

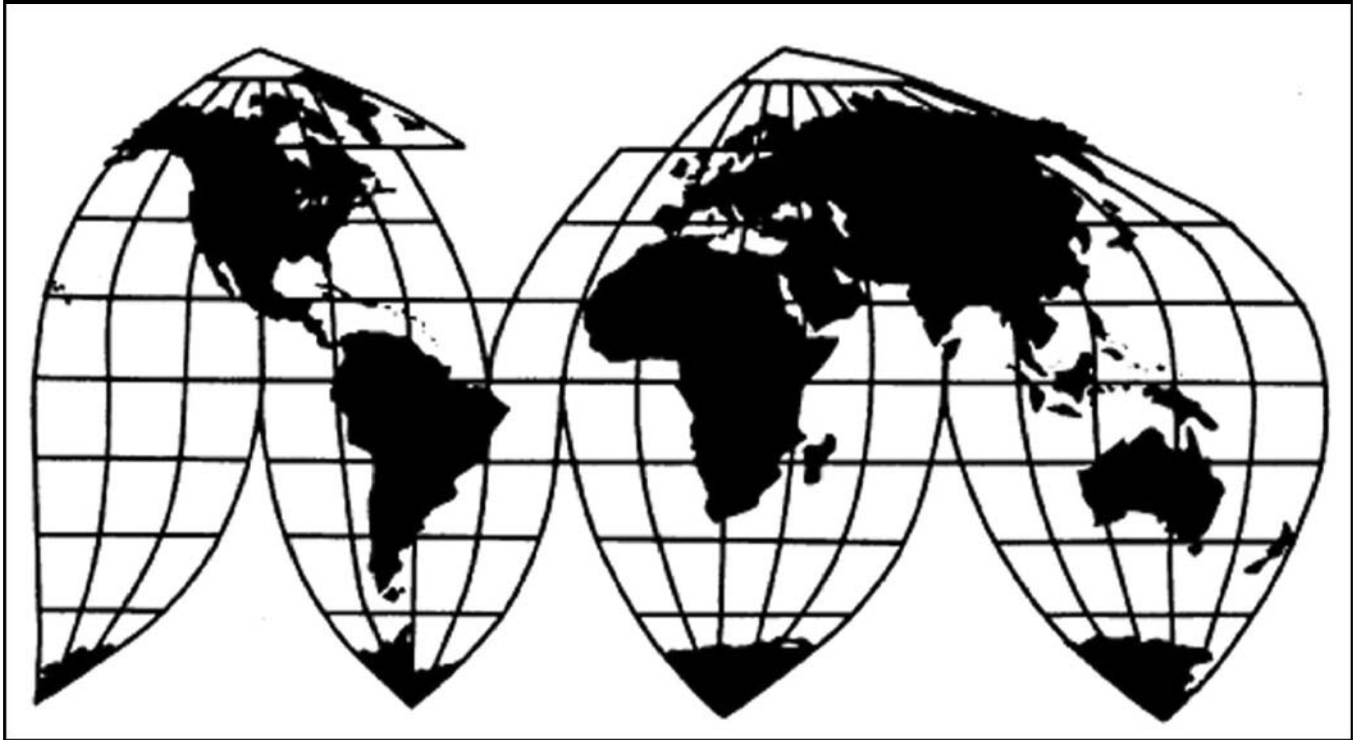
# **Uncovered Innerspring Units from China, South Africa, and Vietnam**

Investigation Nos. 731-TA-1140-1142 (Review)

**Publication 4459**

**April 2014**

**U.S. International Trade Commission**



Washington, DC 20436

# U.S. International Trade Commission

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**UNITED STATES INTERNATIONAL TRADE COMMISSION**

Investigation Nos. 731-TA-1140-1142 (Review)

**UNCOVERED INNERSPRING UNITS FROM CHINA, SOUTH AFRICA, AND VIETNAM**

**DETERMINATIONS**

On the basis of the record<sup>1</sup> developed in the subject five-year reviews, the United States International Trade Commission (Commission) determines,<sup>2</sup> pursuant to section 751(c) of the Tariff Act of 1930 (19 U.S.C. § 1675(c)), that revocation of the antidumping duty orders on uncovered innerspring units from China, South Africa, and Vietnam would be likely to lead to continuation or recurrence of material injury to an industry in the United States within a reasonably foreseeable time.

**BACKGROUND**

The Commission instituted these reviews on November 1, 2013 (78 F.R. 65711) and determined on February 4, 2014 that it would conduct expedited reviews (79 F.R. 11466, February 28, 2014).

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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> Commissioner Shara L. Aranoff did not participate in these reviews.





## Views of the Commission<sup>1</sup>

Based on the record in these five-year reviews, we determine under section 751(c) of the Tariff Act of 1930, as amended (“the Tariff Act”), that revocation of the antidumping duty orders on uncovered innerspring units from China, South Africa, and Vietnam would be likely to lead to continuation or recurrence of material injury to an industry in the United States within a reasonably foreseeable time.

### I. Background

The original Investigations of uncovered innerspring units from China, South Africa, and Vietnam were instituted in response to a petition filed by Leggett & Platt, Inc. (“Leggett”), a domestic producer of uncovered innerspring units, on December 31, 2007.<sup>2</sup> In December 2008, the Commission determined that an industry in the United States was materially injured by reason of imports of uncovered innerspring units from South Africa and Vietnam that the Department of Commerce (“Commerce”) found had been sold at less than fair value.<sup>3</sup> Commerce imposed antidumping duty orders on imports of uncovered innerspring units from South Africa and Vietnam on December 11, 2008.<sup>4</sup> In February 2009, the Commission determined that an industry in the United States was materially injured by reason of imports of uncovered innerspring units from China that Commerce found had been sold at less than fair value.<sup>5</sup> Commerce imposed an antidumping duty order on imports of uncovered innerspring units from China on February 19, 2009.<sup>6</sup>

The Commission instituted these reviews on November 1, 2013.<sup>7</sup> The Commission received separate responses to the notice of institution on December 2, 2013 from Leggett<sup>8</sup>

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<sup>1</sup> Commissioner Aranoff did not participate in these reviews.

<sup>2</sup> Confidential Report (“CR”) at I-3; Public Report (“PR”) at I-3.

<sup>3</sup> *Uncovered Innerspring Units from South Africa and Vietnam*, Inv. No. 731-TA-1141-1142 (Final), USITC Pub. 4051 at 1 (Dec. 2008) (“*Original Investigations*”).

<sup>4</sup> *Antidumping Duty Order: Uncovered Innerspring Units From South Africa*, 73 Fed. Reg. 75390 (December 11, 2008); *Antidumping Duty Order: Uncovered Innerspring Units From the Socialist Republic of Vietnam*, 73 Fed. Reg. 75391 (December 11, 2008).

<sup>5</sup> *Uncovered Innerspring Units from China*, Inv. No. 731-TA-1140 (Final), USITC Pub. 4061 at 1 (Feb. 2009). In the final determination concerning subject imports from China, the Commission adopted its views from the final determinations concerning subject imports from South Africa and Vietnam, in which the Commission considered subject imports from China, South Africa, and Vietnam on a cumulated basis. *Id.* at 3-4.

<sup>6</sup> *Uncovered Innerspring Units From the People’s Republic of China: Notice of Antidumping Duty Order*, 74 Fed. Reg. 7661 (February 19, 2009).

<sup>7</sup> *Uncovered Innerspring Units From China, South Africa, and Vietnam: Institution of Five-Year Reviews*, 78 Fed. Reg. 65711 (November 1, 2013).

<sup>8</sup> Response to the Commission’s Notice of Institution by Leggett & Platt, Incorporated, December 2, 2013 (“Substantive Response”).

and Hickory Springs Manufacturing Company (“HSM”), a domestic producer of uncovered innerspring units. It did not receive a response from any respondent interested party. On February 4, 2014, the Commission found the individual response of Leggett to the notice of institution to be adequate, the individual response of HSM to be inadequate, the domestic interested party group response to be adequate, and the respondent interested party group responses to be inadequate. The Commission did not find any circumstances that would warrant conducting full reviews and decided that it would conduct expedited reviews pursuant to section 751(c)(3) of the Tariff Act.<sup>9</sup> On March 11, 2014, Leggett filed comments with the Commission pursuant to 19 C.F.R. § 207.62(d).<sup>10</sup>

## II. Domestic Like Product and Industry

### A. Domestic Like Product

In making its determination under section 751(c) of the Tariff Act, the Commission defines the “domestic like product” and the “industry.”<sup>11</sup> The Tariff Act defines “domestic like product” as “a product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation under this subtitle.”<sup>12</sup> The Commission’s practice in five-year reviews is to examine the domestic like product definition from the original investigation and consider whether the record indicates any reason to revisit the prior findings.<sup>13</sup>

Commerce has defined the imported merchandise within the scope of the orders under review as follows:

The merchandise covered by these Orders is uncovered innerspring units composed of a series of individual metal springs joined together in sizes corresponding to the sizes of adult mattresses (*e.g.*, twin, twin long, full, full long, queen, California king, and king) and units used in smaller constructions, such as crib and youth mattresses. All uncovered innerspring units are included in this scope regardless of width and length.

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<sup>9</sup> Commissioner Aranoff did not participate. See Explanation of Commission Determination on Adequacy. CR/PR at Appendix B.

<sup>10</sup> Comments on the Record by Leggett & Platt, Incorporated, March 11, 2014 (“Comments”).

<sup>11</sup> 19 U.S.C. § 1677(4)(A).

<sup>12</sup> 19 U.S.C. § 1677(10); *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); *Timken Co. v. United States*, 913 F. Supp. 580, 584 (Ct. Int’l Trade 1996); *Torrington Co. v. United States*, 747 F. Supp. 744, 748-49 (Ct. Int’l Trade 1990), *aff’d*, 938 F.2d 1278 (Fed. Cir. 1991); *see also* S. Rep. No. 249, 96<sup>th</sup> Cong., 1<sup>st</sup> Sess. 90-91 (1979).

<sup>13</sup> *See, e.g., Internal Combustion Industrial Forklift Trucks from Japan*, Inv. No. 731-TA-377 (Second Review), USITC Pub. 3831 at 8-9 (Dec. 2005); *Crawfish Tail Meat from China*, Inv. No. 731-TA-752 (Review), USITC Pub. 3614 at 4 (July 2003); *Steel Concrete Reinforcing Bar from Turkey*, Inv. No. 731-TA-745 (Review), USITC Pub. 3577 at 4 (Feb. 2003).

Included within this definition are innersprings typically ranging from 30.5 inches to 76 inches in width and 68 inches to 84 inches in length. Innersprings for crib mattresses typically range from 25 inches to 27 inches in width and 50 inches to 52 inches in length.

Uncovered innerspring units are suitable for use as the innerspring component in the manufacture of innerspring mattresses, including mattresses that incorporate a foam encasement around the innerspring.

Pocketed and non-pocketed innerspring units are included in this definition. Non-pocketed innersprings are typically joined together with helical wire and border rods. Non-pocketed innersprings are included in this definition regardless of whether they have border rods attached to the perimeter of the innerspring. Pocketed innersprings are individual coils covered by a "pocket" or "sock" of a nonwoven synthetic material or woven material and then glued together in a linear fashion.

Uncovered innersprings are classified under subheading 9404.29.9010 and have also been classified under subheadings 9404.10.0000, 7326.20.0070, 7320.20.5010, or 7320.90.5010 of the Harmonized Tariff Schedule of the United States (HTSUS). On January 11, 2011, the Department included HTSUS classification numbers 9404.29.9005 and 9404.29.9011 to the customs case reference file, pursuant to a request by U.S. Customs and Border Protection (CBP). On January 7, 2013, the Department included the HTSUS classification 7326.20.0071 number to the customs case reference file, pursuant to a request by CBP. The HTSUS subheadings are provided for convenience and customs purposes only; the written description of the scope of this investigation is dispositive.<sup>14</sup>

Uncovered innerspring units are used to manufacture innerspring mattresses.

Uncovered innerspring units may be non-pocketed or pocketed. Non-pocketed innerspring units have three major components: the coil, the helical, and the border. Innerspring units manufactured from pocketed coils include individual coils of steel wire that are covered by non-woven synthetic material and then held together by gluing together a specific number of coils.<sup>15</sup>

In the Commission's original determinations, it defined a single domestic like product consisting of uncovered innerspring units, that was coextensive with the scope of the

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<sup>14</sup> *Uncovered Innerspring Units From the People's Republic of China, South Africa, and Socialist Republic of Vietnam: Final Results of the Expedited Sunset Reviews of the Antidumping Duty Orders*, 79 Fed. Reg. 13277, 13278 (March 10, 2014); Issues and Decision Memorandum from Christian Marsh, Deputy Assistant Secretary for Antidumping and Countervailing Duty Operations, to Paul Piquado, Assistant Secretary for Enforcement and Compliance, March 10, 2014, at 5 (EDIS Document No. 529416). The scope definition is unchanged from Commerce's scope definition in the original investigations, except for the sentences in the last paragraph regarding the additions in 2011 and 2013 of particular HTSUS classification numbers to the customs case reference file.

<sup>15</sup> CR at I-10; PR at I-7.

investigations.<sup>16</sup> There is no new information obtained during these reviews that would suggest any reason to revisit the Commission’s domestic like product definition in the original determinations, and Leggett agrees with that definition.<sup>17</sup> Therefore, we continue to define the domestic like product as uncovered innerspring units, that are coextensive with the scope definition.

## **B. Domestic Industry**

Section 771(4)(A) of the Tariff Act defines the relevant industry as the domestic “producers as a whole of a domestic like product, or those producers whose collective output of a domestic like product constitutes a major proportion of the total domestic production of the product.”<sup>18</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.

In the original investigations, the Commission found that the domestic industry included all domestic producers of uncovered innerspring units.<sup>19</sup> There are no related party issues in these reviews.<sup>20</sup> Given our definition of the domestic like product, we define the domestic industry as consisting of all domestic producers of uncovered innerspring units.

## **III. Cumulation**

### **A. Legal Standard**

With respect to five-year reviews, section 752(a) of the Tariff Act provides as follows: the Commission may cumulatively assess the volume and effect of imports of the subject merchandise from all countries with respect to which reviews under section 1675(b) or (c) of this title were initiated on the same day, if such imports

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<sup>16</sup> *Original Investigations*, USITC Pub. 4051 at 6.

<sup>17</sup> Substantive Response at 22; Comments at 3. *See generally* CR at I-9 to I-17; PR at I-7 to I-12.

<sup>18</sup> 19 U.S.C. § 1677(4)(A). The definitions in 19 U.S.C. § 1677 are applicable to the entire subtitle containing the antidumping and countervailing duty laws, including 19 U.S.C. §§ 1675 and 1675a. *See* 19 U.S.C. § 1677.

<sup>19</sup> *Original Investigations*, USITC Pub. 4051 at 7. The Commission did not exclude any related parties under 19 U.S.C. § 1677(4)(B). It stated that Leggett was not a related party because that firm’s Chinese and South African innerspring production facilities \*\*\*. *Id.* The Commission found that two other U.S. producers, \*\*\* and \*\*\*, imported subject merchandise during the period of investigation and were related parties, but that appropriate circumstances did not exist to exclude either firm from the domestic industry. *Id.* at 7-8.

