

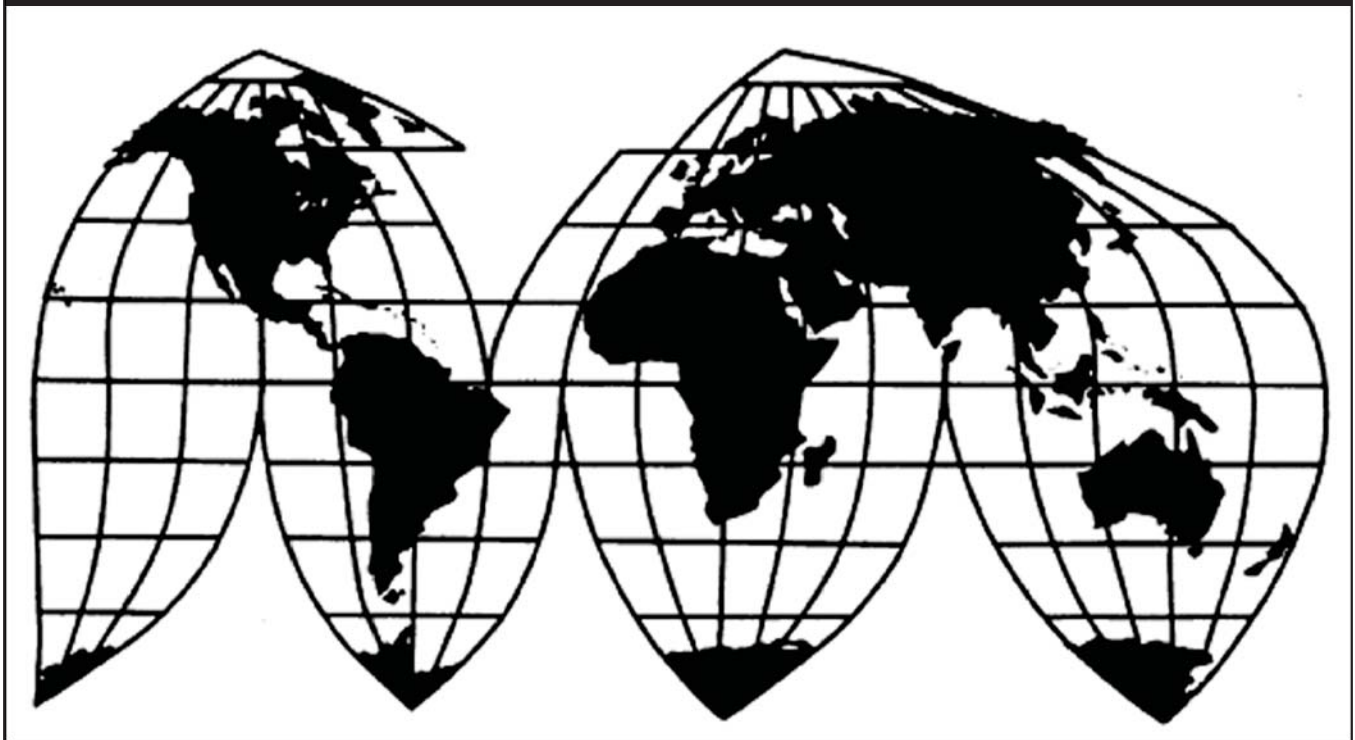
# **Boltless Steel Shelving Units Prepackaged for Sale from China**

Investigation Nos. 701-TA-523 and 731-TA-1259 (Final)

**Publication 4565**

**October 2015**

**U.S. International Trade Commission**



Washington, DC 20436

# U.S. International Trade Commission

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Note.—Information that would reveal confidential operations of individual concerns may not be published and therefore has been deleted. Such deletions are indicated by asterisks.



# UNITED STATES INTERNATIONAL TRADE COMMISSION

Investigation Nos. 701-TA-523 and 731-TA-1259 (Final)

Boltless Steel Shelving Units Prepackaged for Sale from China

## DETERMINATIONS

On the basis of the record<sup>1</sup> developed in the subject investigations, the United States International Trade Commission (“Commission”) determines, pursuant to the Tariff Act of 1930 (“the Act”), that an industry in the United States is materially injured by reason of imports of boltless steel shelving units prepackaged for sale (“boltless steel shelving”) from China, provided for in subheadings 9403.10.00 and 9403.20.00 of the Harmonized Tariff Schedule of the United States, that have been found by the Department of Commerce to be sold in the United States at less than fair value (“LTFV”), and to be subsidized by the government of China.<sup>2</sup>

## BACKGROUND

The Commission, pursuant to sections 705(b) and 735(b) of the Tariff Act of 1930 (19 U.S.C. § 1671d(b) and 19 U.S.C. § 1673d(b)), instituted these investigations effective August 26, 2014, following receipt of petitions filed with the Commission and Commerce by Edsal Manufacturing Co., Inc., Chicago, Illinois. The Commission scheduled the final phase of the investigations following notification of preliminary determinations by Commerce that imports of boltless steel shelving from China were subsidized within the meaning of section 703(b) of the Act (19 U.S.C. § 1671b(b)) and dumped within the meaning of 733(b) of the Act (19 U.S.C. § 1673b(b)). Notice of the scheduling of the final phase of the Commission’s investigations and of a public hearing to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the *Federal Register* on May 7, 2015 (80 FR 26296). The hearing was held in Washington, DC, on August 13, 2015, and all persons who requested the opportunity were permitted to appear in person or by counsel.

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

<sup>2</sup> Chairman Meredith M. Broadbent and Commissioner David S. Johanson determined that an industry in the United States was threatened with material injury by reason of imports of boltless steel shelving that Commerce found to be sold in the United States at LTFV and subsidized by the government of China.



## Views of the Commission

Based on the record in the final phase of these investigations, we find that an industry in the United States is materially injured by reason of imports of boltless steel shelving units prepackaged for sale (“boltless steel shelving”) from China found by the U.S. Department of Commerce (“Commerce”) to be sold in the United States at less than fair value and subsidized by the government of China.<sup>1</sup>

### I. Background

Edsal Manufacturing Co., Inc. (“Edsal”), the largest U.S. producer of boltless steel shelving, filed the petitions in these investigations on August 26, 2014. Witnesses for Edsal appeared at the hearing and the firm filed prehearing and posthearing briefs. No respondent parties participated in the final phase of these investigations.<sup>2</sup>

U.S. industry data are based on the questionnaire responses of four domestic producers of boltless steel shelving that are believed to account for all U.S. production.<sup>3</sup> U.S. import data are based on questionnaire responses of 20 importers of boltless steel shelving, which accounted for the vast majority of U.S. imports of boltless steel shelving from China and from other sources during the January 2012-March 2015 period of investigation (“POI”).<sup>4</sup> Chinese industry data are based on questionnaire responses of four foreign producers/exporters whose exports to the United States during the POI were equivalent to \*\*\* percent of the subject imports reported by importers.<sup>5</sup>

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<sup>1</sup> Chairman Broadbent and Commissioner Johanson find that an industry in the United States is threatened with material injury by reason of imports of boltless steel shelving from China that Commerce has found to be sold at less than fair value and subsidized by the government of China. See their Separate Views. They join sections I – IV.B. of these Views.

<sup>2</sup> In the preliminary phase, Whalen LLC, an importer of the subject merchandise, appeared at the conference and filed a postconference brief, and Guangdong Guanyu Metal Products Company Ltd. (“Guangdong Guanyu”), a producer/exporter of the subject merchandise, submitted a written statement.

<sup>3</sup> Confidential Report (CR) at III-1, Public Report (PR) at III-1. The U.S. producers that responded to the Commission’s producer questionnaire are Edsal, Hallowell aka List Industries Inc. (“Hallowell”), Hirsh Industries LLC (“Hirsh”), and Tenssco Corp. (“Tenssco”). *Id.*

<sup>4</sup> CR/PR at IV-1, Table IV-1.

<sup>5</sup> CR at VII-4-5, PR at VII-3-4. The four foreign producers/exporters that provided usable questionnaire responses are Edsal Sandusky Corp. Zhongshan (“Edsal Sandusky”); HoiFat (NingBo) Office Facilities Co., Ltd. (“HoiFat”); Guangdong Guanyu; and Ningbo Decko Metal Products Trade Co. (“Ningbo Decko”). CR at VII-4, PR at VII-3.

## II. Domestic Like Product

### A. In General

In determining whether an industry in the United States is materially injured or threatened with material injury by reason of imports of subject merchandise, the Commission first defines the “domestic like product” and the “industry.”<sup>6</sup> Section 771(4)(A) of the Tariff Act of 1930, as amended (“the Tariff Act”), defines the relevant domestic industry as the “producers as a whole of a domestic like product, or those producers whose collective output of a domestic like product constitutes a major proportion of the total domestic production of the product.”<sup>7</sup> In turn, the Tariff Act defines “domestic like product” as “a product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation.”<sup>8</sup>

The decision regarding the appropriate domestic like product in an investigation is a factual determination, and the Commission has applied the statutory standard of “like” or “most similar in characteristics and uses” on a case-by-case basis.<sup>9</sup> No single factor is dispositive, and the Commission may consider other factors it deems relevant based on the facts of a particular investigation.<sup>10</sup> The Commission looks for clear dividing lines among possible like products and disregards minor variations.<sup>11</sup> Although the Commission must accept Commerce’s determination as to the scope of the imported merchandise that is subsidized or sold at less than fair value,<sup>12</sup> the Commission determines what domestic product is like the imported articles Commerce has identified.<sup>13</sup>

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<sup>6</sup> 19 U.S.C. § 1677(4)(A).

<sup>7</sup> 19 U.S.C. § 1677(4)(A).

<sup>8</sup> 19 U.S.C. § 1677(10).

<sup>9</sup> See, e.g., *Cleo Inc. v. United States*, 501 F.3d 1291, 1299 (Fed. Cir. 2007); *NEC Corp. v. Department of Commerce*, 36 F. Supp. 2d 380, 383 (Ct. Int’l Trade 1998); *Nippon Steel Corp. v. United States*, 19 CIT 450, 455 (1995); *Torrington Co. v. United States*, 747 F. Supp. 744, 749 n.3 (Ct. Int’l Trade 1990), *aff’d*, 938 F.2d 1278 (Fed. Cir. 1991) (“every like product determination ‘must be made on the particular record at issue’ and the ‘unique facts of each case’”). The Commission generally considers a number of factors, including the following: (1) physical characteristics and uses; (2) interchangeability; (3) channels of distribution; (4) customer and producer perceptions of the products; (5) common manufacturing facilities, production processes, and production employees; and, where appropriate, (6) price. See *Nippon*, 19 CIT at 455 n.4; *Timken Co. v. United States*, 913 F. Supp. 580, 584 (Ct. Int’l Trade 1996).

<sup>10</sup> See, e.g., S. Rep. No. 96-249 at 90-91 (1979).

<sup>11</sup> *Nippon*, 19 CIT at 455; *Torrington*, 747 F. Supp. at 748-49; see also S. Rep. No. 96-249 at 90-91 (Congress has indicated that the like product standard should not be interpreted in “such a narrow fashion as to permit minor differences in physical characteristics or uses to lead to the conclusion that the product and article are not ‘like’ each other, nor should the definition of ‘like product’ be interpreted in such a fashion as to prevent consideration of an industry adversely affected by the imports under consideration.”).

<sup>12</sup> See, e.g., *USEC, Inc. v. United States*, 34 Fed. Appx. 725, 730 (Fed. Cir. 2002) (“The ITC may not modify the class or kind of imported merchandise examined by Commerce.”); *Algoma Steel Corp. v.*

(continued...)

## B. Product Description

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

Boltless steel shelving units prepackaged for sale, with or without decks (“boltless steel shelving”). The term “prepackaged for sale” means that, at a minimum, the steel vertical supports (i.e., uprights and posts) and steel horizontal supports (i.e., beams, braces) necessary to assemble a completed shelving unit (with or without decks) are packaged together for ultimate purchase by the end user. The scope also includes add-on kits. Add-on kits include, but are not limited to, kits that allow the end user to add an extension shelving unit onto an existing boltless steel shelving unit such that the extension and the original unit will share common frame elements (e.g., two posts). The term “boltless” refers to steel shelving in which the vertical and horizontal supports forming the frame are assembled primarily without the use of nuts and bolts or screws. The vertical and horizontal support members for boltless steel shelving are assembled by methods such as, but not limited to, fitting a rivet, punched or cut tab or other similar connector on one support into a hole, slot or similar receptacle on another support. The supports lock together to form the frame for the shelving unit, and provide the structural integrity of the shelving unit separate from the inclusion of any decking. The incidental use of nuts and bolts or screws to add accessories, wall anchors, tie-bars or shelf supports does not remove the product from the scope. Boltless steel shelving units may also come packaged as partially assembled, such as when two upright supports are welded together with front-to-back supports, or are otherwise connected, to form an end unit for the frame. The boltless steel shelving covered by these investigations may be commonly described as rivet shelving, welded frame shelving, slot and tab shelving, and punched rivet (quasi-rivet) shelving as well as by other trade names. The term “deck” refers to the shelf that sits on or fits into the horizontal supports (beams or braces) to provide the horizontal storage surface of the shelving unit.

The scope includes all boltless steel shelving meeting the description above, regardless of (1) vertical support or post type (including but not limited to open

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(...continued)

*United States*, 688 F. Supp. 639, 644 (Ct. Int’l Trade 1988), *aff’d*, 865 F.3d 240 (Fed. Cir.), *cert. denied*, 492 U.S. 919 (1989).

<sup>13</sup> *Hosiden Corp. v. Advanced Display Mfrs.*, 85 F.3d 1561, 1568 (Fed. Cir. 1996) (the Commission may find a single like product corresponding to several different classes or kinds defined by Commerce); *Cleo*, 501 F.3d at 1298 n.1 (“Commerce’s {scope} finding does not control the Commission’s {like product} determination.”); *Torrington*, 747 F. Supp. at 748-52 (affirming the Commission’s determination defining six like products in investigations in which Commerce found five classes or kinds).

post, close post and tubing); (2) horizontal support or beam/brace profile (including but not limited to Z-beam, C-beam, L-beam, step beam, and cargo rack); (3) number of supports; (4) surface coating (including but not limited to paint, epoxy, powder coating, zinc and other metallic coating); (5) number of levels; (6) weight capacity; (7) shape (including but not limited to rectangular, square, and corner units); (8) decking material (including but not limited to wire decking, particle board, laminated board or no deck at all); or (9) the boltless method by which vertical and horizontal supports connect (including but not limited to keyhole and rivet, slot and tab, welded frame, punched rivet and clip).<sup>14</sup>

Pre-packaged boltless steel shelving is a product that consumers assemble quickly and easily without using tools. “Boltless” refers to a system of assembly that uses rivets or other protrusions on horizontal support members that fit into slots in the vertical posts of the units and thereby avoids the use of nuts and bolts, screws, or tubular collars on posts. Boltless steel shelving provides a sturdy frame for functional, non-aesthetic storage in garages, basements, and similar locations.<sup>15</sup>

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

In its preliminary determinations in these investigations, the Commission defined a single domestic like product that was coextensive with Commerce’s scope. The Commission found that differences in physical characteristics limited the interchangeability of boltless steel shelving with other types of shelving. It observed that some of the other types of shelving were sold to distributors whereas boltless steel shelving was almost exclusively sold to retailers, and that producers and importers generally reported that boltless steel shelving differed from other forms of shelving. Although some domestic producers used the same workers or machinery to produce both boltless steel shelving and other shelving, Edsal, which accounted for \*\*\* percent

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<sup>14</sup> 80 Fed. Reg. 51775, 51775-76 (Aug 26, 2015) (countervailing duty investigation), 80 Fed. Reg. 51779, 51782 (Aug. 26, 2015) (antidumping duty investigation). Commerce specifically excluded several products from the scope of these investigations: (1) wall-mounted shelving, defined as shelving that is hung on the wall and does not stand on, or transfer load to, the floor (but the addition of a wall bracket or other device to attach otherwise freestanding subject merchandise to a wall does not meet the terms of this exclusion); (2) wire shelving units, which consist of shelves made from wire that incorporates both a wire deck and wire horizontal supports (taking the place of the horizontal beams and braces) into a single piece with tubular collars that slide over the posts and onto plastic sleeves snapped on the posts to create the finished shelving unit; (3) bulk-packed parts or components of boltless steel shelving units; and (4) made-to-order shelving systems. Commerce noted that subject boltless steel shelving enters the United States through Harmonized Tariff Schedule of the United States (“HTSUS”) statistical reporting numbers 9403.20.0018, 9403.20.0020, 9403.20.0025, and 9403.20.0026, but may also enter through HTSUS 9403.10.0040. Commerce noted that it identified these HTSUS reporting numbers for convenience and Customs purposes and that the written scope of the investigations is dispositive. *Id.*

<sup>15</sup> CR at I-10-14, PR at I-9-12.

of total domestic production over the POI, did not produce any other types of shelving.<sup>16</sup> The Commission also found that boltless steel shelving was generally priced higher than resin shelving and lower than wood shelving, although it overlapped to some extent with wire shelving. For these reasons, the Commission found a clear dividing line between boltless steel shelving and other forms of shelving.<sup>17</sup>

The Commission did not find a clear dividing line between low- and high-capacity boltless steel shelving, a distinction proposed by a respondent party in the preliminary phase. The Commission found that such a division was not supported by any industry definition and that all boltless steel shelving products shared similar physical characteristics and were manufactured using similar production facilities, processes, and employees. The Commission found that, even though customers may not have perceived all boltless steel shelving products to be completely interchangeable, particularly those with dramatically different capacities, all boltless steel shelving was used for convenient, easy-to-assemble, functional, and non-aesthetic storage in locations like garages and basements, and was priced accordingly.<sup>18</sup> Consequently, the Commission defined a single domestic like product corresponding to the scope definition.<sup>19</sup>

Edsal asks the Commission to define a single domestic like product corresponding to the products described by the scope definition for the same reasons discussed in the Commission's preliminary determinations.<sup>20</sup> The record in the final phase of these investigations concerning the domestic like product factors is not materially different from that in the preliminary phase,<sup>21</sup> and there is no argument that the Commission should adopt a definition of the domestic like product different from that in the preliminary determinations. Therefore, for the reasons set forth in the preliminary determinations, we find a single domestic like product that is coextensive with the scope definition.

### **III. Domestic Industry**

#### **A. In General**

The statute defines the relevant industry as the “producers as a {w}hole of a domestic like product, or those producers whose collective output of a domestic like product constitutes a major proportion of the product.”<sup>22</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.

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<sup>16</sup> *Boltless Steel Shelving Units Prepackaged for Sale from China*, Inv. Nos. 701-TA-523 and 731-TA-1259 (Preliminary), USITC Pub. 4495 at 8-10 (Oct. 2014) (“Preliminary Determinations”); CR at III-2, PR at III-1.

<sup>17</sup> Preliminary Determinations, USITC Pub. 4495 at 10.

<sup>18</sup> Preliminary Determinations, USITC Pub. 4495 at 10-11.

<sup>19</sup> Preliminary Determinations, USITC Pub. 4495 at 11.

<sup>20</sup> Edsal's Prehearing Brief at 4-7.

<sup>21</sup> CR at I-10-17, PR at I-9-14.

<sup>22</sup> 19 U.S.C. § 1677(4)(A).

## B. Related Party

The domestic industry issue presented in the final phase of these investigations is whether appropriate circumstances exist to exclude a producer from the domestic industry pursuant to the related parties provision in section 771(4)(B) of the Tariff Act.<sup>23</sup> This provision allows the Commission, if appropriate circumstances exist, to exclude from the domestic industry producers that are related to an exporter or importer of subject merchandise or that are themselves importers.<sup>24</sup> Exclusion of such a producer is within the Commission's discretion based upon the facts presented in each investigation.<sup>25</sup>

Petitioner Edsal has a \*\*\* boltless steel shelving production facility in China, Edsal Sandusky.<sup>26</sup> During the POI, Edsal also imported subject merchandise from China and arranged for other U.S. importers of record to import additional volumes of subject merchandise \*\*\*.<sup>27</sup> Consequently, Edsal is a related party. We next examine whether there are appropriate circumstances to exclude it from the domestic industry.

Edsal argues that its imports and facilitated imports were a defensive measure to remain competitive and to retain key accounts when customers, to which Edsal offered to sell the domestic like product, demanded lower prices than Edsal's U.S. operations could reasonably offer.<sup>28</sup> It contends that, even at their peak level in 2014, Edsal's imports combined with imports that it facilitated were equivalent to only a relatively modest share of its U.S. production.<sup>29</sup> Moreover, it maintains, once the benefits of these investigations were felt, Edsal's imports declined.<sup>30</sup> Edsal argues that these data and actions demonstrate that its

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<sup>23</sup> 19 U.S.C. § 1677(4)(B).

<sup>24</sup> 19 U.S.C. § 1677(4)(B).

<sup>25</sup> See *Torrington Co. v. United States*, 790 F. Supp. at 1168; *Sandvik AB v. United States*, 721 F. Supp. 1322, 1331-32 (Ct. Int'l Trade 1989), *aff'd mem.*, 904 F.2d 46 (Fed. Cir. 1990); *Empire Plow Co. v. United States*, 675 F. Supp. 1348, 1352 (Ct. Int'l Trade 1987). The primary factors the Commission has examined in deciding whether appropriate circumstances exist to exclude a related party include the following:

- (1) the percentage of domestic production attributable to the importing producer;
- (2) the reason the U.S. producer has decided to import the product subject to investigation, *i.e.*, whether the firm benefits from the LTFV sales or subsidies or whether the firm must import in order to enable it to continue production and compete in the U.S. market; and
- (3) the position of the related producer vis-à-vis the rest of the industry, *i.e.*, whether inclusion or exclusion of the related party will skew the data for the rest of the industry.

See, e.g., *Torrington Co.*, 790 F. Supp. at 1168.

The Commission has also analyzed whether the interests of a related party producer lie principally in production or importation. See, e.g., *Certain Crystalline Silicon Photovoltaic Products from China and Taiwan*, Inv. Nos. 701-TA-511 and 731-TA-1246-1247 (Final), USITC Pub. 4519 at 17-18 (Feb. 2015), *aff'd Changzou Trina Solar Energy Co. v. USITC*, slip op 15-84 (Ct. Int'l Trade Aug 7, 2015).

<sup>26</sup> CR at III-2, III-14.

<sup>27</sup> CR at III-2, III-14.

<sup>28</sup> See Hearing Transcript at 16-17, 50-51 (Liss); CR at III-14-15, PR at III-6-7.

<sup>29</sup> Edsal's Prehearing Brief at 8; CR/PR at Table III-7.

<sup>30</sup> Edsal's Prehearing Brief at 8.



interests lie in U.S. production. Edsal asserts that appropriate circumstances do not exist to exclude it from the domestic industry.<sup>31</sup>

Edsal's imports of subject merchandise were relatively modest as a ratio to its U.S. production, albeit increasing from \*\*\* percent in 2012 to \*\*\* percent in 2013 and then to \*\*\* percent in 2014.<sup>32</sup> When combined with its facilitated imports, Edsal's importing activities were more substantial, increasing irregularly as a ratio to its production at \*\*\* percent in 2012, \*\*\* percent in 2013, and \*\*\* percent in 2014.<sup>33</sup> As these ratios indicate, Edsal's domestic production is considerably larger than its importing activities. Moreover, Edsal is the petitioning firm and has made substantial investments in domestic production. Additionally, because Edsal accounted for \*\*\* percent of domestic boltless steel shelving production during the POI, its exclusion would result in a skewed depiction of the domestic industry; the Commission does not ordinarily find appropriate circumstances exist to exclude a producer in such circumstances.<sup>34</sup> For these reasons, we find that appropriate circumstances do not exist to exclude Edsal from the domestic industry as a related party and define the domestic industry as all U.S. producers of the domestic like product.

#### IV. Material Injury by Reason of Subject Imports<sup>35</sup>

Based on the record in the final phase of these investigations, we find that an industry in the United States is materially injured by reason of imports of boltless steel shelving from China that Commerce has found to be subsidized and sold in the United States at less than fair value.

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<sup>31</sup> Edsal's Prehearing Brief at 8-9.

<sup>32</sup> CR/PR at Table III-7. Edsal's own imports were \*\*\* units in 2012, \*\*\* units in 2013, and \*\*\* units in 2014, and were \*\*\* units in January-March ("interim") 2014 and \*\*\* units in interim 2015. *Id.* The ratio of these imports to its production was \*\*\* percent in interim 2014 and \*\*\* percent in interim 2015. *Id.*

<sup>33</sup> CR/PR at Table III-7. The ratio of its importing activities to Edsal's production was \*\*\* percent in interim 2014 and \*\*\* percent in interim 2015. *Id.* It is not clear, under the specific circumstances here, whether facilitated imports should be regarded as imports by the domestic producer for purposes of a related parties analysis. We need not resolve the question given our conclusion that appropriate circumstances do not exist to exclude Edsal from the domestic industry even if we assume, *arguendo*, that the facilitated imports are equivalent to imports by the domestic producer.

<sup>34</sup> See, e.g., *Certain Activated Carbon from China*, Inv. No. 731-TA-1103 (Review), USITC Pub. 4381 at 7 n.22 (Feb. 2013); *Narrow Woven Ribbons with Woven Selvedge from China and Taiwan*, Inv. Nos. 701-TA-467 and 731-TA-1164 to 1165 (Final), USITC Pub. 4180 at 9-10, 21 (Aug. 2010).

<sup>35</sup> Negligibility under 19 U.S.C. § 1677(24) is not an issue in these investigations. During the most recent 12-month period prior to the filing of the petition for which adjusted import data are available (July 2013 to June 2014), subject imports from China accounted for \*\*\* percent of U.S. imports of boltless steel shelving. See Preliminary Determinations, USITC Pub. 4495 at 13 n.59. Because this figure exceeds the applicable three percent negligibility threshold, subject imports from China are not negligible.

## A. Legal Standards

In the final phase of antidumping and countervailing duty investigations, the Commission determines whether an industry in the United States is materially injured or threatened with material injury by reason of the imports under investigation.<sup>36</sup> In making this determination, the Commission must consider the volume of subject imports, their effect on prices for the domestic like product, and their impact on domestic producers of the domestic like product, but only in the context of U.S. production operations.<sup>37</sup> The statute defines “material injury” as “harm which is not inconsequential, immaterial, or unimportant.”<sup>38</sup> In assessing whether the domestic industry is materially injured by reason of subject imports, we consider all relevant economic factors that bear on the state of the industry in the United States.<sup>39</sup> No single factor is dispositive, and all relevant factors are considered “within the context of the business cycle and conditions of competition that are distinctive to the affected industry.”<sup>40</sup>

Although the statute requires the Commission to determine whether the domestic industry is “materially injured or threatened with material injury by reason of” unfairly traded imports,<sup>41</sup> it does not define the phrase “by reason of,” indicating that this aspect of the injury analysis is left to the Commission’s reasonable exercise of its discretion.<sup>42</sup> In identifying a causal link, if any, between subject imports and material injury to the domestic industry, the Commission examines the facts of record that relate to the significance of the volume and price effects of the subject imports and any impact of those imports on the condition of the domestic industry. This evaluation under the “by reason of” standard must ensure that subject imports are more than a minimal or tangential cause of injury and that there is a sufficient causal, not merely a temporal, nexus between subject imports and material injury.<sup>43</sup>

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<sup>36</sup> 19 U.S.C. §§ 1671d(b), 1673d(b). The Trade Preferences Extension Act of 2015, Pub. L. 114-27, amended the provisions of the Tariff Act pertaining to Commission determinations of material injury and threat of material injury by reason of subject imports in certain respects. We have applied these amendments here to the extent practicable, given that questionnaires were sent out prior to passage of this law.

<sup>37</sup> 19 U.S.C. § 1677(7)(B). The Commission “may consider such other economic factors as are relevant to the determination” but shall “identify each {such} factor ... and explain in full its relevance to the determination.” 19 U.S.C. § 1677(7)(B).

<sup>38</sup> 19 U.S.C. § 1677(7)(A).

<sup>39</sup> 19 U.S.C. § 1677(7)(C)(iii).

<sup>40</sup> 19 U.S.C. § 1677(7)(C)(iii).

<sup>41</sup> 19 U.S.C. §§ 1671d(a), 1673d(a).

<sup>42</sup> *Angus Chemical Co. v. United States*, 140 F.3d 1478, 1484-85 (Fed. Cir. 1998) (“[T]he statute does not ‘compel the commissioners’ to employ {a particular methodology}.”), *aff’g*, 944 F. Supp. 943, 951 (Ct. Int’l Trade 1996).

<sup>43</sup> The Federal Circuit, in addressing the causation standard of the statute, observed that “[a]s long as its effects are not merely incidental, tangential, or trivial, the foreign product sold at less than fair value meets the causation requirement.” *Nippon Steel Corp. v. USITC*, 345 F.3d 1379, 1384 (Fed. Cir. 2003). This was further ratified in *Mittal Steel Point Lisas Ltd. v. United States*, 542 F.3d 867, 873 (Fed. Cir. 2008), where the Federal Circuit, quoting *Gerald Metals, Inc. v. United States*, 132 F.3d 716, 722 (Fed.

(continued...)

In many investigations, there are other economic factors at work, some or all of which may also be having adverse effects on the domestic industry. Such economic factors might include nonsubject imports; changes in technology, demand, or consumer tastes; competition among domestic producers; or management decisions by domestic producers. The legislative history explains that the Commission must examine factors other than subject imports to ensure that it is not attributing injury from other factors to the subject imports, thereby inflating an otherwise tangential cause of injury into one that satisfies the statutory material injury threshold.<sup>44</sup> In performing its examination, however, the Commission need not isolate the injury caused by other factors from injury caused by unfairly traded imports.<sup>45</sup> Nor does the “by reason of” standard require that unfairly traded imports be the “principal” cause of injury or contemplate that injury from unfairly traded imports be weighed against other factors, such as nonsubject imports, which may be contributing to overall injury to an industry.<sup>46</sup> It is clear

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(...continued)

Cir. 1997), stated that “this court requires evidence in the record ‘to show that the harm occurred “by reason of” the LTFV imports, not by reason of a minimal or tangential contribution to material harm caused by LTFV goods.’” See also *Nippon Steel Corp. v. United States*, 458 F.3d 1345, 1357 (Fed. Cir. 2006); *Taiwan Semiconductor Industry Ass’n v. USITC*, 266 F.3d 1339, 1345 (Fed. Cir. 2001).

<sup>44</sup> SAA at 851-52 (“{T}he Commission must examine other factors to ensure that it is not attributing injury from other sources to the subject imports.”); S. Rep. 96-249 at 75 (1979) (the Commission “will consider information which indicates that harm is caused by factors other than less-than-fair-value imports.”); H.R. Rep. 96-317 at 47 (1979) (“in examining the overall injury being experienced by a domestic industry, the ITC will take into account evidence presented to it which demonstrates that the harm attributed by the petitioner to the subsidized or dumped imports is attributable to such other factors;” those factors include “the volume and prices of nonsubsidized imports or imports sold at fair value, contraction in demand or changes in patterns of consumption, trade restrictive practices of and competition between the foreign and domestic producers, developments in technology and the export performance and productivity of the domestic industry”); accord *Mittal Steel*, 542 F.3d at 877.

<sup>45</sup> SAA at 851-52 (“{T}he Commission need not isolate the injury caused by other factors from injury caused by unfair imports.”); *Taiwan Semiconductor Industry Ass’n*, 266 F.3d at 1345 (“{T}he Commission need not isolate the injury caused by other factors from injury caused by unfair imports ... . Rather, the Commission must examine other factors to ensure that it is not attributing injury from other sources to the subject imports.” (emphasis in original)); *Asociacion de Productores de Salmon y Trucha de Chile AG v. United States*, 180 F. Supp. 2d 1360, 1375 (Ct. Int’l Trade 2002) (“{t}he Commission is not required to isolate the effects of subject imports from other factors contributing to injury” or make “bright-line distinctions” between the effects of subject imports and other causes.); see also *Softwood Lumber from Canada*, Inv. Nos. 701-TA-414 and 731-TA-928 (Remand), USITC Pub. 3658 at 100-01 (Dec. 2003) (Commission recognized that “{i}f an alleged other factor is found not to have or threaten to have injurious effects to the domestic industry, *i.e.*, it is not an ‘other causal factor,’ then there is nothing to further examine regarding attribution to injury”), citing *Gerald Metals*, 132 F.3d at 722 (the statute “does not suggest that an importer of LTFV goods can escape countervailing duties by finding some tangential or minor cause unrelated to the LTFV goods that contributed to the harmful effects on domestic market prices.”).

<sup>46</sup> S. Rep. 96-249 at 74-75; H.R. Rep. 96-317 at 47.

that the existence of injury caused by other factors does not compel a negative determination.<sup>47</sup>

Assessment of whether material injury to the domestic industry is “by reason of” subject imports “does not require the Commission to address the causation issue in any particular way” as long as “the injury to the domestic industry can reasonably be attributed to the subject imports” and the Commission “ensure{s} that it is not attributing injury from other sources to the subject imports.”<sup>48 49</sup> Indeed, the Federal Circuit has examined and affirmed various Commission methodologies and has disavowed “rigid adherence to a specific formula.”<sup>50</sup>

The Federal Circuit’s decisions in *Gerald Metals*, *Bratsk*, and *Mittal Steel* all involved cases where the relevant “other factor” was the presence in the market of significant volumes of price-competitive nonsubject imports. The Commission interpreted the Federal Circuit’s guidance in *Bratsk* as requiring it to apply a particular additional methodology following its finding of material injury in cases involving commodity products and a significant market presence of price-competitive nonsubject imports.<sup>51</sup> The additional “replacement/benefit” test looked at whether nonsubject imports might have replaced subject imports without any benefit to the U.S. industry. The Commission applied that specific additional test in subsequent cases,

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<sup>47</sup> See *Nippon Steel Corp.*, 345 F.3d at 1381 (“an affirmative material-injury determination under the statute requires no more than a substantial-factor showing. That is, the ‘dumping’ need not be the sole or principal cause of injury.”).

