stainless steel sinks, from 2009-11. China was the world's leading exporter of stainless steel sinks in 2011, accounting for 38.4 percent of world exports. The next largest exporters were Germany, Italy, and Turkey.

**Table VII-5**  
**Stainless steel sinks: World exports, 2009-11**

Source	Calendar Year		
	2009	2010	2011
	<i>Value (1,000 dollars)</i>		
China	218,090	319,300	420,970
Germany	132,258	121,877	138,576
Italy	82,050	84,429	83,645
Turkey	51,106	60,700	67,985
Switzerland	45,107	45,995	50,867
Greece	35,300	36,103	42,018
Mexico	30,049	29,059	28,915
Spain	24,250	24,205	25,141
United States	17,452	19,739	20,834
Canada	8,006	9,374	17,573
All other	188,035	198,581	202,072
Total exports	831,683	943,340	1,097,596

Source: Compiled from Global Trade Atlas, HS 7324.10 "Sinks and Wash Basins of Stainless Steel." Retrieved January 19, 2013.

<sup>22</sup> Hearing transcript, p. 138 (Crain) and p. 141 (Cruz).

<sup>23</sup> See respondents' postconference brief, exhs. 13 and 14: \*\*\*, respectively; and exh. 15: Statement of Amerisink \*\*\*. See also respondents' posthearing brief, exh. A-2: \*\*\* (Korea) Presentation to \*\*\*; and exh. A-3: E-mails from \*\*\*, Re: Price Quotes from Korean and Malaysian Producers of Stainless Steel Sinks.

<sup>24</sup> Hearing transcript, p. 127 (Perry); and respondents' posthearing brief, exh. C: \*\*\* Factory Relocation Announcement.

<sup>25</sup> Hearing transcript, pp. 51-53 (Dorn); and petitioner's posthearing brief, pp. 14-15. See also the above-section on the "Industry in China."

<sup>26</sup> Petitioner's posthearing brief, p. 13.

<sup>27</sup> Respondents' postconference brief, pp. 31 and 33; hearing transcript p. 138 (Crain), p. 141 (Cruz), and p. 174 (Perry); and respondents' posthearing brief, p. 15.

According to information provided by the petitioner (table VII-6), the German producers with capacity to produce drawn stainless steel sinks are \*\*\*; the Italian producers include \*\*\*; and \*\*\* Turkish producers \*\*\*.<sup>28</sup> In addition, respondents identified \*\*\*. U.S. importer Amerisink indicated \*\*\* is a potential new vendor to replace Chinese supply if necessary.<sup>29</sup> The respondents also identified new producers, beyond those identified by the petitioner, including \*\*\*; and \*\*\*.<sup>30</sup>

**Table VII-6  
Drawn stainless steel sinks: Nonsubject sources, producers, and estimated annual capacities.**

\* \* \* \* \*

While Mexico is the world's seventh largest exporter of stainless steel sinks, it is the second largest source of U.S. imports of drawn stainless steel sinks, representing \*\*\* percent of total U.S. imports of subject merchandise. Among the 22 importers who provided questionnaire responses, \*\*\*.<sup>31</sup> The petitioner also identified \*\*\*.<sup>32</sup> The Elkay facility in Mexico produces sinks for home market consumption, and does not export any subject merchandise.<sup>33</sup> A petitioner's witness elaborated further that sinks produced in Mexico for the home market would not be compatible for the U.S. market, being top mount models, fitted with drain boards, and of smaller sizes, for U.S. standard sizes would occupy too much space, as kitchens are generally smaller in Mexico.<sup>34</sup> Rather, U.S. standard-size sinks would be considered as a luxury product for the Mexican consumer aspiring to build an U.S.-style kitchen.<sup>35</sup>

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<sup>28</sup> Petitioner's postconference brief, exh. 17.

<sup>29</sup> Respondents' postconference brief, p. 34 and exh. 15. Respondents also identified \*\*\* as a potential new vendor to replace Chinese supply.

<sup>30</sup> Respondents' posthearing brief, exhs. A-2, A-3, and C.