<sup>20</sup> In these reviews, Leggett reported in its response to the notice of institution that it owns innerspring manufacturing facilities in China and South Africa, but neither exports nor imports innerspring units produced by affiliates in China or South Africa. Substantive Response at 2-3. Accordingly, Leggett is not a related party.

would be likely to compete with each other and with domestic like products in the United States market. The Commission shall not cumulatively assess the volume and effects of imports of the subject merchandise in a case in which it determines that such imports are likely to have no discernible adverse impact on the domestic industry.<sup>21</sup>

Cumulation therefore is discretionary in five-year reviews, unlike original investigations, which are governed by section 771(7)(G)(i) of the Tariff Act.<sup>22</sup> The Commission may exercise its discretion to cumulate, however, only if the reviews are initiated on the same day, the Commission determines that the subject imports are likely to compete with each other and the domestic like product in the U.S. market, and imports from each such subject country are not likely to have no discernible adverse impact on the domestic industry in the event of revocation. Our focus in five-year reviews is not only on present conditions of competition, but also on likely conditions of competition in the reasonably foreseeable future.

In the original investigations, the Commission cumulated subject imports from China, South Africa, and Vietnam.<sup>23</sup> The parties did not dispute the appropriateness of cumulation.<sup>24</sup> The Commission found that the record indicated sufficient fungibility among subject imports from China, South Africa, and Vietnam and between subject imports and the domestic like product; it found that uncovered innerspring units were generally viewed as interchangeable regardless of source between and among U.S.-produced units and subject imports, and that customers considered them to be fungible products.<sup>25</sup> The Commission found that subject imports from all three countries and the domestic like product were sold in the same geographical markets.<sup>26</sup> It also found an overlap in channels of distribution for subject imports from all three countries and the domestic like product.<sup>27</sup> Additionally, innerspring units produced in the subject countries were present in the U.S. market for nearly the entire period of investigation (“POI”).<sup>28</sup>

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<sup>21</sup> 19 U.S.C. § 1675a(a)(7).

<sup>22</sup> 19 U.S.C. § 1677(7)(G)(i); *see also, e.g., Nucor Corp. v. United States*, 601 F.3d 1291, 1293 (Fed. Cir. 2010) (Commission may reasonably consider likely differing conditions of competition in deciding whether to cumulate subject imports in five-year reviews); *Allegheny Ludlum Corp. v. United States*, 475 F. Supp. 2d 1370, 1378 (Ct. Int’l Trade 2006) (recognizing the wide latitude the Commission has in selecting the types of factors it considers relevant in deciding whether to exercise discretion to cumulate subject imports in five-year reviews); *Nucor Corp. v. United States*, 569 F. Supp. 2d 1328, 1337-38 (Ct. Int’l Trade 2008).

<sup>23</sup> *Original Investigations*, USITC Pub. 4051 at 11.

<sup>24</sup> *Original Investigations*, USITC Pub. 4051 at 10.

<sup>25</sup> *Original Investigations*, USITC Pub. 4051 at 10.

<sup>26</sup> *Original Investigations*, USITC Pub. 4051 at 11.

<sup>27</sup> *Original Investigations*, USITC Pub. 4051 at 11.

<sup>28</sup> *Original Investigations*, USITC Pub. 4051 at 11. The POI in the original investigations was January 2005 through June 2008.

In these reviews, the statutory threshold for cumulation is satisfied because all reviews were initiated on the same day, November 1, 2013.<sup>29</sup> In addition, we consider the following issues in deciding whether to exercise our discretion to cumulate the subject imports: (1) whether imports from any of the subject countries are precluded from cumulation because they are likely to have no discernible adverse impact on the domestic industry; (2) whether there is a likelihood of a reasonable overlap of competition among subject imports from the subject countries and the domestic like product; and (3) whether subject imports are likely to compete in the U.S. market under different conditions of competition.

## **B. Likelihood of No Discernible Adverse Impact**

The statute precludes cumulation if the Commission finds that subject imports from a country are likely to have no discernible adverse impact on the domestic industry.<sup>30</sup> Neither the statute nor the Uruguay Round Agreements Act (“URAA”) Statement of Administrative Action (“SAA”) provides specific guidance on what factors the Commission is to consider in determining that imports “are likely to have no discernible adverse impact” on the domestic industry.<sup>31</sup> With respect to this provision, the Commission generally considers the likely volume of subject imports and the likely impact of those imports on the domestic industry within a reasonably foreseeable time if the orders are revoked. Our analysis for each of the subject countries takes into account, among other things, the nature of the product and the behavior of subject imports in the original investigations.

Based on the record in these reviews, we do not find that imports from any of the subject countries would likely have no discernible adverse impact on the domestic industry in the event of revocation.

*China.* In the original investigations, the quantity of subject imports from China was \*\*\* units in 2005, \*\*\* units in 2006, \*\*\* units in 2007, \*\*\* units in January-June (“interim”) 2007, and \*\*\* units in interim 2008.<sup>32</sup> Chinese producers’ share of apparent U.S. consumption was \*\*\* percent in 2005, \*\*\* percent in 2006, \*\*\* percent in 2007, \*\*\* percent in interim 2007, and \*\*\* percent in interim 2008.<sup>33</sup> In the original investigations, data compiled from responding Chinese producers showed that their capacity was \*\*\* units in 2005, \*\*\* units in 2006, \*\*\* units in 2007, \*\*\* units in interim 2007, and \*\*\* units in interim 2008.<sup>34</sup> Their capacity utilization was \*\*\* percent in 2005, \*\*\* percent in 2006, \*\*\* percent in 2007, \*\*\*

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<sup>29</sup> *Initiation of Five-Year (“Sunset”) Review*, 78 Fed. Reg. 65614 (November 1, 2013).

<sup>30</sup> 19 U.S.C. § 1675a(a)(7).

<sup>31</sup> SAA, H.R. Rep. No. 103-316, vol. I at 887 (1994).

<sup>32</sup> CR/PR at Table C-1.

<sup>33</sup> CR/PR at Table C-1.

<sup>34</sup> Staff Report, INV-FF-144 (November 10, 2008) (EDIS Document No. 530891) (“*Original Investigations Confidential Report*”) at Table VII-1. The Commission received usable questionnaire responses from five Chinese producers whose exports to the United States in 2007 were equivalent to only 6.7 percent of total subject imports from China reported in importer questionnaires. *Original Investigations*, USITC Pub. 4051 at VII-1.

percent in interim 2007, and \*\*\* percent in interim 2008.<sup>35</sup> Responding Chinese producers exported \*\*\* percent of their uncovered innerspring units shipments in 2005, \*\*\* percent in 2006, \*\*\* percent in 2007, \*\*\* percent in interim 2007, and \*\*\* percent in interim 2008.<sup>36</sup>

Subject imports from China are currently present in the U.S. market at very low levels. In 2012, subject imports from China were 6,000 units, which was less than 0.01 percent of apparent U.S. consumption.<sup>37</sup>

In these reviews, Leggett estimates that in 2012, the Chinese industry's innerspring capacity was approximately \*\*\* units, its production was approximately \*\*\* units, and it had excess capacity of \*\*\* units, equivalent to nearly \*\*\* of Leggett's estimate of apparent U.S. consumption.<sup>38</sup> Leggett identifies 25 Chinese producers/exporters of innerspring units and cites public information from several Chinese innerspring unit producers indicating that they continue to maintain significant production and capacity.<sup>39</sup> Based on the foregoing, we do not find that subject imports from China would likely have no discernible adverse impact on the domestic industry if the order on those imports were revoked.

*South Africa.* In the original investigations, the quantity of subject imports from South Africa was \*\*\* units in 2005, \*\*\* units in 2006, \*\*\* units in 2007, \*\*\* units in interim 2007, and \*\*\* units in interim 2008.<sup>40</sup> South African producers' share of apparent U.S. consumption was \*\*\* percent in 2005, \*\*\* percent in 2006, \*\*\* percent in 2007, \*\*\* percent in interim 2007, and \*\*\* percent in interim 2008.<sup>41</sup> In the original investigations, data compiled from responding South African producers showed that their capacity was \*\*\* units in 2005, \*\*\* units in 2006, \*\*\* units in 2007, \*\*\* units in interim 2007, and \*\*\* units in interim 2008.<sup>42</sup> Their capacity utilization was \*\*\* percent in 2005, \*\*\* percent in 2006, \*\*\* percent in 2007, \*\*\* percent in interim 2007, and \*\*\* percent in interim 2008.<sup>43</sup> South African producers exported \*\*\* percent of their total shipments in 2005, \*\*\* percent in 2006, \*\*\* percent in 2007, \*\*\* percent in interim 2007, and \*\*\* percent in interim 2008.<sup>44</sup>

Subject imports from South Africa are not currently present in the U.S. market.<sup>45</sup> In these reviews, Leggett lists four South African firms that produce uncovered innerspring units.<sup>46</sup>

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<sup>35</sup> *Original Investigations Confidential Report* at Table VII-1.

<sup>36</sup> *Original Investigations Confidential Report* at Table VII-1.

<sup>37</sup> CR/PR at Table I-4.

<sup>38</sup> Substantive Response at 16; Comments at 9. Leggett reported that it produced \*\*\* innerspring units in China in 2012, which it estimates accounted for approximately \*\*\* percent of total production in China. Substantive Response at 21.

<sup>39</sup> Substantive Response at 16 and Exh. 10; Comments at 9.

<sup>40</sup> CR/PR at Table C-1.

<sup>41</sup> CR/PR at Table C-1.

<sup>42</sup> *Original Investigations Confidential Report* at Table VII-3. The two reporting South African producers accounted for essentially all U.S. imports of subject merchandise from South Africa reported in importers' questionnaires. *Original Investigations*, USITC Pub. 4051 at VII-2.

<sup>43</sup> *Original Investigations Confidential Report* at Table VII-3.

<sup>44</sup> *Original Investigations Confidential Report* at Table VII-3.

<sup>45</sup> CR/PR at Table I-4.

It reports that its South African subsidiary, Leggett Spring, produced approximately \*\*\* innerspring units in 2012, which Leggett estimates to be approximately \*\*\* percent of total production in South Africa.<sup>47</sup> Leggett contends that the South African industry has excess capacity, stating that because several large South African mattress manufacturers now produce the innerspring units that they use in their finished mattresses, the unused capacity of producers selling to the merchant market has increased.<sup>48</sup> Based on the foregoing, we do not find that subject imports from South Africa would likely have no discernible adverse impact on the domestic industry if the order on those imports were revoked.

*Vietnam.* In the original investigations, the quantity of subject imports from Vietnam was \*\*\* units in 2005, \*\*\* units in 2006, \*\*\* units in 2007, \*\*\* units in interim 2007, and \*\*\* units in interim 2008.<sup>49</sup> Vietnamese producers' share of apparent U.S. consumption was \*\*\* percent in 2005, \*\*\* percent in 2006, \*\*\* percent in 2007, \*\*\* percent in interim 2007, and \*\*\* percent in interim 2008.<sup>50</sup> In the original investigations, data compiled from the responding Vietnamese producer showed that its capacity was \*\*\* units in 2005, \*\*\* units in 2006, \*\*\* units in 2007, \*\*\* units in interim 2007, and \*\*\* units in interim 2008.<sup>51</sup> Capacity utilization was \*\*\* percent in 2005, \*\*\* percent in 2006, \*\*\* percent in 2007, \*\*\* percent in interim 2007, and \*\*\* percent in interim 2008.<sup>52</sup> The reporting Vietnamese producer exported \*\*\* percent of its total shipments in 2005, \*\*\* percent in 2006, \*\*\* percent in 2007, \*\*\* percent in interim 2007, and \*\*\* percent in interim 2008.<sup>53</sup> While the information from the responding Vietnamese producer showed that its capacity declined from 2006 to 2007 and was lower in interim 2008 than in interim 2007, that producer projected exports of \*\*\* percent of its total shipments in 2008 and 2009.<sup>54</sup>

Subject imports from Vietnam are not currently present in the U.S. market.<sup>55</sup> In these reviews, Leggett lists eleven Vietnamese firms believed to produce innerspring units.<sup>56</sup> Leggett states that the publicly available information indicates that the Vietnamese industry continues to maintain innerspring unit production.<sup>57</sup> Based on the foregoing, we do not find that subject

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(...Continued)

<sup>46</sup> Substantive Response at Exh. 10.

<sup>47</sup> Substantive Response at 21.

<sup>48</sup> Substantive Response at 17; Comments at 9.

<sup>49</sup> CR/PR at Table C-1.

<sup>50</sup> CR/PR at Table C-1.

<sup>51</sup> *Original Investigations Confidential Report* at Table VII-4. Only one Vietnamese producer responded to the Commission's questionnaire. That firm's exports to the United States were equivalent to \*\*\* percent of subject imports from Vietnam in 2007 reported in importer questionnaires. *Id.* at VII-7.

<sup>52</sup> *Original Investigations Confidential Report* at Table VII-4.

<sup>53</sup> *Original Investigations Confidential Report* at Table VII-4.

<sup>54</sup> *Original Investigations Confidential Report* at Table VII-4.

<sup>55</sup> CR/PR at Table I-4.

<sup>56</sup> Substantive Response at Exh. 10.

<sup>57</sup> Substantive Response at 15. The report from the original investigations contains projections that the Vietnamese industry's capacity would decline from \*\*\* units in 2007 to \*\*\* units in 2008 and (Continued...)



imports from Vietnam would likely have no discernible adverse impact on the domestic industry if the order on those imports were revoked.

### C. Likelihood of a Reasonable Overlap of Competition

The Commission generally has considered four factors intended to provide a framework for determining whether subject imports compete with each other and with the domestic like product.<sup>58</sup> Only a “reasonable overlap” of competition is required.<sup>59</sup> In five-year reviews, the relevant inquiry is whether there likely would be competition even if none currently exists because the subject imports are absent from the U.S. market.<sup>60</sup>

*Fungibility.* In the original investigations, the Commission found that the record indicated sufficient fungibility among subject imports from China, South Africa, and Vietnam and between subject imports and the domestic like product. The Commission stated that uncovered innerspring units were generally interchangeable regardless of the source, and that customers considered them to be fungible.<sup>61</sup> There is no new information in these reviews to indicate that this has changed since the original investigations.

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(...Continued)

2009. *Original Investigations Confidential Report* at Table VII-4. Only one Vietnamese firm, \*\*\*, provided a usable response to the Commission’s questionnaire in the original investigations, and the exports to the United States of that firm were equivalent to \*\*\* percent of U.S. imports of uncovered innerspring units from Vietnam in 2007 reported in importer questionnaires. *Id.* at VII-7. Because no Vietnamese producer responded to the notice of institution in these reviews, we do not have information as to whether the projected decline in capacity in 2008 and 2009 actually occurred, has continued into the present, or would likely persist into the reasonably foreseeable future.

<sup>58</sup> The four factors generally considered by the Commission in assessing whether imports compete with each other and with the domestic like product are as follows: (1) the degree of fungibility between subject imports from different countries and between subject imports and the domestic like product, including consideration of specific customer requirements and other quality-related questions; (2) the presence of sales or offers to sell in the same geographical markets of imports from different countries and the domestic like product; (3) the existence of common or similar channels of distribution for subject imports from different countries and the domestic like product; and (4) whether subject imports are simultaneously present in the market with one another and the domestic like product. *See, e.g., Wieland Werke, AG v. United States*, 718 F. Supp. 50 (Ct. Int’l Trade 1989).

<sup>59</sup> *See Mukand Ltd. v. United States*, 937 F. Supp. 910, 916 (Ct. Int’l Trade 1996); *Wieland Werke*, 718 F. Supp. at 52 (“Completely overlapping markets are not required.”); *United States Steel Group v. United States*, 873 F. Supp. 673, 685 (Ct. Int’l Trade 1994), *aff’d*, 96 F.3d 1352 (Fed. Cir. 1996). We note, however, that there have been investigations where the Commission has found an insufficient overlap in competition and has declined to cumulate subject imports. *See, e.g., Live Cattle from Canada and Mexico*, Inv. Nos. 701-TA-386 and 731-TA-812-13 (Preliminary), USITC Pub. 3155 at 15 (Feb. 1999), *aff’d sub nom, Ranchers-Cattlemen Action Legal Foundation v. United States*, 74 F. Supp. 2d 1353 (Ct. Int’l Trade 1999); *Static Random Access Memory Semiconductors from the Republic of Korea and Taiwan*, Inv. Nos. 731-TA-761-62 (Final), USITC Pub. 3098 at 13-15 (Apr. 1998).