<sup>48</sup> *Mittal Steel*, 542 F.3d at 877-78; see also *id.* at 873 (“While the Commission may not enter an affirmative determination unless it finds that a domestic industry is materially injured ‘by reason of’ subject imports, the Commission is not required to follow a single methodology for making that determination ... {and has} broad discretion with respect to its choice of methodology.”) citing *United States Steel Group v. United States*, 96 F.3d 1352, 1362 (Fed. Cir. 1996) and S. Rep. 96-249 at 75. . In its decision in *Swift-Train v. United States*, 793 F.3d 1355 (Fed. Cir. 2015), the Federal Circuit affirmed the Commission’s causation analysis as comports with the Court’s guidance in *Mittal*.

<sup>49</sup> Vice Chairman Pinkert does not join this paragraph or the following three paragraphs. He points out that the Federal Circuit, in *Bratsk*, 444 F.3d 1369, and *Mittal Steel*, held that the Commission is *required*, in certain circumstances when considering present material injury, to undertake a particular kind of analysis of non-subject imports, albeit without reliance upon presumptions or rigid formulas. *Mittal Steel* explains as follows:

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

542 F.3d at 878.

<sup>50</sup> *Nucor Corp. v. United States*, 414 F.3d 1331, 1336, 1341 (Fed. Cir. 2005); see also *Mittal Steel*, 542 F.3d at 879 (“*Bratsk* did not read into the antidumping statute a Procrustean formula for determining whether a domestic injury was ‘by reason’ of subject imports.”).

<sup>51</sup> *Mittal Steel*, 542 F.3d at 875-79.

including the *Carbon and Certain Alloy Steel Wire Rod from Trinidad and Tobago* determination that underlies the *Mittal Steel* litigation.

*Mittal Steel* clarifies that the Commission's interpretation of *Bratsk* was too rigid and makes clear that the Federal Circuit does not require the Commission to apply an additional test nor any one specific methodology; instead, the court requires the Commission to have "evidence in the record" to "show that the harm occurred 'by reason of' the LTFV imports," and requires that the Commission not attribute injury from nonsubject imports or other factors to subject imports.<sup>52</sup> Accordingly, we do not consider ourselves required to apply the replacement/benefit test that was included in Commission opinions subsequent to *Bratsk*.

The progression of *Gerald Metals*, *Bratsk*, and *Mittal Steel* clarifies that, in cases involving commodity products where price-competitive nonsubject imports are a significant factor in the U.S. market, the Court will require the Commission to give full consideration, with adequate explanation, to non-attribution issues when it performs its causation analysis.<sup>53</sup>

The question of whether the material injury threshold for subject imports is satisfied notwithstanding any injury from other factors is factual, subject to review under the substantial evidence standard. Congress has delegated this factual finding to the Commission because of the agency's institutional expertise in resolving injury issues.<sup>54</sup>

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

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

### **1. Demand Considerations**

Boltless steel shelving is a final good that is sold prepackaged in a kit, ready for assembly and installation by the consumer for storage use in basements, garages, laundry rooms, and similar locations.<sup>55</sup> Demand for boltless steel shelving generally accords with overall economic

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<sup>52</sup> *Mittal Steel*, 542 F.3d at 873 (quoting from *Gerald Metals*, 132 F.3d at 722), 875-79 & n.2 (recognizing the Commission's alternative interpretation of *Bratsk* as a reminder to conduct a non-attribution analysis).

<sup>53</sup> To that end, after the Federal Circuit issued its decision in *Bratsk*, the Commission began to present published information or send out information requests in the final phase of investigations to producers in nonsubject countries that accounted for substantial shares of U.S. imports of subject merchandise (if, in fact, there were large nonsubject import suppliers). In order to provide a more complete record for the Commission's causation analysis, these requests typically seek information on capacity, production, and shipments of the product under investigation in the major source countries that export to the United States. The Commission plans to continue utilizing published or requested information in the final phase of investigations in which there are substantial levels of nonsubject imports.

<sup>54</sup> *Mittal Steel*, 542 F.3d at 873; *Nippon Steel Corp.*, 458 F.3d at 1350, citing *U.S. Steel Group*, 96 F.3d at 1357; S. Rep. 96-249 at 75 ("The determination of the ITC with respect to causation is ... complex and difficult, and is a matter for the judgment of the ITC.").

<sup>55</sup> CR at II-10, PR at II-6.

conditions, although spikes in demand coincide with consumers' spring and fall cleanup activities.<sup>56</sup> The five big box retailers identified as the major purchasers of boltless steel shelving are Costco, Home Depot, Lowe's, Menard's, and Sam's Club (Walmart).<sup>57</sup>

Market participants were divided on whether there are substitutes for boltless steel shelving.<sup>58</sup> Reported substitutes included wire, plastic/resin, and wood shelving, and bolted steel shelving.<sup>59</sup> Market participants were also divided on whether demand in the United States increased, decreased, or fluctuated over the period of investigation.<sup>60</sup> Apparent U.S. consumption increased from \*\*\* units in 2012 to \*\*\* units in 2013 and \*\*\* units 2014; it was \*\*\* units in January-March ("interim") 2014 and \*\*\* units in interim 2015.<sup>61</sup>

## 2. Supply Conditions

During the POI, the domestic industry was the predominant supplier of boltless steel shelving to the U.S. market. As previously stated, there are four domestic producers of boltless steel shelving. Edsal accounted for \*\*\* percent of domestic production during the period of investigation, and Hallowell, Hirsh, and Tenssco together accounted for the remainder.<sup>62</sup> The domestic industry reported annual capacity of \*\*\* units in 2012 and \*\*\* units in 2013 and 2014.<sup>63</sup> The domestic industry's share of apparent U.S. consumption, after increasing from \*\*\* percent in 2012 to \*\*\* percent in 2013, decreased to \*\*\* percent in 2014, for a decline of \*\*\* percentage points from 2013 to 2014 and an overall 2012-14 decline of \*\*\* percentage points. Its market share was \*\*\* percent in interim 2014 and \*\*\* percent in interim 2015.<sup>64</sup>

Subject imports had the next largest presence after the domestic industry. Their share of apparent U.S. consumption, after decreasing from \*\*\* percent in 2012 to \*\*\* percent in 2013, increased to \*\*\* percent in 2014.<sup>65</sup> As previously discussed, Edsal imported subject

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<sup>56</sup> CR at II-11, PR at II-7.

<sup>57</sup> CR/PR at II-1.

<sup>58</sup> CR at II-12, PR at II-8. Two producers, 11 importers, and 10 purchasers stated that there were substitutes for boltless steel shelving, while two U.S. producers (including \*\*\*), seven importers, and seven purchasers reported that there were no substitutes. *Id.*

<sup>59</sup> CR at II-12-13, PR at II-8.

<sup>60</sup> CR at II-12, PR at II-8. \*\*\* reported increasing demand over the period, \*\*\* producer reported decreasing demand, and \*\*\* reported fluctuating demand. Seven responding importers reported no change in demand and seven reported that demand increased. Six purchasers stated that demand increased, four stated that demand fluctuated, and four stated that there was no change in demand over the period. *Id.*

<sup>61</sup> CR/PR at Table IV-5.

<sup>62</sup> CR/PR at Table III-1.

<sup>63</sup> CR/PR at Table III-3.

<sup>64</sup> CR/PR at Table IV-5.

<sup>65</sup> CR/PR at Table IV-5. The market share of subject imports was \*\*\* percent in interim 2014 and \*\*\* percent in interim 2015. *Id.*

merchandise and facilitated its customers' importation of the merchandise during the POI in order to remain competitive and to retain key accounts.<sup>66</sup>

Nonsubject imports had a very small presence in the market, ranging between \*\*\* percent and \*\*\* percent of apparent U.S. consumption during the POI.<sup>67</sup>

### 3. Substitutability

The record in the final phase of these investigations indicates that there is a moderate to high degree of substitutability between the domestic like product and subject imports.<sup>68</sup> The overwhelming majority of market participants reported that domestically produced boltless steel shelving and subject imports were always or frequently interchangeable.<sup>69</sup> Nearly all purchasers found the domestic like product and the subject imports comparable with respect to quality meeting industry standards, and large majorities of purchasers reported that the domestic like product and the subject imports always met minimum quality specifications.<sup>70</sup>

Purchasers ranked price as an important factor that they consider in their purchasing decisions, with 14 responding purchasers listing it as among their three most important factors.<sup>71</sup> Fourteen of seventeen responding purchasers listed price as a very important factor in purchasing decisions.<sup>72</sup>

### 4. Other Conditions

The vast majority of U.S. importers' shipments of subject imports from China were directly imported by retailers, which then sold the merchandise to consumers.<sup>73</sup> Some purchasers employ line reviews in making their sourcing decision. In a line review, the purchaser meets with all interested vendors, which present samples of products to meet the purchaser's specifications, along with price quotes and other terms by which they would supply the products. The line reviews are typically conducted by the large retailers annually or every two to three years, but can be an ongoing process as new products are introduced. \*\*\* reports that \*\*\*.<sup>74</sup>

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<sup>66</sup> CR at III-14-15, PR at III-6-7. *See also* CR/PR at Table IV-6 (Edsal's own and facilitated imports as shares of total subject imports and of apparent U.S. consumption).

<sup>67</sup> CR/PR at Table IV-5.

<sup>68</sup> CR at II-13, PR at II-8.

<sup>69</sup> Three of four U.S. producers, 13 of 15 importers, and 12 of 14 purchasers reported that the domestic like product and subject imports from China were always or frequently interchangeable. CR/PR at Table II-10.

<sup>70</sup> CR/PR at Tables II-9 & II-11.

<sup>71</sup> CR/PR at Table II-6. The other factors most often ranked by purchasers among their top three factors in purchasing decisions were quality and selection. *Id.*

<sup>72</sup> CR/PR at Table II-7. The other factors most often listed by purchasers as very important were availability, reliability of supply, and product consistency. *Id.*

<sup>73</sup> CR/PR at Table IV-3.

<sup>74</sup> CR at V-27-29, PR at V-13-14.

The principal raw materials used to produce boltless steel shelving are hot-rolled steel and finishing components for the decking, such as particle board. Raw materials accounted for between \*\*\* percent and \*\*\* percent of domestic boltless steel shelving producers' cost of goods sold during 2012-14. The price for domestic hot-rolled sheet began the period at \$745 per short ton, declined 18 percent by December 2014, then fell to \$460 per short ton in June 2015, for a total decline of 38 percent from January 2012 to June 2015.<sup>75</sup> Despite the declines in hot-rolled sheet prices, the domestic industry's total raw material costs increased on a per unit basis between 2012 and 2014 and were lower in interim 2015 than in interim 2014.<sup>76 77</sup>

### C. Volume of Subject Imports

Section 771(7)(C)(i) of the Tariff Act provides that the "Commission shall consider whether the volume of imports of the merchandise, or any increase in that volume, either in absolute terms or relative to production or consumption in the United States, is significant."<sup>78</sup>

The quantity of subject imports increased from \*\*\* units in 2012 to \*\*\* units in 2013 and \*\*\* units in 2014.<sup>79</sup> Thus, the volume of subject imports increased by \*\*\* percent from 2012 to 2014, while apparent U.S. consumption increased by only \*\*\* percent during that period.<sup>80</sup>

Subject imports' share of apparent U.S. consumption declined from \*\*\* percent in 2012 to \*\*\* percent in 2013 before increasing to \*\*\* percent in 2014, for a total increase of \*\*\* percentage points from 2012 to 2014 and an increase of \*\*\* percentage points from 2013 to 2014.<sup>81</sup> Given the virtual absence of nonsubject imports in the U.S. market, subject imports' increased market share during the POI came directly at the expense of the domestic industry.<sup>82</sup>

The volume of subject imports in interim 2015, at \*\*\* units, was considerably lower than in interim 2014, at \*\*\* units.<sup>83</sup> Similarly, the market share of subject imports in interim

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<sup>75</sup> CR/PR at V-1, Figure V-1.

<sup>76</sup> The domestic industry's raw material costs, on a per unit basis, were \$\*\*\* in 2012, \$\*\*\* in 2013, \$\*\*\* in 2014, \$\*\*\* in interim 2014, and \$\*\*\* in interim 2015. CR/PR at Table VI-3.

<sup>77</sup> Chairman Broadbent and Commissioner Johanson do not join the remainder of the opinion. See their Separate Views.

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

<sup>79</sup> CR/PR at Table IV-2, IV-5.

<sup>80</sup> CR/PR at Table C-1. Apparent U.S. consumption increased from \*\*\* units in 2012 to \*\*\* units in 2013 and then to \*\*\* units in 2014. CR/PR at Table IV-5.

<sup>81</sup> CR/PR at Table IV-5. Subject imports' market share was \*\*\* percent in interim 2014 and \*\*\* percent in interim 2015; apparent U.S. consumption was \*\*\* units in interim 2014 and \*\*\* units in interim 2015. CR/PR at Table IV-5.

<sup>82</sup> CR/PR at Table C-1. We recognize that Edsal's imports and facilitated imports accounted for a large share of total subject import volume. CR/PR at Table IV-6 (\*\*\*). As discussed above, Edsal reported that it engaged in these import activities to retain customers and maintain customer relationships. CR at III-14-15, PR at III-6-7. Nevertheless, during 2012 to 2014, imports unrelated to Edsal accounted for nearly \*\*\* percent of subject imports, as well as the majority of the increase in subject imports. CR/PR at Table IV-6.

<sup>83</sup> CR/PR at Table IV-2.



2015, at \*\*\* percent, was considerably lower than that in interim 2014, at \*\*\* percent.<sup>84</sup> We find that the lower subject import volume and market share in interim 2015 were largely the result of the filing of the petitions and the pendency of these investigations, and therefore we reduce the weight we accord to the interim 2015 volume data.<sup>85</sup>

Based upon the record in the final phase of these investigations, and particularly the data for 2012 to 2014, we find the volume of subject imports, as well as the increase in that volume, to be significant both in absolute terms and relative to apparent U.S. consumption in the United States.

#### **D. Price Effects of the Subject Imports**

Section 771(7)(C)(ii) of the Tariff Act provides that in evaluating the price effects of the subject imports, the Commission shall consider whether

(I) there has been significant price underselling by the imported merchandise as compared with the price of domestic like products of the United States, and

(II) the effect of imports of such merchandise otherwise depresses prices to a significant degree or prevents price increases, which otherwise would have occurred, to a significant degree.<sup>86</sup>

As discussed above, the domestic like product and the subject imports are moderately to highly substitutable and price is an important factor in purchasing decisions.<sup>87</sup> Additionally, Edsal maintains that the focus of purchasers' line reviews is to obtain the lowest price for the boltless steel shelving and that purchasers may request additional discounts from the winning bidder, which further emphasizes the importance of price in this market.<sup>88</sup>

In the final phase of these investigations, the Commission requested pricing data on five boltless steel shelving products.<sup>89</sup> The Commission requested U.S. producers and importers to provide quarterly data for the total quantity and f.o.b. value of the products shipped to

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<sup>84</sup> CR/PR at Table IV-5.

<sup>85</sup> See 19 U.S.C. § 1677(7)(I).

<sup>86</sup> 19 U.S.C. § 1677(7)(C)(ii).

<sup>87</sup> CR at II-13, PR at II-8; CR/PR at Tables II-6, II-7.

<sup>88</sup> CR at V-28, PR at V-13.

<sup>89</sup> CR at V-7, PR at V-4-5. The five products on which the Commission requested pricing data are:

Product 1 -- 77" Width x 24" Depth x 72" to 78" Height, 4-level rack with steel wire decking, with load capacity of 1,000 pounds to 2,500 pounds per level.

Product 2 -- 77" Width x 24" Depth x 72" Height, 3-level rack with steel wire decking, with load capacity of 1,000 pounds to 2,500 pounds per level.

Product 3 -- 36" Width x 18" Depth x 72" Height, 5-level boltless/rivet steel shelving with particle board deck, with load capacity of 250 pounds to 1,000 pounds per level.

Product 4 -- 48" Width x 18" to 24" Depth x 72" to 84" Height, 5- or 6-level boltless/rivet steel shelving with particle board or laminate deck, with load capacity of 250 pounds to 1,000 pounds per level.

Product 5 -- 34" to 36" Width x between 15" and 18" Depth x 60" Height, 4-level boltless/rivet steel shelving with particle board deck, with load capacity of 250 pounds to 1,000 pounds per level.

CR at V-8, PR at V-5.

unrelated U.S. customers.<sup>90</sup> The Commission also requested direct importers to provide quarterly data for the total quantity and landed duty-paid cost of the products that they imported then sold directly to retail customers.<sup>91</sup> Three U.S. producers and 17 direct importers and/or importer-resellers provided usable data for sales (or direct imports) of the requested products, although not all firms reported pricing for all products for all quarters.<sup>92</sup> Pricing data reported by U.S. producers accounted for approximately \*\*\* percent of their shipments of boltless steel shelving by quantity in 2014. Cost data reported by direct importers represented \*\*\* percent of subject imports from China, and price data reported by importer-resellers represented \*\*\* percent of subject imports from China during the same period.<sup>93</sup>

Importers' prices for the subject imports sold to resellers were below prices for the domestic like product in 33 of 55 instances, accounting for \*\*\* units of subject imports; margins of underselling ranged from 0.3 to 87.0 percent. In the remaining 22 instances, accounting for \*\*\* units of subject imports, selling prices for boltless steel shelving from China were between 2.6 and 20.4 percent above prices for the domestic product.<sup>94</sup>

For the quarterly direct import cost comparisons, direct importers were asked to report the landed duty-paid cost for the boltless shelving they imported from China.<sup>95</sup> The costs that direct importers reported tend to be higher than the prices charged both by U.S. producers and other importers of subject merchandise.<sup>96</sup> Additionally, direct importers were asked to report any additional costs they incurred in the direct importing process, above the value that was reported in their landed duty-paid cost. Some direct importers reported that they did incur additional costs and estimated a value for such expenses, others indicated they did not incur additional costs, and still others responded that they did incur additional costs but such costs could not be broken out from the value they already reported.<sup>97</sup>

Edsal argued that the reported cost data did not represent a reasonable basis for comparison with domestic producers' quarterly prices for several reasons, including that some of the direct import costs, but not producers' prices, included logistical costs that would be similarly incurred on transactions of both domestic and imported shelving.<sup>98</sup> The record

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<sup>90</sup> CR at V-7, PR at V-4.

<sup>91</sup> CR at V-7, PR at V-4.

<sup>92</sup> CR at V-8, PR at V-5.

<sup>93</sup> In the first quarter of 2015, pricing data reported by importer-resellers represented \*\*\* percent of subject imports and cost data provided by direct importers represented \*\*\* percent of subject imports. Petitioner's reported quantities of subject merchandise it imported and then resold accounted for \*\*\* percent of quantities reported by importers-resellers for product 1, \*\*\* percent for product 2, \*\*\* percent for product 3, \*\*\* percent for product 4, and \*\*\* percent for product 5. The \*\*\* reported import quantities for direct import pricing data which accounted for \*\*\* percent of directly imported quantities reported for product 1, \*\*\* percent for product 2, \*\*\* percent for product 3, \*\*\* percent for product 4, and \*\*\* percent for product 5. CR at V-8-9, PR at V-5.

<sup>94</sup> CR/PR at Table V-11. We recognize that \*\*\*.

<sup>95</sup> CR at V-19-20, PR at V-9-11.

<sup>96</sup> CR/PR at Tables V-3-V-7.

<sup>97</sup> CR at V-19, PR at V-9-10.

<sup>98</sup> CR at V-21-22, PR at V-10-11.

indicates that only five of 12 direct importers provided data on the additional costs included in their direct import costs, and it appears that there was not a consistent basis among direct importers for reporting such costs.<sup>99</sup> Moreover, the fact that landed duty-paid costs were generally higher than prices reported by importers in sales to resellers is inconsistent with direct importers' assertions that they imported the merchandise themselves because there was a cost benefit in doing so.<sup>100</sup> Direct import values that are generally higher than prices by U.S. producers similarly appear to be inconsistent with statements by direct importers \*\*\* that they purchased subject imports for price reasons and that the domestic industry reduced prices to compete with subject import prices.<sup>101</sup> Based on these inconsistencies, we accord less weight in our underselling analysis to the direct import cost data than to comparisons between U.S. producers' prices and those of importer-resellers. Overall, we find the underselling and overselling to be mixed.

We have considered price trends for the domestic like product and subject imports over the POI. Prices for the domestic like product declined during 2012 and prices for both the domestic like product and the subject imports fluctuated within a fairly narrow range during 2013 and 2014.<sup>102</sup> Although domestic producers' prices increased in interim 2015,<sup>103</sup> we attribute that increase, as we did the decreased volume of subject imports in that timeframe, to the filing of the petitions and the pendency of these investigations.

We have also examined whether subject imports prevented price increases, which would have otherwise occurred, to a significant degree during the POI. As the volume of subject imports increased in 2014, domestic producers were unable to increase prices adequately to cover increasing costs, even in a market in which apparent U.S. consumption was increasing. The domestic industry's ratio of cost of goods sold ("COGS") to net sales increased from \*\*\* percent in 2012 to \*\*\* percent in 2013 and then to \*\*\* percent in 2014, representing an overall increase of \*\*\* percentage points.<sup>104</sup> Most of this increase in the COGS to net sales ratio can be attributed to unit sales values being outpaced by increases in raw materials costs.<sup>105</sup> We find that the intense price competition by the subject imports prevented price

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<sup>99</sup> CR at V-19-20, PR at V-9.

<sup>100</sup> CR/PR at Tables V-3-V-7, V-8.

<sup>101</sup> CR/PR at Table V-16.

<sup>102</sup> U.S. prices increased for products 1 and 2 and decreased for products 3, 4, and 5 during January 2012 to March 2015. Subject import prices decreased for products 2, 3, and 5 and increased for products 1 and 4. Costs for direct importers decreased for products 1, 4, and 5, and increased for products 2 and 3. The change in domestic producers' prices for individual pricing products from the first to the last quarter for which data were reported ranged from a decrease of \*\*\* percent to an increase of \*\*\* percent while the change in import prices ranged from a decrease of \*\*\* percent to an increase of \*\*\* percent. The change in direct import costs ranged from a decrease of \*\*\* percent to an increase of \*\*\* percent. CR/PR at Table V-10, *see also* CR/PR at Figures V-2-V-6.

<sup>103</sup> *See* CR/PR at Figure V-2-V-6.

<sup>104</sup> CR/PR at Table VI-1. From 2013 to 2014, the industry's unit COGS increased from \$\*\*\* to \$\*\*\*, an increase of \*\*\* percent, while unit values for its U.S. shipments increased from \$\*\*\* to \$\*\*\*, an increase of \*\*\* percent. CR/PR at Tables III-5, VI-1, C-1.

<sup>105</sup> *See* CR/PR at Table VI-3.

increases for the domestic like product that otherwise would have occurred to a significant degree.

We have also considered record evidence that purchasers switched from domestic sources to subject sources for price reasons, and that the domestic industry had to lower its prices to compete with subject imports, all of which reflect the intense price competition in this market. Confirmed lost sales allegations indicate that the domestic industry lost business to lower priced subject imports.<sup>106</sup> As noted above, substantial purchasers \*\*\* and \*\*\* reported that they switched purchases from domestic suppliers to subject imports for price reasons and that domestic producers reduced their prices to compete with the subject imports.<sup>107</sup>

In sum, given the moderate-to-high degree of substitutability between the subject imports and domestically produced boltless steel shelving, the importance of price to purchasers in the U.S. market, mixed underselling, suppressed U.S. prices, confirmed lost sales, and other evidence of purchasers switching from the domestic like product to subject imports on the basis of price and of domestic producers reducing prices to compete with subject imports, we find that the subject imports had significant price effects.

#### **E. Impact of the Subject Imports<sup>108</sup>**

Section 771(7)(C)(iii) of the Tariff Act provides that in examining the impact of subject imports, the Commission “shall evaluate all relevant economic factors which have a bearing on the state of the industry.”<sup>109</sup> These factors include output, sales, inventories, capacity utilization, market share, employment, wages, productivity, gross profits, net profits, operating

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<sup>106</sup> Purchasers directly confirmed some lost sales allegations. In the final phase of these investigations, the Commission was able to confirm lost sales allegations totaling \$\*\*\* and involving \*\*\* units of boltless steel shelving. CR/PR at Table V-14. We find that the record also corroborates Edsal’s allegation that lower subject import prices caused it to lose a sale to \*\*\* for \*\*\* units in June 2014 for a “Black Friday” promotion. CR/PR at Tables II-1, V-14. \*\*\*. CR at V-39, PR at V-15. \*\*\*. CR/PR at Table II-1. \*\*\*. CR/PR at Tables V-12, V-14.

<sup>107</sup> CR/PR at Table V-16; CR at V-41, PR at V-16.

<sup>108</sup> The statute instructs the Commission to consider the “magnitude of the dumping margin” in an antidumping proceeding as part of its consideration of the impact of imports. 19 U.S.C. § 1677(7)(C)(iii)(V). In its final antidumping duty determination with respect to subject imports from China, Commerce calculated a weighted-average antidumping duty margin of 17.55 percent for eight named exporters and 112.68 percent for the PRC-wide entity (including for Nanjing Topsun Racking Manufacturing Co., Ltd.). 80 Fed. Reg. 51779, 51781 (Aug. 26, 2015).

Additionally, in its final countervailing duty determination regarding subject imports, Commerce found that 27 programs provided countervailable subsidies to one or more producers/exporters in China; some of those appear to be export subsidies. 80 Fed. Reg. 51775, 51776; *see also* Commerce’s Issues and Decision Memorandum for Final Determination, Public Doc. E&C/V: PW, SSP (Aug. 14, 2015) at 12-25. Commerce assigned net countervailable subsidy rates as follows: Ningbo ETDZ Huixing Trade Co., Ltd. (12.40 percent), NanjingTopsun Racking Manufacturing Co., Ltd. (15.05 percent), 14 non-cooperative companies (80.45 percent), and All Others (13.73 percent). *Id.*

<sup>109</sup> 19 U.S.C. § 1677(7)(C)(iii). This provision was recently amended by the Trade Preferences Act of 2015, Pub. L. 114-27.

profits, cash flow, return on investment, return on capital, ability to raise capital, ability to service debt, research and development, and factors affecting domestic prices. No single factor is dispositive and all relevant factors are considered “within the context of the business cycle and conditions of competition that are distinctive to the affected industry.”

Based on the record of the final phase of these investigations, we find that subject imports had a significant impact on the domestic industry. As previously discussed, subject imports increased their market share from 2012 to 2014 at the direct expense of the domestic industry. Particularly between 2013 and 2014, subject imports’ market share increased \*\*\* percentage points and domestic producers’ market share declined by the same amount.<sup>110</sup> We find that the substantial shift in market share from the domestic like product to subject imports was caused, in large part, by purchasers shifting their source of supply from the domestic product to low-priced subject imports.

Even as apparent U.S. consumption grew (by \*\*\* percent) from 2012 to 2014, many indicators of the domestic industry’s performance lagged. There were notable declines between 2013 and 2014, when the quantity and market share of subject imports increased to their peak levels. U.S. production, after increasing from \*\*\* units in 2012 to \*\*\* units in 2013, fell to \*\*\* units in 2014.<sup>111</sup> U.S. producers’ capacity increased from \*\*\* units in 2012 to \*\*\* units in 2013 and \*\*\* units in 2014.<sup>112</sup> Capacity utilization declined from \*\*\* percent in 2012 to \*\*\* percent in 2013 and then to \*\*\* percent in 2014.<sup>113</sup> U.S. shipments (by quantity) increased from \*\*\* units in 2012 to \*\*\* units in 2013, then declined to \*\*\* units in 2014.<sup>114</sup> U.S. producers’ ending inventories declined from \*\*\* units in 2012 to \*\*\* units in 2013 then increased to \*\*\* units in 2014.<sup>115</sup>

Employment, after increasing from \*\*\* production-related workers (PRWs) in 2012 to \*\*\* PRWs in 2013, declined to \*\*\* PRWs in 2014.<sup>116</sup> Hours worked increased from \*\*\* hours in 2012 to \*\*\* hours in 2013 then declined to \*\*\* hours in 2014.<sup>117</sup> Wages paid increased from

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<sup>110</sup> CR/PR at Table C-1.

<sup>111</sup> CR/PR at Table III-3. U.S. producers’ production was \*\*\* units in interim 2014 and \*\*\* in interim 2015. *Id.*

<sup>112</sup> CR/PR at Table III-3. U.S. producers’ capacity was \*\*\* units in interim 2014 and \*\*\* units in interim 2015. *Id.*

<sup>113</sup> CR/PR at Table III-3. U.S. producers’ capacity utilization was \*\*\* percent in interim 2014 and \*\*\* percent in interim 2014. *Id.*

<sup>114</sup> CR/PR at Table III-5. U.S. shipments (by quantity) were \*\*\* units in interim 2014 and \*\*\* units in interim 2015. *Id.*

<sup>115</sup> CR/PR at Table III-6. U.S. producers’ ending inventories were \*\*\* units in interim 2014 and \*\*\* units in interim 2015. *Id.*

<sup>116</sup> CR/PR at Table III-8. The number of PRWs was \*\*\* in interim 2014 and \*\*\* in interim 2015. *Id.*

<sup>117</sup> CR/PR at Table III-8. Hours worked were \*\*\* hours in interim 2014 and \*\*\* hours in interim 2015. *Id.*

\$\*\*\* in 2012 to \$\*\*\* in 2013 then declined to \$\*\*\* in 2014.<sup>118</sup> Worker productivity increased from \*\*\* units per hour in 2012 to \*\*\* units per hour in 2013 and was unchanged in 2014.<sup>119</sup>

The domestic industry's financial performance deteriorated from 2012 to 2014, and especially between 2013 and 2014. The domestic industry's net sales (by quantity), after increasing from \*\*\* units in 2012 to \*\*\* units in 2013, declined to \*\*\* units in 2014.<sup>120</sup> Net sales (by value) increased from \$\*\*\* in 2012 to \$\*\*\* in 2013, then declined to \$\*\*\* in 2014.<sup>121</sup> The domestic industry's operating income declined from \$\*\*\* in 2012 to \$\*\*\* in 2013, then declined to \*\*\* \$\*\*\* in 2014.<sup>122</sup> Gross profit and net income also fell from 2012 to 2014.<sup>123</sup> As a ratio to net sales, operating income declined by \*\*\* percentage points overall from 2012 to 2014, declining from \*\*\* percent in 2012 to \*\*\* percent in 2013 and \*\*\* percent in 2014.<sup>124</sup>

The record thus shows that the domestic industry's income levels and operating income margin eroded between 2012 and 2013 in the face of the increased volume of low-priced subject imports, notwithstanding increases in the domestic industry's production, shipments, employment, sales, and market share during that time. From 2013 to 2014, the industry's trade and employment indicators declined and its financial performance deteriorated further as both the absolute volume and market share of the low priced subject imports increased. The industry's operating performance moved from a posture of modest profitability in 2013 to a \*\*\* in 2014.

The domestic industry's trade, employment and financial indicators were generally better in interim 2015 than in interim 2014, as domestic producers regained market share, increased production, capacity utilization, shipments and sales, hired new workers, and experienced a modest operating profit.<sup>125</sup> We find those improvements to be a product of the decreased volume of subject imports during the pendency of these investigations and

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<sup>118</sup> CR/PR at Table III-8. Wages paid were \$\*\*\* in interim 2014 and \$\*\*\* in interim 2015. *Id.*

<sup>119</sup> CR/PR at Table III-8. Productivity was \*\*\* units per hour in both interim 2014 and interim 2015. *Id.*

<sup>120</sup> CR/PR at Table VI-1. Net sales (by quantity) were \*\*\* units in interim 2014 and \*\*\* units in interim 2015. *Id.*

<sup>121</sup> CR/PR at Table VI-1. Net sales (by value) were \$\*\*\* in interim 2014 and \$\*\*\* in interim 2015. *Id.*

<sup>122</sup> CR/PR at Table VI-1. Operating income was \*\*\* \$\*\*\* in interim 2014 and was \$\*\*\* in interim 2015. *Id.*

<sup>123</sup> Gross profit was \$\*\*\* in 2012, \$\*\*\* in 2013, and \$\*\*\* in 2014; it was \*\*\* \$\*\*\* in interim 2014 and \$\*\*\* in interim 2015. CR/PR at Table VI-1. Net income was \$\*\*\* in 2012, \$\*\*\* in 2013, and \*\*\* \$\*\*\* in 2014; it was \*\*\* \$\*\*\* in interim 2014 and \$\*\*\* in interim 2015. *Id.*

<sup>124</sup> CR/PR at Table VI-1. The domestic industry's ratio of operating income to net sales was \*\*\* percent in interim 2014 and \*\*\* percent in interim 2015. *Id.* Its capital expenditures declined from \$\*\*\* in 2012 to \$\*\*\* in 2013 and \$\*\*\* in 2014; they were \$\*\*\* in interim 2014, and \$\*\*\* in interim 2015. CR/PR at Table VI-5. The domestic industry's research and development expenses were \*\*\*. CR/PR at Table VI-6. The domestic industry's return on assets was \*\*\* percent in 2012, \*\*\* percent in 2013, and \*\*\* percent in 2014. CR/PR at Table VI-7.

<sup>125</sup> Edsal reported the establishment in April 2015 of new production operations in Gary, Indiana, which will supplement those of longer standing in Chicago, Illinois. CR at III-4, PR at III-2-3.

confirmation that subject imports were a cause of the industry's poor performance from 2012 to 2014.

We have considered whether there are other factors that may have had an adverse impact on the domestic industry during the POI to ensure that we are not attributing injury from other factors to the subject imports. Nonsubject imports had only a small presence in the U.S. market during the POI, with a share of apparent U.S. consumption ranging between \*\*\* percent and \*\*\* percent between 2012 and 2014.<sup>126</sup> Accordingly, we find that nonsubject imports cannot explain the declines in the domestic industry's market share and financial performance during the POI.

We have also considered whether the activities of petitioner Edsal in importing and facilitating imports of subject merchandise are an alternative cause of injury to the domestic industry. As discussed above, Edsal provided un rebutted evidence that it undertook its import-related activities in order to retain important customer accounts when it could not supply domestic shelving at the low prices demanded by its customers.<sup>127</sup> Moreover, a majority of the volume of subject imports, and the increase in that volume, was product that was unrelated to Edsal.<sup>128</sup> Accordingly, we find that Edsal's own activities with respect to subject imports do not sever the causal link between subject imports and injury to the domestic industry.