<sup>31</sup> \*\*\*.

<sup>32</sup> Petitioner's postconference brief, exh. 17.

<sup>33</sup> Conference transcript, p. 55 (Rogers).

<sup>34</sup> Hearing transcript, pp. 84-85 (Rogers).

<sup>35</sup> The petitioner and other U.S. producers export U.S. standard-size sinks to Mexico for sale as a luxury product. Hearing transcript, p. 85 (Rogers) and pp. 90-91 (Whittington and Parker).



**APPENDIX A**  
***FEDERAL REGISTER NOTICES***



The Commission makes available notices relevant to its proceedings on its website, [www.usitc.gov](http://www.usitc.gov). In addition, the following tabulation presents, in chronological order, *Federal Register* notices issued by the Commission and Commerce.

<b>Date</b>	<b>Federal Register</b>	<b>Title</b>	<b>Link</b>
March 1, 2012	77 FR 13631	Drawn Stainless Steel Sinks From China; Institution and Scheduling of Preliminary Phase Antidumping and Countervailing Duty Investigations	<a href="http://www.gpo.gov/fdsys/pkg/FR-2012-03-07/pdf/2012-5480.pdf">http://www.gpo.gov/fdsys/pkg/FR-2012-03-07/pdf/2012-5480.pdf</a>
March 27, 2012	77 FR 18207	Drawn Stainless Steel Sinks From the People's Republic of China: Initiation of Antidumping Duty Investigation	<a href="http://www.gpo.gov/fdsys/pkg/FR-2012-03-27/pdf/2012-7353.pdf">http://www.gpo.gov/fdsys/pkg/FR-2012-03-27/pdf/2012-7353.pdf</a>
	77 FR 18211	Drawn Stainless Steel Sinks From the People's Republic of China: Initiation of Countervailing Duty Investigation	<a href="http://www.gpo.gov/fdsys/pkg/FR-2012-03-27/pdf/2012-7331.pdf">http://www.gpo.gov/fdsys/pkg/FR-2012-03-27/pdf/2012-7331.pdf</a>
April 16, 2012	7 FR 23752	Drawn Stainless Steel Sinks From China {Determinations}	<a href="http://www.gpo.gov/fdsys/pkg/FR-2012-04-20/pdf/2012-9590.pdf">http://www.gpo.gov/fdsys/pkg/FR-2012-04-20/pdf/2012-9590.pdf</a>
August 6, 2012	77 FR 46717	Drawn Stainless Steel Sinks From the People's Republic of China: Preliminary Affirmative Countervailing Duty Determination	<a href="http://www.gpo.gov/fdsys/pkg/FR-2012-08-06/pdf/2012-19058.pdf">http://www.gpo.gov/fdsys/pkg/FR-2012-08-06/pdf/2012-19058.pdf</a>
September 20, 2012	77 FR 58355	Drawn Stainless Steel Sinks From the People's Republic of China: Countervailing Duty Investigation	<a href="http://www.gpo.gov/fdsys/pkg/FR-2012-09-20/pdf/2012-23253.pdf">http://www.gpo.gov/fdsys/pkg/FR-2012-09-20/pdf/2012-23253.pdf</a>
October 4, 2012	77 FR 60673	Drawn Stainless Steel Sinks From the People's Republic of China: Antidumping Duty Investigation	<a href="http://www.gpo.gov/fdsys/pkg/FR-2012-10-04/pdf/2012-24549.pdf">http://www.gpo.gov/fdsys/pkg/FR-2012-10-04/pdf/2012-24549.pdf</a>
	77 FR 64545	Drawn Stainless Steel Sinks From China - Scheduling of the final phase of countervailing duty and antidumping investigations	<a href="http://www.gpo.gov/fdsys/pkg/FR-2012-10-22/pdf/2012-25953.pdf">http://www.gpo.gov/fdsys/pkg/FR-2012-10-22/pdf/2012-25953.pdf</a>
February 26, 2013	78 FR 13017	Drawn Stainless Steel Sinks From the People's Republic of China: Final Affirmative Countervailing Duty Determination	<a href="http://www.gpo.gov/fdsys/pkg/FR-2013-02-26/pdf/2013-04280.pdf">http://www.gpo.gov/fdsys/pkg/FR-2013-02-26/pdf/2013-04280.pdf</a>
	78 FR 13019	Drawn Stainless Steel Sinks From the People's Republic of China: Investigation, Final Determination	<a href="http://www.gpo.gov/fdsys/pkg/FR-2013-02-26/pdf/2013-04379.pdf">http://www.gpo.gov/fdsys/pkg/FR-2013-02-26/pdf/2013-04379.pdf</a>