<sup>60</sup> *See generally, Cheflin Corp. v. United States*, 219 F. Supp. 2d 1313, 1314 (Ct. Int’l Trade 2002).

<sup>61</sup> *Original Investigations*, USITC Pub. 4051 at 10.

*Channels of Distribution.* In the original investigations, the Commission found an overlap in channels of distribution for subject imports from all three countries and the domestic like product, because the vast majority of innerspring units went to end users for the production of mattresses, while only a limited quantity went to distributors.<sup>62</sup> There is no new information in these reviews to indicate that the channels of distribution have changed since the original investigations or would likely change upon revocation. Leggett asserts that subject imports would use the same channels of distribution as in the original Investigations.<sup>63</sup>

*Geographic Overlap.* In the original investigations, the Commission found that subject imports from all three countries and the domestic like product were sold in the same geographical markets, noting that importers of subject merchandise generally reported serving the Southeast, Southwest, and West Coast, with several importers reporting that they served a national market.<sup>64</sup> There is no new information in these reviews to indicate that this would likely change upon revocation. Leggett asserts that domestic producers sell into the national market and that subject imports would use the same channels of distribution to sell in the national market.<sup>65</sup>

*Simultaneous Presence in Market.* In the original investigations, the Commission found that the innerspring units produced in subject countries were present in the U.S. market for nearly the entire POI.<sup>66</sup> Given our conclusion that subject imports would likely be present in the U.S. market upon revocation in quantities sufficient not to have no discernible adverse impact on the domestic industry, we find that imports from each subject country would likely be simultaneously present in the U.S. market if the orders are revoked.

*Conclusion.* The record of these expedited reviews contains very limited information concerning the participation of subject imports from China, South Africa, and Vietnam in the U.S. market since the imposition of the orders. By the same token, there is nothing in the record that indicates that, upon revocation, imports from any of these subject countries would have different characteristics, distribution patterns, or presence in the market than they did during the original POI. In light of this, and the absence of any contrary argument, we find a likely reasonable overlap of competition between subject imports from China, South Africa, and Vietnam, and between imports from each subject country and the domestic like product, should the orders under review be revoked.

#### **D. Likely Conditions of Competition**

In determining whether to exercise our discretion to cumulate the subject imports, we assess whether subject imports from China, South Africa, and Vietnam likely would compete under similar or different conditions in the U.S. market if the orders were revoked.

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<sup>62</sup> *Original Investigations*, USITC Pub. 4051 at 11.

<sup>63</sup> Substantive Response at 14.

<sup>64</sup> *Original Investigations*, USITC Pub. 4051 at 11.

<sup>65</sup> Substantive Response at 14.

<sup>66</sup> *Original Investigations*, USITC Pub. 4051 at 11.

The record of the original investigations and data submitted in response to the notice of institution, which constitute the available information for these reviews concerning the subject industries, show that the industries in all three countries have some degree of export orientation and participated in the U.S. market absent the discipline of the orders. The record in these reviews does not indicate that there would likely be any significant difference in the conditions of competition between subject imports from China, South Africa, and Vietnam if the orders were revoked.<sup>67</sup> Accordingly, we exercise our discretion to cumulate subject imports from China, South Africa, and Vietnam.

#### **IV. Revocation of the Antidumping Duty Orders Would Likely Lead to Continuation or Recurrence of Material Injury Within a Reasonably Foreseeable Time**

##### **A. Legal Standards**

In a five-year review conducted under section 751(c) of the Tariff Act, Commerce will revoke an antidumping or countervailing duty order unless: (1) it makes a determination that dumping or subsidization is likely to continue or recur and (2) the Commission makes a determination that revocation of the antidumping or countervailing duty order “would be likely to lead to continuation or recurrence of material injury within a reasonably foreseeable time.”<sup>68</sup> The SAA states that “under the likelihood standard, the Commission will engage in a counterfactual analysis; it must decide the likely impact in the reasonably foreseeable future of an important change in the status quo – the revocation or termination of a proceeding and the elimination of its restraining effects on volumes and prices of imports.”<sup>69</sup> Thus, the likelihood

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<sup>67</sup> Commissioner Pinkert explains his analysis of other considerations as follows. Where, in a five-year review, he does not find that imports of the subject merchandise would be likely to have no discernible adverse impact on the domestic industry in the event of revocation and finds that such imports would be likely to compete with each other and with the domestic like product in the U.S. market, he cumulates them unless there is a condition or propensity -- not merely a trend -- that is likely to persist for a reasonably foreseeable time and that significantly limits competition such that cumulation is not warranted. In these reviews, he notes the lack of record information showing any significant structural changes with respect to the subject industries in China, South Africa, and Vietnam. Thus, he finds that there is no condition or propensity warranting non-cumulation with respect to any of the subject countries, and he has cumulated imports from all three countries in these reviews.

<sup>68</sup> 19 U.S.C. § 1675a(a).

<sup>69</sup> SAA at 883-84. The SAA states that “[t]he likelihood of injury standard applies regardless of the nature of the Commission’s original determination (material injury, threat of material injury, or material retardation of an industry). Likewise, the standard applies to suspended investigations that were never completed.” *Id.* at 883.

standard is prospective in nature.<sup>70</sup> The U.S. Court of International Trade has found that “likely,” as used in the five-year review provisions of the Act, means “probable,” and the Commission applies that standard in five-year reviews.<sup>71</sup>

The statute states that “the Commission shall consider that the effects of revocation or termination may not be imminent, but may manifest themselves only over a longer period of time.”<sup>72</sup> According to the SAA, a “‘reasonably foreseeable time’ will vary from case-to-case, but normally will exceed the ‘imminent’ timeframe applicable in a threat of injury analysis in original investigations.”<sup>73</sup>

Although the standard in a five-year review is not the same as the standard applied in an original investigation, it contains some of the same fundamental elements. The statute provides that the Commission is to “consider the likely volume, price effect, and impact of imports of the subject merchandise on the industry if the orders are revoked or the suspended investigation is terminated.”<sup>74</sup> It directs the Commission to take into account its prior injury determination, whether any improvement in the state of the industry is related to the order or the suspension agreement under review, whether the industry is vulnerable to material injury if the orders are revoked or a suspension agreement is terminated, and any findings by Commerce regarding duty absorption pursuant to 19 U.S.C. § 1675(a)(4).<sup>75</sup> The statute further

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<sup>70</sup> While the SAA states that “a separate determination regarding current material injury is not necessary,” it indicates that “the Commission may consider relevant factors such as current and likely continued depressed shipment levels and current and likely continued {sic} prices for the domestic like product in the U.S. market in making its determination of the likelihood of continuation or recurrence of material injury if the order is revoked.” SAA at 884.

<sup>71</sup> See *NMB Singapore Ltd. v. United States*, 288 F. Supp. 2d 1306, 1352 (Ct. Int’l Trade 2003) (“‘likely’ means probable within the context of 19 U.S.C. § 1675(c) and 19 U.S.C. § 1675a(a)”), *aff’d mem.*, 140 Fed. Appx. 268 (Fed. Cir. 2005); *Nippon Steel Corp. v. United States*, 26 CIT 1416, 1419 (2002) (same); *Usinor Industeel, S.A. v. United States*, 26 CIT 1402, 1404 nn.3, 6 (2002) (“more likely than not” standard is “consistent with the court’s opinion;” “the court has not interpreted ‘likely’ to imply any particular degree of ‘certainty’”); *Indorama Chemicals (Thailand) Ltd. v. United States*, 26 CIT 1059, 1070 (2002) (“standard is based on a likelihood of continuation or recurrence of injury, not a certainty”); *Usinor v. United States*, 26 CIT 767, 794 (2002) (“‘likely’ is tantamount to ‘probable,’ not merely ‘possible’”).

<sup>72</sup> 19 U.S.C. § 1675a(a)(5).

<sup>73</sup> SAA at 887. Among the factors that the Commission should consider in this regard are “the fungibility or differentiation within the product in question, the level of substitutability between the imported and domestic products, the channels of distribution used, the methods of contracting (such as spot sales or long-term contracts), and lead times for delivery of goods, as well as other factors that may only manifest themselves in the longer term, such as planned investment and the shifting of production facilities.” *Id.*

<sup>74</sup> 19 U.S.C. § 1675a(a)(1).

<sup>75</sup> 19 U.S.C. § 1675a(a)(1). Commerce has not made any duty absorption findings with respect to the subject antidumping duty orders. CR at I-6; PR at I-5.

provides that the presence or absence of any factor that the Commission is required to consider shall not necessarily give decisive guidance with respect to the Commission's determination.<sup>76</sup>

In evaluating the likely volume of imports of subject merchandise if the orders under review are revoked and/or a suspended investigation is terminated, the Commission is directed to consider whether the likely volume of imports would be significant either in absolute terms or relative to production or consumption in the United States.<sup>77</sup> In doing so, the Commission must consider "all relevant economic factors," including four enumerated factors: (1) any likely increase in production capacity or existing unused production capacity in the exporting country; (2) existing inventories of the subject merchandise, or likely increases in inventories; (3) the existence of barriers to the importation of the subject merchandise into countries other than the United States; and (4) 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.<sup>78</sup>

In evaluating the likely price effects of subject imports if the orders under review are revoked and/or a suspended investigation is terminated, the Commission is directed to consider whether there is likely to be significant underselling by the subject imports as compared to the domestic like product and whether the subject imports are likely to enter the United States at prices that otherwise would have a significant depressing or suppressing effect on the price of the domestic like product.<sup>79</sup>

In evaluating the likely impact of imports of subject merchandise if the orders under review are revoked and/or a suspended investigation is terminated, the Commission is directed to consider all relevant economic factors that are likely to have a bearing on the state of the industry in the United States, including but not limited to the following: (1) likely declines in output, sales, market share, profits, productivity, return on investments, and utilization of capacity; (2) likely negative effects on cash flow, inventories, employment, wages, growth, ability to raise capital, and investment; and (3) likely negative effects on the existing development and production efforts of the industry, including efforts to develop a derivative or more advanced version of the domestic like product.<sup>80</sup> All relevant economic factors are to be considered within the context of the business cycle and the conditions of competition that are distinctive to the industry. As instructed by the statute, we have considered the extent to

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<sup>76</sup> 19 U.S.C. § 1675a(a)(5). Although the Commission must consider all factors, no one factor is necessarily dispositive. SAA at 886.

<sup>77</sup> 19 U.S.C. § 1675a(a)(2).

<sup>78</sup> 19 U.S.C. § 1675a(a)(2)(A-D).

<sup>79</sup> See 19 U.S.C. § 1675a(a)(3). The SAA states that "{c}onsistent with its practice in investigations, in considering the likely price effects of imports in the event of revocation and termination, the Commission may rely on circumstantial, as well as direct, evidence of the adverse effects of unfairly traded imports on domestic prices." SAA at 886.

<sup>80</sup> 19 U.S.C. § 1675a(a)(4).

which any improvement in the state of the domestic industry is related to the orders under review and whether the industry is vulnerable to material injury upon revocation.<sup>81</sup>

No respondent interested party participated in these expedited reviews. The record, therefore, contains limited new information with respect to the uncovered innerspring units industries in China, South Africa, and Vietnam. There also is limited information on the U.S. market for uncovered innerspring units during the period of review. Accordingly, for our determinations, we rely as appropriate on the facts available from the original investigations and the limited new information on the record in these five-year reviews.

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

In evaluating the likely impact of the subject imports on the domestic industry if an order is revoked, the statute directs the Commission to consider all relevant economic factors “within the context of the business cycle and conditions of competition that are distinctive to the affected industry.”<sup>82</sup> The following conditions of competition inform our determinations.

**Demand Conditions.** In the original investigations, the Commission stated that the only use for innerspring units was for mattresses and that there was a direct correlation between sales of innerspring mattresses and the domestic like product. Demand was generally related to housing-related activity and generally tracked overall economic activity. The Commission stated that a downturn in the housing market adversely affected the market for innerspring units. Apparent U.S. consumption declined by 6.4 percent by quantity and 7.7 percent by value during the POI.<sup>83</sup> The Commission stated that innerspring units were sold to mattress manufacturers, which could choose among a variety of uncovered innerspring designs, many involving commonly available elements, but some were based on patented or proprietary designs. The Commission found that the majority of demand in the U.S. market was for nonproprietary innerspring units, such as generic Bonnell coils.<sup>84</sup>

There is nothing in the record to indicate that the factors driving demand for innerspring units have changed since the original investigations. Leggett asserts that demand for innerspring units has declined since 2007, as reflected in data showing that sales of innerspring

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<sup>81</sup> The SAA states that in assessing whether the domestic industry is vulnerable to injury if the order is revoked, 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 may also demonstrate that an industry is facing difficulties from a variety of sources and is vulnerable to dumped or subsidized imports.” SAA at 885.

<sup>82</sup> 19 U.S.C. § 1675a(a)(4).

<sup>83</sup> *Original Investigations*, USITC Pub. 4051 at 16.

<sup>84</sup> *Original Investigations*, USITC Pub. 4051 at 16-17. Bonnell coils, which are non-pocketed, have been the most commonly used type in the U.S. market, have generally been the lowest priced, and have been used in virtually all imported innerspring units. Bonnell coils have an hour-glass shape which tapers inward from top to center and then outward from center to bottom. CR at I-11; PR at I-8.

mattresses have fallen 14 percent by quantity and 6 percent by value from 2007 to 2012.<sup>85</sup> Reported apparent U.S. consumption for innerspring units was lower in 2012 than in 2007.<sup>86</sup>

**Supply Conditions.** In the original investigations, the Commission found that the sources of supply in the U.S. market were domestically produced units, subject imports from China, South Africa, and Vietnam, and a relatively small volume of imports from nonsubject countries.<sup>87</sup> The Commission observed that Leggett was the largest U.S. manufacturer of innerspring units and had affiliates around the world, including factories in China and South Africa.<sup>88</sup> The Commission stated that the capacity of the domestic industry exceeded apparent U.S. consumption over the POI and that the domestic industry's capacity and production declined over the POI. The Commission stated that there were two groups of manufacturers of innerspring units: (1) those that supplied units to mattress manufacturers and (2) maker/users that produced units for internal consumption in the production of finished mattresses.<sup>89</sup> The majority of innerspring units, whether domestically produced or imported, were sold to end users, with only a limited quantity sold to distributors.<sup>90</sup>

In these reviews, the record indicates that cumulated subject import sources had a minimal presence in the U.S. market in 2012, with cumulated subject imports totaling only 6,000 units in 2012, less than \*\*\* percent of apparent U.S. consumption.<sup>91</sup> The domestic industry furnished the overwhelming share (\*\*\* percent) of apparent U.S. consumption in 2012.<sup>92</sup> Leggett was the only domestic producer to submit usable data in these reviews<sup>93</sup> and is

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<sup>85</sup> Substantive Response at 7, 12, 21, and Exh. 3; Comments at 6.

<sup>86</sup> Apparent U.S. consumption in 2007 was 20.9 million units, CR/PR at Table C-1, while reported apparent U.S. consumption in 2012 was \*\*\* units. CR/PR at Table I-4. The reported apparent U.S. consumption figure for 2012 is likely understated due to the incomplete U.S. industry response to the Commission's notice of institution. U.S. industry data in these reviews are those submitted by Leggett, which estimated that in 2012 its production accounted for approximately \*\*\* percent by quantity and \*\*\* percent by volume of production of the domestic like product. CR at I-19 n.32; PR at I-15 n.32; Substantive Response at 20 and Exh. 2.