We therefore conclude that subject imports have had a significant impact on the domestic industry.

## **V. Conclusion**

For the reasons stated above, we determine that an industry in the United States is materially injured by reason of imports of boltless steel shelving from China that is sold in the United States at less than fair value and subsidized by the government of China.

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<sup>126</sup> CR/PR at Table IV-5.

<sup>127</sup> CR at III-14-15, PR at III-6-7.

<sup>128</sup> CR/PR at Table IV-6.





## **Separate Views of Chairman Meredith M. Broadbent and Commissioner David S. Johanson**

Based on the record in the final phase of these investigations, we find that an industry in the United States is threatened with material injury by reason of boltless steel shelving units prepackaged for sale (“boltless steel shelving”) from China that the U.S. Department of Commerce (“Commerce”) has determined are sold in the United States at less than fair value and subsidized by the government of China. Except as otherwise noted, we join with and adopt as our own sections I–V.B of the Views of the Commission.<sup>1</sup>

Our separate finding that there is no material injury by reason of subject imports reflects the role of the domestic industry in the increase in subject imports during the period of investigation (“POI”), a lack of price effects caused by subject imports, and the predominant role of higher raw material costs in the domestic industry’s deteriorating financial performance in 2014. Our finding of a threat of material injury by reason of subject imports is based on increasing subject import volume trends, increasing production capacity of the highly export-oriented industry in China, and narrowing price differentials observed at the end of the period of investigation.

### **I. No Material Injury By Reason of Subject Imports**

#### **A. Volume of Subject Imports**

Section 771(7)(C)(i) of the Tariff Act provides that the “Commission shall consider whether the volume of imports of the merchandise, or any increase in that volume, either in absolute terms or relative to production or consumption in the United States, is significant.”<sup>2</sup>

Subject import volume rose by \*\*\* percent between 2012 and 2014, increasing from \*\*\* units in 2012 to \*\*\* units in 2013, before rising to \*\*\* units in 2014.<sup>3</sup> Subject import market share, after initially declining from \*\*\* percent in 2012 to \*\*\* percent in 2013, increased to \*\*\* percent in 2014, an overall increase of \*\*\* percentage points.<sup>4</sup> As a ratio to domestic production, subject import volume increased irregularly from \*\*\* percent in 2012 to \*\*\* percent in 2014.<sup>5</sup>

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<sup>1</sup> Material retardation is not an issue in these investigations.

<sup>2</sup> 19 U.S.C. § 1677(7)(C)(i).

<sup>3</sup> CR/PR at Table C-1. Subject import volume was \*\*\* units in interim 2015, as compared to \*\*\* units in interim 2014.

<sup>4</sup> CR/PR at Table C-1. Subject import market share in interim 2015 was \*\*\* percent, as compared to \*\*\* percent in interim 2014.

<sup>5</sup> CR at IV-5; PR at IV-3. Subject imports as a ratio to domestic production was \*\*\* percent in interim 2015 as compared to \*\*\* percent in interim 2014

Subject imports increased in line with apparent U.S. consumption, which grew by \*\*\* percent from 2012 to 2014.<sup>6</sup> Although subject imports increased at a more rapid rate than apparent U.S. consumption, this increase was driven in part by the domestic industry’s own imports from China (which grew by \*\*\* percent) and its facilitated imports from China (which grew by \*\*\* percent).<sup>7</sup> Subject imports that were either imported or facilitated by Edsal accounted for \*\*\* percent of the total increase in subject imports from China between 2012 and 2014.<sup>8</sup> The increase in subject imports in 2014 was also largely driven by a one-time sale of \*\*\* units by a Chinese supplier to purchaser \*\*\*.<sup>9</sup> This sale was anomalous and accounted for only \*\*\* percent of \*\*\* total purchases during the POI.<sup>10</sup> Therefore, the increase in subject imports during the POI was caused largely by Edsal’s own importation practices and a single sale of subject merchandise to \*\*\*.

In light of these considerations, we find the volume and increase in volume of subject imports to be significant both in absolute terms and relative to consumption. However, for the reasons discussed elsewhere in this opinion, we do not find that the subject imports had significant price effects or a significant impact on the domestic industry.

## **B. Price Effects of the Subject Imports**

Section 771(7)(C)(ii) of the Tariff Act provides that evaluating the price effects of the subject imports, the Commission shall consider whether

- (I) there has been significant price underselling by the imported merchandise as compared with the price of the domestic like products of the United States, and
- (II) the effect of imports of such merchandise otherwise depresses prices to a significant degree or prevents price increases, which otherwise would have occurred, to a significant degree.<sup>11</sup>

We find that price is an important factor in purchasing decisions, as the majority of responding purchasers reported that price was “very important” in purchasing decisions.<sup>12</sup> However, we note that at least as many responding purchasers listed availability, reliability of supply, and product consistency as “very important” in their purchasing decisions.<sup>13</sup>

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<sup>6</sup> CR/PR at Table C-1. Apparent U.S. consumption declined by \*\*\* percent between interim 2014 and interim 2015.

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

<sup>8</sup> CR/PR at Table III-7. Edsal states that it offered to facilitate purchasers’ imports from China as a service in order to maintain customer accounts. CR at III-14, PR at III-7.

<sup>9</sup> CR/PR at Table II-1.

<sup>10</sup> CR/PR at Table II-1. Together, Edsal’s increased imports and facilitated imports and the \*\*\* sale accounted for \*\*\* percent of the increase in subject imports between 2012 and 2014. CR/PR at Table II-1, Table III-7, and Table C-1.

<sup>11</sup> 19 U.S.C. § 1677(7)(C)(ii).

<sup>12</sup> CR/PR at Table II-7.

<sup>13</sup> CR/PR at Table II-7.

The Commission collected pricing data for five products that accounted for \*\*\* percent of U.S. producers' U.S. shipments and \*\*\* percent of subject imports in 2014.<sup>14</sup> Import pricing data collected by the Commission is derived from sales made by U.S. "importer-resellers," or firms that import merchandise for resale to predominantly retail purchasers.<sup>15</sup> There was mixed underselling and overselling for these five pricing products, with subject imports underselling the domestic like product in 33 quarterly comparisons (by an average margin of 12.1 percent) and overselling in 22 quarterly comparisons (by an average margin of 9.6 percent). On a quantity basis, however, there was a greater volume of imports that oversold the domestic like product (\*\*\* units) than those that undersold the domestic like product (\*\*\* units).<sup>16</sup>

In our analysis of these price comparisons, a major factor that mitigates the significance of observed underselling is that a substantial majority of the lowest priced import data was in fact imported by \*\*\*.<sup>17</sup> We do not find it likely that \*\*\* was deliberately pricing below \*\*\* sales prices in order to target \*\*\* domestic market share, and we similarly do not consider \*\*\* imports to have adversely affected the domestic industry's prices. For example, considering product 5, \*\*\* quarterly comparisons showed that subject imports undersold the domestic like product; however, subject imports of product 5 were \*\*\*.<sup>18</sup> Despite \*\*\*, the domestic industry's U.S. shipments of product 5 increased by \*\*\* percent between 2012 and 2014, while the U.S. producers' sales price for product 5 decreased by only \*\*\* percent over the POI.<sup>19</sup> As further evidence that \*\*\* did not cause price effects, we note that \*\*\*.<sup>20</sup>

When \*\*\* sales of subject imports are not included in quarterly pricing data, there are \*\*\* instances of subject import underselling and \*\*\* instances of subject import overselling; even more dramatically, the quantity of subject imports showing underselling falls to only \*\*\* units while the quantity of subject imports showing overselling rises to \*\*\* units.<sup>21</sup> This demonstrates that sales of subject imports sold by importer-resellers, other than \*\*\*, substantially oversold the domestic like product.<sup>22</sup>

Between \*\*\* percent and \*\*\* percent of annual U.S. imports were imported directly by retailers during the POI for sale in their stores, thus bypassing importer-resellers.<sup>23</sup> Given the importance of direct imports in this market, we have considered whether subject imports that

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<sup>14</sup> CR at V-8; PR at V-5.

<sup>15</sup> CR at V-8; PR at V-5.

<sup>16</sup> CR/PR at Table V-11.

<sup>17</sup> CR/PR at Table V-9.

<sup>18</sup> CR/PR at Table V-9. As shown in Table V-9, the average prices of subject imports entered by petitioner were lower than the average prices of petitioner's domestic like product in every period for which there is a comparison.

<sup>19</sup> CR/PR at Table V-7.

<sup>20</sup> CR at V-35 n.25, PR at V-14.

<sup>21</sup> CR/PR at Table V-11; Importer Questionnaire Response of \*\*\*, EDIS no. 561821.

<sup>22</sup> Although the pricing product definitions appear to be defined broadly to incorporate ranges of load-bearing capacity for boltless steel shelving, Petitioner has argued that this does not distort price comparisons. Petitioner's Posthearing Brief, Responses to Commissioner Questions at 29-30.

<sup>23</sup> CR/PR at Table IV-3.

were directly imported by U.S. purchasers were imported at costs that were below U.S. producers' prices.<sup>24</sup> The Commission collected import cost data from direct importers that accounted for an additional \*\*\* percent of subject imports from China in 2014.<sup>25</sup>

Petitioner raises a number of concerns regarding the direct import cost data and its comparability to domestic industry price data as well as the method by which it was collected and reported. Petitioner asserts that the price that purchasers pay to foreign producers in China (the "f.o.b. China" price) should be the actual point of comparison with U.S. producers' prices.<sup>26</sup> We note that the f.o.b. China price does not include freight and insurance costs or any additional costs incurred by direct importers. We considered data provided by Edsal for line reviews, where retailers compare f.o.b. China prices with U.S. producers' prices on a head-to-head basis.<sup>27</sup> In every instance in which Edsal participated and won a sale, it offered final prices that were \*\*\*.<sup>28</sup> Assuming that the purchasers were price- and cost-conscious, \*\*\* indicate that purchasers considered the additional cost of sourcing from Edsal to be \*\*\* than the additional cost of sourcing from the Chinese source. Under these circumstances where the total costs of direct importing appear to be substantially higher than the cost of sourcing from a domestic source, we do not consider the f.o.b. China price to be the most accurate basis for comparison.

Petitioner also argues that the direct import cost data collected by the Commission is not accurate because several purchasers did not separate out additional incurred costs when reporting direct imports on a landed duty-paid basis.<sup>29</sup> Although most firms reported direct imports on a landed duty-paid basis, \*\*\* firms were not able to separate out additional costs from the data that they provided.<sup>30</sup> However, it is unlikely that inclusion of these additional

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<sup>24</sup> We note that, in comments on draft questionnaires, Petitioner itself requested that the Commission collect this data and place greater weight on it than it does in most other cases. They stated that "unlike many of the products that the Commission examines . . . boltless steel shelving is not sold through an importer/middleman but is directly imported by the purchaser . . . for sale at the retail level to the consumer." Petitioner Comments to Draft Questionnaire at 3. Petitioner further argued that "direct import sales are an important condition of competition in the boltless shelving market that must be taken into account when gathering and analyzing the pricing data." Petitioner Comments to Draft Questionnaire at 2. Similarly, the \*\*\* EDIS no. 561821.

<sup>25</sup> CR at V-8; PR at V-5 The Commission requested that direct importers report their import cost data on a landed duty-paid basis, which includes the cost of the foreign-produced merchandise, insurance, freight, and calculated duties (which are zero under an MFN rate of "free").

<sup>26</sup> Petitioner's Posthearing Brief, Responses to Commissioner Questions at 14; Hearing Tr. at 62 (Cannon); Petitioner Comments to Draft Questionnaire at 4.

<sup>27</sup> Hearing Tr. 20-22 (Quick); CR at V-28, PR at V-13.

<sup>28</sup> CR/PR at Table V-12.

<sup>29</sup> Petitioner's Posthearing Brief, Responses to Commissioner Questions at 15; Hearing Tr. at 62 (Cannon).

<sup>30</sup> CR at V-19, PR at V-10; Importer Questionnaire Response of \*\*\*, EDIS nos. 561819, 561810, and 559041. Additional costs included in these purchasers' total direct import cost data were not uniform across all \*\*\* purchasers. While all \*\*\* purchasers reported that customs brokerage fees were included within their reported total costs, for example, only \*\*\* reported including various support and quality assurance testing costs. Importer Questionnaire Response of \*\*\*, EDIS no. 559041.

costs substantially overstates the value of direct import costs in comparison to U.S. producers' prices, and may even enhance comparability. Purchasers who were able to identify and break out additional costs associated with direct importation reported that these costs ranged from \*\*\* percent to \*\*\* percent.<sup>31</sup> These purchasers described the types of direct import costs that they incurred, including logistical and supply chain costs, warehousing costs, customs brokerage fees, and other costs such as scheduling and document management for import shipments.<sup>32</sup> Although similar types of costs may be incurred by purchasers when they buy merchandise from domestic sources, we find it unlikely under these circumstances that purchasing domestically generates the same level of additional costs as directly importing merchandise.<sup>33</sup>

In summary, import cost data were collected at a different level of trade from the sales prices of U.S. producers and importers, and generally do not include certain additional incurred costs associated with directly importing. Our use of direct import cost data in these investigations likely understates the cost of subject imports relative to the cost of sourcing domestically. Nonetheless, import costs were still higher than U.S. producers' prices in \*\*\* percent of quarterly comparisons that represents \*\*\* percent of the volume of imports reported within this data by an average margin of \*\*\* percent, reinforcing our finding that subject imports oversold the domestic like product.<sup>34</sup>

We note that the average unit value ("AUV") of U.S. producers' shipments was between \*\*\* and \*\*\* percent below the AUV of subject imports between 2012 and 2014.<sup>35</sup> AUV data from various sources may not be comparable due to differences and changes in underlying product mix in certain circumstances. However, in this case there is no conflict between the three sources of pricing data in the U.S. market (traditional pricing data, direct import costs, and AUVs). All sources of pricing data show that, \*\*\*, subject imports were priced higher than the domestic like product.

Therefore, comparisons of U.S. producers' pricing data with both import pricing data and import cost data, as well as a comparison of the AUV of U.S. producers' U.S. shipments and subject imports, show that the domestic like product, \*\*\*, was priced lower than subject imports during the POI. As discussed above, much of the subject imports that were lower-priced than the domestic like product were imported by \*\*\*. Consequently, we do not find the underselling by subject imports to be significant.

In addition, we do not find that subject imports depressed U.S. producers' prices to a significant degree. Petitioner argues that subject imports undersold the domestic like product

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<sup>31</sup> CR at V-19, PR at V-10.

<sup>32</sup> CR at V-19-20, PR at V-10.

<sup>33</sup> In an interview with *Today's Machining World*, the current Vice President of Edsal who is largely responsible for boltless steel shelving operations acknowledged these additional costs from foreign sources and stated: "In China, there are a lot of costs. There's transportation to the port, transportation to the U.S., quality certifications that have to happen, and a whole host of infrastructure. All of that stuff doesn't exist here, so we save on the logistical side of things tremendously." Whalen's Postconference Brief, Exhibit 1.

<sup>34</sup> CR/PR at Tables V-3-7.

<sup>35</sup> CR/PR at Table C-1. The AUV of U.S. producers' shipments was \*\*\* percent lower than the AUV of subject imports in interim 2014 and \*\*\* percent lower in interim 2015.

and caused U.S. producers to lower their prices in response.<sup>36</sup> As discussed above, \*\*\* was the low-priced leader in the market,<sup>37</sup> and underselling was not significant. In addition, the overall decline in U.S. producers' prices over the POI was modest. U.S. producers' prices for three pricing products fell by between \*\*\* percent and \*\*\* percent between the first quarter of 2012 and the first quarter of 2015, and U.S. producers' prices for two products increased by \*\*\* percent and \*\*\* percent.<sup>38</sup> For all five pricing products, prices primarily declined in 2012, and were flat or improved thereafter.<sup>39</sup> However, the volume of subject imports was at its lowest level in 2012 and only moderately increased in 2013, and subject imports did not gain any market share until 2014.<sup>40</sup> In light of the fact that U.S. price declines occurred early in the period and did not coincide with either subject import underselling (which was not significant) or subject import volume increases, we do not attribute any decrease in U.S. prices to subject imports.

We have also considered whether subject imports caused price suppression. The domestic industry's ratio of cost of goods sold ("COGS") to net sales increased over the period, rising from \*\*\* percent in 2012 to \*\*\* percent in 2014.<sup>41</sup> Over this period, unit COGS increased by \$\*\*\* per unit, while there was a \$\*\*\* per unit decline in the AUV of net sales.<sup>42</sup> Although this indicates that costs increased more than prices over the course of the POI, we do not find that subject imports prevented price increases, which otherwise would have occurred, to a significant degree. The limited fluctuation in U.S. prices over the POI<sup>43</sup> despite more substantial fluctuation in raw material costs<sup>44</sup> indicates that U.S. prices are not immediately responsive to changes in underlying costs.<sup>45</sup> Thus, when unit COGS increased by \$\*\*\* per unit between 2013

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<sup>36</sup> Hearing Tr. at 33 (Cannon); Petitioner Posthearing Brief at 2.

<sup>37</sup> Purchasers also listed \*\*\* most frequently when asked to identify price leaders in the boltless steel shelving market. CR at V-6, PR at V-4. In an interview with *Today's Machining World*, the current Vice President of Edsal stated that he has aggressively sought additional business with new customers based on Edsal's price advantage over Chinese competitors. Whalen's Postconference Brief, Exhibit 1. In attempting to gain business at Costco, for example, he stated, "I started the letter with, 'How would you like to get a lower cost for the exact same product and lower your prices for your members while adding American jobs?'" *Id.*

<sup>38</sup> CR/PR at Table V-11.

<sup>39</sup> CR/PR at Tables V-3-7. We note that some of the improvement in prices for products 1-5 occurred in the first quarter of 2015, which may have been the result of the preliminary countervailing duty determination by Commerce in January 2015. CR/PR at I-1.

<sup>40</sup> CR/PR at Table C-1. Similarly, Petitioner identified 2014 as the year in which subject imports increased their aggressiveness in the U.S. market. Hearing Tr. at 16 (Liss).

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

<sup>42</sup> CR/PR at Table VI-1. As discussed above, much of the decline in U.S. prices occurred prior to 2014, when subject imports were not increasing. Consistent with those trends, the industry's AUV of net sales fell by \$\*\*\* per unit between 2012 and 2013, and increased by \$\*\*\* per unit between 2013 and 2014. *Id.*

<sup>43</sup> CR/PR at Figures V-2-6.

<sup>44</sup> CR/PR at Figure V-1.

<sup>45</sup> In an interview with *Today's Machining World*, the current Vice President of Edsal categorically replied "no" when asked whether Home Depot gave his company leeway on price due to substantial

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and the first quarter of 2014 (generally driven by increased raw material costs), the AUV of net sales increased by only \$\*\*\* per unit, and the industry suffered a cost-price squeeze.<sup>46</sup> Following this short high-cost period, unit COGS were lower by an average \$\*\*\* per unit over the final three quarters of 2014 while the AUV of net sales was lower by \$\*\*\* per unit.<sup>47</sup> Therefore, although the domestic industry experienced a short but severe cost-price squeeze in the first quarter of 2014, it was able to make adjustments over the remainder of 2014 to mitigate higher costs. Because the domestic industry's high ratio of COGS to net sales in 2014 was the result of a sudden rise in costs (which then eased) and a slower shift in prices, and because we find that subject imports did not significantly undersell the domestic like product, we do not find significant price suppression.

Based on the foregoing reasons, we find that the subject imports did not have the effect of depressing prices or preventing price increases that would otherwise have occurred to a significant degree. Although the domestic industry lost aggregate market share to subject imports over the POI, this loss of market share was not due to subject imports being lower priced than the domestic like product.<sup>48</sup> Accordingly, we do not find significant price effects by reason of subject imports.

### C. Impact of the Subject Imports

Section 771(7)(C)(iii) of the Tariff Act provides that when examining the impact of subject imports, the Commission "shall evaluate all relevant economic factors which have a bearing on the state of the industry."<sup>49</sup> These factors include output, sales, inventories,

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shifts in raw material costs. Whalen's Postconference Brief, Exhibit 1. This statement provides further evidence that U.S. prices are not immediately responsive to changes in costs in this market.

<sup>46</sup> CR/PR at Table VI-1 and Table VI-3.

<sup>47</sup> CR/PR at Table VI-1 and Table VI-3.

<sup>48</sup> Subject imports and the domestic producers primarily served different purchasers, and changes in market share may reflect increases or decreases in purchasers' downstream sales of boltless steel shelving. CR/PR at Table II-1. In addition, the domestic industry's own imports were responsible for \*\*\* of the increase in subject imports during the POI. CR/PR at Table III-7.

In the preliminary and final phases of these investigations, \*\*\* made \*\*\* lost sales allegations involving approximately \$\*\*\* and \*\*\* units. \*\*\* also made \*\*\* lost revenue allegations involving approximately \$\*\*\* and \*\*\* units. CR at V-35, PR at V-14. Only one \*\*\* purchaser, \*\*\*, agreed with allegations totaling \$\*\*\* and \*\*\* units of lost sales which occurred in \*\*\*. CR/PR at Table II-1 and Table V-14. Additionally, \*\*\* stated that \*\*\*, which likely adversely affected \*\*\* ability to gain those sales. CR/PR at Table V-14, CR at V-39, PR at V-15. \*\*\* lost revenue allegations were confirmed by purchasers. CR/PR at Table V-15.

We acknowledge that \*\*\* contributed to an increase in subject imports in that year, but cannot confirm that subject import pricing was the reason for that lost sale. CR/PR at Table V-14. This sale was anomalous and accounted for only \*\*\* percent of \*\*\* total purchases during the POI. CR/PR at Table II-1.

<sup>49</sup> 19 U.S.C. § 1677(7)(C)(iii); see also SAA at 851, 885 ("In material injury determinations, the Commission considers, in addition to imports, other factors that may be contributing to overall injury.

(continued...)

capacity utilization, market share, employment, wages, productivity, gross profits, net profits, operating profits, cash flow, return on investment, return on assets, ability to raise capital, ability to service debt, research and development, and factors affecting domestic prices. No single factor is dispositive and all relevant factors are considered “within the context of the business cycle and conditions of competition that are distinctive to the affected industry.”<sup>50</sup>

Many industry indicators showed improvement over the POI. The domestic industry’s capacity increased by \*\*\* percent between 2012 and 2014.<sup>51</sup> Production also increased by \*\*\* percent over the three full years.<sup>52</sup> While both the domestic industry’s capacity and production increased, capacity increased at a higher rate, resulting in a decline of \*\*\* percentage points in the domestic industry’s rate of capacity utilization.<sup>53</sup>

The domestic industry lost market share over the POI to subject imports,<sup>54</sup> but as discussed above, subject imports’ gain in market share was largely due to the domestic industry’s own imports and facilitated imports and one retailer’s decision to purchase subject imports for a single promotional sale in 2014. Despite losing market share, the domestic industry’s U.S. shipments and net sales increased between 2012 and 2014 in terms of both quantity and value.<sup>55</sup> The AUVs of both U.S. shipments and net sales declined \*\*\*, with the AUV of U.S. shipments declining by \*\*\* percent and the AUV of net sales declining by \*\*\* percent.<sup>56</sup> The domestic industry was able to draw down its inventories, and its inventories of

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While these factors, in some cases, may account for the injury to the domestic industry, they also may demonstrate that an industry is facing difficulties from a variety of sources and is vulnerable to dumped or subsidized imports.”).

<sup>50</sup> 19 U.S.C. § 1677(7)(C)(iii); *see also* SAA at 851, 885.

<sup>51</sup> The production capacity of the domestic industry increased from \*\*\* units in 2012 to \*\*\* units in 2014. Capacity was \*\*\* units in interim 2015, as compared to \*\*\* units in interim 2014. CR/PR at Table C-1.

<sup>52</sup> The quantity of boltless steel shelving produced by the domestic industry increased from \*\*\* units in 2012 to \*\*\* units in 2014. Production was \*\*\* units in interim 2015, as compared to \*\*\* units in interim 2014. CR/PR at Table C-1.

<sup>53</sup> The domestic industry’s capacity utilization rate declined from \*\*\* percent in 2012 to \*\*\* percent in 2014. The capacity utilization rate was \*\*\* percent in interim 2015, as compared to \*\*\* percent in interim 2014. CR/PR at Table C-1.

<sup>54</sup> The domestic industry’s share of apparent U.S. consumption was \*\*\* percent in 2012, \*\*\* percent in 2013, and \*\*\* percent in 2014. It was \*\*\* percent in interim 2015, as opposed to \*\*\* percent in interim 2014. CR/PR at Table C-1.

<sup>55</sup> The domestic industry’s U.S. shipments, by quantity, increased from \*\*\* units in 2012 to \*\*\* units in 2014 (or by \*\*\* percent) and were \*\*\* units in interim 2015, as compared to \*\*\* units in interim 2014. By value, the domestic industry’s U.S. shipments increased from \$\*\*\* in 2012 to \$\*\*\* in 2014 (or by \*\*\* percent) and were \$\*\*\* in interim 2015, as compared to \$\*\*\* in interim 2014. The domestic industry’s net sales, by quantity, increased from \*\*\* units in 2012 to \*\*\* units in 2014 (or by \*\*\* percent) and were \*\*\* units in interim 2015, as compared to \*\*\* units in interim 2014. By value, the domestic industry’s net sales increased from \$\*\*\* in 2012 to \$\*\*\* in 2014 (or by \*\*\* percent) and were \$\*\*\* in interim 2015, as compared to \$\*\*\* in interim 2014. CR/PR at Table C-1.

<sup>56</sup> CR/PR at Table C-1.



boltless steel shelving declined by \*\*\* percent between 2012 and 2014, equivalent to only \*\*\* percent of total shipments in 2014.<sup>57</sup>

While employment of production-related workers declined slightly over the three full years of the POI (a decline of \*\*\* workers, or by \*\*\* percent), this decline was accompanied by an increase in productivity, hours worked, and wages paid.<sup>58</sup> The domestic industry's production and U.S. shipments increased over the period, so the decrease in employment is likely tied to the industry's improvement in productivity as opposed to any output-related factors.

In contrast to the generally positive trends mentioned above, the operating margin of the domestic industry declined steadily over the three full years of the POI, falling from \*\*\* percent in 2012 to \*\*\* percent in 2014.<sup>59</sup> \*\*\* the decline in the financial performance of the domestic industry occurred in the final year, 2014, which accounted for \*\*\* of the \*\*\* percentage points of decline over the full three years.<sup>60</sup> Therefore, we focus our analysis on factors that caused the decline in 2014, particularly because petitioner testified that "the aggressive behavior of the imports intensified in 2014."<sup>61</sup>

Between 2013 and 2014, while the domestic industry's AUV of net sales increased by \*\*\* percent,<sup>62</sup> its unit COGS increased by \*\*\* percent and its unit SG&A expenses increased by \*\*\* percent.<sup>63</sup> Therefore, as the domestic industry's unit costs and expenses increased by \*\*\* between 2013 and 2014, its AUV of net sales only increased by \$\*\*\*. Examining the components of unit COGS in 2014 shows that the increase in unit raw material costs (by \$\*\*\*, an \*\*\* percent increase) was the primary driver in the increase in unit COGS because the other

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<sup>57</sup> Inventories of the domestic like product held by the domestic industry declined from \*\*\* units at the end of 2012 to \*\*\* units at the end of 2014. While inventories, by quantity, were \*\*\* percent higher at the end of interim 2015 than at the end of interim 2014, the ratio of inventories to total shipments was \*\*\* percent at the end of interim 2015, as compared to \*\*\* percent at the end of interim 2014. CR/PR at Table C-1.

<sup>58</sup> Production-related workers in the domestic industry declined from \*\*\* workers in 2012 to \*\*\* workers in 2014. There were \*\*\* production-related workers in the domestic industry in interim 2015, as compared to \*\*\* workers in interim 2014. Labor productivity increased from \*\*\* units produced per hour of labor ("units/hour") in 2012 to \*\*\* units/hour in 2014. Labor productivity was steady at \*\*\* units/hour in both interim periods. CR/PR at Table C-1. Hours worked increased from \*\*\* hours in 2012 to \*\*\* hours in 2014 and were \*\*\* hours in interim 2015, as compared to \*\*\* hours in interim 2014. CR/PR at Table C-1. Average hourly wages declined \*\*\* from \$\*\*\* in 2012 to \$\*\*\* in 2014 (by \*\*\* percent) and were \*\*\* at \$\*\*\* in the interim periods. CR/PR at Table C-1.

<sup>59</sup> The operating margin of the domestic industry was \*\*\* percent in interim 2015, as opposed to \*\*\* percent in interim 2014. CR/PR at Table C-1.

<sup>60</sup> CR/PR at Table C-1. The market share of subject imports declined between 2012 and 2013, reducing the likelihood of any causal connection between the \*\*\* percentage point decline in the domestic industry's operating margin for 2013 and subject imports.

<sup>61</sup> Hearing Tr. at 16 (Liss).

<sup>62</sup> The AUV of the domestic industry's net sales increased from \$\*\*\* in 2013 to \$\*\*\* in 2014. CR/PR at Table C-1.

<sup>63</sup> The domestic industry's unit COGS increased from \$\*\*\* in 2013 to \$\*\*\* in 2014. The domestic industry's unit SG&A expenses increased from \$\*\*\* in 2013 to \$\*\*\* in 2014. CR/PR at Table C-1.

two components of COGS—direct labor and factory overhead—both declined between 2013 and 2014.<sup>64</sup> As a result of these higher raw material costs, the ratio of COGS to net sales increased from \*\*\* percent in 2013 to \*\*\* percent in 2014.<sup>65</sup> Petitioner \*\*\*.”<sup>66</sup> Petitioner also argues that these data are evidence that domestic prices were “prevented from increasing to capture fully rising raw material costs as they were suppressed by the large and increasing volume of subject imports . . . .”<sup>67</sup>

As discussed above, however, we note that U.S. prices do not fluctuate at the same rate as underlying costs in this market. We observe that after the initial spike in raw material costs in interim 2014, the domestic industry’s unit COGS moderated and were lower for the full year 2014 (at \$\*\*\*) than in interim 2014 (at \$\*\*\*).<sup>68</sup> Likewise, the domestic industry’s ratio of COGS to net sales was \*\*\* percent for the full year 2014, lower than the \*\*\* percent level recorded in interim 2014.<sup>69</sup> SG&A expenses also were significantly higher in interim 2014 (at \$\*\*\*) than they were for the full year 2014 (at \$\*\*\*). This indicates that the domestic industry was able to make adjustments over the remainder of 2014 to ameliorate the effects of higher raw material costs and SG&A expenses that were especially apparent in interim 2014.<sup>70</sup> These trends are also reflected in the domestic industry’s operating margin that, despite being a \*\*\* percent in interim 2014, was able to improve to \*\*\* percent for the full year of 2014.<sup>71</sup>

Therefore, we find that the domestic industry was able to regain its balance after the cost and expense shock that occurred in interim 2014. There is also no evidence that subject imports exerted downward pricing pressure that either suppressed U.S. prices or hampered the domestic industry’s adjustment to these higher costs and expenses. As discussed above, we find that there was not significant underselling by subject imports over the POI.<sup>72</sup> In our view, the decline in financial performance of the domestic industry in 2014 was due to higher raw material costs and SG&A expenses and evidence on the record does not indicate that subject imports were responsible for the industry’s financial condition in that year.<sup>73</sup>

In sum, we find that the increase in subject imports and the resulting gain in market share by subject imports was largely the result of a single promotional sale and an increase in the domestic industry’s own imports and facilitated imports. We do not attribute any price effects or the decline in the domestic industry’s financial performance to subject imports.

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<sup>64</sup> CR/PR at Table VI-3.

<sup>65</sup> CR/PR at Table C-1.

<sup>66</sup> CR at VI-4; PR at VI-2.

<sup>67</sup> Petitioner’s Prehearing Brief at 31.

<sup>68</sup> CR/PR at Table VI-3.

<sup>69</sup> CR/PR at Table C-1.

<sup>70</sup> CR/PR at Table C-1.

<sup>71</sup> CR/PR at Table C-1.

<sup>72</sup> The AUVs of subject imports from China were \$\*\*\* higher than the AUVs of the domestic industry’s net sales in 2012, \$\*\*\* higher in 2013, and \$\*\*\* higher in 2014. CR/PR at Table C-1.

<sup>73</sup> The variance analysis in the staff report supports the conclusion that a substantial increase in costs was the primary reason for the industry’s operating income decline in 2014. When considering the variance between 2013 and 2014, the price variance was actually \*\*\* (\$\*\*\*) but the cost variance was \*\*\* (\*\*\*) such that the resulting operating income variance was \*\*\* (\*\*\*). CR/PR at Table VI-4.

Subject imports, \*\*\*, were priced higher than the domestic like product according to all available measures of price. The decline in the domestic industry's financial condition was not caused by any adverse price effects from subject imports but rather by significantly increased raw material costs and SG&A expenses. The domestic industry was able to expand its output, U.S. shipments, and several indicators of employment over the POI. We therefore do not find that subject imports have had a significant impact on the domestic industry. As a result, we conclude that the industry is not materially injured by reason of subject imports.

## II. Threat of Material Injury

### A. Legal Standard

Section 771(7)(F) of the Tariff Act directs the Commission to determine whether the U.S. industry is threatened with material injury by reason of the subject imports by analyzing whether "further dumped or subsidized imports are imminent and whether material injury by reason of imports would occur unless an order is issued or a suspension agreement is accepted."<sup>74</sup> The Commission may not make such a determination "on the basis of mere conjecture or supposition," and considers the threat factors "as a whole" in making its determination whether dumped or subsidized imports are imminent and whether material injury by reason of subject imports would occur unless an order is issued.<sup>75</sup> In making our determination, we consider all statutory threat factors that are relevant to these investigations.<sup>76</sup>

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<sup>74</sup> 19 U.S.C. § 1677(7)(F)(ii).

<sup>75</sup> 19 U.S.C. § 1677(7)(F)(ii).