**APPENDIX B**  
**HEARING WITNESSES**



## CALENDAR OF PUBLIC HEARING

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

**Subject:** Drawn Stainless Steel Sinks from China  
**Inv. Nos.:** 701-TA-489 and 731-TA-1201 (Final)  
**Date and Time:** February 21, 2013 - 9:30 a.m.

Sessions were held in connection with these investigations in the Main Hearing Room (room 101), 500 E Street, S.W., Washington, D.C.

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

King & Spalding LLP  
Washington, D.C.  
on behalf of

Elkay Manufacturing Company

**Ronald C. Katz**, Chairman of the Board,  
Elkay Manufacturing Company

**Stephen C. Rogers**, Chief Operating Officer,  
Elkay Manufacturing Company

**Mark Whittington**, Vice President & General  
Manager, Traditional Plumbing, Elkay Manufacturing Company

**Charles R. Smith**, Manager, Elkay  
Manufacturing Company

**Kathleen J. Deighan**, Vice President, Chief Human  
Resources Officer, and General Counsel,  
Elkay Manufacturing Company

**Pamela Hamilton**, Director of National  
Accounts, Elkay Sales, Inc.

**In Support of the Imposition of  
Antidumping and Countervailing Duty Orders:--Continued**

**Mark Hird**, Senior Product Manager – Stainless  
Steel Sinks, Elkay Manufacturing Company

**Paul Just**, President, Just Manufacturing Company

**Brian Weaver**, Vice President – U.S. Operations,  
Franke Consumer Products, Inc.

**Bud Parker**, Vice President and General Manager  
Retail, Franke Consumer Products

**Michael G. Szustakowski**, Consultant, King &  
Spalding LLP

**Joseph W. Dorn**  
**Brian E. McGill**

) – OF COUNSEL

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

Dorsey & Whitney LLP  
Seattle, WA  
on behalf of

AmeriSink Inc.  
Chemcore Industries, Inc.  
Kraus USA  
Lenova Sinks (A&C Global, Inc.)  
MR Direct International

**Johnny Crain**, President, Chemcore Industries, Inc.

**Bridgett Cruz**, Operations Manager, AmeriSink Inc.

**Russell Levi**, Vice President, Kraus USA

**William E. Perry**

) – OF COUNSEL

**APPENDIX C**  
**SUMMARY DATA**



**Table C-1**

**Drawn stainless steel sinks: Summary data concerning the U.S. market, 2009-11, January-September 2011, and January-September 2012**

(Quantity=sinks, value=1,000 dollars, unit values, unit labor costs, and unit expenses are per sink; period changes=percent, except where noted)