<sup>87</sup> *Original Investigations*, USITC Pub. 4051 at 17. The Commission found that nonsubject imports were not an important presence in the market during the POI and had a declining share of the U.S. market in both quantity and value (less than one percent in each individual period). *Id.* at 18. The Commission identified Mexico, Taiwan, and Turkey as sources of nonsubject imports. *Id.* at 17 n.95.

<sup>88</sup> *Original Investigations*, USITC Pub. 4051 at 17-18.

<sup>89</sup> *Original Investigations*, USITC Pub. 4051 at 17. U.S. producers' shipments for internal consumption accounted for approximately 20 to 30 percent of U.S. producers' shipments over the POI. *Id.*

<sup>90</sup> *Original Investigations*, USITC Pub. 4051 at 17.

<sup>91</sup> CR/PR at Table I-4.

<sup>92</sup> CR/PR at Table I-4.

<sup>93</sup> Domestic producer HSM submitted a response to the notice of institution, but did not provide the Commission with \*\*\* as required by the notice of institution. The Commission found HSM's individual response to be inadequate. See Explanation of Commission Determination on Adequacy. CR/PR at Appendix B.

believed to be the largest U.S. producer of innerspring units.<sup>94</sup> There are other U.S. producers, including those who produce innerspring units to supply mattress manufacturers and “maker/users” that produce innerspring units for internal consumption in the production of finished mattresses.<sup>95</sup>

Nonsubject sources serve a small share of the U.S. market; the volume of nonsubject imports was 541,000 units in 2012, accounting for \*\*\* percent of apparent U.S. consumption. The primary nonsubject sources in 2012 were Cambodia, Malaysia, and Taiwan.<sup>96</sup> Uncovered innerspring units exported to the United States from Malaysia were the subject of a recent anticircumvention proceeding by Commerce.<sup>97</sup>

**Substitutability and Other Conditions.** In the original investigations, the Commission found a high degree of substitutability between domestic innerspring units and subject imports. The Commission stated that all parties agreed that subject imports and the domestic like product were of comparable quality and that they were \*\*\*. The Commission stated that price was an important factor in purchases of innerspring units, but not the only factor.<sup>98</sup> The Commission found that generic Bonnell innerspring units accounted for virtually all subject imports.<sup>99</sup> The domestic industry made Bonnell units and other units with commonly available nonproprietary designs, as well as units with proprietary or patented designs, but the Commission found that the proprietary designs manufactured by domestic producers were not patent protected and could be copied.<sup>100</sup>

Nothing in the current record indicates any changes with respect to the high degree of substitutability between domestic innerspring units and subject imports that the Commission found in the original investigations. Leggett reported that while its sales of Bonnell units have declined since the original POI, Bonnell units still account for an appreciable share of its production.<sup>101</sup>

### C. Likely Volume of Subject Imports

**Original Investigations.** In the original investigations, the Commission found that the volume of cumulated subject imports and the increase in that volume were significant in absolute terms and relative to consumption and production.<sup>102</sup> The Commission found that

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<sup>94</sup> Substantive Response at 2; CR at I-1 n.4; PR at I-1 n.4.

<sup>95</sup> CR at I-18 and n.30; PR at I-13 and n.30.

<sup>96</sup> CR/PR at Table I-4.

<sup>97</sup> CR at I-6; PR at I-5.

<sup>98</sup> *Original Investigations*, USITC Pub. 4051 at 18.

<sup>99</sup> *Original Investigations*, USITC Pub. 4051 at 22-23.

<sup>100</sup> *Original Investigations*, USITC Pub. 4051 at 22.

<sup>101</sup> Substantive Response at 7; Comments at 6-7.

<sup>102</sup> *Original Investigations*, USITC Pub. 4051 at 18. Cumulated subject imports increased from \*\*\* units in 2005 to \*\*\* units in 2006 and then decreased slightly to \*\*\* units in 2007. *Id.*



subject imports took market share from the domestic industry over most of the POI.<sup>103</sup> The Commission explained that the decline of \*\*\* percent in apparent U.S. consumption from 2005 to 2007 reflected slowing demand in the housing sector and a general economic downturn, but that the volume of subject imports nevertheless increased \*\*\* percent during the same period.<sup>104</sup>

**Current Reviews.** Under the discipline of the orders, subject imports are largely absent from the U.S. market. In 2012, cumulated subject imports were 6,000 units, which was less than 0.01 percent of apparent U.S. consumption.<sup>105</sup>

The limited information in the record indicates that the subject industries have substantial excess capacity and the ability to increase subject imports if the orders are revoked. The subject industries' estimated capacity is very large on a cumulated basis. Leggett estimates that the Chinese industry's innerspring capacity in 2012 was approximately \*\*\* units and that it had excess capacity of \*\*\* units.<sup>106</sup> Leggett asserts that the Chinese industry's estimated excess capacity of \*\*\* units is equivalent to nearly \*\*\* of its estimate of apparent U.S. consumption.<sup>107</sup> Leggett asserts that the South African industry also has both excess capacity and declining demand and that this excess capacity has been increasing, because several large South African mattress manufacturers now produce innerspring units and captively consume them rather than purchasing them.<sup>108</sup> In addition, Leggett estimates that overall South African demand decreased \*\*\* percent in 2012 and \*\*\* percent in 2013 due to poor economic conditions, increasing excess capacity.<sup>109</sup> The record from the original reviews, which constitutes the facts

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<sup>103</sup> *Original Investigations*, USITC Pub. 4051 at 19. The market share of subject imports increased from \*\*\* percent in 2005 to \*\*\* percent in 2006, and then declined slightly to \*\*\* percent in 2007. The market share held by the domestic industry fell from \*\*\* percent in 2005 to \*\*\* percent in 2006, then increased slightly to \*\*\* percent in 2007, with an overall decrease of \*\*\* percentage points. *Id.*

The Commission stated that the volume of subject imports was \*\*\* percent lower in interim 2008 than in interim 2007 and found that this reduced volume was due, at least in part, to the filing of the petition in December 2007 and the Commission's affirmative preliminary determinations in February 2008. Accordingly, the Commission stated that it did not view this decline as detracting from its finding that the volume and increase in volume of the subject imports were significant. *Id.* at 19.

<sup>104</sup> *Original Investigations*, USITC Pub. 4051 at 19. The Commission further stated that, despite a \*\*\* percent decline in apparent U.S. consumption from 2005 to 2006, the volume of subject imports increased by \*\*\* percent from 2005 to 2006. *Id.*

<sup>105</sup> CR/PR at Table I-4.

<sup>106</sup> Substantive Response at 16; Comments at 9. Leggett reported that it produced \*\*\* innerspring units in China in 2012, which it estimates accounted for approximately \*\*\* percent of total production in China. Substantive Response at 21.

<sup>107</sup> Substantive Response at 16; Comments at 9.

<sup>108</sup> Substantive Response at 17.

<sup>109</sup> Substantive Response at 17; Comments at 9.

available with respect to the innerspring units industry in Vietnam, indicates that industry possessed unused capacity.<sup>110</sup>

The information on the record also indicates that the subject producers have an incentive to increase subject imports if the orders are revoked. The data from the original investigations showed that the subject industries in all three countries were export oriented.<sup>111</sup> As one of the two largest markets in the world for sales of innerspring mattresses (and hence of uncovered innerspring units), the United States remains an attractive market for subject producers.<sup>112</sup> In addition, the continued interest of subject producers in the U.S. market is reflected in Commerce's recent anticircumvention proceeding. Commerce concluded in January 2014 that innerspring units completed and assembled in Malaysia by Reztec and exported from Malaysia to the United States, using components from China, were circumventing the antidumping duty order on uncovered innerspring units from China.<sup>113</sup>

The record also indicates that innerspring units from China are currently subject to antidumping duties in Canada, where Chinese producers without an individual rate are subject to an all-others rate of 147.4 percent.<sup>114</sup> This existing barrier creates an additional incentive for the subject Chinese producers to direct exports to the U.S. market should the orders under review be revoked.

We therefore find that, in light of their historically large production and capacity as well as their export orientation, the uncovered innerspring units industries in China, South Africa, and Vietnam have the ability to increase exports of subject merchandise to the United States upon revocation, as they did during the original investigations. Moreover, we find that they

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<sup>110</sup> The Vietnamese industry's reported capacity utilization ranged from \*\*\* percent to \*\*\* percent during the POI. *Original Investigations Confidential Report* at Table VII-4. The responding Vietnamese producer projected capacity of \*\*\* units in 2008 and 2009, production of \*\*\* units in 2008 and 2009, and exports of \*\*\* percent of its total shipments in 2008 and 2009. *Id.*

<sup>111</sup> Responding Chinese producers exported \*\*\* percent of their uncovered innerspring units shipments in 2005, \*\*\* percent in 2006, \*\*\* percent in 2007, \*\*\* percent in interim 2007, and \*\*\* percent in interim 2008. *Original Investigations Confidential Report* at Table VII-1. South African producers exported \*\*\* percent of their total shipments in 2005, \*\*\* percent in 2006, \*\*\* percent in 2007, \*\*\* percent in interim 2007, and \*\*\* percent in interim 2008. *Id.* at Table VII-3. The reporting Vietnamese producer exported \*\*\* percent of its total shipments in 2005, \*\*\* percent in 2006, \*\*\* percent in 2007, \*\*\* percent in interim 2007, and \*\*\* percent in interim 2008. *Id.* at Table VII-4.

<sup>112</sup> Substantive Response at 17. International Sleep Products Association data for worldwide mattress consumption in 2011 showed U.S. consumption of mattresses in 2011 to be the largest in the world, at \$5.3 billion by value, with China a close second at \$4.7 billion, and Brazil a distant third at \$1.2 billion. *Id.* at Exh. 3, Table 1. These data reflect consumption of both innerspring and non-innerspring mattresses combined, but additional information indicates that 71 percent of U.S. mattress production by value is of innerspring mattresses, and only 29 percent is of non-innerspring mattresses. *Id.* at Exh. 3, Table 3.

<sup>113</sup> CR at I-6; PR at I-5; *Uncovered Innerspring Units from the People's Republic of China: Affirmative Final Determination of Circumvention of the Antidumping Duty Order*, 79 Fed. Reg. 3345 (January 21, 2014).

<sup>114</sup> CR at I-28; PR at I-19.

have the incentive to export significant volumes of subject merchandise to the United States upon revocation in light of their prior and current interest in supplying the U.S. market and the size of that market.

In light of these factors, we find that the subject producers are likely, absent the restraining effects of the orders, to direct significant volumes of uncovered innerspring units to the U.S. market, as they did during the original investigations.<sup>115</sup> We find that the likely volume of subject imports, both in absolute terms and relative to consumption in the United States, would be significant if the orders were revoked.

#### **D. Likely Price Effects**

**Original Investigations.** In the original investigations, the Commission found that there was a high degree of fungibility between the domestic like product and subject imports and that the vast majority of market participants found the subject and domestic products to be always or frequently interchangeable. The Commission concluded that price plays an important role in sales of innerspring units.<sup>116</sup>

The Commission's pricing data showed nearly universal underselling by cumulated subject imports, with subject imports underselling the domestic like product in 166 of 180 comparisons, with margins ranging from 0.8 percent to 56.1 percent.<sup>117</sup> The Commission found the underselling to be significant in view of the substitutability of domestic and subject innerspring units and the importance of price in purchasing decisions.<sup>118</sup>

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<sup>115</sup> Due to the failure of any foreign producer, exporter, or importer of subject merchandise from China, South Africa, or Vietnam to participate in these reviews, the record does not contain current information regarding any existing inventories of subject merchandise, any likely increase in such inventories, or the potential for product shifting if production facilities in China, South Africa, or Vietnam which can be used to produce uncovered innerspring units are currently being used to manufacture other products.

<sup>116</sup> *Original Investigations*, USITC Pub. 4051 at 20.

<sup>117</sup> *Original Investigations*, USITC Pub. 4051 at 20-21. Because no importer of subject merchandise from South Africa provided usable pricing data, pricing comparisons involved subject imports from China and Vietnam. *Id.* at 21.

<sup>118</sup> *Original Investigations*, USITC Pub. 4051 at 21. The Commission stated that it was significant that there were 27 confirmed lost sales and four instances of confirmed lost revenues. Almost all U.S. purchasers responding to the Commission's questions on lost sales and lost revenues allegations reported that price was the reason for the shift to subject imports. *Id.*

The Commission disagreed with respondent's argument that the domestic industry's use of proprietary innerspring designs foreclosed competition by subject imports, because the record showed that sales covered by proprietary designs or patents were a minority of total sales by domestic producers during the POI, there was no patent protection on the proprietary designs manufactured by domestic producers, and subject producers could compete by copying those designs. The Commission found that generic Bonnell innerspring units were the predominant innerspring unit in the U.S. market and the cost of producing a Bonnell unit was substantially less than the cost of a proprietary design, so (Continued...)

The Commission found that subject imports depressed prices to a significant degree, noting that price declines in 2005 and 2006 coincided with significant increases in the volume and market share of subject imports.<sup>119</sup> The Commission also found that low-priced subject imports suppressed domestic prices to a significant degree, finding that the domestic industry experienced a cost-price squeeze as it faced higher raw material costs for steel wire and scrap and was unable to raise prices sufficiently to cover increasing costs.<sup>120</sup> Thus, the Commission found that subject imports had a significant adverse effect on prices in the U.S. market.<sup>121</sup>

**Current Reviews.** The record does not contain current pricing comparisons due to the expedited nature of these reviews. We continue to find that the subject imports and the domestic like product are substitutable and that price is an important factor in purchasing decisions.

Absent the discipline of the orders, and in light of the likely significant volume of cumulated subject imports, the pervasive price underselling of subject imports observed during the original investigations would likely recur. Given the importance of price in purchasing decisions and the substitutability of subject imports and the domestic like product, domestic producers would be required to cut prices, hold back price increases to avoid losing sales, or lose market share. The significant price depression and price suppression that the Commission observed in the original investigations would likely recur within a reasonably foreseeable time.

Accordingly, given the likely significant volume of subject imports, we conclude that significant underselling of the domestic like product by subject imports to gain market share is likely and that the significant volume of low-priced subject imports would likely have significant depressing or suppressing effects on the price of the domestic like product if the antidumping duty orders were revoked.

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(...Continued)

the use of proprietary designs was not a significant impediment to competition in the market. *Original Investigations*, USITC Pub. 4051 at 22-23.

<sup>119</sup> *Original Investigations*, USITC Pub. 4051 at 21.

<sup>120</sup> *Original Investigations*, USITC Pub. 4051 at 21-22. The domestic industry's cost of goods sold (COGS) as a share of net sales increased from 78.2 percent in 2005 to 83.9 percent in 2006 and 84.7 percent in 2007. *Id.* The Commission noted that the decline in demand may have played a role in suppressing U.S. prices, but stated that the increasing volumes of low-priced subject imports competing in a market characterized by relatively inelastic demand also significantly suppressed prices. *Id.* at 22.

<sup>121</sup> *Original Investigations*, USITC Pub. 4051 at 23.