<sup>76</sup> These factors are as follows:

(I) if a countervailable subsidy is involved, such information as may be presented to it by the administering authority as to the nature of the subsidy (particularly as to whether the countervailable subsidy is a subsidy described in Article 3 or 6.1 of the Subsidies Agreement) and whether imports of the subject merchandise are likely to increase,

(II) any existing unused production capacity or imminent, substantial increase in production capacity in the exporting country indicating the likelihood of substantially increased imports of the subject merchandise into the United States, taking into account the availability of other export markets to absorb any additional exports,

(III) a significant rate of increase of the volume or market penetration of imports of the subject merchandise indicating the likelihood of substantially increased imports,

(IV) whether imports of the subject merchandise are entering at prices that are likely to have a significant depressing or suppressing effect on domestic prices and are likely to increase demand for further imports,

(V) inventories of the subject merchandise,

(VI) the potential for product-shifting if production facilities in the foreign country, which can be used to produce the subject merchandise, are currently being used to produce other products,

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## B. Analysis<sup>77</sup>

### 1. Likely Volume

As previously discussed, we find that the volume and increase in volume of subject imports were significant over the POI, both in absolute terms and relative to U.S. consumption. We consider the market in interim 2015 to be impacted by the January 2015 announcement by Commerce of its preliminary affirmative determination with respect to countervailing duties.<sup>78</sup> It is likely that this added restriction caused subject imports to decline both in terms of volume and market share. With respect to likely volume, we find that the available evidence points to further increased volumes of subject imports in the imminent future.

The Commission received four useable questionnaire responses from Chinese producers. These firms reported exports to the United States equivalent to \*\*\* percent of reported subject imports, and Petitioner estimated that they accounted for \*\*\* percent of total estimated Chinese capacity.<sup>79</sup> The Commission therefore has only a limited view of the Chinese industry that produces boltless steel shelving. Nevertheless, even this narrow picture shows that the Chinese industry has large and rapidly growing capacity with further increases projected and relatively low capacity utilization that is expected to continue into the imminent future.<sup>80</sup> Petitioners assert that there are numerous Chinese firms that did not respond to the

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(VIII) the actual and potential negative effects on the existing development and production efforts of the domestic industry, including efforts to develop a derivative or more advanced version of the domestic like product, and

(IX) any other demonstrable adverse trends that indicate the probability that there is likely to be material injury by reason of imports (or sale for importation) of the subject merchandise (whether or not it is actually being imported at the time).

19 U.S.C. § 1677(7)(F)(i). To organize our analysis, we discuss the applicable statutory threat factors using the same volume/price/impact framework that applies to our material injury analysis. Statutory threat factors (I), (II), (III), (V), and (VI) are discussed in the analysis of likely subject import volume. Statutory threat factor (IV) is discussed in the analysis of likely subject import price effects. Statutory factors (VIII) and (IX) are discussed in the analysis of likely impact. Statutory factor (VII) concerning agricultural products is inapplicable to this investigation.

<sup>77</sup> Additionally, in its final countervailing duty determination regarding subject imports, Commerce found that 27 programs provided countervailable subsidies to one or more producers/exporters in China; some of those appear to be export subsidies. 80 Fed. Reg. 51775, 51776; *see also* Commerce's Issues and Decision Memorandum for Final Determination, Public Doc. E&C/V: PW, SSP (Aug. 14, 2015) at 12-25. Commerce assigned net countervailable subsidy rates as follows: Ningbo ETDZ Huixing Trade Co., Ltd. (12.40 percent), NanjingTopsun Racking Manufacturing Co., Ltd. (15.05 percent), 14 non-cooperative companies (80.45 percent), and All Others (13.73 percent). *Id.*

<sup>78</sup> CR/PR at I-1.

<sup>79</sup> CR at VII-5; PR at VII-4.

<sup>80</sup> The capacity of the responding Chinese firms grew from \*\*\* units in 2012 to \*\*\* units in 2014, or by \*\*\* percent. A further increase to \*\*\* units is expected by 2016 (representing a \*\*\* percent increase over the 2014 capacity). Capacity utilization increased from \*\*\* percent in 2012 to \*\*\* percent in 2014.

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Commission's questionnaire which maintain large and growing capacity to produce boltless steel shelving.<sup>81</sup> The responding Chinese industry is also highly export oriented, as it exported more than \*\*\* percent of its total shipments in every year and interim period and projected this trend to continue through 2015 and 2016.<sup>82</sup> In \*\*\* of reported Chinese shipments were exported to the U.S. market.<sup>83</sup> Even among just the four responding Chinese producers, there appears to be significant potential for product shifting as the industry possesses a large and growing overall capacity, a declining percentage of which is used to produce boltless steel shelving.<sup>84 85</sup>

Conditions of competition in the U.S. market have also changed over the POI in a manner that will likely lead to a further significant increase in subject imports. At the urging of U.S. purchasers, new Chinese suppliers have begun to supply boltless steel shelving. In the preliminary phase of these investigations, respondent party and U.S. importer Whalen testified that imports from China consisted primarily of "Edsal purchasing from their factory and us purchasing from our two factories." Whalen continued by estimating that itself and Edsal represented "70, 80 percent of the market and the balance is a very fragmented business with a

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Capacity utilization was \*\*\* percent in interim 2015, as compared to \*\*\* percent in interim 2014, and is expected to be \*\*\* percent in 2016. CR/PR at Table VII-1. Unused capacity of the responding Chinese firms increased from \*\*\* units in 2012 to \*\*\* units in 2014 (\*\*\* percent of U.S. consumption in 2014) and was \*\*\* units in interim 2015, as compared to \*\*\* units in interim 2014. CR/PR at Table VII-1.

<sup>81</sup> Petitioners believe there are "at least 59 Chinese suppliers of boltless steel shelving." They estimate total Chinese annual capacity to be \*\*\* units. Petitioner's Prehearing Brief at 56.

<sup>82</sup> CR/PR at Table VII-6.

<sup>83</sup> CR/PR at Table VII-6.

<sup>84</sup> Reported overall plant capacity increased by more than a factor of four between 2012 and 2014, from \*\*\* units in 2012 to \*\*\* units in 2014. While boltless steel shelving accounted for \*\*\* percent of overall production by these firms in 2012, the subject product \*\*\* accounted for \*\*\* percent of overall production in 2014. CR/PR at Table VII-4. The increase in the Chinese industry's reported overall capacity was due to \*\*\*. Foreign Producer/Exporter Questionnaire Response of \*\*\*.

<sup>85</sup> Inventories of subject imports held by U.S. importers in the United States declined over the period, falling from \*\*\* units in 2012 to \*\*\* units in 2014 and were \*\*\* units in interim 2015, as compared to \*\*\* units in interim 2014. As a ratio to these importers' U.S. shipments of subject imports, inventories of subject imports also declined from \*\*\* percent in 2012 to \*\*\* percent in 2014; the ratio was \*\*\* percent in interim 2015 as compared to \*\*\* percent in interim 2014. CR/PR at Table VII-5.

Inventories of boltless steel shelving held by responding Chinese subject producers also declined from \*\*\* units in 2012 to \*\*\* units in 2014 and were \*\*\* units in interim 2015, as compared to \*\*\* units in interim 2014. As a ratio to these Chinese producers total shipments of boltless steel shelving, inventories of the subject merchandise also declined from \*\*\* percent in 2012 to \*\*\* percent in 2014; the ratio was \*\*\* percent in interim 2015, as compared to \*\*\* percent in interim 2014. CR/PR at Table VII-1.

The four responding Chinese producers and Petitioner reported that they were unaware of any antidumping and/or countervailing duty findings, remedies, or proceedings on boltless steel shelving in countries other than the United States. CR at VII-11, PR at VII-7.

lot of small retailers and small distributors.”<sup>86</sup> The record in the final phase of these investigations shows that at least two Chinese producers have entered the U.S. market at the invitation of U.S. purchasers: \*\*\*.<sup>87</sup> In particular, while we do not consider \*\*\* to be indicative of material injury, we consider this sale from a new Chinese supplier to an \*\*\* to be a significant indicator of likely increased subject import volume from China.<sup>88</sup> We anticipate that more Chinese producers will continue to directly export to U.S. retailers, particularly because retailers consider there to be cost advantages to directly importing rather than sourcing from importer-resellers.<sup>89</sup>

In sum, we find that the volume and the increase in the volume of subject imports from China increased absolutely over the three full years of the POI and that such imports significantly increased their market share over the same period. Although we acknowledge the decline in subject imports in interim 2015, we perceive this to be a temporary decrease due to the imposition of preliminary countervailing duties in January 2015. Instead, we place more weight on the evidence of a large, growing, and export-oriented Chinese industry that sent the majority of its total shipments of the subject merchandise to the U.S. market. Therefore, we conclude that there is a likelihood of substantially increased subject imports in the imminent future.

## 2. Likely Price Effects

As discussed above, we find no adverse price effects caused by subject imports over the POI. Nevertheless, we note that late in the period, subject import prices generally continued to decline as domestic producers’ prices were increasing. The difference between the AUV of subject imports and U.S. producers’ U.S. shipments narrowed in interim 2015.<sup>90</sup> Over the three full years of the POI, the AUVs of subject imports were significantly higher than the AUVs of the domestic industry’s U.S. shipments (between \*\*\* and \*\*\* percent higher); in interim 2015, however, this difference narrowed considerably to only \*\*\* percent higher.<sup>91</sup> This convergence

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<sup>86</sup> Preliminary Staff Conference Tr. at 101 (Whalen).

<sup>87</sup> Petitioner’s Posthearing Brief, Responses to Commissioners’ Questions at 26-27.

<sup>88</sup> CR/PR at Table V-14; CR at V-39, PR at V-15; Hearing Tr. at 17-18 (Liss). Petitioner stated that, were it not for the filing of the petition, the loss to Great Star for \*\*\* “promotional” business “signaled to us where all of our business was going with this customer and with our other customers.” Hearing Tr. at 18 (Liss).

<sup>89</sup> CR/PR at Table V-8.

<sup>90</sup> As discussed above, AUV data may have limitations as a means of comparison of subject imports and the domestic like product, but in this case strongly corroborates analysis using more specific pricing data.

We do not discount the interim 2015 subject import pricing and AUV data because, to the extent that such data show prices and values of subject imports declining, these declines occurred despite any remedial effect from Commerce’s preliminary determinations.

<sup>91</sup> CR/PR at Table C-1. In 2012, the AUV of imports from China was \$\*\*\* (\*\*\*) higher than U.S. producers’ U.S. shipments; in 2013, they were \$\*\*\* (\*\*\*) higher; and in 2014, they were \$\*\*\* (\*\*\*) higher. In interim 2014, the AUV of imports from China was \$\*\*\* (\*\*\*)

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in AUVs occurred primarily due to an \*\*\* percent decline in the AUV of subject imports between interim 2014 and interim 2015,<sup>92</sup> and to a lesser extent due to a \*\*\* percent increase in U.S. producers' AUV of U.S. shipments between those periods.<sup>93</sup>

Average trends reflected in AUV data are reinforced by looking at individual pricing products. For the two pricing products with the largest volumes of U.S. imports and domestic shipments, products 1 and 4, U.S. prices were \*\*\* percent and \*\*\* percent higher, respectively, in the first quarter of 2015 than in the first quarter of 2014.<sup>94</sup> Between the same two periods, the direct import cost of subject imports was \*\*\* percent lower for product 1, and \*\*\* percent lower for product 4.<sup>95</sup> The decline in subject import prices in interim 2015 indicate that subject imports will likely exert greater pricing pressure on the price of the domestic like product in the imminent future.

While the increasing price pressures exerted by subject imports in interim 2015 did not lead to price suppression,<sup>96</sup> this was likely due to the benefits that the domestic industry received from the imposition of preliminary countervailing duties in January 2015<sup>97</sup> and from significantly lower raw material costs and SG&A expenses in interim 2015.<sup>98</sup> We find that the likely increased volume of lower-priced subject imports will result in a greater degree of subject import underselling in the imminent future. In the face of increasing pricing pressure from subject imports, the domestic industry will likely be unable to adjust its prices to sufficiently accommodate cost increases or will be forced to reduce prices more rapidly than cost declines. We conclude that subject imports are likely to cause significant price depression or suppression in the imminent future.

### 3. Likely Impact

As we previously discussed, the domestic industry saw improvement in many important measures over the POI. Despite significant deterioration in the operating income margin of the domestic industry in 2014, we do not find that the decline in financial performance was caused by subject imports from China.

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(...continued)

higher than the AUV of U.S. producers' U.S. shipments, and in interim 2015, they were \$\*\*\* (\*\*\*) percent higher).

<sup>92</sup> CR/PR at Table C-1.

<sup>93</sup> CR/PR at Table C-1. As discussed above, we have considered Commerce's preliminary countervailing duty determination in January 2015 as a potential reason for why U.S. prices increased in the final quarter of the POI.

<sup>94</sup> CR/PR at Tables V-3 and V-6.

<sup>95</sup> CR/PR at Tables V-3 and V-6.

<sup>96</sup> The domestic industry's COGS to net sales ratio in interim 2015 was \*\*\* percent, as compared to \*\*\* percent in interim 2014. CR/PR at Table C-1.

<sup>97</sup> CR/PR at I-1; Hearing Tr. at 19-20 (Liss).

<sup>98</sup> Average unit raw material costs declined to their lowest level of the POI (\$\*\*\*) in interim 2015. This is \*\*\* percent lower than the level in interim 2014. SG&A expenses were \$\*\*\* in interim 2015, as compared to \$\*\*\* in interim 2014 (\*\*\*) percent lower). CR/PR at Table VI-3.

We do not find the domestic industry to be vulnerable. While the domestic industry experienced a raw material cost and SG&A expense shock in 2014 that led to financial deterioration, especially in interim 2014, there was also evidence that the domestic industry was able to improve its financial performance for the balance of 2014. In addition, the domestic industry's operating margin in interim 2015 (at \*\*\* percent) was the \*\*\* over the POI.<sup>99</sup> We note that petitioner announced an expansion plan in April 2015 involving a new facility in Gary, Indiana, and is currently in the process of hiring the first of 300 employees that will eventually staff that facility.<sup>100</sup>

Although we find that there was not significant underselling by subject imports during the POI, we note a convergence of U.S. and subject import prices in interim 2015. Consequently, we find that subject imports will exert additional pricing pressure on the domestic like product. We also find that subject imports will continue to increase in the imminent future due to the growth and excess capacity of the Chinese industry, which is heavily export oriented. The combination of increased subject import underselling and significant increases in subject imports will likely lead to significant price suppression or depression, which will likely erode the domestic industry's operating income margin and leave the domestic industry in a weakened condition in the imminent future.

In addition, we find that there will likely be significant actual or potential negative effects on the existing development and production efforts of the domestic industry. The domestic industry's capital expenditures declined steadily over the three full years of the POI, and had \*\*\* R&D expenditures over the entire POI.<sup>101</sup> Therefore, a further deterioration of the domestic industry's condition will impede its ability to invest in itself. Petitioner anticipates that, in the absence of trade relief, it will be \*\*\*<sup>102</sup>

We have also considered factors other than subject imports to ensure that we are not attributing any threat of material injury from other such factors to the subject imports. As discussed above, nonsubject imports' market share was negligible throughout the period.<sup>103</sup> Given our finding that the volume of subject imports is likely to continue to increase significantly, we find the adverse effects of subject imports are distinct from any effects attributable to the negligible volume of nonsubject imports.

We conclude that a likely increased volume of subject imports from China, combined with likely price depressing or suppressing effects of those increased volumes, will likely result in material injury to the domestic industry producing boltless steel shelving in the imminent future.

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<sup>99</sup> CR/PR at Table C-1.

<sup>100</sup> CR at III-4-5; PR at III-2-3.

<sup>101</sup> Capital expenditures by the domestic industry declined from \$\*\*\* in 2012 to \$\*\*\* in 2014 and was \$\*\*\* in interim 2015, as compared to \$\*\*\* in interim 2014. CR/PR at Table VI-5.

<sup>102</sup> CR at VI-13; PR at VI-4.

<sup>103</sup> Nonsubject imports' market share was \*\*\* percent in 2012, \*\*\* percent in 2013, and \*\*\* percent in 2014; nonsubject imports' market share was \*\*\* percent in interim 2015, as compared to \*\*\* percent in interim 2014. CR/PR at Table C-1.



### **III. Conclusion**

For the reasons stated above, we determine that an industry in the United States is threatened with material injury by reasons of imports of boltless steel shelving from China that are sold in the United States at less than fair value and are subsidized by the government of China.



## PART I: INTRODUCTION

### BACKGROUND

These investigations result from petitions filed with the U.S. Department of Commerce (“Commerce”) and the U.S. International Trade Commission (“USITC” or “Commission”) by Edsal Manufacturing Co., Inc. (“Edsal”), Chicago, Illinois, on August 26, 2014, alleging that an industry in the United States is materially injured and threatened with material injury by reason of subsidized and less-than-fair-value (“LTFV”) imports of boltless steel shelving units prepackaged for sale (“boltless steel shelving”)<sup>1</sup> from China. The following tabulation provides information relating to the background of these investigations.<sup>2 3</sup>

Effective date	Action
August 26, 2014	Petitions filed with Commerce and the Commission; institution of Commission investigations (79 FR 52040, September 2, 2014)
September 22, 2014	Commerce’s notice of initiation of antidumping investigation (79 FR 56562) and countervailing duty investigation (79 FR 56567)
October 10, 2014	Commission’s preliminary determinations (79 FR 62465, October 17, 2014)
November 4, 2014	Commerce’s postponement of its preliminary determination in the countervailing duty investigation (79 FR 65376)
January 30, 2015	Commerce’s preliminary countervailing duty determination and alignment of final determination with final antidumping duty determination (80 FR 5089)
April 1, 2015	Commerce’s preliminary determination of sales at less than fair value (80 FR 17409)
April 1, 2015	Commerce’s amended preliminary determination of sales at less than fair value and postponement of final determination (80 FR 21207, April 17, 2015)
April 1, 2015	Commission’s scheduling of final phase investigations (80 FR 26296, May 7, 2015)
August 13, 2015	Commission’s hearing
August 26, 2015	Commerce’s final affirmative countervailing duty determination (80 FR 51775)
August 26, 2015	Commerce’s final determination of sales at less than fair value (80 FR 51779)
September 15, 2015	Commission’s vote
October 7, 2015	Commission’s determinations and views

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

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

<sup>3</sup> A list of witnesses appearing at the hearing is presented in appendix B of this report.

## STATUTORY CRITERIA AND ORGANIZATION OF THE REPORT

### Statutory criteria

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

*shall consider (I) the volume of imports of the subject merchandise, (II) the effect of imports of that merchandise on prices in the United States for domestic like products, and (III) the impact of imports of such merchandise on domestic producers of domestic like products, but only in the context of production operations within the United States; and. . . may consider such other economic factors as are relevant to the determination regarding whether there is material injury by reason of imports.*

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

*In evaluating the volume of imports of merchandise, the Commission shall consider whether the volume of imports of the merchandise, or any increase in that volume, either in absolute terms or relative to production or consumption in the United States is significant.*

. . .

*In evaluating the effect of imports of such merchandise on prices, the Commission shall consider whether. . .(I) there has been significant price underselling by the imported merchandise as compared with the price of domestic like products of the United States, and (II) the effect of imports of such merchandise otherwise depresses prices to a significant degree or prevents price increases, which otherwise would have occurred, to a significant degree.*

. . .

*In examining the impact required to be considered under subparagraph (B)(i)(III), the Commission shall evaluate (within the context of the business cycle and conditions of competition that are distinctive to the affected industry) all relevant economic factors which have a bearing on the state of the industry in the United States, including, but not limited to . . . (I) actual and potential decline in output, sales, market share, profits, productivity, return on investments, and utilization of capacity, (II) factors*

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<sup>4</sup> Amended by PL 114-27 (as signed, June 29, 2015), The American Trade Enforcement Effectiveness Act.

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

In addition, Section 771(7)(J) of the Act (19 U.S.C. § 1677(7)(J)) provides that--<sup>5</sup>

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

### **Organization of report**

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

### **MARKET SUMMARY**

Boltless steel shelving is generally used for storage purposes in homes, garages, offices and commercial and industrial operations. It is sold through “big box” stores, department stores, home improvement stores, and other retail, industrial and commercial supply sources, including on-line vendors.<sup>6</sup> Currently, four firms are known to produce boltless steel shelving in the United States. The leading U.S. producer of boltless steel shelving is petitioner Edsal. The five leading producers of boltless steel shelving in China include \*\*\*.<sup>7</sup> The leading U.S. importers of boltless steel shelving from China are \*\*\*, while the only identified importer of boltless steel shelving from a nonsubject country was \*\*\* (importer of \*\*\* from \*\*\*).

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<sup>5</sup> Amended by PL 114-27 (as signed, June 29, 2015), The American Trade Enforcement Effectiveness Act.

<sup>6</sup> Petitions, vol. I, p. 7.

<sup>7</sup> Petitions, exh. GEN-2 (paragraph 17) and GEN-11.

Apparent U.S. consumption of boltless steel shelving totaled approximately \*\*\* units (\$\*\*\*) in 2014. U.S. producers' U.S. shipments of boltless steel shelving totaled \*\*\* units (\$\*\*\*) in 2014, and accounted for \*\*\* percent of apparent U.S. consumption by quantity and \*\*\* percent by value. U.S. imports from China totaled \*\*\* units (\$\*\*\*) in 2014 and accounted for \*\*\* percent of apparent U.S. consumption by quantity and \*\*\* percent by value. U.S. imports from nonsubject sources (Vietnam) totaled \*\*\* units (\$\*\*\*) in 2014 and accounted for \*\*\* percent of apparent U.S. consumption by quantity and \*\*\* percent by value.

## **SUMMARY DATA AND DATA SOURCES**

A summary of data collected in these investigations is presented in appendix C, table C-1. U.S. industry data are based on questionnaire responses of four firms that accounted for all U.S. production of boltless steel shelving during 2014. U.S. imports are based on questionnaire responses of 20 firms that are believed to have accounted for the vast majority of U.S. imports of boltless steel shelving from China in 2014.<sup>8</sup> Information on the foreign industry is based on questionnaire responses of four firms.

## **PREVIOUS AND RELATED INVESTIGATIONS**

Boltless steel shelving has not been the subject of any prior countervailing or antidumping duty investigations in the United States. The petitioner indicated that boltless steel shelving has not been the subject of any investigations under section 337 of the Act (19 U.S.C. § 1337, 1671a), section 232 of the Trade Expansion Act of 1962 (19 U.S.C. § 1862), or under sections 201 and 301 of the Trade Act of 1974 (19 U.S.C. §§ 2251 and 2411).<sup>9</sup>

## **NATURE AND EXTENT OF SUBSIDIES AND SALES AT LTFV**

### **Subsidies**

On August 26, 2015, Commerce published a notice in the *Federal Register* of its final determination of countervailable subsidies for producers and exporters of product from

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<sup>8</sup> The HTS statistical reporting numbers under which subject boltless steel shelving enter the United States are "basket" categories (but see also the "tariff treatment" section) and cannot be used as an accurate measure from which to calculate importer questionnaire coverage. However, based on information from \*\*\*, staff believes that \*\*\* is the only importer of record that has not provided a response to the Commission's questionnaire. \*\*\*. Staff advised the firm to complete the importer questionnaire to the best of its ability, but did not receive the firm's questionnaire response. See staff email correspondence with \*\*\*, June 30, 2015. \*\*\* is believed to account for approximately \*\*\* percent of subject imports from China during 2013 (\*\*\*). In addition, \*\*\* was identified as an importer by \*\*\*, a foreign producer/exporter of subject merchandise. According to \*\*\*, \*\*\* imported approximately \$\*\*\* in subject merchandise in 2014, or \*\*\* percent of total imports.

<sup>9</sup> Petitions, vol. I, p. 4.

China.<sup>10</sup> Table I-1 presents Commerce’s findings of subsidization of boltless steel shelving in China.

**Table I-1**

**Boltless steel shelving: Commerce’s final subsidy determination with respect to imports from China**

Producer/exporter	Subsidy rate
Ningbo ETDZ Huixing Trade Co., Ltd.	12.40
NanjingTopsun Racking Manufacturing Co., Ltd.	15.05
All Others	13.73
Dalian Huameilong Metal Products Co., Ltd. <sup>1</sup>	80.45
Dongguan Yuan Er Sheng Machinery Source Hardware Co., Ltd. <sup>1</sup>	80.45
Dong Rong Metal Products Co., Ltd. <sup>1</sup>	80.45
Global Storage Equipment Manufacturer Limited <sup>1</sup>	80.45
Intradin (Shanghai) Import & Export Co., Ltd. <sup>1</sup>	80.45
Jinhua Development District Hongfa Tool, Ltd. <sup>1</sup>	80.45
Kunshan Jisheng Metal & Plastic Co., Ltd. <sup>1</sup>	80.45
Nanjing Huade Warehousing Equipment Manufacturing Co. Ltd. <sup>1</sup>	80.45
Nanjing Whitney Metal Products Co., Ltd. <sup>1</sup>	80.45
Nanjing Yodoly Logistics Equipments Manufacturing Co Ltd. <sup>1</sup>	80.45
Ningbo Decko Metal Products Trade Co., Ltd. <sup>1</sup>	80.45
Ningbo Haifa Metal Works Co., Ltd. <sup>1</sup>	80.45
Ningbo HaiFa Office Equipment Co., Ltd. <sup>1</sup>	80.45
Ningbo TLT Metal Products Co., Ltd. <sup>1</sup>	80.45

<sup>1</sup> Non-cooperative company to which an adverse facts available rate is being applied.

Source: *Boltless Steel Shelving Units Prepackaged for Sale From the People's Republic of China: Final Affirmative Countervailing Duty Determination*, 80 FR 51775, August 26, 2015.

**Sales at LTFV**

On August 26, 2015, Commerce published a notice in the *Federal Register* of its final determination of sales at LTFV with respect to imports of boltless steel shelving from China.<sup>11</sup>

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<sup>10</sup> *Boltless Steel Shelving Units Prepackaged for Sale From the People's Republic of China: Final Affirmative Countervailing Duty Determination*, 80 FR 51775, August 26, 2015. Commerce has found that eight programs administered by the Government of China confer countervailable subsidies including (1) electricity for less than adequate remuneration, (2) hot rolled coiled steel for less than adequate remuneration, (3) foreign trade bureau award, (4) export credit insurance, (5) export subsidy for high-tech merchandise, (6) clean energy measures subsidy, (7) innovative growth subsidy, and (8) two free, three half tax program. *Countervailing Duty Investigation of Boltless Steel Shelving Units Prepackaged for Sale from the People’s Republic of China: Issues and Decision Memorandum for the Final Determination*, Christian Marsh, Deputy Assistant Secretary for Antidumping and Countervailing Duty Operations, August 14, 2015.

Table I-2 presents Commerce’s final dumping margins with respect to imports of boltless steel shelving from China.

**Table I-2**  
**Boltless steel shelving: Commerce’s final weighted-average LTFV margins with respect to imports from China**

Exporter	Producer	Weighted-average margin (percent)
Zhongda United Holding Group Co., Ltd	Jiaxing Zhongda Metalwork Co., Ltd	17.55
Jiaxing Zhongda Import & Export Co., Ltd	Jiaxing Zhongda Metalwork Co., Ltd	17.55
Ningbo ETDZ Huixing Trade Co., Ltd	Haifa (Ningbo) Office Equipment Co., Ltd	17.55
Ningbo ETDZ Huixing Trade Co., Ltd	Ningbo Decko Metal Products Trade Co., Ltd	17.55
Ningbo ETDZ Huixing Trade Co., Ltd	Lianfa Metal Product Co., Ltd	17.55
Meridian International Co., Ltd	Zhejiang Limai Metal Products Co. Ltd	17.55
Zhejiang Limai Metal Products Co., Ltd	Zhejiang Limai Metal Products Co., Ltd	17.55
HoiFat (NingBo) Office Facilities Co., Ltd	HoiFat (NingBo) Office Facilities Co., Ltd	17.55
PRC-Wide Entity (including Nanjing Topsun Racking Manufacturing Co., Ltd.)		112.68

*Source: Boltless Steel Shelving Units Prepackaged for Sale From the People's Republic of China: Final Determination of Sales at Less Than Fair Value, 80 FR 51779, August 26, 2015.*

## THE SUBJECT MERCHANDISE

### Commerce’s scope

Commerce has defined the scope of these investigations as follows:

The scope of this investigation covers boltless steel shelving units prepackaged for sale, with or without decks (“boltless steel shelving”). The term “prepackaged for sale” means that, at a minimum, the steel vertical supports (i.e., uprights and posts) and steel horizontal supports (i.e., beams, braces) necessary to assemble a completed shelving unit (with or without decks) are packaged together for ultimate purchase by the end-user. The scope also includes add-on kits. Add-on kits include, but are not limited to, kits that allow the end-user to add an extension shelving unit onto an existing boltless steel shelving unit such that the extension and the original unit will share common frame elements

(...continued)

<sup>11</sup> *Boltless Steel Shelving Units Prepackaged for Sale From the People's Republic of China: Final Determination of Sales at Less Than Fair Value, 80 FR 51779, August 26, 2015.*



(e.g., two posts). The term “boltless” refers to steel shelving in which the vertical and horizontal supports forming the frame are assembled primarily without the use of nuts and bolts or screws. The vertical and horizontal support members for boltless steel shelving are assembled by methods such as, but not limited to, fitting a rivet, punched or cut tab or other similar connector on one support into a hole, slot or similar receptacle on another support. The supports lock together to form the frame for the shelving unit, and provide the structural integrity of the shelving unit separate from the inclusion of any decking. The incidental use of nuts and bolts or screws to add accessories, wall anchors, tie-bars or shelf supports does not remove the product from scope. Boltless steel shelving units may also come packaged as partially assembled, such as when two upright supports are welded together with front-to-back supports, or are otherwise connected, to form an end unit for the frame. The boltless steel shelving covered by this investigation may be commonly described as rivet shelving, welded frame shelving, slot and tab shelving, and punched rivet (quasi-rivet) shelving as well as by other trade names. The term “deck” refers to the shelf that sits on or fits into the horizontal supports (beams or braces) to provide the horizontal storage surface of the shelving unit.

The scope includes all boltless steel shelving meeting the description above, regardless of (1) vertical support or post type (including but not limited to open post, closed post and tubing); (2) horizontal support or beam/brace profile (including but not limited to Z-beam, C-beam, L-beam, step beam and cargo rack); (3) number of supports; (4) surface coating (including but not limited to paint, epoxy, powder coating, zinc and other metallic coating); (5) number of levels; (6) weight capacity; (7) shape (including but not limited to rectangular, square, and corner units); (8) decking material (including but not limited to wire decking, particle board, laminated board or no deck at all); or (9) the boltless method by which vertical and horizontal supports connect (including but not limited to keyhole and rivet, slot and tab, welded frame, punched rivet and clip).

Specifically excluded from the scope are:

- Wall-mounted shelving, defined as shelving that is hung on the wall and does not stand on, or transfer load to, the floor;<sup>12</sup>
- Wire shelving units, which consist of shelves made from wire that incorporates both a wire deck and wire horizontal supports (taking

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<sup>12</sup> The addition of a wall bracket or other device freestanding subject merchandise to a wall does not meet the terms of this exclusion.

the place of the horizontal beams and braces) into a single piece with tubular collars that slide over the posts and onto plastic sleeves snapped on the posts to create the finished shelving unit;

- Bulk-packed parts or components of boltless steel shelving units; and
- Made-to-order shelving systems.

Subject boltless steel shelving enters the United States through Harmonized Tariff Schedule of the United States (“HTSUS”) statistical subheadings 9403.20.0018, 9403.20.0020, 9403.20.0025, and 9403.20.0026, but may also enter through HTSUS 9403.10.0040. While HTSUS subheadings are provided for convenience and Customs purposes, the written description of the scope of this investigation is dispositive.<sup>13</sup>

### **Tariff treatment**

Based upon the scope set forth by Commerce, information available to the Commission indicates that the merchandise subject to these investigations is provided for in subheadings 9403.10.00 (statistical reporting number 9403.10.0040, for metal furniture of a kind used in offices, other than filing cabinets) and 9403.20.00 (at the outset in these investigations, statistical reporting number 9403.20.0020, for metal counters, lockers, racks, display cases, shelves, partitions, and similar fixtures) of the Harmonized Tariff Schedule of the United States, which have a general rate of duty of “free.”<sup>14</sup> The petitioner noted that the subject product may also have been imported under statistical reporting number 9403.20.0018, covering household metal furniture other than specified ironing boards and furniture for young children.<sup>15</sup> Effective July 1, 2015, statistical reporting number 9403.20.0020 was discontinued and replaced by two new statistical reporting numbers:<sup>16</sup> 9403.20.0025 for boltless or press-fit steel shelving units prepacked for sale as described in statistical note 3 to Chapter 94 and 9403.20.0026 for all other metal counters, lockers, racks, display cases, shelves, partitions, and similar fixtures.<sup>17 18</sup>

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<sup>13</sup> *Boltless Steel Shelving Units Prepackaged for Sale From the People's Republic of China: Final Determination of Sales at Less Than Fair Value*, 80 FR 51779, August 26, 2015.

<sup>14</sup> Customs and Border Protection ruling letters NY 800843, August 19, 1994, and NY I87283, October 23, 2002.

<sup>15</sup> Petitions, vol. I, pp. 9–10.

<sup>16</sup> USITC, “Change Record,” *HTSUS (2015) – Revision 1*, July 1, 2015, p. 1.

<sup>17</sup> USITC, “Chapter 94,” *HTSUS (2015) – Revision 1*, July 1, 2015, pp. 94-2 and 94-7.

<sup>18</sup> Decisions on the tariff classification and treatment of imported goods are solely within the authority of U.S. Customs and Border Protection.

## THE PRODUCT

### Description and applications

Boltless steel shelving units that are prepackaged for sale are used for storage in homes, basements, garages, offices, and commercial and industrial operations. “Boltless” refers to a system of assembly that uses rivets or other protrusions on horizontal support members that fit into slots in the vertical posts (also called uprights) of the units and thereby avoids the use of nuts and bolts, screws, or tubular collars on posts. The boltless system does not require tools for assembly.