Item	Reported data					Period changes				
	2009	2010	2011	January-September		2009-11	2009-10	2010-11	January-	
				2011	2012				September	
									2011-12	
<b>U.S. consumption quantity:</b>										
Amount	5,052,835	5,423,422	5,453,786	4,151,499	4,639,433	7.9	7.3	0.6	11.8	
Producers' share (1)	***	***	***	***	***	***	***	***	***	
<b>Importers' share (1):</b>										
China	40.1	49.5	58.3	58.3	61.2	18.2	9.5	8.8	2.8	
Mexico	***	***	***	***	***	***	***	***	***	
All other sources	***	***	***	***	***	***	***	***	***	
Total imports	***	***	***	***	***	***	***	***	***	
<b>U.S. consumption value:</b>										
Amount	297,767	295,909	301,408	228,584	246,380	1.2	-0.6	1.9	7.8	
Producers' share (1)	***	***	***	***	***	***	***	***	***	
<b>Importers' share (1):</b>										
China	24.6	34.4	39.5	38.6	43.9	14.9	9.8	5.1	5.3	
Mexico	***	***	***	***	***	***	***	***	***	
All other sources	***	***	***	***	***	***	***	***	***	
Total imports	***	***	***	***	***	***	***	***	***	
<b>U.S. imports from:</b>										
<b>China:</b>										
Quantity	***	***	***	***	***	***	***	***	***	
Value	***	***	***	***	***	***	***	***	***	
Unit value	***	***	***	***	***	***	***	***	***	
Ending inventory quantity	***	***	***	***	***	***	***	***	***	
<b>Mexico:</b>										
Quantity	***	***	***	***	***	***	***	***	***	
Value	***	***	***	***	***	***	***	***	***	
Unit value	***	***	***	***	***	***	***	***	***	
Ending inventory quantity	***	***	***	***	***	***	***	***	***	
<b>All other sources:</b>										
Quantity	***	***	***	***	***	***	***	***	***	
Value	***	***	***	***	***	***	***	***	***	
Unit value	***	***	***	***	***	***	***	***	***	
Ending inventory quantity	***	***	***	***	***	***	***	***	***	
<b>All sources:</b>										
Quantity	***	***	***	***	***	***	***	***	***	
Value	***	***	***	***	***	***	***	***	***	
Unit value	***	***	***	***	***	***	***	***	***	
Ending inventory quantity	***	***	***	***	***	***	***	***	***	
<b>U.S. producers:</b>										
Average capacity quantity	***	***	***	***	***	***	***	***	***	
Production quantity	***	***	***	***	***	***	***	***	***	
Capacity utilization (1)	***	***	***	***	***	***	***	***	***	
<b>U.S. shipments:</b>										
Quantity	***	***	***	***	***	***	***	***	***	
Value	***	***	***	***	***	***	***	***	***	
Unit value	***	***	***	***	***	***	***	***	***	
<b>Export shipments:</b>										
Quantity	***	***	***	***	***	***	***	***	***	
Value	***	***	***	***	***	***	***	***	***	
Unit value	***	***	***	***	***	***	***	***	***	
Ending inventory quantity	***	***	***	***	***	***	***	***	***	
Inventories/total shipments (1)	***	***	***	***	***	***	***	***	***	
Production workers	***	***	***	***	***	***	***	***	***	
Hours worked (1,000s)	***	***	***	***	***	***	***	***	***	
Wages paid (\$1,000)	***	***	***	***	***	***	***	***	***	
Hourly wages	***	***	***	***	***	***	***	***	***	
Productivity (sinks per 1,000 hours)	***	***	***	***	***	***	***	***	***	
Unit labor costs	***	***	***	***	***	***	***	***	***	
<b>Net sales:</b>										
Quantity	***	***	***	***	***	***	***	***	***	
Value	***	***	***	***	***	***	***	***	***	
Unit value	***	***	***	***	***	***	***	***	***	
Cost of goods sold (COGS)	***	***	***	***	***	***	***	***	***	
Gross profit or (loss)	***	***	***	***	***	***	***	***	***	
SG&A expenses	***	***	***	***	***	***	***	***	***	
Operating income or (loss)	***	***	***	***	***	***	***	***	***	
Capital expenditures	***	***	***	***	***	***	***	***	***	
Unit COGS	***	***	***	***	***	***	***	***	***	
Unit SG&A expenses	***	***	***	***	***	***	***	***	***	
Unit operating income or (loss)	***	***	***	***	***	***	***	***	***	
COGS/sales (1)	***	***	***	***	***	***	***	***	***	
Operating income or (loss)/sales (1)	***	***	***	***	***	***	***	***	***	

(1) "Reported data" are in percent and "period changes" are in percentage points.