## E. Likely Impact<sup>122</sup>

**Original Investigations.** In the original investigations, the Commission found overall declining trends in the indicia of domestic industry performance from 2005 to 2007. The domestic industry's production capacity, production, and U.S. shipments all declined between 2005 and 2007,<sup>123</sup> and the domestic industry's financial indicators declined substantially over the period.<sup>124</sup> Net sales declined, and COGS as a share of net sales increased. The domestic industry faced rising costs of production, while the industry's prices generally declined over the POI. The industry experienced progressively poorer financial results as the COGS to net sales ratio increased, operating income declined significantly, and U.S. shipments, production, and productivity declined.<sup>125</sup>

The Commission acknowledged that the decline in domestic consumption had a negative impact on the domestic industry in terms of reduced production, shipments, sales, and profits, but found that subject imports played a material role in the harm to domestic industry, capturing an increasing share of a shrinking market and exacerbating the negative impact of reduced consumption on the domestic industry. The lower volume of domestic industry sales, at prices depressed and suppressed by subject imports, produced a decline of over 50 percent in the domestic industry's operating income margin from 2005 to 2007. Moreover, even though U.S. consumption fell further from interim 2007 to interim 2008, the domestic industry's performance increased dramatically as the volume of subject imports declined, which the Commission stated was contrary to respondent's theory that consumption levels, rather than the effects of subject imports, drove industry performance.<sup>126</sup>

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<sup>122</sup> Under the statute, "the Commission may consider the magnitude of the margin of dumping" in making its determination in a five-year review. 19 U.S.C. § 1675a(a)(6). The statute defines the "magnitude of the margin of dumping" to be used by the Commission in five-year reviews as "the dumping margin or margins determined by the administering authority under section 1675a(c)(3) of this title." 19 U.S.C. § 1677(35)(C)(iv); *see also* SAA at 887.

Commerce expedited its antidumping duty review determinations and found that revocation of the antidumping duty orders would be likely to lead to continuation or recurrence of dumping at the following margins: with respect to China, 234.51 percent for Foshan Jingxin Steel Wire & Spring Co., Ltd., 164.75 percent for exporters with a separate rate, and 234.51 percent as the PRC-wide rate; with respect to South Africa, 121.39 percent for Bedding Component Manufacturers (Pty) Ltd., and 121.39 percent for all others; with respect to Vietnam, 116.31 percent as the Vietnam-wide rate. *Uncovered Innerspring Units From the People's Republic of China, South Africa, and Socialist Republic of Vietnam: Final Results of the Expedited Sunset Reviews of the Antidumping Duty Orders*, 79 Fed. Reg. 13277, 13278 (March 10, 2014).

<sup>123</sup> *Original Investigations*, USITC Pub. 4051 at 24.

<sup>124</sup> Operating income fell from \$\*\*\* in 2005 to \$\*\*\* in 2006 and \$\*\*\* in 2007. The ratio of operating income to net sales fell by \*\*\* percentage points, from \*\*\* percent in 2005 to \*\*\* percent in 2006 and \*\*\* percent in 2007. *Original Investigations*, USITC Pub. 4051 at 24-25.

<sup>125</sup> *Original Investigations*, USITC Pub. 4051 at 25.

<sup>126</sup> *Original Investigations*, USITC Pub. 4051 at 25.

Based on its findings of a significant volume and a significant increase in volume of cumulated subject imports, significant underselling by subject imports, significant price depression and suppression, and declines in the domestic industry's performance during the POI, the Commission found that subject imports were having a significant adverse impact on the domestic innerspring unit industry.<sup>127</sup>

**Current Reviews.** Because these are expedited reviews, we have only limited information with respect to the domestic industry's financial performance. The information available concerning the domestic industry's condition in these reviews consists of the data that Leggett provided in response to the notice of institution.<sup>128</sup> The information on the record indicates that Leggett's capacity was \*\*\* units in 2012, its production was \*\*\* units, and its capacity utilization was \*\*\* percent.<sup>129</sup> Its share of reported apparent U.S. consumption was \*\*\* percent.<sup>130</sup> U.S. shipments were \*\*\* units in 2012.<sup>131</sup> Leggett reported an operating income of \$\*\*\* from sales of \$\*\*\*, resulting in an operating margin of \*\*\* percent in 2012.<sup>132</sup> Its ratio of COGS to net sales was \*\*\* percent.<sup>133</sup> The limited record is insufficient for us to make a finding on whether the domestic industry is vulnerable to the continuation or recurrence of material injury in the event of revocation of the orders.

The facts available in these reviews indicate that under the discipline of the orders, the domestic industry's market share and financial performance were better in 2012 than in 2007. These improvements are unlikely to be sustained should the orders be revoked. Based on the information on the record, we find that should the orders be revoked, the likely significant volume and price effects of the subject imports would likely have a significant adverse impact on the production, shipments, sales, market share, and revenues of the domestic industry. These declines would likely have a direct adverse impact on the domestic industry's profitability.

We also have considered the role of factors other than subject imports, including the presence of nonsubject imports, so as not to attribute injury from other factors to the subject imports. Since the original investigations, the volume of imports from nonsubject countries has increased,<sup>134</sup> and Leggett asserts that the demand for innerspring units in the U.S. market has

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<sup>127</sup> *Original Investigations*, USITC Pub. 4051 at 25.

<sup>128</sup> In the original investigations, the record contained data from eight responding domestic producers accounting for virtually all U.S. production of uncovered innerspring units during 2007. *Original Investigations*, USITC Pub. 4051 at 4. Leggett estimates that its production accounted for approximately \*\*\* percent by quantity and \*\*\* percent by value of production of the domestic like product in 2012. CR at I-19 n.32; PR at I-15 n.32; Substantive Response at 20 and Exh. 2.

<sup>129</sup> CR/PR at Table I-3.

<sup>130</sup> CR/PR at Table I-4.

<sup>131</sup> CR/PR at Table I-3.

<sup>132</sup> CR/PR at Table I-3.

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

<sup>134</sup> The volume of nonsubject imports in 2007 was \*\*\* units, accounting for \*\*\* percent of apparent U.S. consumption. CR/PR at Table C-1. The volume of nonsubject imports in 2012 was 541,000 units, accounting for \*\*\* percent of apparent U.S. consumption. CR/PR at Table I-4.

declined.<sup>135</sup> The increase in nonsubject imports and any decline in U.S. demand since the original investigations have not precluded the domestic industry from reporting a higher market share and a better financial performance in 2012 than in 2007. There are no other known alternative likely causes of injury to the domestic industry.

Accordingly, we conclude that, if the antidumping duty orders were revoked, subject imports would likely have a significant adverse impact on the domestic industry within a reasonably foreseeable time.

## **V. CONCLUSION**

For the above reasons, we determine that revocation of the antidumping duty orders on uncovered innerspring units from China, South Africa, and Vietnam would likely lead to continuation or recurrence of material injury to an industry in the United States within a reasonably foreseeable time.

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<sup>135</sup> Substantive Response at 21. Apparent U.S. consumption in 2007 was 20.9 million units, CR/PR at Table C-1, while reported apparent U.S. consumption in 2012 was \*\*\* units. CR/PR at Table I-4. The reported apparent U.S. consumption figure for 2012 is likely understated due to the incomplete U.S. industry response to the Commission's notice of institution.





# INFORMATION OBTAINED IN THE REVIEWS

## INTRODUCTION

### Background

Effective November 1, 2013, the U.S. International Trade Commission (“Commission” or “USITC”) gave notice, pursuant to section 751(c) of the Tariff Act of 1930, as amended (“the Act”),<sup>1</sup> that it had instituted reviews to determine whether revocation of the antidumping duty orders on uncovered innerspring units (“innersprings”) from China, South Africa, and Vietnam would likely lead to the continuation or recurrence of material injury to a domestic industry.<sup>2 3</sup> On February 4, 2014, the Commission determined that it would conduct expedited reviews pursuant to section 751(c)(3) of the Act.<sup>4</sup> The following tabulation presents information relating to the background and schedule of this proceeding:

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<sup>1</sup> 19 U.S.C. 1675(c).

<sup>2</sup> *Uncovered Innerspring Units from China, South Africa, and Vietnam; Institution of Five-Year Reviews*, 78 FR 65711, November 1, 2013. All interested parties were requested to respond to this notice by submitting the information requested by the Commission.

<sup>3</sup> In accordance with section 751(c) of the Act, the U.S. Department of Commerce (“Commerce”) published a notice of initiation of five-year reviews of the subject antidumping duty orders concurrently with the Commission’s notice of institution. *Initiation of Five-Year (“Sunset”) Review*, 78 FR 65711, November 1, 2013.

<sup>4</sup> *Scheduling of Expedited Five-Year Reviews Concerning the Antidumping Duty Orders on Uncovered Innerspring Units from China, South Africa, and Vietnam*, 79 FR 11466, February 28, 2014. The Commission received one adequate submission in response to its notice of institution in the subject reviews. It was filed on behalf of Leggett & Platt, Inc. (“Leggett”), a U.S. producer of the domestic like product. Another U.S. producer, Hickory Springs Manufacturing Co. (“HSM”), submitted a response to the Commission’s notice of institution, but did not provide the Commission with 2012 capacity, production, or U.S. shipment data as required by the notice of institution. The Commission found the response of HSM to be inadequate. The information provided on U.S. production is from the response of Leggett only. Leggett is believed to have accounted for \*\*\* percent of production of the domestic like product in 2012. The Commission did not receive any responses from producers in China, South Africa, or Vietnam or U.S. importers of the subject merchandise. The Commission determined that the domestic interested party group response to its notice of institution was adequate and that the respondent interested party group response was inadequate. In the absence of respondent interested party responses and any other circumstances that would warrant the conduct of full reviews, the Commission determined to conduct expedited reviews.

Effective date	Action
December 11, 2008	Commerce's antidumping duty order on innersprings from South Africa (73 FR 75390, December 11, 2008) <a href="http://www.gpo.gov/fdsys/pkg/FR-2008-12-11/pdf/E8-29409.pdf">http://www.gpo.gov/fdsys/pkg/FR-2008-12-11/pdf/E8-29409.pdf</a> Commerce's antidumping duty order on innersprings from Vietnam (73 FR 75391, December 11, 2008) <a href="http://www.gpo.gov/fdsys/pkg/FR-2008-12-11/pdf/E8-29409.pdf">http://www.gpo.gov/fdsys/pkg/FR-2008-12-11/pdf/E8-29409.pdf</a>
February 19, 2009	Commerce's antidumping duty order on uncovered innerspring units from China (73 FR 7661, February 19, 2009) <a href="http://www.gpo.gov/fdsys/pkg/FR-2009-02-19/pdf/E9-3652.pdf">http://www.gpo.gov/fdsys/pkg/FR-2009-02-19/pdf/E9-3652.pdf</a>
November 1, 2013	Commission's institution of first five-year reviews (78 FR 65711, November 1, 2013) <a href="http://www.gpo.gov/fdsys/pkg/FR-2013-11-01/pdf/2013-26103.pdf">http://www.gpo.gov/fdsys/pkg/FR-2013-11-01/pdf/2013-26103.pdf</a>
November 1, 2013	Commerce's initiation of first five-year reviews (78 FR 65614, November 1, 2013) <a href="http://www.gpo.gov/fdsys/pkg/FR-2013-11-01/pdf/2013-26240.pdf">http://www.gpo.gov/fdsys/pkg/FR-2013-11-01/pdf/2013-26240.pdf</a>
February 4, 2014	Commission's determination to conduct expedited five-year reviews (79 FR 11466, February 28, 2014) <a href="http://www.gpo.gov/fdsys/pkg/FR-2014-02-28/pdf/2014-04337.pdf">http://www.gpo.gov/fdsys/pkg/FR-2014-02-28/pdf/2014-04337.pdf</a> The press release announcing the Commission's determination concerning adequacy and the conduct of expedited reviews can be found at <a href="http://usitc.gov/press_room/news_release/2014/er0204mm3.htm">http://usitc.gov/press_room/news_release/2014/er0204mm3.htm</a> ). A summary of the Commission's votes concerning the adequacy and the conduct of the expedited reviews can be found at <a href="http://iapps2.usitc.gov/sunset/caseProfSuppAttmnt/download/11640">http://iapps2.usitc.gov/sunset/caseProfSuppAttmnt/download/11640</a> ). The Commission's explanation of its determination can be found at <a href="http://iapps2.usitc.gov/sunset/">http://iapps2.usitc.gov/sunset/</a> ).
March 10, 2014	Commerce's final results of expedited five-year review of the antidumping duty orders on imports from China, South Africa, and Vietnam <a href="http://www.gpo.gov/fdsys/pkg/FR-2014-03-10/pdf/2014-05144.pdf">http://www.gpo.gov/fdsys/pkg/FR-2014-03-10/pdf/2014-05144.pdf</a>
March 25, 2014	Commission's votes
April 7, 2014	Commission's determinations

## The original investigations

The original investigations resulted from a petition filed on December 31, 2007, by Leggett alleging that an industry in the United States was materially injured and threatened with material injury by reason of less-than-fair-value (“LTFV”) imports of innersprings from China, South Africa, and Vietnam. On October 21, 2008, Commerce determined that imports of innersprings from South Africa and Vietnam were being sold at LTFV.<sup>5</sup> On December 10, 2008, the Commission issued its determination that an industry in the United States was materially injured by reason of LTFV imports of innersprings from South Africa and Vietnam.<sup>6</sup> As a result of affirmative determinations from the Commission and Commerce, antidumping duty orders on innersprings from South Africa and Vietnam were issued by Commerce on December 11, 2008.<sup>7</sup> On December 29, 2008, Commerce determined that imports of innersprings from China were being sold at LTFV.<sup>8</sup> On February 19, 2009, the Commission issued its determination that an industry in the United States was materially injured by reason of LTFV imports of innersprings from China.<sup>9</sup> Subsequently, Commerce issued an antidumping duty order on innersprings from China on February 19, 2009.<sup>10</sup>

## Commerce’s final results of expedited five-year reviews

On March 10, 2014, Commerce determined that dumping is likely to continue to recur if the antidumping duty orders on innerspring from China, South Africa, and Vietnam are revoked.<sup>11</sup> Table I-1 presents the weighted-average dumping margins calculated by Commerce in its original investigations and the current reviews.

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<sup>5</sup> *Notice of Final Determination of Sales at Less Than Fair Value: Uncovered Innerspring Units from South Africa*, 73 FR 62481, October 21, 2008 and *Uncovered Innerspring Units from the Socialist Republic of Vietnam: Notice of Final Determination of Sales at Less Than Fair Value*, 73 FR 62479, October 21, 2008.

<sup>6</sup> *Uncovered Innerspring Units from South Africa and Vietnam: Determination*, 73 FR 75132, December 10, 2008.

<sup>7</sup> *Antidumping Duty Order: Uncovered Innerspring Units From South Africa*, 73 FR 75390, December 11, 2008 and *Antidumping Duty Order: Uncovered Innerspring Units From the Socialist Republic of Vietnam*, 73 FR 75391, December 11, 2008.

<sup>8</sup> *Uncovered Innerspring Units from the People's Republic of China: Final Determination of Sales at Less Than Fair Value*, 73 FR 79443, December 29, 2008.

<sup>9</sup> *Uncovered Innerspring Units from China: Determination*, 74 FR 7704, February 19, 2009.

<sup>10</sup> *Uncovered Innerspring Units from the People's Republic of China: Notice of Antidumping Duty Order*, 74 FR 7661, February 19, 2009.

<sup>11</sup> *Uncovered Innerspring Units from the People's Republic of China, South Africa, and Socialist Republic of Vietnam: Final Results of the Expedited Sunset Reviews of the Antidumping Duty Orders*, 79 FR 13277, March 10, 2014.

**Table I-1**

**Innersprings: Commerce's original and five-year weighted-average dumping margins by firm**

<b>Producer/Exporter</b>	<b>Original investigations (percent)</b>	<b>First five-year reviews (percent)</b>
<b>China:</b>		
Anshan Yuhua Industrial Trade Co., Ltd.	164.75	164.75
East Grace Corporation (Exporter);	164.75	164.75
Foshan Jingxin Steel Wire & Spring Co., Ltd.	234.51	234.51
Hebei Yililan Furniture Co., Ltd.	164.75	164.75
Nanjing Meihua Import & Export Trade Co., Ltd.	164.75	164.75
Xilinmen Group Co., Ltd.	164.75	164.75
Zhejiang Sanmen Herod Mattress Co., Ltd.	164.75	164.75
Zibo Senbao Furniture Co., Ltd.	164.75	164.75
PRC-wide (including High Hope Int'l Group Jiangsu Native Produce Imp. Exp. Corp. Ltd. and Jiangsu Soho International Group Holding Co., Ltd.)	234.51	234.51
<b>South Africa:</b>		
Bedding Component Manufacturers (Pty) Ltd.	121.39	121.39
All Others	121.39	121.39
<b>Vietnam:</b>		
Vietnam-wide Rate	116.31	116.31
Source: 74 FR 7661 (China), February 19, 2009, 73 FR 75390 (South Africa), December 11, 2008, 73 FR 75391 (Vietnam), December 11, 2008, and 79 FR 13277, March 10, 2014.		