### Description

Boltless steel shelving units are relatively high load-capacity, stand-alone shelving in which horizontal support members connect to vertical posts without the use of nuts, bolts, screws, tubular collars, or other fasteners (figure I-1).<sup>19</sup> These units are designed for end-user convenience by the boltless system that eliminates the need for tools and a prepackaged unit containing all the appropriate parts that is sold in a number of common sizes. Since boltless steel shelving is prepackaged, the end user may easily purchase the unit at a large home-improvement store or mass-merchandise retailer, handle the product, and transport the unit to its ultimate location. The units may be sold with or without decking (i.e., shelves).

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<sup>19</sup> Petitioner’s witness concurred with a Commissioner’s observation that steel shelving assembled with fasteners tended to twist or fall apart, noting that type of shelving, which was common in the 1980s-90s, was displaced from the market by sturdier boltless steel shelving. Hearing transcript, p. 80 (Liss).

**Figure I-1**  
**Boltless steel shelving: Boltless steel shelving unit**



Source: Edsal Manufacturing Co., <http://www.edsal.com/index.php> (accessed September 25, 2014).

The boltless system relies on rivets or punched or cut tabs on the beams or braces fitting into slots that are punched or cut into the posts at set intervals (figure I-2).<sup>20</sup> Boltless steel shelving uses several configurations of beam and brace profiles in order to provide high load capacity and also hold the decking.<sup>21</sup> The Z-beam, C-beam, L-beam, and step beam are commonly used in boltless steel shelving. The Z-beam is trademarked by the petitioner.<sup>22</sup>

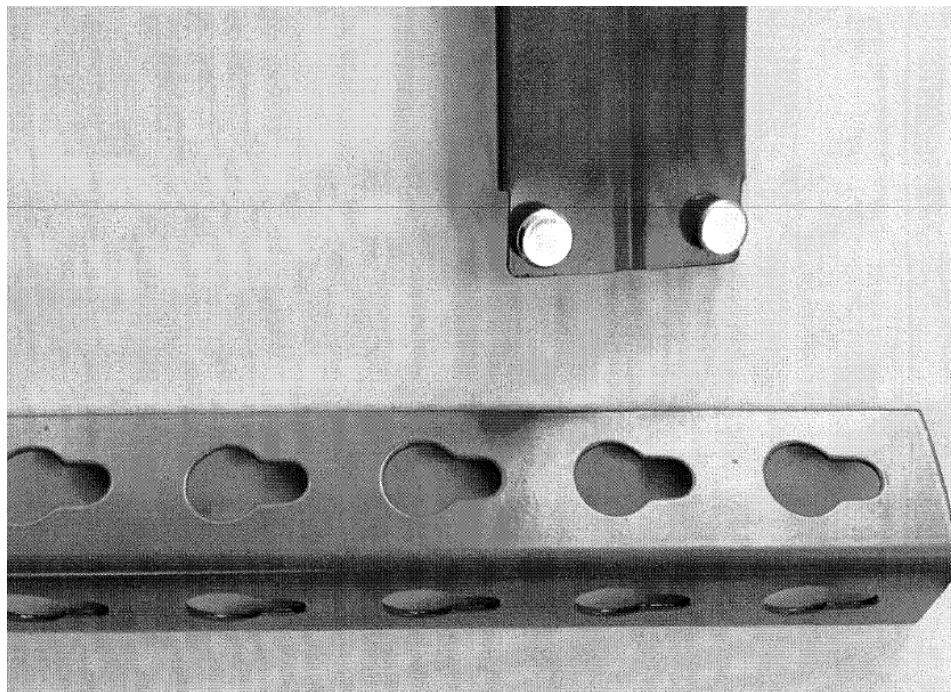
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<sup>20</sup> Beams are horizontal supports that transcend the width of the shelving unit. Braces are also horizontal supports but they transcend the depth of the unit and connect the front and rear posts. The beams and braces are set at the same height to provide a ledge upon which decking is placed.

<sup>21</sup> Petitioner's postconference brief, exh. 4.

<sup>22</sup> U.S. importer Whalen LLC ("Whalen") uses the Z-beam profile on its units and pays royalties to the petitioner. The petitioner stated that it has experienced intellectual property issues with Chinese producers of boltless steel shelving using the Z-beam and other related innovations. Conference transcript, p. 93 (Whalen) and pp. 76-77 (Liss), exhibit 10.

**Figure I-2**  
**Boltless steel shelving: Rivet lock beam and post with slots**



Source: Petitions, exh. GEN-3, p. 1.

Boltless steel shelving units are produced and sold in common shelving unit sizes and approximate per-shelf weight capacities, although the scope of the subject product in this investigation is not limited by these parameters. Both shelving unit sizes and per-shelf weight capacities determine the construction and configuration of horizontal support members and the vertical posts that are needed for other supports (front-to-back supports that connect the front posts and rear posts and tie bars or center supports for decking support). Typical sizes for widths are 36, 48, 60, or 77 inches; depths are 18 or 24 inches; and heights are 60, 72, 78, or 84 inches. Of the five products identified by petitioner as representing a “significant volume of U.S. sales and imports,”<sup>23</sup> the two products with a 77-inch width had per-shelf load capacities in the range of 1,000–2,500 pounds, and the three products with widths of 34–48 inches had per-shelf load capacities in the range of 250–1,000 pounds. U.S. importer Whalen stated that it is important to list the capacity of the unit on the packages of boltless steel shelving.<sup>24</sup>

Boltless steel shelving units are frequently sold with 4 or 5 levels of decking in the package. Popular decking materials are particle board, laminated boards, and steel wire. Some units may be sold without decking, so the user may purchase the decking of their choice. Other accessories include add-on kits that allow the end user to add an extension shelving unit onto an existing boltless shelving unit so that the original unit and extension share some common

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<sup>23</sup> Petitions, vol. I, pp. 18-19.

<sup>24</sup> Conference transcript, p. 118 (Whalen).

frame elements, such as posts.<sup>25</sup> End users may also separately purchase additional beams, braces, and decking (although these items are not prepackaged) in order to add shelves beyond those that came in their original unit.

## Uses

Boltless steel shelving is used for storage in homes, garages, offices, and commercial and industrial operations. Because it is prepackaged in a limited number of sizes and other specifications, it may not be suitable for certain offices, commercial, and industrial operations requiring more customized shelving.<sup>26</sup> Boltless steel shelving is designed for utility, rather than aesthetic appearance, and therefore is likely to be used in a “garage, basement, or back room rather than in a kitchen, living room or sales display area.”<sup>27</sup>

## Manufacturing process<sup>28</sup>

There are six major steps in the manufacture of boltless steel shelving. First, hot-rolled, flat-rolled carbon steel is slit to widths for producing horizontal beam, brace, and vertical post profiles. Slit steel blanks are punched with notch holes and cut to length, formed to the final shape and profile, painted or coated, and attached with rivets or welded with supports. Then the component pieces are packaged together for sale as a complete shelving unit.

The slitting process cuts the steel to the desired widths to produce beam and post profiles.<sup>29</sup> The slitting may be performed in-house by the producer, a service center, or another third party. The slit steel blanks are then fed into presses that punch notch holes and cut to length the posts, beams, or braces. These parts are then roll- or press-formed into their final shape and profile. The petitioner stated that the various profiles of the beams and braces have dedicated machines that cannot be used to produce other profiles and that these machines produce at a constant volume.<sup>30</sup> \*\*\* reported production of non-scope products on the same equipment and machinery used to produce boltless steel shelving.<sup>31 32</sup> For higher capacity

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<sup>25</sup> The petitioner noted that the volume of domestic and imported sales of add-on kits in the United States is “very small,” in fact, “insignificant.” Conference transcript, pp. 38-39 (Liss).

<sup>26</sup> Conference transcript, pp. 39-40 (Liss).

<sup>27</sup> Petitioner’s postconference brief, p. 7.

<sup>28</sup> The information about the manufacturing process is derived from the petitions, vol. I, pp. 7-9, unless otherwise noted.

<sup>29</sup> Beams and posts for boltless steel shelving are typically produced from hot-rolled, flat-rolled carbon steel. The most common thicknesses used for posts are 14, 16, and 18 gauge steel and for beams are 16 and 18 gauge steel. Hot-rolled steel is used because it is less expensive than cold-rolled and corrosion resistant steel and, after forming, the beam and post components will be painted or coated. Petitions, vol. I, p. 8.

<sup>30</sup> Conference transcript, pp. 70-71 (Liss).

<sup>31</sup> \*\*\*.

<sup>32</sup> \*\*\*.

boltless steel shelving, a small frame which has punched or cut out tabs is welded to each end of the beams. Welding of front-to-back supports to vertical posts to form end units also is done at this time. The next step is phosphating and painting or coating. Phosphating changes the steel surface to iron phosphate to increase corrosion resistance and provide a strong bonding surface for painting or other coatings.<sup>33</sup> The posts, beams, and braces are either painted, galvanized, powder coated or enameled, or applied with other coatings.<sup>34</sup> Rivets are attached to each end of the beams and braces. Decking is typically particle board or other composite material (painted, printed, or laminated on the top), or steel wire mesh. The decking is typically supplied by outside vendors.<sup>35</sup> The appropriate posts, beams, braces, and decking for a complete unit, as well as plastic end pieces, center supports and other accessories, and assembly instructions are gathered together and then packaged and labeled for the order and shipped.

The Chinese manufacturing processes are likely similar to those of the U.S. industry. One Chinese producer listed the production steps as \*\*\*.<sup>36</sup> Unlike U.S. producers that design and produce their own boltless steel shelving products, Chinese producers may be producing under contract for U.S. importers or marketers. For example, Whalen, which has changed its source factories in China several times, provided its Chinese manufacturers with the design of the shelving and assistance with the manufacturing process, as well as other services, such as quality control, logistics, and product testing.<sup>37</sup>

### DOMESTIC LIKE PRODUCT ISSUES

In the preliminary phase of these investigations, the petitioner proposed that the domestic like product in these investigations is boltless steel shelving, mirroring the scope definition. It argued that an examination of the Commission's traditional six-factor test demonstrates that boltless steel shelving comprises a continuum of a single product with no clear dividing lines.<sup>38</sup> In its postconference brief, Whalen proposed that the domestic like product should be "boltless steel shelving with a capacity of 500 pounds or greater per shelf."<sup>39</sup> It argued that a domestic like product definition without a capacity limit would be inconsistent with issues of "interchangeability" and "customer perception," and noted that "a 300-pound

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<sup>33</sup> Corrosionpedia, "Phosphating," <http://www.corrosionpedia.com/definition/876/phosphating> (accessed September 23, 2014).

<sup>34</sup> Powder coating is a high quality finish found on many products. Using the process of electrostatic spray deposition ("ESD"), a spray gun generates an electrostatic charge to powdered coating material that then is attracted and coats the target part that is grounded for the charge. The part is then baked in a curing oven. Powder Coating Institute, "What is powder coating," <http://www.powdercoating.org/11/Industry/What-is-Powder-Coating> (accessed September 23, 2014).

<sup>35</sup> Conference transcript, p. 70 (Liss).

<sup>36</sup> \*\*\* foreign producer questionnaire response, question II-4c.

<sup>37</sup> Conference transcript, p. 97 (Whalen).

<sup>38</sup> Petitions, vol. I, p. 13.

<sup>39</sup> Whalen's postconference brief, p. 5.

capacity shelf is not interchangeable with a 2,000-pound capacity shelf.”<sup>40</sup> Whalen added that lower capacity shelving is more of a commodity product than Edsal’s primary product and Whalen’s imported product.<sup>41</sup> Whalen did not provide any discussion of its proposed domestic like product definition in terms of the Commission’s traditional six-factor test.<sup>42</sup> The Commission did not find a clear dividing line between what Whalen referred to as low- and high-capacity boltless steel shelving, a division that it concedes is not supported by any industry definition.<sup>43</sup> All boltless steel shelving products share similar physical characteristics because all are manufactured using similar production facilities, processes, and employees. Therefore, the Commission defined a single domestic like product encompassing those boltless steel shelving products described in Commerce’s scope definition.<sup>44</sup> In its prehearing brief, petitioner states that a similar finding should be reached in the final phase of the investigations.<sup>45</sup>

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<sup>40</sup> Whalen’s postconference brief, p. 4.

<sup>41</sup> Whalen indicated that Edsal sells a variety of boltless steel shelving with per-shelf capacities beginning at 300 pounds. It argues that these lower capacity shelving units do not compete with Whalen’s imported products. Whalen’s postconference brief, p. 4.

<sup>42</sup> Whalen’s postconference brief, pp. 3-4.

<sup>43</sup> Whalen’s postconference brief, p.4.

<sup>44</sup> *Boltless Steel Shelving Units Prepackaged for Sale from China, Inv. Nos. 701-TA-523 and 731-TA-1259 (Preliminary)*, USITC Publication 4495, pp. 4-11.

<sup>45</sup> Petitioner’s prehearing brief, p. 4.



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

### U.S. MARKET CHARACTERISTICS

Boltless steel shelving is a consumer product that can be purchased at retailers, such as big box stores (e.g., Walmart), home improvement stores (e.g., Home Depot and Lowe's), club retailers (e.g., Costco and Sam's Club), department stores (e.g., Sears), office supply stores (e.g., Staples), and online retailers (e.g., Amazon) nationwide.<sup>1</sup> The five big box retailers identified as the major purchasers of boltless steel shelving are Costco, Home Depot, Lowe's, Menard's, and Sam's Club (Walmart).<sup>2</sup>

Apparent U.S. consumption of boltless steel shelving increased from \*\*\* units in 2012 to \*\*\* units in 2013 to \*\*\* units in 2014. Overall, apparent U.S. consumption in 2014 was \*\*\* percent higher than in 2012. There are four U.S. producers of boltless steel shelving, with the petitioner representing \*\*\* percent of domestic production during January 2012 to March 2015. Imports from China accounted for \*\*\* of apparent U.S. consumption in 2012-14. \*\*\* and \*\*\* imported the largest share of imports from China during that period.<sup>3</sup>

### U.S. PURCHASERS

The Commission received 17 usable questionnaire responses from firms that bought boltless steel shelving since January 2012.<sup>4</sup> Three of these responding purchasers identified themselves as distributors and 14 as retailers. Thirteen of the fourteen responding purchasers that identified themselves as retailers also imported boltless steel shelving directly, in addition to purchasing boltless steel shelving from U.S. producers and importers (table II-1).<sup>5</sup> The largest purchasers of boltless steel shelving were \*\*\* while \*\*\* was the largest importer in 2014.

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<sup>1</sup> Conference transcript, p. 17 (Liss); Hearing transcript, p. 15 (Liss).

<sup>2</sup> Conference transcript, p. 11 (Whalen).

<sup>3</sup> \*\*\* imported \*\*\* percent and \*\*\* imported \*\*\* percent of total imports from China from January 2012 through March 2015.

<sup>4</sup> Of the 17 responding purchasers, 16 purchased domestic boltless steel shelving, 8 purchased imports of the subject merchandise from China, and none purchased imports of boltless steel shelving from other sources. Purchaser \*\*\* reported only domestic purchases because it purchases from a domestic supplier, \*\*\*. However, the source of the boltless steel shelving supplied by \*\*\* is likely from \*\*\*. Email with \*\*\*, June 3, 2015; importer \*\*\* questionnaire response. Purchaser \*\*\* indicated that it purchased individually packaged units of boltless steel shelving that were of mixed U.S. and China origin. These purchases are listed as Chinese product in this report. \*\*\* suppliers are \*\*\*.

<sup>5</sup> \*\*\* provided usable importer and purchaser questionnaires. \*\*\* provided responses to the importer and purchaser questionnaires, however upon further investigation, all purchases made by \*\*\* were imported directly by \*\*\* and are accounted for in the importer questionnaire. Staff did not use \*\*\*'s responses to the purchaser questionnaire in this report. Email with \*\*\*, June 30, 2015.

**Table II-1**  
**Boltless steel shelving: Purchasers-importers' quantities of purchases and imports, January 2012-March 2015**

\* \* \* \* \*

### CHANNELS OF DISTRIBUTION

U.S. producers and importer-resellers sold mainly to retailers, as shown in table II-2.<sup>6</sup>

**Table II-2**  
**Boltless steel shelving: U.S. producers' and importer-resellers' U.S. commercial shipments, by sources and channels of distribution, 2012-2014, January to March 2014, and January to March 2015**

\* \* \* \* \*

### GEOGRAPHIC DISTRIBUTION

U.S. producers and importer-resellers reported selling boltless steel shelving to all regions in the contiguous United States (table II-3). For U.S. producers, \*\*\* percent of sales were within 100 miles of their production facility, \*\*\* percent were between 101 and 1,000 miles, and \*\*\* percent were over 1,000 miles. Importer-resellers sold \*\*\* percent within 100 miles of their U.S. point of shipment, \*\*\* percent between 101 and 1,000 miles, and \*\*\* percent over 1,000 miles.

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<sup>6</sup> Importer-resellers are firms that import boltless steel shelving and whose first arms-length transaction is to retailers who then resell boltless steel shelving to the consumer. \*\*\* are importer-resellers. Direct importers are firms that import boltless steel shelving and whose first arms-length transaction is directly to the consumer at its retail establishments. \*\*\* are direct importers.

**Table II-3**

**Boltless steel shelving: Geographic market areas in the United States served by U.S. producers and importer-resellers**

<b>Region</b>	<b>U.S. producers</b>	<b>Importer-resellers</b>
Northeast	3	4
Midwest	4	5
Southeast	3	5
Central Southwest	3	4
Mountain	3	4
Pacific Coast	3	5
Other <sup>1</sup>	3	3
All regions (except Other)	3	4
Reporting firms	4	6

<sup>1</sup> All other U.S. markets, including AK, HI, PR, and VI.

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

**SUPPLY AND DEMAND CONSIDERATIONS**

**U.S. supply**

**Domestic production**

Based on available information, U.S. producers of boltless steel shelving have the ability to respond to changes in demand with moderate-to-large changes in the quantity of shipments of U.S.-produced boltless steel shelving to the U.S. market. The main contributing factor to this degree of responsiveness of supply is unused capacity. Factors that hinder responsiveness are the inability to shift production easily, low levels of inventories, and the lack of alternative markets.

**Industry capacity**

U.S. production of boltless steel shelving was \*\*\* units in 2012, reached \*\*\* units in 2013, and declined to \*\*\* units in 2014. Domestic capacity reported by U.S. producers totaled \*\*\* units in 2012 and rose to \*\*\* units in 2014. Domestic capacity utilization declined from \*\*\* percent in 2012 to \*\*\* percent in 2014.<sup>7</sup> This moderate-to-low level of capacity utilization suggests that U.S. producers may have some ability to increase production of boltless steel shelving in response to an increase in prices.

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<sup>7</sup> Domestic capacity utilization was \*\*\* percent in January-March 2015, compared with \*\*\* percent in January-March 2014.

### ***Alternative markets***

U.S. producers' exports, as a percentage of total shipments, increased from \*\*\* percent in 2012 to \*\*\* percent in 2014.<sup>8</sup> This proportion of total shipments indicates that U.S. producers may have limited ability to shift shipments between the U.S. market and other markets in response to price changes. \*\*\*, but \*\*\* U.S. producers reported exports of boltless steel shelving.

### ***Inventory levels***

U.S. producers' inventories, as a percent of U.S. total shipments, declined from \*\*\* percent in 2012 to \*\*\* percent in 2014.<sup>9</sup> These inventory levels suggest that U.S. producers may have limited ability to respond to changes in demand with changes in the quantity shipped from inventories.

### ***Production alternatives***

Half of responding U.S. producers stated that they could switch production from boltless steel shelving to other products. Other products that producers reported that they can produce with the same equipment and/or labor as boltless steel shelving are four-post shelving and other shelving posts. According to \*\*\*, certain production lines are able to make a variety of parts for different products, and the equipment is scheduled to meet requirements depending on demand. \*\*\* stated that its ability to shift production between boltless steel shelving and other products depends on demand for other shelving products. \*\*\* reported that it is not able to shift production capacity between boltless steel shelving and other products using the same equipment or labor. Edsal noted that its equipment is uniquely specialized and that it is not able to produce varying specifications of boltless steel shelving.<sup>10</sup>

### ***Supply constraints***

All four U.S. producers indicated that they did not experience supply constraints since January 1, 2012.<sup>11</sup> Two U.S. purchasers indicated that a U.S. producer refused, declined or was

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<sup>8</sup> U.S. producers' export shipments were \*\*\* percent of total U.S. shipments during January-March 2014 and \*\*\* percent during January-March 2015.

<sup>9</sup> Inventories, as a percent of total U.S. shipments, were \*\*\* percent at the end of January-March 2015 compared to \*\*\* percent at the end of January-March 2014.

<sup>10</sup> Conference transcript, p. 70 (Liss).

<sup>11</sup> Petitioner stated that the record does not reflect a supply shortage of boltless steel shelving during the period of investigation ("POI") based on the significant domestic idle capacity throughout the period and the questionnaire responses of \*\*\* of \*\*\* purchasers indicating no POI supply constraints. Petitioner's posthearing brief at exhibit 1, p. 18.

unable to supply them with boltless steel shelving. \*\*\* stated that \*\*\* has been unable to meet existing orders. \*\*\* stated that \*\*\* had frequently been unable to make timely shipments.

### **Subject imports from China<sup>12</sup>**

Based on available information, producers of boltless steel shelving in China have the ability to respond to changes in demand with large changes in the quantity of shipments of boltless steel shelving to the U.S. market. The main contributing factors to this degree of responsiveness of supply are the availability of unused capacity and existence of alternate markets.

### **Industry capacity**

Chinese production of boltless steel shelving was \*\*\* units in 2012, \*\*\* units in 2013, and reached \*\*\* units in 2014. Chinese capacity reported by Chinese producers totaled \*\*\* units in 2012, reached \*\*\* units in 2013, and rose to \*\*\* units in 2014. Chinese capacity utilization declined from \*\*\* percent in 2012 to \*\*\* percent in 2013 but increased to \*\*\* percent in 2014.<sup>13</sup> Chinese producers anticipate capacity utilization to increase to \*\*\* percent in 2015 and \*\*\* percent in 2016. This low level of capacity utilization suggests that foreign producers may have substantial capacity to increase production of boltless steel shelving in response to an increase in prices.

### **Alternative markets**

Chinese producers' exports, as a percentage of total shipments, represented \*\*\* of their shipments since January 1, 2012. Chinese producers' export shipments to non-U.S. markets rose from \*\*\* percent of total shipments in 2012 to \*\*\* percent in 2014.<sup>14</sup> Destination countries include \*\*\*. Chinese producers provided projections that indicate further expansion of sales to markets other than the United States. Therefore, Chinese producers may have a large ability to shift shipments between the U.S. market and other markets in response to price changes. Edsal reported that China may have begun diverting significant exports to both Canada and Mexico, displacing Edsal's exports to those markets.<sup>15 16</sup>

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<sup>12</sup> The Commission received four usable questionnaire responses from Chinese producers. These firms' exports to the United States accounted for \*\*\* percent of U.S. imports of boltless steel shelving from China from January 2012 to March 2015.

<sup>13</sup> Data for the first quarter of 2015 show that capacity utilization was lower than reported in the first quarter of 2014.

<sup>14</sup> Data for the interim period (i.e., January-March) also show that exports to markets other than the United States rose to \*\*\* percent in the first quarter of 2015 from \*\*\* percent in the first quarter of 2014.

<sup>15</sup> Hearing transcript, p. 79 (Cannon).

<sup>16</sup> Edsal reported its exports to \*\*\*. Petitioner posthearing brief at exhibit 1, pp. 19-20

## **Inventory levels**

Chinese producers' inventories, as a percent of total shipments, were \*\*\* percent over the reporting period. These inventory levels suggest that Chinese producers may not have the ability to respond to changes in demand with changes in the quantity shipped from inventories.

## ***Production alternatives***

Three of four responding Chinese producers stated that they could not switch production from boltless steel shelving to other products. One Chinese producer reported that it can produce \*\*\* on the same equipment as boltless steel shelving.

## ***Supply constraints***

\*\*\* responding Chinese producers indicated that certain key machinery, particularly the roll forming machine, limit their output. Other constraints listed by Chinese producers include maintenance on powder coating lines, area of the workshop, funds available, and the availability of skilled workers.

## **Nonsubject imports**

Due to boltless steel shelving falling into a broad basket category, there is no discernable way to determine if boltless steel shelving was imported from nonsubject countries using Census data. However, \*\*\* reported that it imports subject merchandise from \*\*\*.

## **New suppliers**

Fifteen of 17 purchasers reported no new suppliers while two purchasers indicated that new suppliers entered the U.S. market since January 1, 2012. These two purchasers identified \*\*\* as new suppliers.

## **U.S. demand**

Based on available information, the overall quantity demanded of boltless steel shelving is likely to experience moderate-to-large changes in response to changes in price. Just over half of 39 respondents identified substitutes, but the remaining half stated that there were none. Boltless steel shelving is an end-use product.

## **End uses**

Boltless steel shelving is a final consumer good. It is sold prepackaged in a kit, ready for assembly and installation by the consumer. U.S. producers, importers, and purchasers listed various end uses, including small business or office, school, garage, workshop, basement, and laundry room storage organization, as well as home improvement projects.

## **Cost share**

Boltless steel shelving is a final consumer good, and, as such, it accounts for all of the cost of a finished good. Its cost share as part of a home improvement project varies significantly depending on the project.

## **Business cycles**

All U.S. producers, 15 of 19 importers, and 13 of 17 purchasers indicated that the market was not subject to business cycles or distinctive conditions of competition other than general economy-wide conditions. Four importers, \*\*\*, and three purchasers, \*\*\*, indicated that the market is subject to business cycles, noting seasonal demand spikes in spring and fall and during promotions. Edsal stated that while business is not seasonal, there are slight “bump-ups” just after Christmas, Memorial Day, and Labor Day, which generally line up with spring and fall cleanup activities.<sup>17</sup>

Importer \*\*\* indicated that there are distinctive conditions of competition, elaborating that \*\*\*. However, according to Edsal, \*\*\*.<sup>18</sup>

## **Demand trends**

U.S. producers’ responses were mixed regarding changes in demand since January 1, 2012. \*\*\* reported increasing demand, another producer reported decreasing demand, and the remaining two reported fluctuating demand. Seven of 17 responding importers reported no change in U.S. demand for boltless steel shelving, while seven other responding importers reported that demand had increased since 2012 (table II-4). Purchasers’ responses were also mixed; six indicated that demand increased, four reported that demand fluctuated, and four reported that there was no change in demand for boltless steel shelving since 2012. Responses regarding demand outside the United States were similarly mixed.

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<sup>17</sup> Hearing transcript, p. 53 (Liss).

<sup>18</sup> \*\*\*. Petitioner’s posthearing brief, Response to hearing questions from Chairman Broadbent and Commissioners Williamson and Johanson, exhibit 1, pp. 5-6.

**Table II-4**

**Boltless steel shelving: Firms' responses regarding U.S. demand and demand outside the United States**

Item	Increase	No change	Decrease	Fluctuate
<b>Demand in the United States</b>				
U.S. producers	1	0	1	2
Importers	7	7	1	2
Purchasers	6	4	0	4
<b>Demand outside the United States</b>				
U.S. producers	0	1	0	2
Importers	2	3	0	3
Purchasers	1	2	0	1

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

**Substitute products**

Questionnaire respondents were divided on whether there are substitutes for boltless steel shelving. Two producers, eleven importers, and ten purchasers stated that there were substitutes for boltless steel shelving. Identified substitutes for boltless steel shelving included wire shelving, plastic shelving, industrial wire rack shelving, heavy duty plastic shelving, resin shelving, bolted steel shelving, wood shelving, shelving sold as components, and bulk-packaged boltless steel shelving. However, two U.S. producers, including \*\*\*, seven responding importers, and seven responding purchasers reported that there were no substitutes. Although respondent \*\*\* stated there are no close substitutes for boltless steel shelving during the preliminary phase, it reported \*\*\* as substitutes in the final phase.<sup>19</sup> According to petitioner, a buyer has several different types of shelving that it views independently, including plastic shelving and “deco” wire shelving, which tends to be used more in kitchens and living rooms. Petitioner continued that boltless steel shelving is more of a general utility shelf used in garages, basements, and backrooms.<sup>20</sup>

**SUBSTITUTABILITY ISSUES**

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

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<sup>19</sup> Conference transcript, pp. 31 (Liss) and 114 (Whalen); and \*\*\* importer questionnaire response.

<sup>20</sup> Hearing transcript pp., 81, 83-84 (Kruger).



### Lead times

Boltless steel shelving is sold primarily on a produced-to-order basis. U.S. producers and importer-resellers reported that \*\*\* percent and \*\*\* percent, respectively, of their commercial shipments were produced-to-order, with lead times averaging \*\*\* days for U.S. producers and \*\*\* days for U.S. importer-resellers.<sup>21</sup> The remaining \*\*\* percent of U.S. producers' sales and \*\*\* percent of U.S. importer-resellers' sales of commercial shipments came from inventories, with lead times averaging \*\*\* days for U.S. producers and \*\*\* days for importer-resellers. The petitioner stated that its domestic factory has a lead time of \*\*\* days, while shipment from its Chinese factory has a lead time of \*\*\* days.

### Knowledge of country sources

Fifteen purchasers indicated that they had marketing/pricing knowledge of domestic product, 12 of Chinese product, and three of nonsubject country product.

As shown in table II-5, most purchasers and their customers sometimes or never make purchasing decisions based on the producer or country of origin. Of the four purchasers that reported that they sometimes make decisions based on the manufacturer, three firms cited quality, service, selection, and availability as reasons to do so. Other purchasers base their decisions on cost, logistics, business relationships, and customer demand.

**Table II-5**

**Boltless steel shelving: Purchasing decisions based on producer and country of origin**

<b>Purchaser/Customer Decision</b>	<b>Always</b>	<b>Usually</b>	<b>Sometimes</b>	<b>Never</b>
Purchaser makes decision based on producer	2	2	4	9
Purchaser's customers make decision based on producer	0	0	6	9
Purchaser makes decision based on country	1	1	6	9
Purchaser's customers make decision based on country	0	0	10	4

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

### Factors affecting purchasing decisions

The most often cited top three factors firms consider in their purchasing decisions for boltless steel shelving were quality (14 firms), price (14 firms), and selection (5 firms) as shown in table II-6. Quality was the most frequently cited first-most important factor (cited by nine firms), followed by price or cost (three firms).

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<sup>21</sup> Four responding importer-resellers provided usable responses regarding lead times.

**Table II-6**

**Boltless steel shelving: Ranking of factors used in purchasing decisions as reported by U.S. purchasers, by factor**

<b>Factor</b>	<b>First</b>	<b>Second</b>	<b>Third</b>	<b>Total</b>
Quality	9	4	1	14
Price/Cost	3	5	6	14
Selection	1	2	2	5
Other <sup>†</sup>	4	4	4	12

<sup>†</sup> Other factors include availability, traditional supplier, customer demand, ability to drop ship, brand, function, production capabilities/capacity, domestic shipping/timeliness, service, supplier relationship, tech support, and quantity requirements.

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

Nearly half of purchasers (8 of 17) reported that they only sometimes purchase the lowest-priced product for their purchases, while five usually do and three never do. When asked if they purchased boltless steel shelving from one source although a comparable product was available at a lower price from another source, seven purchasers stated that they did for reasons including quality, logistics and timing, customer service, manufacturing capacity, and availability. One purchaser reported that certain types of product were only available from a single source. Specifically, \*\*\* purchased boltless steel shelving from China based on the difference in quality, style, and color than what was currently being offered to it by a U.S. manufacturer. It elaborated that the product it purchased was a unique product not being sold by any other U.S. retailer.

**Importance of specified purchase factors**

Purchasers were asked to rate the importance of 15 factors in their purchasing decisions (table II-7). The factors rated as “very important” by more than three-quarters of responding purchasers were availability (16), reliability of supply (16), product consistency (15), price (14), and quality meets industry standards (13).

**Table II-7**  
**Boltless steel shelving: Importance of purchase factors, as reported by U.S. purchasers, by factor**

Factor	Very important	Somewhat important	Not important
Availability	16	1	0
Delivery terms	7	8	2
Delivery time	12	5	0
Discounts offered	4	11	2
Extension of credit	2	8	6
Minimum quantity requirements	7	6	3
Packaging	11	6	0
Price	14	3	0
Product consistency	15	1	1
Product range	6	8	3
Quality exceeds industry standards	9	6	2
Quality meets industry standards	13	3	1
Reliability of supply	16	1	0
Technical support/service	4	11	2
U.S. transportation costs	7	5	5

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

### Supplier certification

Eight of 17 responding purchasers reported requiring their suppliers to become certified or qualified to sell boltless steel shelving to their firm, while nine said they did not. Purchasers reported that the time to qualify a new supplier ranged from 30 to 120 days. No purchasers reported that a domestic or foreign supplier had failed in its attempt to qualify product, or had lost its approved status since 2012.

### Changes in purchasing patterns

Purchasers were asked about changes in their purchasing patterns from different sources since 2012 (table II-8). Reasons reported for changes in sourcing included improved costs from China, antidumping duties on imports changed the competitive landscape, discontinued items, added new SKUs and styles that were not available domestically, consumer demand, more competitive U.S. cost, and a one-time promotional buy.

Seven of 17 responding purchasers reported that they had changed suppliers since January 1, 2012 while ten had not. Specifically, firms dropped or reduced purchases from \*\*\*, because \*\*\*. Firms added or increased purchases from \*\*\* and \*\*\* because of \*\*\*, and from \*\*\* and \*\*\* (no reasons provided). \*\*\* purchasers added or increased purchases from \*\*\*, while \*\*\* reduced its purchases. \*\*\* explained that it added \*\*\* because it provided a better cost and quality compared to \*\*\*.

**Table II-8**

**Boltless steel shelving: Changes in purchase patterns from U.S., subject, and nonsubject countries**

<b>Source of purchases</b>	<b>Did not purchase</b>	<b>Decreased</b>	<b>Increased</b>	<b>Constant</b>	<b>Fluctuated</b>
United States	0	3	8	4	2
China	2	6	5	2	2
Other	11	0	1	1	0

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

**Importance of purchasing domestic product**

Sixteen of 17 purchasers reported that purchasing U.S.-produced product was not an important factor in their purchasing decisions. One purchaser cited preferring domestic product because the U.S. cost was competitive and the U.S. suppliers allowed for smaller orders.