Note.--Financial data are reported on a fiscal year basis and may not necessarily be comparable to data reported on a calendar year basis. Because of rounding, figures may not add to the totals shown. Unit values and shares are calculated from the unrounded figures.

Source: Compiled from data submitted in response to Commission questionnaires and from official Commerce statistics.

**Table C-2**

**Top mount drawn stainless steel sinks: Summary data concerning the U.S. market, 2009-11, January-September 2011, and January-September 2012**

\* \* \* \* \*

**Table C-3**

**Undermount drawn stainless steel sinks: Summary data concerning the U.S. market, 2009-11, January-September 2011, and January-September 2012**

\* \* \* \* \*

**Table C-4**

**Dual mount drawn stainless steel sinks: Summary data concerning the U.S. market, 2009-11, January-September 2011, and January-September 2012**

\* \* \* \* \*



**APPENDIX D**

**RESPONSES OF U.S. PRODUCERS, U.S. IMPORTERS, AND  
U.S. PURCHASERS REGARDING THE COMPARABILITY OF TOP  
MOUNT/DROP-IN, UNDERMOUNT, AND  
DUAL MOUNT DRAWN STAINLESS STEEL SINKS**



Since January 1, 2009, has your firm produced drawn stainless steel sinks?

U.S. Producers

\* \* \* \* \*

Since January 1, 2009, has your firm imported drawn stainless steel sinks?

U.S. Importers

\* \* \* \* \*

Since January 1, 2009, has your firm purchased drawn stainless steel sinks?

U.S. Purchasers

\* \* \* \* \*

Please describe the differences and similarities between top mount/drop-in, undermount, and dual mount and all other types of drawn stainless steel sinks with respect to *characteristics and uses*?

U.S. Producers

\* \* \* \* \*

U.S. Importers

\* \* \* \* \*

U.S. Purchasers

\* \* \* \* \*

Please describe the differences and similarities between top mount/drop-in, undermount, and dual mount and all other types of drawn stainless steel sinks with respect to *interchangeability*?

U.S. Producers

\* \* \* \* \*

U.S. Importers

\* \* \* \* \*

U.S. Purchasers

\* \* \* \* \*

Please describe the differences and similarities between top mount/drop-in, undermount, and dual mount and all other types of drawn stainless steel sinks with respect to *manufacturing processes?*

U.S. Producers

\* \* \* \* \*

U.S. Importers

\* \* \* \* \*

U.S. Purchasers

\* \* \* \* \*

Please describe the differences and similarities between top mount/drop-in, undermount, and dual mount and all other types of drawn stainless steel sinks with respect to *channels of distribution?*

U.S. Producers

\* \* \* \* \*

U.S. Importers

\* \* \* \* \*

U.S. Purchasers

\* \* \* \* \*

Please describe the differences and similarities between top mount/drop-in, undermount, and dual mount and all other types of drawn stainless steel sinks with respect to *customer and producer perceptions?*

U.S. Producers

\* \* \* \* \*

U.S. Importers

\* \* \* \* \*

U.S. Purchasers

\* \* \* \* \*

Please describe the differences and similarities between top mount/drop-in, undermount, and dual mount and all other types of drawn stainless steel sinks with respect to *price*?

U.S. Producers

\* \* \* \* \*

U.S. Importers

\* \* \* \* \*

U.S. Purchasers

\* \* \* \* \*



**APPENDIX E**

**DRAWN STAINLESS STEEL SINKS: COMPANY-SPECIFIC  
FINANCIAL RESULTS (BY SUBSET)**





**Table E-1**  
**Drawn stainless steel sinks (top down/drop in) results of operations, by firm, 2009-11, January-September 2011, and January-September 2012**

\* \* \* \* \*

**Table E-2**  
**Drawn stainless steel sinks (undermount) results of operations, by firm, 2009-11, January-September 2011, and January-September 2012**

\* \* \* \* \*

**Table E-3**  
**Drawn stainless steel sinks (dual mount) results of operations, by firm, 2009-11, January-September 2011, and January-September 2012**

\* \* \* \* \*