## Commerce's reviews

Since the original investigations, Commerce has completed three administrative reviews of the antidumping duty order on innersprings from China, as shown in table I-2. On March 29, 2013, Commerce initiated an administrative review for the period of February 1, 2012 to January 31, 2013.<sup>12</sup>

**Table I-2**  
**Innersprings: Commerce's administrative reviews**

Period of review	Action	Manufacturer/Exporter	Firm-specific margin (percent)
Aug. 6, 2008 – Jan. 31, 2010 (76 FR 4290, January 25, 2011)	Administrative review	China-wide rate	234.51
Feb. 1, 2010 – Jan. 31, 2011 (77 FR 21961, April 12, 2011)	Administrative review	Goodnite Sdn Bhd	234.51
Feb. 1, 2012 – Jan. 31, 2013 (78 FR 17635, March 22, 2013)	Administrative review	Tai Wa Hong Group	234.51

On January 21, 2014, Commerce completed an anticircumvention review on innersprings manufactured in Malaysia by Reztec with components and other direct materials, such as helical wires, that originated in China. Commerce determined that innerspring units completed and assembled in Malaysia by Reztec using components from China and exported from Malaysia to the United States are circumventing the antidumping duty order on innersprings from China.<sup>13</sup>

Commerce has not made any findings with regard to duty absorption on innersprings from China, South Africa, or Vietnam.

## Related commission investigations<sup>14</sup>

In 2004, the Commission conducted a China-specific safeguard investigation of uncovered innerspring units from China. In that investigation, the Commission determined that uncovered innerspring units from China were not being imported into the United States in such increased quantities or under such conditions as to cause or threaten to cause market disruption to the domestic producers of like or directly competitive products. The petitioning

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<sup>12</sup> *Initiation of Antidumping and Countervailing Duty Administrative Reviews and Request for Revocation in Part*, 78 FR 19197, March 29, 2013.

<sup>13</sup> *Uncovered Innerspring Units from the People's Republic of China: Affirmative Final Determination of Circumvention of the Antidumping Duty Order*, 79 FR 3345, January 21, 2014.

<sup>14</sup> The information in this section of the report is derived from *Uncovered Innerspring Units from South Africa and Vietnam, Investigation Nos. 731-TA-1141-1142 (Final)*, USITC Publication 4051 (December 2008), p. I-4.

firms in that investigation were Atlas Spring Manufacturing, Gardena, CA; Hickory Springs, Hickory, NC; Leggett & Platt, Carthage, MO; and Joseph Saval Spring & Wire Co., Inc., Taylor, MI.

## THE PRODUCT

### Commerce's Scope

In its antidumping duty orders, Commerce defined the subject merchandise as:

The products covered by the order are uncovered innerspring units composed of a series of individual metal springs joined together in sizes corresponding to the sizes of adult mattresses (e.g., twin long, full, full long, queen California king, and king) and units used in smaller constructions, such as crib and youth mattresses. All uncovered innerspring units are included in this scope regardless of width and length. Included within this definition are innersprings typically ranging from 30.5 inches to 76 inches in width and 68 inches to 84 inches in length. Innersprings for crib mattresses typically range from 25 inches to 27 inches in width and 50 inches to 52 inches in length.

Uncovered innerspring units are suitable for use as the innerspring component in the manufacture of innerspring mattresses, including mattresses that incorporate a foam encasement around the innerspring.

Pocketed and non-pocketed innerspring units are included in this definition. Non-pocketed innersprings are typically joined together with helical wire and border rods. Non-pocketed innersprings are included in this definition regardless of whether they have border rods attached to the perimeter of the innerspring. Pocketed innersprings are individual coils covered by a "pocket" or "sock" of a nonwoven synthetic material or woven material and then glued together in a linear fashion.

Uncovered innersprings are imported under statistical reporting number 9404.29.9010 and have also been imported under statistical reporting numbers 9404.10.0000, 7326.20.00.70, 7320.20.5010, or 7320.90.5010 of the Harmonized Tariff Schedule of the United States (HTSUS).<sup>15</sup>

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<sup>15</sup> *Antidumping Duty Order: Uncovered Innerspring Units From South Africa*, 73 FR 75390, December 11, 2008, *Antidumping Duty Order: Uncovered Innerspring Units From the Socialist Republic of Vietnam*, 73 FR 75391, December 11, 2008, and *Uncovered Innerspring Units from the People's Republic of China: Final Determination of Sales at Less Than Fair Value*, 73 FR 79443, December 29, 2008.

## U.S. tariff treatment

Innersprings that are the subject of these reviews are properly classified in Harmonized Tariff Schedule of the United States (“HTSUS”) subheading 9404.29.90 (statistical reporting numbers 9404.29.9005 and 9404.29.9011) at a general rate of duty of 6 percent *ad valorem*.

## Domestic like product and domestic industry

In its original determination, the Commission defined a single domestic like product consisting of uncovered innerspring units, coextensive with the scope of the investigations.<sup>16</sup>

In its notice of institution for these reviews, the Commission solicited comments from interested parties regarding the appropriate domestic like product and domestic industry. Leggett indicated in its response to the Commission’s notice of institution in these current reviews that it agrees with the definition of the domestic like product and the domestic industry as defined by the Commission in the original investigations.<sup>17</sup> HSM did not comment on the definition of the domestic like product in its response to the notice of institution. No further comment on the domestic like product or domestic industry has been filed with the Commission in this proceeding.

## Description and uses<sup>18</sup>

Uncovered innerspring units are used to manufacture innerspring mattresses. There are non-pocketed innerspring units and pocketed innerspring units. Non-pocketed innerspring units have three major components—the coil, the helical, and the border. The innerspring coils, “generally made from high-carbon steel rod that is drawn to wire of various gauges (i.e., diameter of wire) that typically range from 12.5 gauge (2.05mm) to 15.5 gauge (1.45mm),” are typically joined together with the helical and the border. The helical is “generally made of high-carbon steel wire ranging in thickness of 16.5 gauge (1.29mm) to 18 gauge (1.02mm),” and is bent into a tight spiral and used to lace the individual or continuous coils together (figure I-1). The border, also a wire, typically made of high-carbon steel “ranging in thickness of 6 gauge (4.11mm) to 9 gauge (2.91mm),” is either “attached to the perimeter of the unit using a metal clip or ring, or it can be sewn into the unit using a large diameter helical.” All non-pocketed innerspring units have a helical wire, but not all non-pocketed innerspring units have the wire borders. Innerspring units manufactured from pocketed coils (pocketed innerspring units) are

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<sup>16</sup> *Uncovered Innerspring Units from South Africa and Vietnam, Investigation Nos. 731-TA-1141-1142 (Final)*, USITC Publication 4051 (December 2008), p. 6. In the original investigations, no issues with regard to the definition of the domestic like product were raised. *Ibid.*

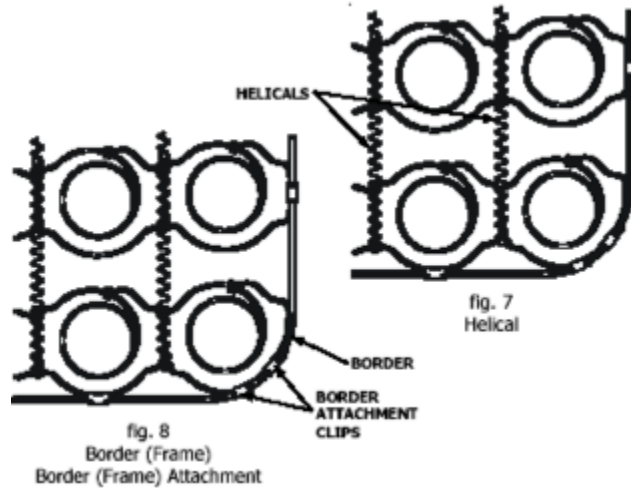
<sup>17</sup> *Leggett’s Response to the Commission’s Notice of Institution*, December 2, 2013, p. 22.

<sup>18</sup> The information in this section of the report is derived from *Uncovered Innerspring Units from South Africa and Vietnam, Investigation Nos. 731-TA-1141-1142 (Final)*, USITC Publication 4051 (December 2008), pp. I-6-11.

units that include “individual coils of steel wire that are covered by non-woven synthetic material and then held together by gluing together a specific number of coils.”

**Figure I-1**

**Innersprings: Formation of innerspring units using helicals and border**



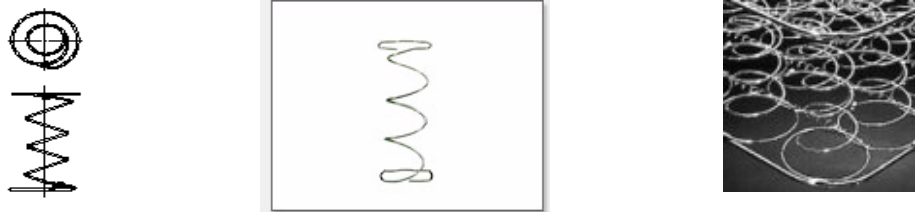
Source: *Uncovered Innerspring Units from South Africa and Vietnam, Investigation Nos. 731-TA-1140-1142 (Final)*, USITC Publication 4051 (December 2008), figure I-1.

There are a variety of types of innerspring coils, non-pocketed types such as Bonnell, offset, LFK, continuous, and the pocketed coil. Bonnell coils are the most commonly used type in the market, and have an hour-glass shape which tapers inward from top to center and then outward from center to bottom (figure I-2). Bonnell coils are generally the lowest priced innerspring units and are the type of coil used in virtually all imported innerspring units. Offset coils have an hour-glass shape like Bonnells, but have flat tops and bottoms. LFK coils have a cylindrical or columnar shape. Continuous coils have entire rows of continuous coils formed from a single piece of wire. This feature is different from the Bonnell, offset, and LFK coils where individual coils are formed then assembled into a row of coils.



**Figure I-2**  
**Types of non-pocketed coils**

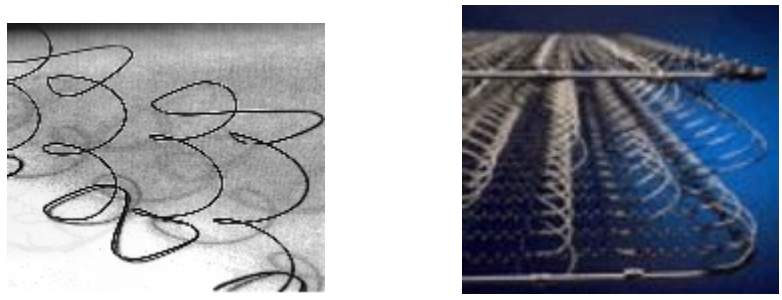
**Bonnell Coil**



**Offset Coil**



**Continuous Coils**



**LFK Coils**



Source: *Uncovered Innerspring Units from South Africa and Vietnam, Investigation Nos. 731-TA-1141-1142 (Final)*, USITC Publication 4051 (December 2008), figure I-2.

Pocketed innerspring units manufactured from pocketed coils include “individual coils of steel wire that are covered by non-woven synthetic material and then held together by gluing together a specific number of coils,” which are then assembled to the size of the innerspring unit (figure I-3). Pocketed coils are also known as Marshall coils and are individual coils that generally have a cylindrical shape and are knotted and inserted into a fabric “pocket.”

**Figure I-3**  
**Pocketed coils**



Source: *Uncovered Innerspring Units from South Africa and Vietnam, Investigation Nos. 731-TA-1140-1142 (Final)*, USITC Publication 4051 (December 2008), figure I-3.

### **Manufacturing process<sup>19</sup>**

Both non-pocketed and pocketed innerspring units are manufactured using a similar production process. In the first stage, high carbon steel rod is manufactured into wire. In this process, the rod is pulled through a series of dies until the desired diameter and tensile strength are achieved. The wire is shipped on large carriers called standards. This wire is sometimes purchased from suppliers and sometimes produced by the innerspring manufacturers themselves.

In the next stage, wire is fed into a machine by means of steel feed wheels, which push the wire against a pin that is controlled by a mechanical cam that bends the wire into a spiraled coil. This spiraled coil is then moved mechanically to a forming or knotting station for processing. Once completed, the finished coil is either automatically fed into an assembly machine or manually placed into a container or another machine.

The coils are fed into an assembler where they are held in a fixture that allows the helical to lace or sew a specific number of coils together. The assembler will then index the completed row of coils in preparation for the next row to be fed and attached to the previous. Once the finished size of an innerspring unit is reached, the assembled coils are ejected from the machine.

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<sup>19</sup> The information in this section of the report is derived from *Uncovered Innerspring Units from South Africa and Vietnam, Investigation Nos. 731-TA-1140-1142 (Final)*, USITC Publication 4051 (December 2008), pp. I-11-12.

To form the border, heavy gauge wire is mechanically straightened, cut to length, and then bent, either manually or mechanically, into a rectangular shape. The ends of the wire are either welded or held together using a metal ring. The border is attached to the assembled coils using a metal clip, metal ring, or large diameter helical. Finally, the innerspring is often tempered according to manufacturer or customer requirements in large tempering ovens, although some manufacturers electrically temper innersprings during the forming process. Tempering allows the formed wire to retain its shape and “removes the stresses set during the manufacturing process.”

For pocketed innerspring units, the individual coils are inserted into non-woven fabric “pockets.” The individual coils (whether pocketed or non-pocketed) are then assembled into the size that corresponds to the final mattresses. After assembly, non-pocketed coils are laced together using helical wires, while pocketed coils are glued together. The same manufacturing employees have the capability to produce both pocketed and non-pocketed innerspring units.

The production process of an innerspring unit can be automatic, semi-automatic, and/or manual. Production in the United States is completely automated, or on fully automated innerspring production equipment (coiling, knotting, heat treating of coils, and assembly of the final innerspring unit). In a semi-automatic production process, a machine will form the coil, knot, and heat treat the coils. Manual labor is then required to feed coils into an assembly machine that is separate from the coiling machinery that completes the assembly of the unit to the designated size. In the manual innerspring manufacturing process, machines are used to form the coil and knot the coil, but heat treatment is performed in an oven after the innerspring unit is formed. Helical wires are then manually laced through the coils.

In these reviews, Leggett reported that no major changes in production technology or production methods have occurred since the original investigations. It also reported that the end uses of innersprings has remained the same since the original investigations.<sup>20</sup>

### **Interchangeability and customer and producer perceptions**

In the original investigations, U.S. producer and importer questionnaire respondents reported that there was general interchangeability between U.S.-produced, Chinese, South African, and Vietnamese uncovered innerspring units. Customers and producers consider non-pocketed and pocketed innerspring units to be interchangeable or fungible products, and mattress manufacturers will produce mattresses with different innersprings based on consumer preferences.<sup>21</sup> The Commission determined that the record indicated sufficient fungibility among the subject imports from China, South Africa, and Vietnam, and between the subject imports and the domestic like product.<sup>22</sup>

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<sup>20</sup> *Leggett’s Response to the Commission’s Notice of Institution*, December 2, 2013, p. 21.

<sup>21</sup> *Uncovered Innerspring Units from South Africa and Vietnam, Investigation Nos. 731-TA-1141-1142 (Final)*, USITC Publication 4051 (December 2008), p. I-13.