**Comparisons of domestic products, subject imports, and nonsubject imports**

Purchasers were asked a number of questions comparing boltless steel shelving produced in the United States, China, and nonsubject countries. First, purchasers were asked for a country-by-country comparison on the same 15 factors (table II-9) for which they were asked to rate the importance. Most purchasers reported that U.S. and Chinese product are “comparable” on 13 of the 15 factors. However, domestic product was ranked “superior” based on delivery time by 11 purchasers. Also, seven purchasers ranked domestic product “inferior” in price to China, meaning the U.S. price was higher than China. Only three purchasers compared U.S. and nonsubject product or Chinese product and nonsubject product. At least two purchasers reported that domestic product was superior to nonsubject product across all 15 factors. At least two purchasers reported Chinese product was “superior” to nonsubject product for 13 factors.

**Table II-9**

**Boltless steel shelving: Purchasers' comparisons between U.S.-produced and imported product**

Factor	U.S. vs. China			U.S. vs. nonsubject			China vs. nonsubject		
	S	C	I	S	C	I	S	C	I
Availability	2	11	1	2	1	0	2	1	0
Delivery terms	4	8	1	2	1	0	2	1	0
Delivery time	11	1	1	3	0	0	1	1	1
Discounts offered	1	10	2	2	1	0	3	0	0
Extension of credit	3	10	0	2	1	0	3	0	0
Minimum quantity requirements	4	9	0	2	1	0	2	1	0
Packaging	0	13	0	2	1	0	2	1	0
Price <sup>1</sup>	2	5	7	2	0	1	3	0	0
Product consistency	0	13	0	2	1	0	2	1	0
Product range	0	12	2	2	1	0	2	1	0
Quality exceeds industry standards	0	13	1	2	1	0	2	1	0
Quality meets industry standards	0	13	1	2	1	0	2	1	0
Reliability of supply	3	9	2	2	1	0	2	1	0
Technical support/service	5	6	2	2	1	0	2	1	0
U.S. transportation costs <sup>1</sup>	2	10	1	2	1	0	1	1	1

<sup>1</sup> A rating of superior means that price/U.S. transportation costs is generally lower. For example, if a firm reported "U.S. superior," it meant that the U.S. product was generally priced lower than the imported product.

Note.--S=first listed country's product is superior; C=both countries' products are comparable; I=first list country's product is inferior.

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

**Comparison of U.S.-produced and imported boltless steel shelving**

In order to determine whether U.S.-produced boltless steel shelving can generally be used in the same applications as imports from China, U.S. producers, importers, and purchasers were asked whether the products can "always," "frequently," "sometimes," or "never" be used interchangeably. As shown in table II-10, most U.S. producers and seven purchasers reported that domestically produced boltless steel shelving and imported boltless steel shelving are "always" interchangeable, while more than half of importers and five purchasers reported that the products are "frequently" interchangeable. Importer \*\*\* reported that the types of boltless steel shelving produced in the United States versus China are not the same and that U.S. manufacturers have not had the capacity to produce to the order specifications of \*\*\*. Importer \*\*\* reported that differences in product utility, design and consumer tastes may impact interchangeability. Additionally, \*\*\* stated that its boltless steel shelving units are integrated into an overall suite of garage storage and organization products, and its brand is preferred by consumers, though it is not immune to price competition from larger producers of off-the-shelf boltless steel shelving. Purchaser \*\*\* indicated that it depends on design, including tabs versus rivets.

**Table II-10****Boltless steel shelving: Interchangeability between boltless steel shelving produced in the United States and in other countries, by country pairs**

Country pair	Number of U.S. producers reporting				Number of U.S. importers reporting				Number of purchasers reporting			
	A	F	S	N	A	F	S	N	A	F	S	N
<b>U.S. vs. subject countries:</b> U.S. vs. China	3	1	0	0	4	9	2	0	7	5	2	0
<b>Nonsubject countries comparisons:</b> U.S. vs. nonsubject	0	0	0	0	2	2	2	0	5	0	1	0
China vs. nonsubject	0	0	0	0	0	2	2	0	3	0	0	0

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

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

Eleven of 14 responding purchasers reported that domestically produced boltless steel shelving “always” met minimum quality specifications. Nine of twelve responding purchasers reported that the Chinese boltless steel shelving “always” met minimum quality specifications (table II-11).

**Table II-11****Boltless steel shelving: Ability to meet minimum quality specifications, by source<sup>1</sup>**

Source	Always	Usually	Sometimes	Rarely or never
United States	11	2	1	0
China	9	2	1	0
Nonsubject Countries	1	0	0	0

<sup>1</sup> Purchasers were asked how often domestically produced or imported boltless steel shelving meets minimum quality specifications for their own or their customers' uses.

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

In addition, producers, importers, and purchasers were asked to assess how often differences other than price were significant in sales of boltless steel shelving from the United States, China, and nonsubject countries. All U.S. producers reported that non-price factors are “never” a significant difference between boltless steel shelving produced in the United States and China (table II-12). More than half of responding importers (9 of 15) and half of responding purchasers reported that there are “frequently” significant differences other than price between boltless steel shelving produced in the United States and China, including quality, product diversity, and technical support.

\*\*\* stated that product quality and consistent service, such as the ability to produce and ship on time and provide daily customer service, were necessary. \*\*\* stated that while it has not bought or sold domestically produced shelving, quality and availability are always a factor. \*\*\* indicated that shelving produced in the United States and China have different weight capacities. \*\*\* indicated that shelving produced in the United States and China have different weight capacities. \*\*\* listed product range, quality, and availability as key factors

**Table II-12**

**Boltless steel shelving: Significance of differences other than price between boltless steel shelving produced in the United States and in other countries, by country pairs**

Country pair	Number of U.S. producers reporting				Number of U.S. importers reporting				Number of purchasers reporting			
	A	F	S	N	A	F	S	N	A	F	S	N
<b>U.S. vs. subject countries:</b> U.S. vs. China	0	0	0	4	1	9	4	1	3	6	3	0
<b>Nonsubject countries comparisons:</b> U.S. vs. nonsubject	0	0	0	0	0	6	1	0	2	1	0	0
China vs. nonsubject	0	0	0	0	0	4	1	0	1	0	0	0

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

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

in the selection of boltless steel shelving. \*\*\* reported that brand diversity, quality, product portfolio, and service levels, are all considerations for purchasing and sales. \*\*\* reported that it has more flexibility to work on innovation using domestic suppliers due to their proximity. In addition, it stated that it can stay closer to the supply chain in order to improve shipment times. \*\*\* indicated that the amount of inventory carried by the retailer is important. \*\*\* reported that over the last decade \*\*\* developed a “solid” reputation with customers and end users as a supplier with little to no quality control, poor service, consistent backorders, and extreme difficulty in scheduling trucks, resulting in lost orders and substantial fines from its customers due to its inability to provide agreed quantities on time. Conversely, \*\*\* continued that its foreign supply chain provides consistently high quality products, on time and with excellent service. It added that U.S. sources were unable or unwilling to compete on these factors.<sup>22</sup> \*\*\* reported that when a consumer purchases a product, price is not the only factor consumers consider. It added that they also consider differences in quality, speed of delivery, and sizing. \*\*\* reported that it considers smaller minimum order quantity and quicker lead times important. \*\*\* stated that quality, availability, product range, technical support, and an established transportation network are additional factors considered advantageous when sourcing boltless steel shelving from the United States or China. \*\*\* reported that, in addition to competitive pricing, it focuses on the quality of product, service, and providing expertise in understanding major customers’ supply chain.

Although only a few purchasers provided responses for comparison to nonsubject product, they indicated that there were “always” or “frequently” significant differences other

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<sup>22</sup> Regarding supply constraints, petitioner states that \*\*\* claims are inconsistent with other record evidence concerning the domestic industry being rated by the \*\*\* majority of purchasers as being either superior or comparable to both subject and nonsubject imports in the \*\*\* majority of comparisons, including quality, reliability, and delivery. Petitioner continued that \*\*\*. Petitioner’s posthearing brief, response to Commissioner Johanson’s hearing question at exhibit 1, pp. 18-19.

than price. \*\*\* listed quality, availability, partnership intangibles, branding, and reliability, but indicated that there is no explicit disadvantage or advantage based on country of origin.

## **ELASTICITY ESTIMATES**

This section discusses elasticity estimates; parties were encouraged to comment on these estimates in their prehearing or posthearing brief; none did so.

### **U.S. supply elasticity**

The domestic supply elasticity<sup>23</sup> for boltless steel shelving measures the sensitivity of the quantity supplied by U.S. producers to changes in the U.S. market price of boltless steel shelving. The elasticity of domestic supply depends on several factors including the level of excess capacity, the ease with which producers can alter capacity, producers' ability to shift to production of other products, the existence of inventories, and the availability of alternate markets for U.S.-produced boltless steel shelving. Analysis of these factors earlier indicates that the U.S. industry has the ability to reasonably increase shipments to the U.S. market; an estimate in the range of 3 to 6 is suggested.

### **U.S. demand elasticity**

The U.S. demand elasticity for boltless steel shelving measures the sensitivity of the overall quantity demanded to a change in the U.S. market price of boltless steel shelving. This estimate depends on factors discussed earlier such as the existence, availability, and commercial viability of substitute products, as well as boltless steel shelving being an end-use product. Based on the available information, the aggregate demand for boltless steel shelving is likely to be elastic; a range of -1 to -3 is suggested.

### **Substitution elasticity**

The elasticity of substitution depends upon the extent of product differentiation between the domestic and imported products.<sup>24</sup> Product differentiation, in turn, depends upon such factors as quality (e.g., appearance, weight capacity, etc.) and conditions of sale (e.g., availability, delivery, sales terms, discounts, promotions, etc.). Based on available information, the elasticity of substitution between U.S.-produced boltless steel shelving and imported boltless steel shelving is likely to be in the range of 2.5 to 4.

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<sup>23</sup> A supply function is not defined in the case of a non-competitive market.

<sup>24</sup> The substitution elasticity measures the responsiveness of the relative U.S. consumption levels of the subject imports and the domestic like products to changes in their relative prices. This reflects how easily purchasers switch from the U.S. product to the subject products (or vice versa) when prices change.



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

The Commission analyzes a number of factors in making injury determinations (see 19 U.S.C. §§ 1677(7)(B) and 1677(7)(C)). Information on the subsidies and dumping margins was presented in *Part I* of this report and information on the volume and pricing of imports of the subject merchandise is presented in *Part IV* and *Part V*. Information on the other factors specified is presented in this section and/or *Part VI* and (except as noted) is based on the questionnaire responses of four firms that accounted for all known U.S. production of boltless steel shelving during 2014.

### U.S. PRODUCERS

The Commission issued a U.S. producer questionnaire to four firms based on information contained in the petitions. The following four firms provided usable data on their production operations: Edsal Manufacturing Co., Inc. (“Edsal”); Hallowell aka List Industries Inc. (“Hallowell”); Hirsh Industries LLC (“Hirsh”); and Tennsco Corp. (“Tennsco”). Staff believes that these responses represent all known U.S. production of boltless steel shelving.

Table III-1 lists U.S. producers of boltless steel shelving, their production locations, positions on the petitions, and shares of total production.

**Table III-1**  
**Boltless steel shelving: U.S. producers, their positions on the petitions, production locations, and shares of reported production, January 2012 to March 2015**

Firm	Position on petition	Production location(s)	Share of production (percent)
Edsal	Support	Chicago, IL	***
Hallowell	***	Deefield Beach, FL Apopka, FL	***
Hirsh	***	West Des Moines, IA Dover, DE	***
Tennsco	***	Dickson, Tennessee	***
Total			100.0

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

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

Petitioner Edsal is the largest U.S. producer of boltless steel shelving, accounting for \*\*\* percent of total domestic production during the period of investigation. Edsal’s domestic manufacturing operations, located in Chicago, Illinois, opened in 1957 and it began the production of boltless steel shelving in 1985. The company has been family-owned and operated since its inception.<sup>1</sup>

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<sup>1</sup> Conference transcript, pp. 12-13 (Liss).

Edsal reported that it \*\*\* owns Chinese producer Edsal Sandusky Corp. Zhongshan (“Edsal Sandusky”) and that it has imported boltless steel shelving from this Chinese manufacturer, \*\*\*. Edsal first imported boltless steel shelving in \*\*\*.<sup>2</sup> It explained that it established the Chinese production facility approximately ten years ago in order to obtain market intelligence and to manufacture non-subject product.<sup>3</sup> During the preliminary phase, Edsal also explained that it established the Chinese production facility with the primary goal of supplying boltless steel shelving to the Chinese market. Edsal indicated that the demand growth in China for the product did not take place and the Chinese facility turned to exporting to the United States in order to remain competitive with other Chinese producers. Edsal claimed that Edsal Sandusky in China is a “rather modest” facility and is not the major source of U.S. imports from China. It also argued that its primary interest lies in domestic production, rather than importation of the subject merchandise, and that it has been “forced” to import boltless steel shelving from China to remain competitive with low-priced imports from China.<sup>4</sup> According to Edsal, these imports were “a defensive measure to prevent further loss of key customer accounts and, in fact, are themselves an indication of the injury the U.S. industry has suffered.”<sup>5</sup>

\*\*\* domestic producers of boltless steel shelving are related to foreign producers of the subject merchandise and \*\*\* U.S. producers are U.S. importers of the subject merchandise \*\*\* are related to U.S. importers of the subject merchandise. In addition, \*\*\* of the four U.S. producers reported purchases of boltless steel shelving in the United States.

In the Commission’s questionnaire, U.S. producers were asked if they had experienced any plant openings, plant closings, relocations, expansions, acquisitions, consolidations, prolonged shutdowns or production curtailments, or revised labor agreements since January 1, 2012. \*\*\* reported no such changes in operations since 2012. Table III-2 summarizes the responses of \*\*\* regarding reported industry changes.

**Table III-2**  
**Boltless steel shelving: U.S. producers’ changes in operations since 2012**

\* \* \* \* \*

On April 16, 2015, the City of Gary, Indiana, announced that Edsal had selected the city as the location for its new production facility.<sup>6</sup> Among the favorable selection factors cited by a company representative are Gary’s geographic proximity to Edsal’s existing operations in Chicago, a readily available workforce, and direct access to rail, interstate highway, and air transport.<sup>7</sup> Rather than a replacement for the existing Chicago facility, the new Gary facility is

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<sup>2</sup> Petitioner’s postconference brief, exhibit 1, p. 6.

<sup>3</sup> Hearing transcript, p. 50 (Liss).

<sup>4</sup> Petitions, vol. I, p. 16; and conference transcript, pp. 19-21 (Liss).

<sup>5</sup> Petitioner’s posthearing brief, p. 25.

<sup>6</sup> “Industrial Furniture Manufacturer Edsal Expands to Site in Gary Bringing Along 300 Jobs,” *City of Gary Department of Communications*, April 16, 2015.

<sup>7</sup> “Chicago Shelving Company Brings 300 Jobs to Gary,” *Chicago Post Tribune*, April 16, 2015.

an expansion of Edsal’s production capacity to meet increased demand for the firm’s product.<sup>8</sup> This increased demand resulted from a decline in subject imports and the subsequent increase in the firm’s sales and profits, which a petitioner’s witness attributed to the imposition of the preliminary orders.<sup>9</sup> Facility development expenditures have totaled approximately \*\*\* as of June 2015.<sup>10</sup> Edsal reportedly has already moved equipment to the Gary site.<sup>11</sup> According to another company representative, operations at the Gary site will commence with packaging and shipping, and expand into production as the workforce is trained.<sup>12</sup> As of mid-August 2015, Edsal hired approximately 80 employees for the Gary facility.<sup>13</sup> Management anticipated filling all 300 positions by \*\*\*.<sup>14</sup>

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

### Boltless steel shelving

Table III-3 and figure III-1 present U.S. producers’ boltless steel shelving production, capacity, and capacity utilization.

**Table III-3**  
**Boltless steel shelving: U.S. producers’ production, capacity, and capacity utilization, 2012-14, January-March 2014, and January-March 2015**

\*   \*   \*   \*   \*   \*   \*

**Figure III-1**  
**Boltless steel shelving: U.S. producers’ production, capacity, and capacity utilization, 2012-14, January-March 2014, and January-March 2015**

\*   \*   \*   \*   \*   \*   \*

Total annual capacity to produce boltless steel shelving in the United States, which was based on operating \*\*\* hours per week and \*\*\* weeks per year, increased from \*\*\* units in 2012 to \*\*\* units in 2014. Production increased by \*\*\* percent between 2012 and 2013, and then decreased by \*\*\* percent in 2014, increasing overall by \*\*\* percent during 2012-14. Boltless steel shelving production in January-March 2015 was \*\*\* percent higher than in

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<sup>8</sup> Hearing transcript, p. 44 (Liss) and p. 45 (Rosenthal).

<sup>9</sup> Hearing transcript, pp. 12-13 (Saltzberg).

<sup>10</sup> USITC staff, “USITC Investigatory Staff Field Visit to Edsal Manufacturing Co. Inc. (Edsal) Boltless Steel Shelving Units Manufacturing Facilities, Chicago IL,” June 5, 2015, p. 1.

<sup>11</sup> “Chicago Shelving Company Brings 300 Jobs to Gary,” *Chicago Post Tribune*, April 16, 2015.

<sup>12</sup> “Why this Chicago Manufacturer is Hiring 300 in Gary,” *Crain’s Chicago Business*, April 16, 2016.

<sup>13</sup> Hearing transcript, p. 13 (Saltzberg).

<sup>14</sup> USITC staff, “USITC Investigatory Staff Field Visit to Edsal Manufacturing Co. Inc. (Edsal) Boltless Steel Shelving Units Manufacturing Facilities, Chicago IL,” June 5, 2015, pp. 1-2.

January-March 2014. Capacity utilization fell from \*\*\* percent in 2012 to \*\*\* percent in 2014, but was higher at \*\*\* percent in January-March 2015 when compared to \*\*\* percent in January-March 2014.

Edsal, which accounted for \*\*\* percent of annual domestic capacity in 2014, reported that its production capacity was calculated using average measured production rates for key operations as applied consistently over the period.<sup>15</sup> It explained \*\*\*. It also noted that the domestic industry expansions are keeping pace with demand increases in the U.S. market.<sup>16</sup> Hollowell, which reported \*\*\*, accounted for \*\*\* percent of 2014 boltless steel shelving capacity. Hirsh and Tennsco reported \*\*\*.

Producers were asked to describe the constraints that set the limits on their production capacity. Although Hollowell reported \*\*\*, the remaining three U.S. producers reported that the output of \*\*\* set the limits on their production capacity.

### **Overall capacity and production**

The four domestic producers were asked to provide data on the overall capacity and production in their boltless steel shelving facilities, by type of item produced. \*\*\*, which accounted for \*\*\* and \*\*\* percent, respectively, of overall plant capacity during 2014, reported that no other products are made on the same equipment and machinery used to produce boltless steel shelving.

\*\*\* reported that it produces \*\*\* on the same equipment and machinery that is used to produce boltless steel shelving. These other products account for \*\*\* of the firm's overall production. \*\*\*, which accounted for \*\*\* percent of boltless steel shelving production in the United States during 2014, represented \*\*\* percent of overall U.S. facility capacity during 2014.

\*\*\* reported that, in addition to producing boltless steel shelving, it also produces \*\*\* on the same equipment and machinery. Boltless steel shelving, \*\*\*, accounted for \*\*\* percent of the firm's overall production during \*\*\*. \*\*\* accounted for \*\*\* percent of overall U.S. plant capacity during 2014. \*\*\*, which reported \*\*\*, explained that \*\*\*.

Table III-4 presents the domestic industry's overall U.S. capacity, production, and capacity utilization of boltless steel shelving and other products combined. In 2014, the allocated capacity to produce boltless steel shelving (see table III-3) accounted for \*\*\* percent of the overall plant capacity reported by the four U.S. producers (compare with table III-4). Production of other products accounted for \*\*\* percent of overall facility production during 2014, whereas boltless steel shelving accounted for \*\*\* percent of the total. Overall capacity mirrored the allocated capacity to produce boltless steel shelving, while the production of other products and production of boltless steel shelving followed a similar trend during 2012-14. The production of boltless steel shelving as well as the production of other products increased from 2012 to 2013 before decreasing in 2014 to a level \*\*\* higher than reported in 2012. Production

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<sup>15</sup> Conference transcript, pp. 45-46 (Liss).

<sup>16</sup> Petitioner's postconference brief, p. 14.

of boltless steel shelving was higher in interim 2015 when compared to interim 2014, while production of other products was lower.

**Table III-4**

**Boltless steel shelving: U.S. producers' overall capacity, production, and capacity utilization, by product, 2012-14, January-March 2014, and January-March 2015**

\* \* \* \* \*

Producers were asked about their ability to switch production (capacity) between boltless steel shelving and other products using the same equipment and/or labor. Tennsco reported \*\*\*. It explained that \*\*\*. Hallowell reported \*\*\*. It explained that its production line does \*\*\*. Edsal and Hirsh each reported \*\*\*.<sup>17</sup>

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

Table III-5 presents U.S. producers' U.S. shipments, export shipments, and total shipments.

**Table III-5**

**Boltless steel shelving: U.S. producers' U.S. shipments, export shipments, and total shipments, 2012-14, January-March 2014, and January-March 2015<sup>1</sup>**

\* \* \* \* \*

\*\*\* U.S. producer reported internal consumption or transfers of boltless steel shelving to related firms in the United States. U.S. producers' commercial U.S. shipments accounted for \*\*\* of total shipments (\*\*\* percent based on quantity in 2014). The quantity of U.S. producers' U.S. shipments of boltless steel shelving increased by \*\*\* percent from \*\*\* units in 2012 to \*\*\* units 2014, and was \*\*\* percent higher in January-March 2015 than in the comparable period in 2014. U.S. shipments peaked in 2013 while at the same time the average unit value of U.S. shipments reached its lowest point (\*\*\*). The average unit value of U.S. shipments decreased \*\*\* during 2012-14, decreasing from \$\*\*\* per unit in 2012 to \$\*\*\* per unit in 2014, while it was higher in interim 2015 than in interim 2014.

\*\*\* exports of boltless steel shelving. The firm reported that the export destinations for its product are \*\*\*. During 2012-14, exports accounted for a \*\*\* share of total domestic industry shipments, but \*\*\*. The average unit values of exports were consistently higher than those reported for U.S. commercial shipments, and increased steadily throughout the period of investigation.

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<sup>17</sup> During the preliminary phase of these investigations, Hirsh reported \*\*\*.

## U.S. PRODUCERS' INVENTORIES

Table III-6 presents U.S. producers' end-of-period inventories and the ratio of these inventories to U.S. producers' production, U.S. shipments, and total shipments during 2012-14, January-March 2014, and January-March 2015. Edsal, \*\*\* the largest domestic producer of boltless steel shelving, testified that its sales are generally produced to order, which appears to be reflected in the \*\*\* ratio of inventories to production.<sup>18</sup> Indeed, reported producers' end-of-period inventories as a ratio to production fell from \*\*\* percent in 2012, to \*\*\* percent in 2014, while the ratio of inventories to U.S. shipments followed a similar trend. The ratio of inventories to production were the same in interim 2014 and interim 2015, while the ratio of inventories to shipments was \*\*\* lower in interim 2015 than in interim 2014.

**Table III-6**

**Boltless steel shelving: U.S. producers' end-of-period inventories and ratios of inventories to U.S. production and shipments, 2012-14, January-March 2014, and January-March 2015**

\* \* \* \* \*

Producers' end-of-period inventories decreased by \*\*\* percent from 2012 to 2014. Inventories were at their lowest point at year-end 2013, accounting for only \*\*\* percent of U.S. production in that year. Most of the inventory decline from 2012 to 2014 was accounted for by \*\*\*, which represented \*\*\* percent of inventories held at year-end 2012 and \*\*\* percent of inventories held at year-end 2014. Producers' inventories were higher in March 2015 than compared with the level reported in March 2014. \*\*\* accounted for \*\*\* percent of inventories held in March 2015. Inventories for the interim periods were \*\*\* relative to full-year ending inventories. This is due to slight seasonal trends. \*\*\*.<sup>19</sup>

## U.S. PRODUCERS' IMPORTS AND PURCHASES

As previously indicated, petitioner Edsal \*\*\* imports the subject merchandise from China into the United States. Edsal reported that it \*\*\* owns Chinese producer Edsal Sandusky and that it is an importer of boltless steel shelving from its Chinese subsidiary, \*\*\*.

\*\*\* U.S. producers are U.S. importers of the subject merchandise \*\*\* are related to U.S. importers of the subject merchandise and \*\*\* domestic producers are related to foreign producers of the subject merchandise. As previously indicated, there were \*\*\* domestic purchases of boltless steel shelving in the United States by the domestic producers.

U.S. producer Edsal's U.S. imports of boltless steel shelving are presented in table III-7. Also presented are U.S. imports of boltless steel shelving produced in China that are arranged by Edsal for other U.S. firms that are the importers of record. Edsal reported that these imports

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<sup>18</sup> Conference transcript, p. 22 (Liss).

<sup>19</sup> Email from \*\*\*, July 27, 2015.

were arranged on behalf of \*\*\*, the importers of record, because they “\*\*\*.”<sup>20</sup> In all instances in which Edsal facilitated transactions, the customer was offered a domestically made Edsal product which was then rejected due to the price being too high compared to that offered by Chinese producers. In order to save the account and maintain the customer relationship, Edsal obtained pricing from Chinese producers and then offered the Chinese product to the customer plus a small markup for its facilitation of the sale. At regular intervals (typically once per year), Edsal offered domestic pricing to facilitated transaction customers in an attempt to regain domestic production, but could not compete with the lower Chinese prices.<sup>21</sup> \*\*\* accounted for more than 98 percent of the facilitated transactions, while Edsal Sandusky accounted for the remainder (less than two percent).<sup>22</sup> Edsal’s imports were also \*\*\*. Edsal’s imports and facilitated imports each increased both in terms of absolute quantity and relative to Edsal’s U.S. production from 2012 to 2014. Edsal’s imports were lower in January-March 2015 than reported during January-March 2014, while facilitated imports were \*\*\* in January-March 2015.

**Table III-7  
Boltless steel shelving: Edsal’s U.S. production and imports, 2012-14, January-March 2014, and January-March 2015**

\* \* \* \* \*

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

Table III-8 shows U.S. producers’ employment-related data during 2012-14, January-March 2014, and January-March 2015. In the aggregate, U.S. producers reported an overall increase in total hours worked and total wages paid from 2012 to 2014. However, the number of production and related workers (“PRWs”), hours worked per PRW, as well as hourly wages and unit labor costs, declined overall from 2012 to 2014. The number of PRWs employed, total hours worked, and wages paid during January-June 2015 were higher than reported in the comparable period in 2014, while hours worked per PRW and unit labor costs were lower and hourly wages \*\*\*. Productivity remained relatively unchanged.

**Table III-8  
Boltless steel shelving: U.S. producers’ employment related data, 2012-14, January-March 2014, and January-March 2015**

\* \* \* \* \*

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<sup>20</sup> \*\*\* U.S. producer questionnaire response.

<sup>21</sup> Hearing transcript, pp. 16-17, and 50-51 (Liss); and email from \*\*\*, July 29, 2015.

<sup>22</sup> Hearing transcript, p. 55 (Liss); and email from \*\*\*, July 15, 2015.

Edsal reported a reduction of \*\*\* PRWs in 2014 and asserts that the reduction in workforce is the result of Chinese imports which negatively impacted domestic production. As a result of Edsal's loss of \*\*\* 2014 Black Friday business and other lost sales to China, Edsal was forced to curtail production and lay off 150 workers in mid-2014, as well as reduce its shifts \*\*\*.<sup>23</sup> Edsal credits its recovery of production and sales volume in late 2014 and \*\*\* 2015 to reduced Chinese imports as a result of the petitions, which led Edsal to re-hire the workers that had been laid off and commence a new facility opening in Gary, Indiana.<sup>24</sup>

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<sup>23</sup> Hearing transcript, pp. 17-18 (Liss); petitioner's prehearing brief, p. 38; and Edsal's questionnaire response.

<sup>24</sup> Hearing transcript, pp. 12-13 (Saltzberg); and Edsal's questionnaire response.



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

### U.S. IMPORTERS

The Commission issued importer questionnaires to 52 firms believed to be possible importers of subject boltless steel shelving, as well as to all U.S. producers of boltless steel shelving.<sup>1</sup> Twenty firms indicated that they had not imported boltless steel shelving into the United States since January 1, 2012.<sup>2</sup> Usable questionnaire responses were received from 20 companies. Staff estimates that the responding importers represent the vast majority of total subject imports from China during 2014.<sup>3</sup> Table IV-1 lists all responding U.S. importers of boltless steel shelving from China and other sources, their locations, and their shares of reported U.S. imports, in January 2012 to March 2015.

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<sup>1</sup> The Commission issued questionnaires to those firms identified in the petitions, along with firms that, based on a review of \*\*\*, may have accounted for \*\*\* of total imports under HTS statistical reporting numbers 9403.20.0018, 9403.20.0020, and 9403.10.0040 during January 2012-March 2015.

<sup>2</sup> An additional firm (\*\*\*) submitted a questionnaire response, but reported that it sells boltless steel shelving in pieces, not in prepackaged units, which is outside of Commerce's scope. Its response is not included.

<sup>3</sup> As previously indicated, the HTS statistical reporting numbers under which subject boltless steel shelving enter the United States are "basket" categories and cannot be used as an accurate measure from which to calculate importer questionnaire coverage. Based \*\*\*, staff believes that \*\*\* is the only importer of record that has not provided a response to the Commission's questionnaire. \*\*\*. Staff advised the firm to complete the importer questionnaire to the best of its ability, but did not receive the firm's questionnaire response. See staff email correspondence with \*\*\*, June 30, 2015. \*\*\* is believed to account for approximately \*\*\* percent of subject imports from China during 2013 (\*\*\*). In addition, \*\*\* was identified as an importer by \*\*\*, a foreign producer/exporter of subject merchandise. According to \*\*\*, \*\*\* imported approximately \$\*\*\* in subject merchandise in 2014, or \*\*\* percent of total imports.

**Table IV-1****Boltless steel shelving: U.S. importers, headquarters, and share of reported imports by source, January 2012 to March 2015**

Firm	Headquarters	Share of imports by source (percent)		
		China	All other sources	All sources
Ace Hardware Corporation	Oak Brook, IL	***	***	***
Amazon Fulfillment Services, Inc.	Seattle, WA	***	***	***
Bi-Mart Corporation	Eugene, OR	***	***	***
Costco Wholesale Corporation	Issaquah, WA	***	***	***
Edsal Manufacturing Company, Inc.	Chicago, IL	***	***	***
Fleet Wholesale Suply Co., Inc.	Brainerd, MN	***	***	***
Grainger International Inc.	Lake Forest , IL	***	***	***
HD Supply Facilities Maintenance	San Diego, CA	***	***	***
Home Depot U.S.A., Inc.	Atlanta , GA	***	***	***
L G Sourcing, Inc.	Wilkesboro, NC	***	***	***
Liberty Diversified International, Inc. <sup>1</sup>	New Hope, MN	***	***	***
Menard, Inc.	Eau Claire, WI	***	***	***
Newage Products Inc.	Vaughan, ON	***	***	***
Northern Tool & Equipment Co. Inc.	Burnsville, MN	***	***	***
Sears Holdings Corporation	Hoffman Estates, IL	***	***	***
Sentron International, Inc.	La Verne, CA	***	***	***
Target Corporation	Minneapolis, MN	***	***	***
Wal-Mart Stores, Inc. <sup>2</sup>	Bentonville, AR	***	***	***
Whalen LLC	San Diego, CA	***	***	***
Whirlpool Corporation	Benton Harbor, MI	***	***	***
Total		***	***	***

<sup>1</sup> \*\*\*.<sup>2</sup> \*\*\*.

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

### U.S. IMPORTS

Table IV-2 and figure IV-1 present data for U.S. imports of boltless steel shelving from China and all other sources (\*\*\*) . As indicated previously, official import statistics for the HTS statistical reporting numbers under which boltless steel shelving is believed to be entering the United States (9403.20.0018, 9403.20.0020, and 9403.10.0040) vastly overstate the amount of subject U.S. imports since these HTS statistical reporting numbers are basket categories that also include relatively large amounts of nonsubject items (*e.g.*, other metal office and household furniture, such as counters, lockers, display cases, partitions, bed railings, etc.). Therefore, the import data presented in this report are compiled from importer questionnaire responses received in these final phase investigations.

**Table IV-2**  
**Boltless steel shelving: U.S. imports by source, 2012-14, January-March 2014, and January-March 2015**

\* \* \* \* \*

**Figure IV-1**  
**Boltless steel shelving: U.S. import volumes and average unit values, 2012-14, January-March 2014, and January-March 2015**

\* \* \* \* \*

Subject imports from China increased by \*\*\* percent during 2012-14. During the first quarter of 2015, imports from China were \*\*\* percent lower at \*\*\* units than reported during the first quarter of 2014. Imports of boltless steel shelving from other countries (i.e., \*\*\*), which accounted for \*\*\* percent of total U.S. imports, followed the opposite trend, decreasing by \*\*\* percent during 2012-14, and were \*\*\* percent higher in January-March 2015 than compared to the same period in 2014.<sup>4</sup> Average unit values of subject imports from China decreased by \*\*\* percent during 2012-14, and were \*\*\* percent lower in January-March 2015 when compared to the same period in 2014. On the other hand, average unit values of nonsubject imports increased \*\*\* overall during 2012-14, and were \*\*\* higher in January-March 2015 than in January-March 2014.

As a share of total domestic production, U.S. imports of boltless steel shelving from China decreased from \*\*\* percent in 2012 to \*\*\* percent in 2013, but increased to \*\*\* percent in 2014. The ratio of U.S. imports from China to U.S. production was lower at \*\*\* percent during January-June 2015 than \*\*\* percent in the comparable period of 2014.

Tables IV-3 and IV-4 present U.S. importers' U.S. shipments of imports from China and all other sources, respectively. The vast majority of U.S. importers' shipments of imports from China were directly imported and sold by the importers using their own retail establishments. Conversely, \*\*\* U.S. importers' U.S. shipments of imports from all other sources (\*\*\*) were sold commercially.