<sup>22</sup> *Uncovered Innerspring Units from South Africa and Vietnam, Investigation Nos. 731-TA-1141-1142 (Final)*, USITC Publication 4051 (December 2008), p. 10.

Both Leggett and HSM had new innerspring developments since the original investigations. Leggett introduced the “VertiCoil Edge” innerspring product in 2010.<sup>23</sup> According to Leggett, the “VertiCoil Edge is designed to create a mattress with an equal distribution of firmness. Its unique shape creates a comfortable sleep surface that firms and responds to the body as weight is applied. The Active Support Technology™ found in VertiCoil Edge immediately reacts to natural sleep movements, adjusting itself for proper spinal alignment.”<sup>24</sup> HSM listed that it introduced the “ProACT” innerspring product in 2012, featuring patented InChex technology to provide increased stability, eliminate roll together and enhance body conformability.<sup>25</sup>

### **Channels of distribution**

In the original investigations, the vast majority of shipments of uncovered innerspring units by U.S. producers and importers went to end users for the production of mattresses, with only a limited quantity sold to distributors. The Commission determined that there was an overlap in the channels of distribution for subject imports from China, South Africa, and Vietnam and the domestic like product.<sup>26</sup>

### **Pricing and related information<sup>27</sup>**

In the original investigations, the Commission collected price data for nine products. The Commission collected quarterly weighted average pricing data, receiving usable data from five U.S. producers, 17 importers of innersprings from China, and one importer of innersprings from Vietnam, although not all firms reported pricing for all products for all quarters. No importer from South Africa provided usable pricing data. Products imported from China and Vietnam undersold the U.S.-produced product in 166 of 180 quarterly comparisons, with margins ranging from 0.8 percent to 56.1 percent.

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<sup>23</sup> Leggett developed its own computerized wire-forming machinery to produce VertiCoil Edge, according to trade publication, Furniture Today. See Perry, David, “Leggett & Platt Introducing VertiCoil Edge,” *Furniture Today*, March 1, 2010.

<sup>24</sup> See <http://furninfo.com/Furniture%20World%20Archives/11221>.

<sup>25</sup> *HSM’s Supplement to its Response to the Commission’s Notice of Institution*, January 3, 2014, p. 4.

<sup>26</sup> *Uncovered Innerspring Units from South Africa and Vietnam, Investigation Nos. 731-TA-1141-1142 (Final)*, USITC Publication 4051 (December 2008), p. 11.

<sup>27</sup> The information in this section of the report is derived from *Uncovered Innerspring Units from South Africa and Vietnam, Investigation Nos. 731-TA-1141-1142 (Final)*, USITC Publication 4051 (December 2008), pp. 20-21.

## THE INDUSTRY IN THE UNITED STATES

### U.S. producers

In the original investigations, eight firms were known to be U.S. producers. They were: (1) Dixie Bedding/King Koil, (2) Eastern Sleep Products Co., Inc. (“Eastern”),<sup>28</sup> (3) HSM, (4) Leggett, (5) Sealy, (6) Simmons, (7) Spring Co., Inc., and (8) Texas Pocket Springs. Responses were received from all eight firms believed to account for all U.S. production of innersprings during January 2005-March 2008. Sealy has since been acquired by Tempur- Pedic, a leading specialty (non-innerspring) mattress producer, which has changed its name to Tempur Sealy International.<sup>29</sup>

In its response to the Commission’s notice of institution, Leggett listed 23 additional firms that produce innersprings in the United States, many of which are “maker users.”<sup>30</sup> This list includes many small U.S. producers of innersprings, as well as all of the eight firms listed above, except for Eastern.<sup>31</sup>

### U.S. producers’ trade and financial data

The Commission requested domestic interested parties to provide trade and financial data in their response to the notice of institution of the five-year reviews of the subject orders. Table I-3 presents the data reported by U.S. producers from both the original investigation (2005-07) and the response to the notice of institution (2012). The table presents data provided by \*\*\* firms for the period 2005-07, and presents data for 2012 for Leggett.<sup>32</sup>

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<sup>28</sup> In the original investigations, \*\*\*. *Uncovered Innerspring Units from South Africa and Vietnam, Investigation Nos. 731-TA-1140-1142 (Final)*, Staff Report, INV-FF-144, November 10, 2008, table III-1. Eastern remains in business as a mattress manufacturer.

<sup>29</sup> Tempur-Pedic Press Release, *Tempur-Pedic Completes Acquisition of Sealy*, March 18, 2013, available at <http://investor.tempurpedic.com/releasedetail.cfm?ReleaseID=749134>.

<sup>30</sup> The innerspring industry in the United States is comprised of two groups of manufacturers: (1) bedding suppliers that produce innersprings to supply mattress manufacturers and (2) maker/users that produce innersprings for internal consumption in the production of finished mattresses. Maker/users may buy innersprings from other U.S. producers at certain times to supplement their own production. *Uncovered Innerspring Units from South Africa and Vietnam, Investigation Nos. 731-TA-1140-1142 (Final)*, Staff Report, INV-FF-144, November 10, 2008, p. II-2.

<sup>31</sup> *Leggett’s Response to the Commission’s Notice of Institution*, December 2, 2013, p. 19 & exh. 8.

<sup>32</sup> In 2012, Leggett’s production in the United States accounted for approximately \*\*\* percent by quantity and \*\*\* percent by value of the entire domestic industry of innersprings (including both producers that sell on the open market and maker/users). *Leggett’s Response to the Commission’s Notice of Institution*, December 2, 2013, p. 20 and exh. 2.

**Table I-3**  
**Innersprings: U.S. producers' trade and financial data, 2005-07 and 2012**

Item	2005	2006	2007	2012
Capacity (1,000 units)	26,797	24,230	24,113	***
Production (1,000 units)	20,968	19,719	19,019	***
Capacity utilization (percent)	78.2	81.4	78.9	***
U.S. shipments				
Quantity (1,000 units)	***	***	***	***
Value (\$1,000)	***	***	***	***
Unit value (dollars per unit)	***	***	***	***
Net sales value (\$1,000 dollars)	592,106	547,081	534,965	***
Cost of goods sold (COGS) (\$1,000)	462,896	459,009	452,966	***
Gross profit or (loss) (\$1,000)	129,210	88,072	81,999	***
SG&A (\$1,000)	38,077	37,061	43,932	***
Operating income or (loss) (\$1,000)	91,133	51,011	38,067	***
COGS/sales (percent)	78.2	83.9	84.7	***
Operating income or (loss)/sales (percent)	15.4	9.3	7.1	***

Source: *Uncovered Innerspring Units from South Africa and Vietnam, Investigation Nos. 731-TA-1141-1142 (Final)*, USITC Publication 4051 (December 2008), table C-1, *Uncovered Innerspring Units from South Africa and Vietnam, Investigation Nos. 731-TA-1140-1142 (Final)*, Staff Report, INV-FF-144, November 10, 2008, table III-3, and *Leggett's Response To The Notice Of Institution*, December 2, 2013, exh. 8.

### Related party issues

In the original investigations, one domestic producer, Leggett, was affiliated with foreign producers of the subject merchandise, and two domestic producers, \*\*\* and \*\*\*, reported that they imported subject merchandise during the period of investigation. The Commission found that Leggett was not a related party because although it owned innerspring production facilities in China and South Africa, it \*\*\*. The Commission found \*\*\* and \*\*\* to be related parties, but found that appropriate circumstances did not exist to exclude them from the domestic industry, because the evidence indicated that their interests lay more in domestic production than in importation.<sup>33</sup>

In its response to the notice of institution, Leggett reported that although it owns innerspring manufacturing facilities in China and South Africa, it did not import from China, South Africa, or Vietnam since the imposition of the antidumping duty orders.<sup>34</sup>

<sup>33</sup> *Uncovered Innerspring Units from South Africa and Vietnam, Investigation Nos. 731-TA-1141-1142 (Final)*, USITC Publication 4051 (December 2008), p. 6-8.

<sup>34</sup> *Leggett's Response to the Commission's Notice of Institution*, December 2, 2013, pp. 2-3.

## U.S. IMPORTS AND APPARENT CONSUMPTION

### U.S. imports

In the original investigations, the Commission received U.S. importer questionnaires from 23 firms that were believed to account for \*\*\* percent of U.S. imports from China, \*\*\* percent from South Africa, \*\*\* percent from Vietnam, and \*\*\* percent from nonsubject sources when compared to official Commerce statistics. Of the 23 firms, 21 reported U.S. imports from China, one reported U.S. imports from South Africa, and one reported U.S. imports from Vietnam.<sup>35</sup>

In its response to the Commission's notice of institution in this review, Leggett provided a list of four firms<sup>36</sup> which it believes may be importing innersprings into the United States.<sup>37</sup> Leggett observed that the volume of U.S. imports of innersprings from China, South Africa, and Vietnam sharply decreased following the imposition of antidumping duties. Leggett stated that currently, U.S. imports from all sources are virtually nonexistent.<sup>38</sup>

### Ratio of imports to U.S. production

The ratio of subject imports of innersprings from China to reported U.S. production was less than \*\*\* percent in 2012, with no subject imports from South Africa and Vietnam. The ratio of imports of innersprings from nonsubject sources to reported U.S. production was \*\*\* percent in 2012.

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<sup>35</sup> *Uncovered Innerspring Units from South Africa and Vietnam, Investigation Nos. 731-TA-1140-1142 (Final)*, Staff Report, INV-FF-144, November 10, 2008, p. IV-1.

<sup>36</sup> These firms are: (1) Jiangsu Powyard Sports Equipment Co.; (2) Babys Dream Furniture, Inc.; (3) East Grace Tech Corp.; and (4) Pacific Sales, Inc. *Leggett's Response to the Commission's Notice of Institution*, December 2, 2013, exh. 9.

<sup>37</sup> *Leggett's Response to the Commission's Notice of Institution*, December 2, 2013, p. 19 and exh. 9. Leggett conceded that with official U.S. import statistics reporting zero U.S. imports from subject countries, it is unsure if the listed four firms have been importing. *Ibid.* at p. 19.

<sup>38</sup> *Leggett's Response to the Commission's Notice of Institution*, December 2, 2013, p. 4.

## Apparent U.S. consumption and market shares

During the original investigations, total apparent U.S. consumption<sup>39</sup> of uncovered innerspring units dropped by \*\*\* percent on a quantity basis and \*\*\* percent on a value basis during 2005-07. US. producers' market share, based on quantity, decreased from \*\*\* percent in 2005 to \*\*\* percent in 2007. The market share of the subject countries, based on quantity, increased from \*\*\* percent in 2005 to \*\*\* percent in 2007.

According to Leggett, demand for innerspring units is directly correlated with sales of innerspring mattresses and thus continues to be tied to trends in the housing market and overall economic activity. According to industry trade press, the global mattress industry experienced a rapid decrease in sales in 2008 and 2009 due largely to the recession, followed by a recovery in 2010 energized by improved economic conditions.<sup>40</sup> Leggett, citing International Sleep Products Association (ISPA) data, reported that sales of innerspring mattresses, declined by 14 percent, by volume, and 6 percent, by value, from 2007 to 2012.<sup>41</sup> Although innerspring mattress sales have not surpassed pre-recession levels, from 2009 to 2012, sales of innerspring mattresses grew 2 percent, by volume, and 9 percent, by value, according to ISPA data.<sup>42</sup> Preliminary reports indicate consumption of innerspring mattresses also grew in 2013, due in part to increasing consumer demand for "hybrid" mattresses, which combine specialty foams and gels with innersprings.<sup>43</sup> Data regarding U.S. shipments, U.S. imports, and apparent consumption of innersprings are presented in table I-4.

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<sup>39</sup> Includes internally consumed (captive) shipments of domestic producers.

<sup>40</sup> The industry trade press describes the global mattress market as exhibiting healthy growth in sales, beginning in 2010, brought about by increased discretionary spending, GDP growth, improvement in liquidity, low interest rates, continued urbanization, pent-up consumer demand, increased infrastructure spending, and expected recovery in construction. See <http://bedroomretailers.com/industry-update/globalmattresses-market-to-reach-24-65-billion-by-2017/938>; *Leggett's Response to the Commission's Notice of Institution*, December 2, 2013, exh. 3.

<sup>41</sup> *Leggett's Response to the Commission's Notice of Institution*, December 2, 2013, p. 7 and exh. 3.

<sup>42</sup> Based on ISPA data provided in *Leggett's Response to the Commission's Notice of Institution*, December 2, 2013, exh. 3.

<sup>43</sup> Perry, David, "Innerspring Achieves Rare Win in 2013," *Furniture Today*, January 6, 2014. Innerspring mattresses accounted for 84 percent of unit mattress shipments in the United States in 2012, yet non-innerspring ("specialty") mattresses have experienced more rapid growth over the last decade. Industry analysts are suggesting however, that consumer/retailer demand for hybrid mattresses may lend to a resurgence of the innerspring segment. See *id.*



**Table I-4  
Innersprings: U.S. producers' U.S. shipments, U.S. imports, and apparent U.S. consumption, 2007  
and 2012**

<b>Item</b>	<b>2007</b>	<b>2012</b>
	<b>Quantity (1,000 units)</b>	
U.S. producers' U.S. shipments	***	***
U.S. imports China	***	6
South Africa	***	0
Vietnam	***	0
Nonsubject sources <sup>1</sup>	***	541
Total imports	***	548
Apparent U.S. consumption	20,907	***
	<b>Value (1,000 dollars)<sup>1</sup></b>	
U.S. producers' U.S. shipments	***	***
U.S. imports China	***	202
South Africa	***	0
Vietnam	***	0
Nonsubject sources <sup>1</sup>	***	13,103
Total imports	***	13,305
Apparent U.S. consumption	557,617	***
	<b>Share of consumption based on quantity (percent)</b>	
U.S. producers' U.S. shipments	***	***
U.S. imports China	***	***
South Africa	***	0
Vietnam	***	0
Nonsubject sources <sup>1</sup>	***	***
Total imports	***	***
<sup>1</sup> The primary nonsubject sources during 2012 were Cambodia, Malaysia, and Taiwan. <sup>2</sup> Less than 0.01 percent.  Note.--U.S. import data are from HTS statistical reporting numbers 9404.29.9005 and 9404.29.9011. These HTS numbers represent a clean match to the scope of the product, but would not take into account innersprings improperly categorized elsewhere.  Source: Compiled from data presented in the original staff report, Leggett's response to the notice of institution, exh. 1, and official Commerce statistics.		

## THE INDUSTRY IN CHINA

In the original investigations, the petition listed 24 firms (4 owned by Leggett) believed to be producing innersprings in China. The Commission received foreign producer questionnaire responses from five firms; (1) Zhaoyuan Soft Furniture Co.; (2) Leggett & Platt Bedding Group, (3) Beijing Building Materials Import & Export Co., Ltd.; (4) Zhejiang Shaoxing Huaweimei Furniture Co., Ltd.; and, (5) Zouping Shunhe Furniture Co., Ltd. The five responding producers in China reported a capacity of approximately \*\*\* units.<sup>44</sup> These firms reported exports to the United States that were equivalent to 6.7 percent of reported U.S. imports of innersprings from China in 2007.

Leggett identified 25 Chinese producers/exporters of innersprings.<sup>45</sup> Leggett indicated in its response to the Commission's notice of institution that the Chinese industry's capacity to produce innersprings has since expanded significantly since the original investigations.<sup>46</sup> Leggett, citing capacity and production data provided by the various Chinese companies from their websites, claimed that Chinese capacity in 2012 reached approximately \*\*\* units and production \*\*\* units.<sup>47</sup> The Commission did not receive any responses to the notice of institution from foreign producers or exporters in China and no additional information is available on China's capacity or production of innersprings specifically. More generally, a Chinese mattress trade show reports that the Chinese mattress industry has grown by 25 percent "in recent years," with output valued at 14 billion yuan (approximately \$2.3 billion).<sup>48</sup> Market research indicates that 72 percent of mattresses produced in China contain innersprings, usually in combination with foam.<sup>49</sup>

## THE INDUSTRY IN SOUTH AFRICA

In the original investigations, the petition listed four South African firms believed to be producing innersprings. Two firms (\*\*\*) provided data and accounted for 100 percent of U.S. exports to the United States in 2007.

In these reviews, Leggett listed four firms in South Africa that produce innersprings. The Commission did not receive any responses to the notice of institution from foreign producers or

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<sup>44</sup> *Uncovered Innerspring Units from South Africa and Vietnam, Investigation Nos. 731-TA-1140-1142 (Final)*, Staff Report, INV-FF-144, November 10, 2008, p. VII-2.

<sup>45</sup> *Leggett's Response to the Commission's Notice of Institution*, December 2, 2013, exh. 10.

<sup>46</sup> \*\*\*. *Leggett's Response to the Commission's Notice of Institution*, December 2, 2013, p. 21.

<sup>47</sup> *Leggett's Response to the Commission's Notice of Institution*, December 2, 2013, p. 16.

<sup>48</sup> See website for Guangzhou International Mattress Exhibition 2013, <http://www.cimechina.net/en/About.asp?id=5> (accessed on February 25, 2014). Fourteen billion Chinese Yuan is approximately equal to \$2.3 billion U.S. dollars as of February 25, 2014.

<sup>49</sup> See World Furniture Online, <http://www.worldfurnitureonline.com/showPage.php?template=reports&id=5787&masterPage=report.html> (accessed February 25, 2014).

exporters in South Africa, but Leggett provided the Commission with some information on its subsidiary in South Africa, Leggett Spring. \*\*\*.<sup>50</sup> It estimated that due to overall poor economic conditions, the demand for innersprings in South Africa has dropped \*\*\* percent in 2012 and \*\*\* percent in 2013 thereby increasing South African excess capacity.<sup>51</sup> According to *World Furniture Online*, South Africa may serve as a base from which to export products to other African countries, potentially linking growth of its mattress industry to demand across the continent.<sup>52</sup>

## THE INDUSTRY IN VIETNAM

In the original investigations, the petition listed eight firms believed to be producing innersprings in Vietnam. Only one firm, \*\*\*, responded and its reported exports to the United States were equivalent to \*\*\* percent of U.S. imports of innerspring from Vietnam in 2007. \*\*\*. In its response to the Commission's notice of institution, Leggett listed 11 firms that it believed produced innersprings in Vietnam. The Commission did not receive any responses to the notice of institution from foreign producers or exporters in Vietnam and no public sources exist to provide current information on Vietnam's capacity and production of innersprings.

### Trade remedy measures in third-country markets

During the original investigations, there were no antidumping duty findings or antidumping remedies imposed on innersprings from China, South Africa, or Vietnam. In 2009, Canada imposed antidumping duties on innersprings from China. The duty, currently in effect, is 147.4 percent.<sup>53</sup>

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<sup>50</sup> *Leggett's Response to the Commission's Notice of Institution*, December 2, 2013, p. 21.

<sup>51</sup> *Leggett's Response to the Commission's Notice of Institution*, December 2, 2013, p. 17.

<sup>52</sup> For example, mattress company Restonic plans to expand throughout the African market. Salgado, Brian, "Early to Bed," *Manufacturing Today*, Spring 2011. See also South Africa Furniture Outlook description, World Furniture Online, <http://www.worldfurnitureonline.com/showPage.php?template=reports&id=87&masterPage=report-countries.html> (accessed February 25, 2014).

<sup>53</sup> *Leggett's Response to the Commission's Notice of Institution*, December 2, 2013, p. 18 and exh. 7 and *Canada's Semi-Annual Report to the World Trade Organization under Article 16.4 of the Antidumping Agreement*, WTO document number G/ADP/N/252/CAN, March 3, 2014.



**APPENDIX A**

***FEDERAL REGISTER NOTICES***



The Commission makes available notices relevant to its investigations and reviews 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 during the current proceeding.

Citation	Title	Link
FR 65711 November 1, 2013	<i>Uncovered Innerspring Units From China, South Africa, and Vietnam Institution of Five-Year Reviews</i>	<a href="http://www.gpo.gov/fdsys/pkg/FR-2013-11-01/pdf/2013-26103.pdf">http://www.gpo.gov/fdsys/pkg/FR-2013-11-01/pdf/2013-26103.pdf</a>
78 FR 65614 November 1, 2013	<i>Initiation of Five-Year ("Sunset") Review</i>	<a href="http://www.gpo.gov/fdsys/pkg/FR-2013-11-01/pdf/2013-26240.pdf">http://www.gpo.gov/fdsys/pkg/FR-2013-11-01/pdf/2013-26240.pdf</a>
79 FR 11466 February 28, 2014	Commission's determination to conduct expedited five-year reviews	<a href="http://www.gpo.gov/fdsys/pkg/FR-2014-02-28/pdf/2014-04337.pdf">http://www.gpo.gov/fdsys/pkg/FR-2014-02-28/pdf/2014-04337.pdf</a>
79 FR 13277 March 10, 2014	Commerce's final result of expedited five-year reviews of the antidumping duty orders on imports from China, South Africa, and Vietnam	<a href="http://www.gpo.gov/fdsys/pkg/FR-2014-03-10/pdf/2014-05144.pdf">http://www.gpo.gov/fdsys/pkg/FR-2014-03-10/pdf/2014-05144.pdf</a>
<p>Note.--The press release announcing the Commission's determinations concerning adequacy and the conduct of a full or expedited review can be found at <a href="http://usitc.gov/press_room/news_release/2014/er0204mm3.htm">http://usitc.gov/press_room/news_release/2014/er0204mm3.htm</a>. A summary of the Commission's votes concerning adequacy and the conduct of a full or expedited review can be found at <a href="http://pubapps2.usitc.gov/sunset/caseProfSuppAttmnt/download/11452">http://pubapps2.usitc.gov/sunset/caseProfSuppAttmnt/download/11452</a>. The Commission's explanation of its determinations can be found at <a href="http://iapps2.usitc.gov/sunset/caseProfSuppAttmnt/download/11643">http://iapps2.usitc.gov/sunset/caseProfSuppAttmnt/download/11643</a>.</p>		





**APPENDIX B**  
**STATEMENT ON ADEQUACY**



## EXPLANATION OF COMMISSION DETERMINATION ON ADEQUACY

in

*Uncovered Innerspring Units from China, South Africa, and Vietnam  
Investigation Nos. 731-TA-1140-1142 (Review)*

On February 4, 2014, the Commission<sup>1</sup> unanimously determined to conduct expedited reviews in the subject five-year reviews pursuant to section 751(c)(3)(B) of the Tariff Act of 1930, as amended, 19 U.S.C. §1675(c)(3)(B).

The Commission received separate responses to its notice of institution filed by Leggett & Platt, Incorporated (“Leggett”), the petitioner in the original investigations, and Hickory Springs Manufacturing Company (“HSM”), a domestic producer of innersprings. The Commission found that the individual response of Leggett was adequate and that the individual response of HSM was inadequate. Because the Commission received an adequate response from Leggett, an interested party accounting for a substantial share of U.S. production of uncovered innerspring units, the Commission determined that the domestic interested party group response was adequate.

The Commission also unanimously determined that the respondent interested party group response for each review was inadequate, as no respondent interested party filed a response to the notice of institution.

The Commission did not find any circumstances that would warrant conducting full reviews. The Commission, therefore, decided to conduct expedited reviews of these orders.

A record of the Commissioners' votes is available from the Office of the Secretary and the Commission's web site ([www.usitc.gov](http://www.usitc.gov)).

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<sup>1</sup> Commissioner Aranoff did not participate in this vote.



## **APPENDIX C**

### **SUMMARY DATA FROM THE ORIGINAL INVESTIGATIONS**



**Table C-1**

**Innersprings: Summary data concerning the U.S. market, 2005-07, January-June 2007, and January-June 2008**

(Quantity=1,000 units, value=1,000 dollars, unit values, unit labor costs, and unit expenses are per unit; period changes=percent, except where noted)

Item	Reported data					Period changes			
	2005	2006	2007	January-June		2005-07	2005-06	2006-07	Jan.-June 2007-08
				2007	2008				
<b>U.S. consumption quantity:</b>									
Amount . . . . .	22,339	21,593	20,907	10,613	10,302	-6.4	-3.3	-3.2	-2.9
Producers' share (1) . . . . .	*****	*****	*****	*****	*****	*****	*****	*****	*****
<b>Importers' share (1):</b>									
China . . . . .	*****	*****	*****	*****	*****	*****	*****	*****	*****
South Africa . . . . .	*****	*****	*****	*****	*****	*****	*****	*****	*****
Vietnam . . . . .	*****	*****	*****	*****	*****	*****	*****	*****	*****
Subtotal . . . . .	*****	*****	*****	*****	*****	*****	*****	*****	*****
All other sources . . . . .	*****	*****	*****	*****	*****	*****	*****	*****	*****
Total imports . . . . .	*****	*****	*****	*****	*****	*****	*****	*****	*****
<b>U.S. consumption value:</b>									
Amount . . . . .	604,246	570,998	557,617	281,284	288,839	-7.7	-5.5	-2.3	2.7
Producers' share (1) . . . . .	*****	*****	*****	*****	*****	*****	*****	*****	*****
<b>Importers' share (1):</b>									
China . . . . .	*****	*****	*****	*****	*****	*****	*****	*****	*****
South Africa . . . . .	*****	*****	*****	*****	*****	*****	*****	*****	*****
Vietnam . . . . .	*****	*****	*****	*****	*****	*****	*****	*****	*****
Subtotal . . . . .	*****	*****	*****	*****	*****	*****	*****	*****	*****
All other sources . . . . .	*****	*****	*****	*****	*****	*****	*****	*****	*****
Total imports . . . . .	*****	*****	*****	*****	*****	*****	*****	*****	*****
<b>U.S. shipments of imports from:</b>									
<b>China:</b>									
Quantity . . . . .	*****	*****	*****	*****	*****	*****	*****	*****	*****
Value . . . . .	*****	*****	*****	*****	*****	*****	*****	*****	*****
Unit value . . . . .	*****	*****	*****	*****	*****	*****	*****	*****	*****
Ending inventory quantity . . . . .	*****	*****	*****	*****	*****	*****	*****	*****	*****
<b>South Africa:</b>									
Quantity . . . . .	*****	*****	*****	*****	*****	*****	*****	*****	*****
Value . . . . .	*****	*****	*****	*****	*****	*****	*****	*****	*****
Unit value . . . . .	*****	*****	*****	*****	*****	*****	*****	*****	*****
Ending inventory quantity . . . . .	*****	*****	*****	*****	*****	*****	*****	*****	*****
<b>Vietnam:</b>									
Quantity . . . . .	*****	*****	*****	*****	*****	*****	*****	*****	*****
Value . . . . .	*****	*****	*****	*****	*****	*****	*****	*****	*****
Unit value . . . . .	*****	*****	*****	*****	*****	*****	*****	*****	*****
Ending inventory quantity . . . . .	*****	*****	*****	*****	*****	*****	*****	*****	*****
<b>Subtotal:</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 . . . . .	*****	*****	*****	*****	*****	*****	*****	*****	*****

Table continued on next page.

Table C-1--Continued

Innersprings: Summary data concerning the U.S. market, 2005-07, January-June 2007, and January-June 2008

(Quantity=1,000 units, value=1,000 dollars, unit values, unit labor costs, and unit expenses are per unit; period changes=percent, except where noted)

Item	Reported data					Period changes			
	2005	2006	2007	January-June		2005-07	2005-06	2006-07	Jan.-June 2007-08
				2007	2008				
U.S. producers:									
Average capacity quantity . . . . .	26,797	24,230	24,113	12,281	13,271	-10.0	-9.6	-0.5	8.1
Production quantity . . . . .	20,968	19,719	19,019	10,030	10,012	-9.3	-6.0	-3.6	-0.2
Capacity utilization (1) . . . . .	78.2	81.4	78.9	81.7	75.4	0.6	3.1	-2.5	-6.2
U.S. shipments:									
Quantity . . . . .	*****	*****	*****	*****	*****	*****	*****	*****	*****
Value . . . . .	*****	*****	*****	*****	*****	*****	*****	*****	*****
Unit value . . . . .	*****	*****	*****	*****	*****	*****	*****	*****	*****
Export shipments:									
Quantity . . . . .	*****	*****	*****	*****	*****	*****	*****	*****	*****
Value . . . . .	*****	*****	*****	*****	*****	*****	*****	*****	*****
Unit value . . . . .	*****	*****	*****	*****	*****	*****	*****	*****	*****
Ending inventory quantity . . . . .	*****	*****	*****	*****	*****	*****	*****	*****	*****
Inventories/total shipments (1) . . . . .	*****	*****	*****	*****	*****	*****	*****	*****	*****
Production workers . . . . .	2,820	2,826	2,970	3,086	2,878	5.3	0.2	5.1	-6.7
Hours worked (1,000s) . . . . .	5,746	5,689	6,000	3,090	2,882	4.4	-1.0	5.5	-6.7
Wages paid (\$1,000s) . . . . .	80,081	80,320	87,088	44,684	42,611	8.7	0.3	8.4	-4.6
Hourly wages . . . . .	\$13.94	\$14.12	\$14.51	\$14.46	\$14.78	4.1	1.3	2.8	2.2
Productivity (units per hour) . . . . .	3.6	3.5	3.2	3.2	3.5	-13.1	-5.0	-8.6	7.0
Unit labor costs . . . . .	\$3.82	\$4.07	\$4.58	\$4.46	\$4.26	19.9	6.6	12.4	-4.5
Net sales:									
Quantity . . . . .	20,825	19,616	19,147	9,881	9,855	-8.1	-5.8	-2.4	-0.3
Value . . . . .	592,106	547,081	534,965	272,369	283,791	-9.7	-7.6	-2.2	4.2
Unit value . . . . .	\$28.43	\$27.89	\$27.94	\$27.57	\$28.80	-1.7	-1.9	0.2	4.5
Cost of goods sold (COGS) . . . . .	462,896	459,009	452,966	229,307	236,158	-2.1	-0.8	-1.3	3.0
Gross profit or (loss) . . . . .	129,210	88,072	81,999	43,062	47,633	-36.5	-31.8	-6.9	10.6
SG&A expenses . . . . .	38,077	37,061	43,932	21,962	23,441	15.4	-2.7	18.5	6.7
Operating income or (loss) . . . . .	91,133	51,011	38,067	21,100	24,192	-58.2	-44.0	-25.4	14.7
Capital expenditures . . . . .	*****	*****	*****	*****	*****	*****	*****	*****	*****
Unit COGS . . . . .	\$22.23	\$23.40	\$23.66	\$23.21	\$23.96	6.4	5.3	1.1	3.3
Unit SG&A expenses . . . . .	\$1.83	\$1.89	\$2.29	\$2.22	\$2.38	25.5	3.3	21.4	7.0
Unit operating income or (loss) . . . . .	\$4.38	\$2.60	\$1.99	\$2.14	\$2.45	-54.6	-40.6	-23.5	15.0
COGS/sales (1) . . . . .	78.2	83.9	84.7	84.2	83.2	6.5	5.7	0.8	-1.0
Operating income or (loss)/ sales (1) . . . . .	15.4	9.3	7.1	7.7	8.5	-8.3	-6.1	-2.2	0.8

(1) "Reported data" are in percent and "period changes" are in percentage points.

(2) Not applicable.

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.



**Table C-2**

**Innersprings: Summary data concerning the U.S. merchant market, 2005-07, January-June 2007, and January-June 2008**

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