**Table IV-3**  
**Boltless steel shelving: U.S. importers' U.S. shipments of imports from China, by type, 2012-14, January-March 2014, and January-March 2015**

\* \* \* \* \*

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<sup>4</sup> The \*\*\* quantities of U.S. imports of boltless steel shelving from \*\*\* presented in this staff report were reported by U.S. importer \*\*\*, which indicated that the imported items were supplied by \*\*\* and the country of origin was \*\*\*.

**Table IV-4**

**Boltless steel shelving: U.S. importers' U.S. shipments of imports from all other sources except China, by type, 2012-14, January-March 2014, and January-March 2015**

\* \* \* \* \*

**NEGLIGENCE**

The statute requires that an investigation be terminated without an injury determination if imports of the subject merchandise are found to be negligible.<sup>5</sup> Negligible imports are generally defined in the Tariff Act of 1930, as amended, as imports from a country of merchandise corresponding to a domestic like product where such imports account for less than 3 percent of the volume of all such merchandise imported into the United States in the most recent 12-month period for which data are available that precedes the filing of the petition or the initiation of the investigation. However, if there are imports of such merchandise from a number of countries subject to investigations initiated on the same day that individually account for less than 3 percent of the total volume of the subject merchandise, and if the imports from those countries collectively account for more than 7 percent of the volume of all such merchandise imported into the United States during the applicable 12-month period, then imports from such countries are deemed not to be negligible.<sup>6</sup> Imports from China accounted for virtually all (\*\*\*) percent of total imports of boltless steel shelving by quantity during 2013.

**APPARENT U.S. CONSUMPTION AND U.S. MARKET SHARES**

Table IV-5 and figure IV-2 present data on apparent U.S. consumption and U.S. market shares for boltless steel shelving. These data show that apparent U.S. consumption, by quantity, increased by \*\*\* percent from 2012 to 2014, but was \*\*\* percent lower in January-March 2015 than in January-March 2014. Apparent U.S. consumption, by value, showed similar trends from 2012 to 2014, increasing by \*\*\* percent, and was \*\*\* lower in the first quarter of 2015 as compared with the first quarter of 2014. The U.S. producers' share of the domestic market (in terms of quantity) increased from \*\*\* percent in 2012 to \*\*\* percent in 2013, then fell in 2014 to \*\*\* percent, but was higher at \*\*\* percent during January-March 2015 compared to January-March 2014. Conversely, the Chinese share of the domestic market (in terms of quantity) fell from \*\*\* percent in 2012 to \*\*\* percent in 2013, then increased by \*\*\* percentage points to \*\*\* percent in 2014, but was lower at \*\*\* percent during January-March 2015 when compared to \*\*\* percent of the same period in 2014.

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<sup>5</sup> Sections 703(a)(1), 705(b)(1), 733(a)(1), and 735(b)(1) of the Act (19 U.S.C. §§ 1671b(a)(1), 1671d(b)(1), 1673b(a)(1), and 1673d(b)(1)).

<sup>6</sup> Section 771 (24) of the Act (19 U.S.C § 1677(24)).

**Table IV-5**

**Boltless steel shelving: U.S. shipments of domestic product, U.S. imports, and apparent U.S. consumption, 2012-14, January-March 2014, and January-March 2015**

\* \* \* \* \*

**Figure IV-2**

**Boltless steel shelving: Apparent U.S. consumption, 2012-14, January-March 2014, and January-March 2015**

\* \* \* \* \*

Edsal's subject imports from China and other Edsal-arranged U.S. imports together accounted for an increasing share of U.S. imports of the subject merchandise from China and apparent U.S. consumption, as shown in table IV-6.

**Table IV-6**

**Boltless steel shelving: Total imports from China, total apparent U.S. consumption, Edsal's U.S. imports, by source, share of U.S. imports, and market share, 2012-14, January-March 2014, and January-March 2015**

\* \* \* \* \*



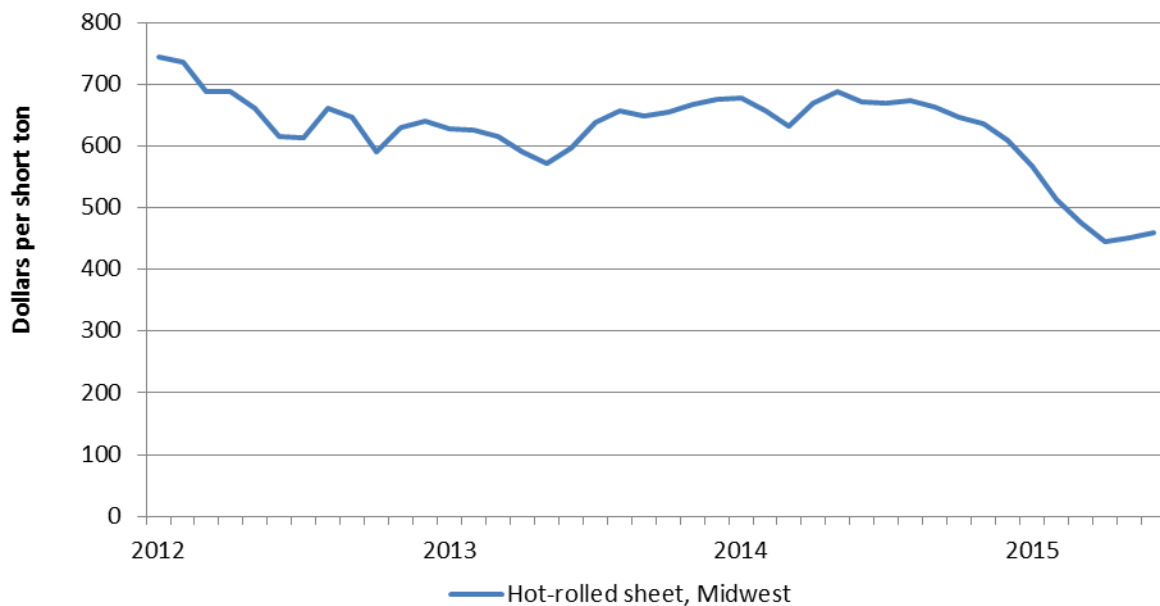
## PART V: PRICING DATA

### FACTORS AFFECTING PRICES

#### Raw material costs

Boltless steel shelving is primarily made from hot-rolled steel along with finishing components for the decking, such as wire racks and particle board.<sup>1 2</sup> For domestic producers of boltless steel shelving, raw materials as a share of cost of goods sold accounted for between \*\*\* percent and \*\*\* percent over 2012-14.<sup>3</sup> The price for domestic hot-rolled sheet began the period at \$745 per short ton, but declined 18 percent by December 2014 before falling further to \$460 per short ton in June 2015, a total decline of 38 percent from January 2012 to June 2015 (figure V-1).

**Figure V-1**  
**Average hot-rolled steel sheet prices (Midwest), monthly, January 2012-June 2015**



Source: American Metal Market, [www.amm.com](http://www.amm.com), retrieved July 2015.

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<sup>1</sup> Hearing transcript, p. 14 (Liss).

<sup>2</sup> Petitioner indicated that approximately \*\*\* percent of the cost to produce boltless steel shelving is accounted for by the finishing products (e.g., decking materials). Staff interview with \*\*\*, June 5, 2015.

<sup>3</sup> Raw materials as a share of cost of goods sold were \*\*\* percent in January-March 2015, compared with \*\*\* percent in January-March 2014.

One U.S. producer reported that raw materials costs had increased since January 1, 2012 while the other three producers, including \*\*\*, reported that raw materials costs had fluctuated. \*\*\* reported that it has not been able to increase prices enough to offset the increased cost of materials. \*\*\* reported that high variability in steel costs makes setting prices difficult, and Chinese steel prices are significantly less than U.S. prices. Eight of the 17 responding importers reported that the cost of raw materials had increased since 2012, four reported that costs had fluctuated, four reported no change, and one reported a decrease in raw material costs. Seven importers added that increased raw material costs led to increased selling prices.<sup>4</sup>

### **U.S. inland transportation costs**

One of three responding U.S. producers and one of five responding importer-resellers reported that they typically arrange transportation for their customers. As a share of the total delivered cost of boltless steel shelving, three responding U.S. producers reported that U.S. inland transportation costs ranged from 1.7 to 15.0 percent, while importer-resellers reported transportation costs of 0.3 to 9.0 percent. Ten direct importers reported inland transportation and logistics costs between 2.0 and 15.0 percent; three additional direct importers reported costs above 15.0 percent.<sup>5</sup> <sup>6</sup> Six purchasers reported that U.S. inland transportation and logistics costs ranged from 2.0 and 30.0 percent of boltless steel shelving purchased from importers. Nine purchasers reported that U.S. inland transportation and logistics costs ranged from 3.0 and 15.0 percent of boltless steel shelving purchased from domestic producers.

## **PRICING PRACTICES**

### **Pricing methods**

U.S. producers and importer-resellers reported using transaction-by-transaction negotiations, contracts, price lists, and other methods for setting their prices. As presented in table V-1, U.S. producers and importers used a variety of price-setting methods.<sup>7</sup>

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<sup>4</sup> These seven importers were \*\*\*.

<sup>5</sup> Direct importers are firms that import boltless steel shelving and whose first arms-length transaction is directly to the consumer at its retail establishments.

<sup>6</sup> As direct importers, \*\*\* reported \*\*\* percent inland transportation and logistics costs, \*\*\* reported \*\*\* percent, and \*\*\* reported a range of \*\*\* percent.

<sup>7</sup> Other methods include: negotiations with the customer (\*\*\*), Chinese imports of steel shelving (\*\*\*), catalogs (\*\*\*), matching other retailers' price (\*\*\*)).



**Table V-1**

**Boltless steel shelving: U.S. producers' and importers' reported price setting methods, by number of responding firms, 2014<sup>1</sup>**

\* \* \* \* \*

U.S. producers and importer-resellers reported selling the vast majority of their boltless steel shelving in the spot market (table V-2).

**Table V-2**

**Boltless steel shelving: U.S. producers' and importer-resellers' shares of U.S. commercial shipments by type of sale, 2014**

\* \* \* \* \*

Three purchasers reported that they purchase product daily, four purchase weekly, four purchase monthly, one purchases quarterly, and one purchases annually. Four purchasers responded that their purchases vary and one reported that its purchases are biweekly. Eight of 17 responding purchasers reported that the frequency of their purchasing patterns had increased since 2012. \*\*\* stated that antidumping duties on imports changed the competitive landscape. \*\*\* cited consumer demand. \*\*\* indicated it began domestically sourcing boltless steel shelving in 2014 and \*\*\* stated that it began purchasing boltless steel shelving \*\*\*. \*\*\* stated that the U.S. cost was more competitive. Purchasers generally contact on average 1 to 4 suppliers before making a purchase.<sup>8</sup>

### **Sales terms and discounts**

U.S. producers and importer-resellers typically quote prices on an f.o.b. basis.<sup>9 10</sup> U.S. producers and importers reported a mix of sales terms, including net 30 and 60 days. One U.S. producer offers quantity and two offer total volume discounts, while the other two offer no discounts. More than half of responding importer-resellers (three of five) do not offer discounts. Petitioner reported that they are \*\*\*. The petitioner also described periods of promotions, particularly Black Friday (day after Thanksgiving) sales, for which retailers have already approached U.S. producers and importers for pricing quote discounts.<sup>11</sup> Three responding importer-resellers reported that they offer promotional discounts. Nine of fourteen responding purchasers reported that they offer large seasonal discounts, including Black Friday

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<sup>8</sup> Purchaser \*\*\* reported contacting between \*\*\* and \*\*\* suppliers.

<sup>9</sup> Petitioner reported that it \*\*\* Email with \*\*\*, June 29, 2015. Also see discussion in Part II.

<sup>10</sup> Petitioner stated that \*\*\* Email with \*\*\*, June 29, 2015.

<sup>11</sup> Conference transcript, pp. 9 (Cannon), 26-28 (Quick), and 62 (Liss).

sales, of which three require suppliers to offer discounts beyond what they normally offer.<sup>12</sup> Two purchasers (\*\*\*) sourced their 2014 purchases of boltless steel shelving for promotional sales from imports, three purchasers (\*\*\*) sourced domestically, and four purchasers (\*\*\*) sourced from both imports and domestically produced boltless steel shelving.

### **Price leadership**

Purchasers were asked to name price leaders in the boltless steel shelving market. Three purchasers named Edsal, two purchasers named Sentron International, one purchaser named Meridian, and one purchaser named Geelong USA as price leaders. \*\*\* named Walmart, Home Depot, Lowe's, Ace Hardware, and Amazon as price leaders in the retail sector because of large purchases, volume discounts, and lower overhead costs. \*\*\* stated that Home Depot, Lowe's, and Ace Hardware specialize in home improvement projects and sell larger quantities of boltless steel shelving, leading to larger purchases and allowing them to benefit from volume discounts. It also stated that Walmart is more aggressive in home improvement and organizational categories, allowing them to also purchase larger quantities resulting in volume discounts. Lastly, \*\*\* stated that Amazon can generally charge lower prices to consumers for its goods because it does not have the additional costs that traditional brick-and-mortar retail stores have.

### **PRICE DATA**

The Commission requested U.S. producers and importer-resellers to provide quarterly data for the total quantity and f.o.b. value of the following boltless steel shelving products shipped to unrelated U.S. customers during 2012-14 and January to March 2015. The Commission also requested direct importers to provide quarterly data for the total quantity and landed duty-paid value of the following boltless steel shelving products imported then sold directly to retail customers.

**Product 1.—77" Width x 24" Depth x 72" to 78" Height, 4-level rack with steel wire decking, with load capacity of 1,000 pounds to 2,500 pounds per level**

**Product 2.—77" Width x 24" Depth x 72" Height, 3-level rack with steel wire decking, with load capacity of 1,000 pounds to 2,500 pounds per level**

**Product 3.—36" Width x 18" Depth x 72" Height, 5-level boltless/rivet steel shelving with particle board deck, with load capacity of 250 pounds to 1,000 pounds per level**

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<sup>12</sup> These nine purchasers are \*\*\*. The three firms that require discounts from their suppliers beyond what is normally offered are \*\*\*).

**Product 4.—48” Width x 18” to 24” Depth x 72” to 84” Height, 5- or 6-level boltless/rivet steel shelving with particle board or laminate deck, with load capacity of 250 pounds to 1,000 pounds per level**

**Product 5.—34” to 36” Width x between 15” and 18” Depth x 60” Height, 4-level boltless/rivet steel shelving with particle board deck, with load capacity of 250 pounds to 1,000 pounds per level**

Three U.S. producers and 17 direct and importer-resellers provided usable pricing data for sales of the requested products, although not all firms reported pricing for all products for all quarters.<sup>13 14</sup> Pricing data reported by U.S. producers accounted for approximately \*\*\* percent of their shipments of boltless steel shelving by quantity in 2014. Cost data reported by direct importers represented \*\*\* percent of subject imports from China, and price data reported by importer-resellers represented \*\*\* percent of subject imports from China in the same period. However, in the first quarter of 2015, pricing data reported by importer-resellers represented \*\*\* percent of subject imports, and cost data provided by direct importers represented \*\*\* percent of subject imports.<sup>15</sup> \*\*\* reported import quantities for pricing data accounted for \*\*\* percent of import quantities reported for product 1, \*\*\* percent for product 2, \*\*\* percent for product 3, \*\*\* percent for product 4, and \*\*\* percent for product 5. The \*\*\* reported import quantities for direct import cost data which accounted for \*\*\* percent of directly imported quantities reported for product 1, \*\*\* percent for product 2, \*\*\* percent for product 3, \*\*\* percent for product 4, and \*\*\* percent for product 5.

Price data for domestic product and traditional imports, as well as direct import costs (China cost) for products 1-5 are presented in tables V-3 to V-7 and figures V-2 to V-6.

**Table V-3**

**Boltless steel shelving: Weighted-average f.o.b. prices or landed duty-paid costs and quantities of domestic and imported product 1<sup>1</sup> and margins of underselling/(overselling), by quarters, January 2012-March 2015**

\* \* \* \* \*

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<sup>13</sup> Four importer-resellers provided price data for products that were sold to retailers. Fourteen direct importers reported landed, duty-paid costs for products sold at retail. \*\*\* provided data in both categories. \*\*\* provided data in both categories, however \*\*\* is a retailer. Staff only included \*\*\* landed duty-paid cost data. Petitioner reported U.S. pricing data and traditional import pricing data.

<sup>14</sup> Per-unit pricing data are calculated from total quantity and total value data provided by U.S. producers and importers. The precision and variation of these figures may be affected by rounding, limited quantities, and producer or importer estimates.

<sup>15</sup> Data includes products that may not have met exact specifications or capacity, but that the firm viewed to be competitive with the defined product. For example, \*\*\* reported \*\*\* data for products \*\*\* which had capacities of \*\*\* the maximum capacity threshold defined by the pricing products. Importer \*\*\* submitted \*\*\* data for product \*\*\* with \*\*\* items each that it stated were competitive with the pricing definition and are included in the report.

Table V-4

**Boltless steel shelving: Weighted-average f.o.b. prices or landed duty-paid costs and quantities of domestic and imported product 2<sup>1</sup> and margins of underselling/(overselling), by quarters, January 2012-March 2015**

Period	United States		China (price) <sup>2</sup>			China (cost) <sup>2</sup>	
	Price (per unit)	Quantity (units)	Price (per unit)	Quantity (units)	Margin (percent)	Cost (per unit)	Quantity (units)
<b>2012:</b>							
Jan.-Mar.	\$***	***	\$***	***	***	\$--	0
Apr.-June	***	***	100.68	2,555	***	***	***
July-Sept.	***	***	***	***	***	***	***
Oct.-Dec.	***	***	***	***	***	***	***
<b>2013:</b>							
Jan.-Mar.	***	***	***	***	***	***	***
Apr.-June	***	***	***	***	***	***	***
July-Sept.	***	***	***	***	***	--	0
Oct.-Dec.	***	***	***	***	***	***	***
<b>2014:</b>							
Jan.-Mar.	***	***	***	***	***	***	***
Apr.-June	***	***	***	***	***	--	0
July-Sept.	***	***	***	***	***	***	***
Oct.-Dec.	***	***	***	***	***	***	***
<b>2015:</b>							
Jan.-Mar.	***	***	***	***	***	***	***

<sup>1</sup> Product 2: 77" Width x 24" Depth x 72" Height, 3-level rack with steel wire decking, with load capacity of 1,000 pounds to 2,500 pounds per level.

<sup>2</sup> Values and quantities presented for the United States and China (price) are the U.S. producers' and U.S. importer-resellers' sales of boltless steel shelving. Values and quantities presented for China (cost) are the U.S. importers' landed duty-paid cost of boltless steel shelving.

Note.—\*\*\*. Email with \*\*\*, July 1, 2015.

Note.—\*\*\*. Email with \*\*\*, July 7, 2015.

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

**Table V-5**

**Boltless steel shelving: Weighted-average f.o.b. prices or landed duty-paid costs and quantities of domestic and imported product 3<sup>1</sup> and margins of underselling/(overselling), by quarters, January 2012-March 2015**

Period	United States		China (price) <sup>2</sup>			China (cost) <sup>2</sup>	
	Price (per unit)	Quantity (units)	Price (per unit)	Quantity (units)	Margin (percent)	Cost (per unit)	Quantity (units)
<b>2012:</b>							
Jan.-Mar.	\$***	***	\$***	***	***	\$35.68	5,029
Apr.-June	***	***	***	***	***	45.35	12,143
July-Sept.	***	***	***	***	***	39.02	5,778
Oct.-Dec.	***	***	***	***	***	35.93	3,900
<b>2013:</b>							
Jan.-Mar.	***	***	--	0	--	37.02	5,038
Apr.-June	***	***	--	0	--	37.98	5,587
July-Sept.	***	***	--	0	--	34.53	3,181
Oct.-Dec.	***	***	--	0	--	33.66	5,004
<b>2014:</b>							
Jan.-Mar.	***	***	--	0	--	33.73	11,226
Apr.-June	***	***	--	0	--	38.07	6,207
July-Sept.	***	***	--	0	--	***	***
Oct.-Dec.	***	***	--	0	--	38.94	2,617
<b>2015:</b>							
Jan.-Mar.	***	***	***	***	***	38.33	4,919

<sup>1</sup> Product 3: 36" Width x 18" Depth x 72" Height, 5-level boltless/rievet steel shelving with particle board deck, with load capacity of 250 pounds to 1,000 pounds per level.

<sup>2</sup> Values and quantities presented for the United States and China (price) are the U.S. producers' and U.S. importer-resellers' sales of boltless steel shelving. Values and quantities presented for China (cost) are the U.S. importers' landed duty-paid cost of boltless steel shelving.

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

Table V-6

**Boltless steel shelving: Weighted-average f.o.b. prices or landed duty-paid costs and quantities of domestic and imported product 4<sup>1</sup> and margins of underselling/(overselling), by quarters, January 2012-March 2015**

Period	United States		China (price) <sup>2</sup>			China (cost) <sup>2</sup>	
	Price (per unit)	Quantity (units)	Price (per unit)	Quantity (units)	Margin (percent)	Cost (per unit)	Quantity (units)
<b>2012:</b>							
Jan.-Mar.	\$***	***	\$***	***	***	\$***	***
Apr.-June	***	***	***	***	***	***	***
July-Sept.	***	***	***	***	***	***	***
Oct.-Dec.	***	***	***	***	***	***	***
<b>2013:</b>							
Jan.-Mar.	***	***	***	***	***	***	***
Apr.-June	***	***	***	***	***	***	***
July-Sept.	***	***	***	***	***	***	***
Oct.-Dec.	***	***	***	***	***	***	***
<b>2014:</b>							
Jan.-Mar.	***	***	***	***	***	***	***
Apr.-June	***	***	***	***	***	***	***
July-Sept.	***	***	***	***	***	***	***
Oct.-Dec.	***	***	***	***	***	***	***
<b>2015:</b>							
Jan.-Mar.	***	***	***	***	***	48.48	13,774

<sup>1</sup> Product 4: 48" Width x 18" to 24" Depth x 72" to 84" Height, 5- or 6-level boltless/riev steel shelving with particle board or laminate deck, with load capacity of 250 pounds to 1,000 pounds per level.

<sup>2</sup> Values and quantities presented for the United States and China (price) are the U.S. producers' and U.S. importer-resellers' sales of boltless steel shelving. Values and quantities presented for China (cost) are the U.S. importers' landed duty-paid cost of boltless steel shelving.

Note.—\*\*\*.

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

Table V-7

**Boltless steel shelving: Weighted-average f.o.b. prices or landed duty-paid costs and quantities of domestic and imported product 5<sup>1</sup> and margins of underselling/(overselling), by quarters, January 2012-March 2015**

\* \* \* \* \*

Figure V-2

**Boltless steel shelving: Weighted-average prices or costs and quantities of domestic and imported product 1<sup>1</sup>, by quarters, January 2012-March 2015**

\* \* \* \* \*

Figure V-3

**Boltless steel shelving: Weighted-average prices or costs and quantities of domestic and imported product 2<sup>1</sup>, by quarters, January 2012-March 2015**

\* \* \* \* \*

Figure V-4

**Boltless steel shelving: Weighted-average prices or costs and quantities of domestic and imported product 3<sup>1</sup>, by quarters, January 2012-March 2015**

\* \* \* \* \*

Figure V-5

**Boltless steel shelving: Weighted-average prices or costs and quantities of domestic and imported product 4<sup>1</sup>, by quarters, January 2012-March 2015**

\* \* \* \* \*

Figure V-6

**Boltless steel shelving: Weighted-average prices or costs and quantities of domestic and imported product 5<sup>1</sup>, by quarters, January 2012-March 2015**

\* \* \* \* \*

**Direct imports (China cost)**

In addition to the landed duty-paid cost of direct imports presented in tables V-3 thru V-7 and figures V-2 thru V-6, direct importers were also asked to report the value of additional direct importing costs that are above and beyond the landed duty-paid cost, by quarter. Five of 12 direct importers provided data for additional costs on a quarterly basis. Additional direct importing costs, as a share of the total cost (landed duty-paid value plus additional costs) of importing, ranged from \*\*\* percent to \*\*\* percent for product 1, was \*\*\* percent for product

2, ranged from \*\*\* percent to \*\*\* percent for product 3, ranged from \*\*\* percent to \*\*\* percent for product 4, and ranged from \*\*\* percent to \*\*\* percent for product 5 from January 2012 to March 2015. However, several firms indicated that it was too difficult to separate the additional costs from the landed duty-paid value reported or did not report additional costs.<sup>16</sup> \*\*\* did not report additional costs because it sells to a related party at landed duty-paid cost \*\*\*.<sup>17</sup>

Firms were also asked to describe the types of costs incurred, such as logistical or supply chain costs, warehousing costs, compliance or customs costs, insurance costs, and currency conversion costs. Items listed under logistical and supply chain costs included ocean freight from the port of pickup to the port of \*\*\*, and bringing product from the point of entry to warehouse and from warehouse to consumer (\*\*\*). \*\*\* reported that it incurs warehousing costs at its \*\*\*. Insurance costs were not widely reported while customs brokerage fees included harbor maintenance fees (“HMF”), merchandise processing fees (“MPF”), Emergency Bunker Assessment (“EBA”), and peak season surcharges. Other costs include scheduling and document management for import shipments.

Direct importers were also asked to indicate if they compare costs to U.S. importers and/or U.S. producers when determining whether to directly import or not. Five firms indicated they compare their costs to both U.S. importers and U.S. producers, three compare only to U.S. importers, and one compares only to U.S. producers. Direct importers were also asked if they also purchased boltless steel shelving manufactured in the United States from U.S. producers. Nine of 13 also purchase from U.S. producers (see table II-1).

Importers were also asked to identify the benefits of directly importing boltless steel shelving instead of purchasing boltless steel shelving from a U.S. producer or importer. Table V-8 presents direct importers’ responses.

**Table V-8**  
**Boltless steel shelving: Importer responses to benefits of direct importing**

\* \* \* \* \*

Petitioner identified concerns regarding the direct import cost data and its comparability to domestic industry price data as well as the method by which it was collected and reported. It stated that the global sourcing teams of the big box retailers incur logistical and distribution costs that apply to both domestic and international purchases.<sup>18</sup> These global sourcing operations benefit from lower international and domestic transportation expenses and a uniform set of logistical and distribution costs. Petitioner stated that if the Commission were to add logistical costs to foreign producer prices before comparing to the U.S. producer prices, it would similarly need to add logistical costs to the U.S. producer prices to yield an

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<sup>16</sup> These importers were \*\*\*. \*\*\* reported that logistical and supply chain costs make up approximately \*\*\* percent of the total store cost.

<sup>17</sup> Email with \*\*\*, June 30, 2015.

<sup>18</sup> Hearing transcript, p. 26 (Kruger) and p. 96 (Cannon).



“apples-to-apples” comparison.<sup>19</sup> In response to lost sales and lost revenue allegations, \*\*\* stated that its purchasing decisions were \*\*\*.

### Product mix

U.S. producers, importer-resellers and direct importers were asked to report the per level load capacity of the units they reported in the pricing data (table V-9).

**Table V-9**

**Boltless steel shelving: Pricing data with per-level load capacities, by product and source**

\* \* \* \* \*

**Table V-9--Continued.**

**Boltless steel shelving: Pricing data with per-level load capacities, by product and source**

\* \* \* \* \*

Petitioner stated that it is confident that the parameters in the pricing descriptions for Product 1 through 5 are not overly broad. It stated that the parameters were developed based on an assessment of actual competing product sold in the U.S. market by domestic producers and by subject importers on a head-to-head basis. It continued that the range in capacities may appear to be broad but should not lead to any distortion in price comparisons for these products as products within these capacity ranges regularly and directly compete for sales. Petitioner also stated that the relatively narrow range of margins suggests that the pricing descriptors yielded reasonably accurate comparisons with respect to the U.S. producers and U.S. importer quarterly pricing data.<sup>20</sup>

### Price trends

Table V-10 summarizes the price trends, by product and by country. Overall, price trends were mixed across all products and sources. U.S. prices increased for products 1 and 2, and decreased for products 3, 4, and 5 during January 2012 to March 2015. Chinese import prices decreased for products 2, 3, and 5, and increased for products 1 and 4. Direct import costs (China cost) decreased for products 1, 4, and 5, and increased for products 2 and 3. The change in domestic prices ranged from a decrease of \*\*\* to an increase of \*\*\* percent during the period while the change in import prices ranged from a decrease of \*\*\* percent to an

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<sup>19</sup> Petitioner suggests the Commission rely on its customary underselling analysis as reflected in tables V-3 through V-7 and V-11 of this report. Petitioner’s posthearing brief, responses to Chairman Broadbent and Commissioner Pinkert’s hearing questions, exhibit 1, pp. 14-17.

<sup>20</sup> Petitioner’s posthearing brief, response to Chairman Broadbent’s additional question, exhibit 1, pp. 29-30.

increase of \*\*\* percent. The change in direct import costs (China cost) ranged from a decrease of \*\*\* percent to an increase of \*\*\* percent.

**Table V-10**

**Boltless steel shelving: Summary of weighted-average f.o.b. prices and China cost for products 1-5 from the United States and China**

\* \* \* \* \*

**Price comparisons**

As shown in table V-11, importer-reseller prices for boltless steel shelving imported from China were below those for U.S.-produced boltless steel shelving in 33 of 55 instances (\*\*\* units imported); margins of underselling ranged from 0.3 percent to 87 percent. In the remaining 22 instances, prices for boltless steel shelving from China were between 2.6 percent and 20.4 percent above prices for the domestic product.<sup>21</sup>

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<sup>21</sup> Regarding data showing that more units (quantity) of subject imports oversold than undersold the domestic like product, petitioner stated underselling was concentrated against products and in periods that account for the significant majority of domestic shipments. Petitioner also stated that the mixed pattern of underselling is a natural manifestation of the head-to-head price competition between subject imports and domestic like product in a highly price competitive market for a price-sensitive product. Petitioner’s posthearing brief, response to Commissioner Johanson’s hearing question, exhibit 1, p. 1.

**Table V-11**

**Boltless steel shelving: Instances of underselling/overselling and the range and average of margins, by product, January 2012-March 2015**

Source	Underselling				
	Number of quarters	Quantity of Imports <sup>1</sup> (units)	Average margin (percent)	Margin range (percent)	
				Min	Max
Product 1	0	0	--	--	--
Product 2	9	***	***	***	***
Product 3	1	***	***	***	***
Product 4	11	***	***	***	***
Product 5	12	***	***	***	***
Total	33	***	12.1	0.3	87.0
Source	(Overselling)				
	Number of quarters	Quantity of imports <sup>1</sup> (units)	Average margin (percent)	Margin range (percent)	
				Min	Max
Product 1	12	***	***	***	***
Product 2	4	***	***	***	***
Product 3	4	***	***	***	***
Product 4	2	***	***	***	***
Product 5	0	0	--	--	--
Total	22	***	(9.6)	(2.6)	(20.4)

Note.--If the data provided by \*\*\* were excluded, the maximum underselling margin would be \*\*\* percent.

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

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

### BID DATA AND LINE REVIEWS

Importers were asked to provide information about line reviews and bids. The line review process typically is where the purchaser meets suppliers who present samples for quality comparison and propose a program to replace or supplement the current items stocked. Costs and shipping are also discussed at line reviews.

Petitioner stated that line reviews are \*\*\*.<sup>22</sup> In addition, petitioner stated that winning a bid does not guarantee a purchase order and may result in additional requests for discounts if the purchaser has received a lower price.<sup>23</sup>

\*\*\* stated that line reviews occur at the customer's facility where it meets with the buying teams of each company and presents its products and program, as well as strategic reasons to choose its goods over the competition. \*\*\* continued that it reviews all financials

<sup>22</sup> Petitioner's importer questionnaire response.

<sup>23</sup> Hearing transcript, pp. 66, 68 (Liss), and p. 68 (Cannon).

associated with the program including f.o.b. costs, marketing and advertising costs (if applicable), buy back and/or markdown contributions, dating, lead times, volume and forecasts, and suggested retails and margin to the customer. \*\*\* stated that its merchandising department uses an established review process that invites all vendors to participate to bring new product and vendors into its product distribution system. Its process is flexible to allow for changes in market conditions.

When asked if their firm arranged or participated in line reviews of boltless steel shelving, half of responding direct and importer-resellers (10 of 20) indicated they had participated in or arranged line reviews. The number of line reviews arranged or participated in from January 2012 to March 2015 ranged from one (\*\*\*) to two (\*\*\*), to six (\*\*\*). \*\*\* reported that line reviews are an on-going process as goods are presented. Petitioner provided a lengthy description of the line reviews it participated in during the period for \*\*\*, and stated that the purpose of each line review was to \*\*\*.

Importers and purchasers were asked to provide data regarding bids requested from January 2012 to March 2015. Petitioner provided data for the line reviews it participated in (table V-12)<sup>24</sup> while \*\*\* provided data for bids they requested during the period (table V-13).

**Table V-12**  
**Boltless steel shelving: Bid data provided by Edsal, 2012-2015**

\* \* \* \* \*

**Table V-13**  
**Boltless steel shelving: Purchaser reported bid data, 2012-2014**

\* \* \* \* \*

**LOST SALES AND LOST REVENUE**

The Commission requested U.S. producers of boltless steel shelving to report any instances of lost sales or lost revenue they experienced due to competition from imports of boltless steel shelving from China since January 1, 2011. Of the four responding U.S. producers, \*\*\*. The \*\*\* lost sales allegations totaled \$\*\*\* and involved \*\*\* units of boltless steel shelving and the \*\*\* lost revenue allegations totaled \$\*\*\* and involved \*\*\* units of boltless steel shelving were reported by \*\*\* in the preliminary phase. Staff contacted \*\*\* purchasers and a summary of the information obtained is presented in tables V-14 and V-15.<sup>25</sup>

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<sup>24</sup> Petitioner stated that data in table V-12 \*\*\*. Petitioner posthearing brief, response to Chairman Broadbent’s posthearing questions, exhibit 1, pp. 28-29.

<sup>25</sup> Petitioner stated that \*\*\* of the lost sales allegations were lost to Edsal Sandusky. In addition, petitioner stated that \*\*\*. Petitioner’s posthearing brief, response to Commissioner Johanson’s hearing question, Exhibit 1, p. 4.

**Table V-14**

**Boltless steel shelving: U.S. producer's lost sales allegations**

\* \* \* \* \*

**Table V-15**

**Boltless steel shelving: U.S. producer's lost revenue allegations**

\* \* \* \* \*

\*\*\* responding purchasers provided comments regarding the lost sales and lost revenue allegations.

\*\*\*

\*\*\* stated that \*\*\*.

\*\*\*

\*\*\*.<sup>26</sup> \*\*\*.<sup>27</sup>

\*\*\*

\*\*\* stated that \*\*\*.

\*\*\*

\*\*\* reported \*\*\* lost sales and \*\*\* lost revenue allegations with regard to importer/purchaser \*\*\*. The lost sales allegations accounted for \*\*\* units and \$\*\*\* of the total alleged quantity and value of lost sales. The lost revenue allegations accounted for \*\*\* units and \$\*\*\* of the total alleged quantity and value of lost revenue. \*\*\* stated it disagreed with these allegations. In its response to further questions, \*\*\* stated that there was an \*\*\*. \*\*\* did not specify who \*\*\* was competing with, who won the sale, or to which lost sale or lost revenue allegations it was referring.

\*\*\*

\*\*\* stated that for the allegations in which it was named, \*\*\*.

\*\*\*

\*\*\* stated it makes its buying determinations based on a number of factors, price being one factor.

\*\*\*

\*\*\* stated that its merchants currently in the purchasing role at \*\*\* within this category are not aware of a domestic lost sale and are not able to contact the merchant who was in the purchasing role at the time to confirm whether the allegation is accurate because they are no longer with the company.

\*\*\*

\*\*\* stated that \*\*\*.

\*\*\*

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<sup>26</sup> Petitioner's preliminary postconference brief, p. 31 and exhibit 5.

<sup>27</sup> Staff telephone interview with \*\*\*; and email from \*\*\*, September 25, 2014.

\*\*\* stated that, although it purchased from Edsal USA, the packaged product contained a mix of Chinese and U.S. origin components. The product provided did not satisfy its technical specifications, which caused it to find an alternate supplier.

Purchasers responding to the lost sales and lost revenue allegations also were asked whether they shifted their purchases of boltless steel shelving from U.S. producers to suppliers of boltless steel shelving from China since 2011. In addition, they were asked whether U.S. producers reduced their prices in order to compete with suppliers of boltless steel shelving from China. \*\*\* of the \*\*\* responding purchasers reported that they had shifted purchases of boltless steel shelving from U.S. producers to subject imports since 2011; \*\*\* of these purchasers reported that price was the reason for the shift. \*\*\* purchasers reported that the U.S. producers had reduced their prices in order to compete with the prices of subject imports since 2011 (table V-16).

**Table V-16**

**Boltless steel shelving: Purchasers' responses regarding shifting supply and price reductions**

\* \* \* \* \*

\*\*\* provided additional comments on their purchasing decisions. \*\*\* stated that \*\*\*. \*\*\* stated that "\*\*\*\*." \*\*\* stated that it has "\*\*\*\*."

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

### BACKGROUND

Four U.S. producers, Edsal, Hallowell, Hirsh, and Tensco, which accounted for all U.S. production of boltless steel shelving during the period of investigation, supplied financial data on their boltless steel shelving operations. However, \*\*\* for each period examined.<sup>1</sup> Even though Edsal's fiscal year ends July 31 and Tensco's fiscal year ends March 31, their reported financial data are based on calendar year. No firms reported any transfers to related parties or any internal consumption of boltless steel shelving.

### OPERATIONS ON BOLTLESS STEEL SHELVING

Table VI-1 presents aggregate income-and-loss data for the U.S. producers. While net sales quantities and values increased from 2012 to 2013, both net sales quantities and values decreased from 2013 to 2014. The financial condition of the domestic boltless steel shelving industry deteriorated continuously between 2012 and 2014. Operating income of the U.S. producers decreased substantially during the same period. While the domestic industry reported \*\*\* between 2012 and 2013, the level declined from \*\*\* in 2012 to \*\*\* in 2013, and changed to \*\*\* in 2014. Between 2012 and 2014, the increase in per-unit total cost (by \*\*\* per unit)<sup>2</sup>, as well as the decrease in per-unit sales value (by \*\*\* per unit), resulted in a much higher per-unit \*\*\* in 2014 (by \*\*\* per unit compared to 2012). Accordingly, the operating income margin decreased from \*\*\* in 2012 to \*\*\* in 2014, reflecting mainly the increase in per-unit total cost (by \*\*\*).

Both net sales quantities and values were higher in January-March ("interim") 2015 than interim 2014. An operating loss in interim 2014 (\*\*\*) changed to \*\*\* in interim 2015, due mainly to \*\*\* in interim 2015. As a result, the operating income margin, which was \*\*\* percent in interim 2014, was \*\*\* percent in interim 2015.

**Table VI-1**  
**Boltless steel shelving: Results of operations of U.S. producers, fiscal years 2012-14, January-March 2014, and January-March 2015**

\* \* \* \* \*

Table VI-2 presents selected company-by-company data. Total net sales (quantities and values), operating income (loss), the ratio of operating income (loss) to net sales, and per-unit values (sales, COGS, SG&A, and operating income), are presented in this table on a firm-by-firm

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<sup>1</sup> The company records underlying \*\*\*.

<sup>2</sup> Total cost is cost of goods sold ("COGS") and selling, general, and administrative ("SG&A") expenses combined.

basis. \*\*\* between 2013 and 2014 and \*\*\* in January-March 2015 compared to January-March 2014. \*\*\*. While \*\*\*, \*\*\*.

Three producers which reported production and sales in all periods (\*\*\*) experienced \*\*\* between 2012 and 2014. \*\*\*.<sup>3</sup> \*\*\* compared to those costs in the prior periods.

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

No producer reported any inputs purchased from a related firm. \*\*\*.<sup>5</sup>

All producers reported operating income in 2012, 2013, and interim 2015. \*\*\*.

#### Table VI-2

##### **Boltless steel shelving: Results of operations of U.S. producers, by firm, fiscal years 2012-14, January-March 2014, and January-March 2015**

\* \* \* \* \*

Selected aggregate per-unit cost data of the producers on their operations, i.e., COGS and SG&A expenses, are presented in table VI-3. Overall per-unit COGS and total cost (which includes SG&A expenses) increased between 2012 and 2014 (though they decreased somewhat from 2012 to 2013), driven mainly by changes in raw material costs (this was mainly due to the actual increases of raw material costs as well as changes in product mix, as explained earlier). Per-unit SG&A expenses also increased during the same period.<sup>6</sup> Per-unit COGS and per-unit total costs were lower in interim 2015 compared to interim 2014, due to the \*\*\*. However, per-unit sales price and cost data by each producer were largely affected by product mix.<sup>7</sup> The ratio of total COGS to net sales increased \*\*\* between 2012 and 2014 (from \*\*\* percent to \*\*\* percent), and was lower in interim 2015 than in interim 2014 (\*\*% percent compared to \*\*\* percent).

#### Table VI-3

##### **Boltless steel shelving: Average unit costs of U.S. producers, fiscal years 2012-14, January-March 2014, and January-March 2015**

\* \* \* \* \*

A variance analysis showing the effects of prices and volume on the producers' sales of boltless steel shelving, and the effects of costs and volume on their total costs is presented in table VI-4.<sup>8</sup> The information for this variance analysis is derived from table VI-1. The analysis

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<sup>3</sup> Emails from \*\*\*, June 22, 2015 and September 12, 2014.

<sup>4</sup> Emails from \*\*\*, June 25, 2015 and September 11, 2014.

<sup>5</sup> Email from \*\*\*, September 12, 2014.

<sup>6</sup> \*\*\*. Email from \*\*\*, June 22, 2015.

<sup>7</sup> Emails from \*\*\*, June 22, 2015 and \*\*\*, June 25, 2015.

<sup>8</sup> The Commission's variance analysis is calculated in three parts: Sales variance, cost of sales variance (COGS variance), and SG&A expense variance. Each part consists of a price variance (in the case of the sales variance) or a cost or expense variance (in the case of the COGS and SG&A expense variance), and a volume variance. The sales or cost/expense variance is calculated as the change in unit



indicates that the decrease in operating income between 2012 and 2014 (by \*\*\*) was the result of the negative effects of increased per-unit costs and expenses and decreased sales price, despite somewhat increased volume. The summary at the bottom of the table illustrates the negative effects of increased costs and expenses (\*\*\*) and decreased prices (\*\*\*) as well as the positive effect of higher sales quantities (\*\*\*) between 2012 and 2014. Comparing the two interim periods, the variance analysis indicates that operating income was higher by (\*\*\*), which mainly resulted from the positive effect of much lower costs and expenses.

**Table VI-4**  
**Boltless steel shelving: Variance analysis of operations of U.S. producers, fiscal years 2012-14, January-March 2014, and January-March 2015**

\* \* \* \* \*

### CAPITAL EXPENDITURES AND RESEARCH AND DEVELOPMENT EXPENSES

Table VI-5 presents aggregate data on capital expenditures and research and development (“R&D”) expenses. Only \*\*\* producers reported capital expenditures. Capital expenditures decreased \*\*\* between 2012 and 2014. Data for capital expenditures on a firm-by-firm basis are shown in table VI-6. The majority of capital expenditures were reported by \*\*\*.<sup>9</sup> \*\*\* reported R&D expenses.

**Table VI-5**  
**Boltless steel shelving: Capital expenditures and R&D expenses by U.S. producers, fiscal years 2012-14, January-March 2014, and January-March 2015**

\* \* \* \* \*

**Table VI-6**  
**Boltless steel shelving: Capital expenditures by U.S. producers, by firm, fiscal years 2012-14, January-March 2014, and January-March 2015**

\* \* \* \* \*

### ASSETS AND RETURN ON ASSETS

Table VI-7 presents data on the U.S. producers’ total net assets and their return on assets. Total net assets remained relatively at the same level between 2012 and 2013, but

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price or per-unit cost/expense times the new volume, while the volume variance is calculated as the change in volume times the old unit price or per-unit cost/expense. Summarized at the bottom of the table, the price variance is from sales; the cost/expense variance is the sum of those items from COGS and SG&A variances, respectively, and the net volume variance is the sum of the price, COGS, SG&A volume variance. All things equal, a stable overall product mix generally enhances the utility of the Commission’s variance analysis.

<sup>9</sup> Email from \*\*\*, June 22, 2015.

increased in 2014 due to \*\*\*.<sup>10</sup> At the same time, the return on assets decreased between 2012 and 2014 due to lower operating income during the same period. The trend of return on assets during 2012-14 was the same as the trend of the operating income (loss) margin shown in table VI-1.

**Table VI-7**  
**Boltless steel shelving: Value of assets and return on assets of U.S. producers, fiscal years 2012-14**

\* \* \* \* \*

### CAPITAL AND INVESTMENT

The Commission requested U.S. producers to describe any actual negative effects on their return on investment, or their growth, investment, ability to raise capital, existing development and production efforts, or the scale of capital investments as a result of imports of boltless steel shelving from China. Their comments are as follows:

#### Actual Negative Effects

*Edsal.*—\*\*\*

*Hallowell.*—\*\*\*

*Hirsh.*—\*\*\*

*Tennsco.*—\*\*\*

#### Anticipated Negative Effects

*Edsal.*—\*\*\*

*Hallowell.*—\*\*\*

*Hirsh.*—\*\*\*

*Tennsco.*—\*\*\*

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<sup>10</sup> Email from \*\*\*, June 22, 2015.

## PART VII: THREAT CONSIDERATIONS AND INFORMATION ON NONSUBJECT COUNTRIES

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

*In determining whether an industry in the United States is threatened with material injury by reason of imports (or sales for importation) of the subject merchandise, the Commission shall consider, among other relevant economic factors<sup>1</sup>--*

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

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

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

Information on the nature of the subsidies was presented earlier in this report; information on the volume and pricing of imports of the subject merchandise is presented in *Parts IV and V*; and information on the effects of imports of the subject merchandise on U.S. producers' existing development and production efforts is presented in *Part VI*. Information on inventories of the subject merchandise; foreign producers' operations, including the potential for "product-shifting;" any other threat indicators, if applicable; and any dumping in third-country markets, follows. Also presented in this section of the report is information obtained for consideration by the Commission on nonsubject countries.<sup>3</sup>

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

<sup>3</sup> *Global Trade Atlas* ("GTA") export and import data are not presented in this staff report because such data comprise too large of a basket category to be meaningful. The data reported by GTA under which the subject boltless steel shelving are included are for the 6-digit level subheadings 9403.10 and 9403.20 (other metal household and office furniture (e.g., shelves, counters, lockers, display cases, partitions, bed railings, cribs, play enclosures, ironing boards, filing cabinets, etc.)).

## THE INDUSTRY IN CHINA

### Background

The petitioner estimated that the current capacity to produce boltless steel shelving in China is \*\*\* the size of the U.S. market at an estimated capacity of \*\*\* units annually.<sup>4</sup> The Chinese boltless steel shelving industry is comprised of approximately 50 Chinese producers.<sup>5</sup> According to the petitioner, the five largest Chinese producers of steel shelving are \*\*\*.<sup>6</sup> Chinese producer Edsal Sandusky, established in 2006, is owned by the petitioner, and is believed to account for less than \*\*\* of total Chinese boltless steel shelving production.<sup>7</sup> Although some producers have reportedly exited the Chinese industry,<sup>8</sup> responding Chinese producer Guangdong Guanyu Metal Products Co., Ltd. (“Guangdong Guanyu”) was founded in May 2013 and began production \*\*\*.<sup>9</sup>

### Operations on boltless steel shelving

The Commission issued foreign producers’ or exporters’ questionnaires to 25 firms believed to produce and/or export boltless steel shelving in China.<sup>10</sup> Usable responses to the Commission’s questionnaire were received from four firms: Edsal Sandusky Corp. Zhongshan (“Edsal Sandusky”); HoiFat (NingBo) Office Facilities Co., Ltd. (“HoiFat”); Guangdong Guanyu;

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<sup>4</sup> Petitioner’s prehearing brief, exh. 7.

<sup>5</sup> This includes producers identified by the petitioner as well as producers that were identified by U.S. importers in their responses to Commission questionnaires. Petitions, exh. GEN-7; petitioner’s prehearing brief, pp. 55-56 and exh. 9; and responses to U.S. importers’ questionnaires. In addition to the foreign producers of subject merchandise in China that were identified in the petitions or in importer questionnaires, China Display Fixture (Kunshan) Co. Ltd.; Galaxie metal (Kunshan) Co., Ltd.; Johnson (Suzhou) Metal Products Co. Ltd.; Kunshan Wheelink Metal Product Co., Ltd.; and Kunshan Xingyue Zhaoyuan Metal Products Co., Ltd. submitted information to Commerce on their exports to the United States of boltless steel shelving produced in China. Staff sent a foreign producer questionnaire to counsel representing Chinese producers in the Commerce proceeding as well as the Chinese Ministry of Commerce in an effort to increase the foreign producer response rate. See petitioner’s prehearing brief, p. 50 n. 34 and exh. 8; and staff email correspondence, June 4, 2015.

<sup>6</sup> Petitions, exh. GEN-2, p. 5.

<sup>7</sup> Edsal Sandusky Corporation Zhongshan, “Welcome to the website of Edsal Sandusky Corporation Zhongshan,” <http://www.edsal.com.cn/> (accessed September 25, 2014); and petitioner’s posthearing brief, p. 10.

<sup>8</sup> Conference transcript, p. 90 (Whalen). According to Whalen, a foreign producer’s excess capacity in China typically does not lead to increased production in what it describes as a low-margin industry. Instead, Whalen explained that it often leads to producers leaving the market. It added that of its six Chinese suppliers, only two currently produce boltless steel shelving and four have switched production to other products. Whalen postconference brief, pp. 19-20.

<sup>9</sup> Guangdong Guanyu postconference letter.

<sup>10</sup> These firms were identified through a review of information submitted in the petitions and contained in proprietary Customs records.

and Ningbo Decko Metal Products Trade Co. (“Ningbo Decko”).<sup>11 12</sup> The exports to the United States reported by the four responding Chinese producers combined were equivalent to \*\*\* percent of reported U.S. imports of boltless steel shelving from China during 2014, as calculated from Commission importer questionnaire responses. Petitioner estimates that these four producers accounted for \*\*\* percent of total estimated capacity of the Chinese boltless steel shelving industry.<sup>13</sup>

Table VII-1 presents information on the boltless steel shelving operations of the responding producers in China. The aggregate reported annual capacity of the four responding firms to produce boltless steel shelving in China increased by \*\*\* percent from 2012-14. The firms’ reported capacity was \*\*\* percent lower in January-March 2015 than in January-March 2014, which is due to \*\*\*. Reported production by the four firms in China increased overall by \*\*\* percent from 2012 to 2014, and was \*\*\* percent lower in January-March 2015 than in January-March 2014. Boltless steel shelving production in China, as reported by the four responding producers, is projected to increase by \*\*\* percent from 2015 to 2016. Capacity utilization increased by \*\*\* percentage points from \*\*\* percent in 2012 to \*\*\* percent in 2014, but was lower by \*\*\* percentage points in January-March 2015 than reported in January-March 2014, which is mostly due to \*\*\* reporting lower production in interim 2015 than in interim 2014. Projections indicate that capacity utilization in China is expected to increase slightly to \*\*\* percent in 2016.

**Table VII-1**  
**Boltless steel shelving: Data for producers in China, 2012-14, January-March 2014, and January-March 2015 and projections, 2015 and 2016**

\* \* \* \* \*

In 2014, \*\*\* percent of total reported shipments of boltless steel shelving produced in China was exported to the United States. Exports from China to the United States decreased overall by \*\*\* percent from 2012 to 2014, and were \*\*\* percent lower in January-March 2015 than in January-March 2014. In 2014, \*\*\* percent of total shipments of boltless steel shelving produced in China were exported to markets other than the United States. The aggregate home

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<sup>11</sup> Intradin (Shanghai) Machinery Co., Ltd. (“Intradin”) which provided a response in the preliminary phase of these investigations, \*\*\*. See email from \*\*\*, June 23, 2015. In 2013, Intradin reported a production capacity of \*\*\* units and boltless steel shelving production of \*\*\* units, \*\*\* were exported to the United States. In addition, foreign producers Meridian International and Zhejiang Limai Metal Products initially planned to participate in these investigations, \*\*\*. Foreign producer \*\*\*. See email from \*\*\*, June 25, 2015; and email from \*\*\*, July 28, 2015.

<sup>12</sup> The Commission also received questionnaire responses from two exporters of the subject merchandise, Ningbo ETDZ Huixing Trade Co., Ltd. (“Huixing Trade”) and J.S. Products, Inc. (“J.S. Products”). Huixing Trade’s suppliers of subject merchandise are \*\*\*. Its trade data was not included to avoid double counting. J.S. Products’ supplier was \*\*\*. \*\*\* staff did not include J.S. Products in the data set. J.S. Products’ exports were \*\*\*.

<sup>13</sup> Petitioner’s prehearing brief, p. 49 and exh. 7.

market shipments of boltless steel shelving accounted for \*\*\* percent of total Chinese shipments in 2014. In addition, Edsal reported that, in reaction to this U.S. trade case, “China has already started exporting increasing volumes of low-priced subject product to non-subject countries, specifically Canada and Mexico, which have displaced Edsal’s exports to those markets.” According to Edsal, this emphasizes the export-oriented nature of the Chinese boltless steel shelving industry as Canada and Mexico had not been large target markets of China in the past, but once this case was filed they immediately sought alternative markets.<sup>14</sup>

Edsal Sandusky reported \*\*\*. Guangdong Guanyu reported \*\*\*. HoiFat reported \*\*\*. Ningbo Decko reported \*\*\*. \*\*\*.

Listed in table VII-2 are summary production and shipment data for the responding Chinese producers of boltless steel shelving, by firm.

**Table VII-2**  
**Boltless steel shelving: Summary data on firms in China, January 2012 to March 2015**

Firm	Production (units)	Share of reported production (percent)	Exports to the United States (units)	Share of reported exports to the United States (percent)	Total shipments (units)	Share of firm's total shipments exported to the United States (percent)
HoiFat	***	***	***	***	***	***
Edsal Sandusky	***	***	***	***	***	***
Ningbo Decko	***	***	***	***	***	***
Guangdong Guanyu	***	***	***	***	***	***
Total	***	***	***	***	***	***

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

Producers in China were asked if they anticipate any changes in the character of their operations or organization relating to the production of boltless steel shelving in the future. Producers in China were also asked if they experienced any changes in their operations relating to the production of boltless steel shelving since January 1, 2012. Table VII-3 summarizes their responses concerning such anticipated changes.

**Table VII-3**  
**Boltless steel shelving: Chinese producers’ changes in operations since January 1, 2012**

\* \* \* \* \*

<sup>14</sup> Hearing transcript, p. 79 (Cannon); and petitioner’s posthearing brief, pp. 19-20.

### Alternative products

\*\*\* reported that it produced other products on the same equipment and machinery used in the production of boltless steel shelving since January 1, 2012. \*\*\*. These other products accounted for \*\*\* percent of the firm's overall production during 2014.

Aggregate data regarding the overall facility capacity and production of the four responding Chinese producers of boltless steel shelving are presented in table VII-4.

**Table VII-4**

**Boltless steel shelving: Overall plant capacity, production, and capacity utilization in China, 2012-14, January-March 2014, and January-March 2015**

\* \* \* \* \*

### U.S. INVENTORIES OF IMPORTED MERCHANDISE

Table VII-5 presents data on U.S. importers' reported inventories of boltless steel shelving. End-of-period inventories of subject merchandise decreased overall by \*\*\* percent from 2012 to 2014, and were \*\*\* percent lower in March 2015 than reported in March 2014. As a share of U.S. imports, inventories from China fell overall from \*\*\* percent in 2012 to \*\*\* percent in 2014. The ratio of inventories to U.S. imports was \*\*\* percentage points higher during January-March 2015 than reported in January-March 2014. U.S. importers \*\*\* accounted for \*\*\* percent of total end-of-period inventories of the subject merchandise held in the United States at year end 2014.

**Table VII-5**

**Boltless steel shelving: U.S. importers' end-of-period inventories of imports by source, 2012-14, January-March 2014, and January-March 2015**

\* \* \* \* \*

### U.S. IMPORTERS' OUTSTANDING ORDERS

The Commission requested importers to indicate whether they imported or arranged for the importation of boltless steel shelving from China after March 30, 2015. Five responding importers reported that they arranged such shipments. These data are presented in table VII-6.

**Table VII-6**

**Boltless steel shelving: U.S. importers' arranged imports, April-June 2015, July-September 2015, October-December 2015, and January-March 2016**

\* \* \* \* \*



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

The four responding Chinese producers reported that they were unaware of any antidumping and/or countervailing duty findings, remedies, or proceedings in countries other than the United States for the boltless steel shelving they export. The petitioner is not aware of any either.<sup>15</sup>

## INFORMATION ON NONSUBJECT COUNTRIES

In assessing whether the domestic industry is materially injured or threatened with material injury “by reason of subject imports,” the legislative history states “that the Commission must examine all relevant evidence, including any known factors, other than the dumped or subsidized imports, that may be injuring the domestic industry, and that the Commission must examine those other factors (including non-subject imports) ‘to ensure that it is not attributing injury from other sources to the subject imports.’”<sup>16</sup>

Commission staff determined from questionnaire responses that there are likely imports of boltless steel shelving from \*\*\*<sup>17</sup> and \*\*\*<sup>18</sup>, but have not located specific information regarding the volume of production by the industry in \*\*\*.<sup>19</sup>

The petitioner indicated that it believes that, in addition to the United States and China, there are producers of boltless steel shelving in Mexico (Tam-Mex, SA de CV), Canada (Rousseau Metal), Poland (Metalka), and Australia (Summit Storage Solutions).<sup>20</sup> Petitioner’s counsel stated that it was unaware of any moves by Chinese firms to relocate operations to or transship products through non-subject countries.<sup>21</sup>

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<sup>15</sup> Petitioner’s postconference brief, exh. 1, p. 2.

<sup>16</sup> *Mittal Steel Point Lisas Ltd. v. United States*, Slip Op. 2007-1552 at 17 (Fed. Cir. Sept. 18, 2008), quoting from Statement of Administrative Action on Uruguay Round Agreements Act, H.R. Rep. 103-316, Vol. I at 851-52; see also *Bratsk Aluminum Smelter v. United States*, 444 F.3d 1369 (Fed. Cir. 2006).

<sup>17</sup> \*\*\* importer questionnaire response.

<sup>18</sup> \*\*\* importer questionnaire responses.

<sup>19</sup> For example, [https://beatties-store.basics.com/webapp/wcs/stores/servlet/Product\\_10551\\_10201\\_41829\\_-1\\_Safco\\_Boltless\\_Steel\\_Shelving\\_4812\\_x\\_1814](https://beatties-store.basics.com/webapp/wcs/stores/servlet/Product_10551_10201_41829_-1_Safco_Boltless_Steel_Shelving_4812_x_1814) (accessed September 24, 2014).

<sup>20</sup> Petitioner’s postconference brief, exhibit 1, p. 2.

<sup>21</sup> Petitioner’s posthearing brief, exhibit 1, p. 20.



**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.

<b>Citation</b>	<b>Title</b>	<b>Link</b>
79 FR 52040 September 2, 2014	<i>Boltless Steel Shelving Units Prepackaged for Sale From China; Institution of Antidumping and Countervailing Duty Investigations and Scheduling of Preliminary Phase Investigations</i>	<a href="http://www.gpo.gov/fdsys/pkg/FR-2014-09-02/pdf/2014-20780.pdf">http://www.gpo.gov/fdsys/pkg/FR-2014-09-02/pdf/2014-20780.pdf</a>
79 FR 56562 September 22, 2014	<i>Boltless Steel Shelving Units Prepackaged for Sale From the People's Republic of China: Initiation of Antidumping Duty Investigation</i>	<a href="http://www.gpo.gov/fdsys/pkg/FR-2014-09-22/pdf/2014-22491.pdf">http://www.gpo.gov/fdsys/pkg/FR-2014-09-22/pdf/2014-22491.pdf</a>
79 FR 56567 September 22, 2014	<i>Boltless Steel Shelving Units Prepackaged for Sale From the People's Republic of China: Initiation of Countervailing Duty Investigation</i>	<a href="http://www.gpo.gov/fdsys/pkg/FR-2014-09-22/pdf/2014-22494.pdf">http://www.gpo.gov/fdsys/pkg/FR-2014-09-22/pdf/2014-22494.pdf</a>
79 FR 62465 October 17, 2014	<i>Boltless Steel Shelving Units Prepackaged for Sale From China; Determinations</i>	<a href="http://www.gpo.gov/fdsys/pkg/FR-2014-10-17/pdf/2014-24650.pdf">http://www.gpo.gov/fdsys/pkg/FR-2014-10-17/pdf/2014-24650.pdf</a>
79 FR 65376 November 4, 2014	<i>Countervailing Duty Investigation of Boltless Steel Shelving Units Prepackaged for Sale From the People's Republic of China: Postponement of Preliminary Determination</i>	<a href="http://www.gpo.gov/fdsys/pkg/FR-2014-11-04/pdf/2014-26191.pdf">http://www.gpo.gov/fdsys/pkg/FR-2014-11-04/pdf/2014-26191.pdf</a>
80 FR 5089 January 30, 2015	<i>Countervailing Duty Investigation of Boltless Steel Shelving Units Prepackaged for Sale From the People's Republic of China: Preliminary Determination and Alignment of Final Determination With Final Antidumping Duty Determination Reviews</i>	<a href="http://www.gpo.gov/fdsys/pkg/FR-2015-01-30/pdf/2015-01816.pdf">http://www.gpo.gov/fdsys/pkg/FR-2015-01-30/pdf/2015-01816.pdf</a>
80 FR 17409 April 1, 2015	<i>Boltless Steel Shelving Units Prepackaged for Sale from the People's Republic of China: Preliminary Determination of Sales at Less Than Fair Value</i>	<a href="http://www.gpo.gov/fdsys/pkg/FR-2015-04-01/pdf/2015-07475.pdf">http://www.gpo.gov/fdsys/pkg/FR-2015-04-01/pdf/2015-07475.pdf</a>
80 FR 21207 April 17, 2015	<i>Boltless Steel Shelving Units Prepackaged for Sale From the People's Republic of China: Amended Preliminary Determination of Sales at Less Than Fair Value and Postponement of Final Determination</i>	<a href="http://www.gpo.gov/fdsys/pkg/FR-2015-04-17/pdf/2015-08898.pdf">http://www.gpo.gov/fdsys/pkg/FR-2015-04-17/pdf/2015-08898.pdf</a>
80 FR 26296 May 7, 2015	<i>Boltless Steel Shelving Units Prepackaged for Sale From China; Scheduling of the Final Phase of Countervailing Duty and Antidumping Duty Investigations</i>	<a href="http://www.gpo.gov/fdsys/pkg/FR-2015-05-07/pdf/2015-10627.pdf">http://www.gpo.gov/fdsys/pkg/FR-2015-05-07/pdf/2015-10627.pdf</a>
80 FR 51775 August 26, 2015	<i>Boltless Steel Shelving Units Prepackaged for Sale From the People's Republic of China: Final Affirmative Countervailing Duty Determination</i>	<a href="http://www.gpo.gov/fdsys/pkg/FR-2015-08-26/pdf/2015-20785.pdf">http://www.gpo.gov/fdsys/pkg/FR-2015-08-26/pdf/2015-20785.pdf</a>
80 FR 51779 August 26, 2015	<i>Boltless Steel Shelving Units Prepackaged for Sale From the People's Republic of China: Final Determination of Sales at Less Than Fair Value</i>	<a href="http://www.gpo.gov/fdsys/pkg/FR-2015-08-26/pdf/2015-20794.pdf">http://www.gpo.gov/fdsys/pkg/FR-2015-08-26/pdf/2015-20794.pdf</a>



**APPENDIX B**

**CALENDAR OF PUBLIC HEARING**





**CALENDAR OF PUBLIC HEARING**

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

**Subject:** Boltless Steel Shelving Units Prepackaged for Sale from China  
**Inv. Nos.:** 701-TA-523 and 731-TA-1259 (Final)  
**Date and Time:** August 13, 2015 - 9:30 a.m.

Sessions were held in connection with these investigations in the Main Hearing Room (room 101), 500 E Street, S.W., Washington, DC.

**OPENING REMARKS:**

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

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

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

Edsal Manufacturing Company, Inc.

**Bruce Saltzberg**, President *and* Chief Executive Officer,  
Edsal Manufacturing Company

**Mitchell Liss**, Vice President, Edsal Manufacturing Company

**Chris Kruger**, Sales Director, Edsal Manufacturing Company

**Chris Quick**, Sales Director, Edsal Manufacturing Company

**Gina Beck**, Economic Consultant, Georgetown Economic Services

**Kathleen W. Cannon** )  
**Paul C. Rosenthal** ) – OF COUNSEL  
**R. Alan Luberd** )

**CLOSING REMARKS:**

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

**-END-**



**APPENDIX C**  
**SUMMARY DATA**



Table C-1

**Boltless steel shelving: Summary data concerning the U.S. market, 2012-14, January-March 2014, and January-March 2015**

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

	Report data					Period changes			
	2012	Calendar year 2013	2014	January-March 2014	2015	2012-14	Calendar year 2012-13	2013-14	Jan-March 2014-2015
<b>U.S. consumption quantity:</b>									
Amount.....	***	***	***	***	***	***	***	***	***
Producers' share (fn1).....	***	***	***	***	***	***	***	***	***
Importers' share (fn1):									
China.....	***	***	***	***	***	***	***	***	***
All others sources.....	***	***	***	***	***	***	***	***	***
Total imports.....	***	***	***	***	***	***	***	***	***
<b>U.S. consumption value:</b>									
Amount.....	***	***	***	***	***	***	***	***	***
Producers' share (fn1).....	***	***	***	***	***	***	***	***	***
Importers' share (fn1):									
China.....	***	***	***	***	***	***	***	***	***
All others sources.....	***	***	***	***	***	***	***	***	***
Total imports.....	***	***	***	***	***	***	***	***	***
<b>U.S. importers' U.S. imports from:</b>									
<b>China:</b>									
Quantity.....	***	***	***	***	***	***	***	***	***
Value.....	***	***	***	***	***	***	***	***	***
Unit value.....	***	***	***	***	***	***	***	***	***
Ending inventory quantity.....	***	***	***	***	***	***	***	***	***
<b>All other sources:</b>									
Quantity.....	***	***	***	***	***	***	***	***	***
Value.....	***	***	***	***	***	***	***	***	***
Unit value.....	***	***	***	***	***	***	***	***	***
Ending inventory quantity.....	***	***	***	***	***	***	***	***	***
<b>Total imports:</b>									
Quantity.....	***	***	***	***	***	***	***	***	***
Value.....	***	***	***	***	***	***	***	***	***
Unit value.....	***	***	***	***	***	***	***	***	***
Ending inventory quantity.....	***	***	***	***	***	***	***	***	***
<b>U.S. producers':</b>									
Average capacity quantity.....	***	***	***	***	***	***	***	***	***
Production quantity.....	***	***	***	***	***	***	***	***	***
Capacity utilization (fn1).....	***	***	***	***	***	***	***	***	***
<b>U.S. shipments:</b>									
Quantity.....	***	***	***	***	***	***	***	***	***
Value.....	***	***	***	***	***	***	***	***	***
Unit value.....	***	***	***	***	***	***	***	***	***
<b>Export shipments:</b>									
Quantity.....	***	***	***	***	***	***	***	***	***
Value.....	***	***	***	***	***	***	***	***	***
Unit value.....	***	***	***	***	***	***	***	***	***
Ending inventory quantity.....	***	***	***	***	***	***	***	***	***
Inventories/total shipments (fn1).....	***	***	***	***	***	***	***	***	***
Production workers.....	***	***	***	***	***	***	***	***	***
Hours worked (1,000s).....	***	***	***	***	***	***	***	***	***
Wages paid (\$1,000).....	***	***	***	***	***	***	***	***	***
Hourly wages (dollars).....	***	***	***	***	***	***	***	***	***
Productivity (units per hour).....	***	***	***	***	***	***	***	***	***
Unit labor costs.....	***	***	***	***	***	***	***	***	***
<b>Net Sales:</b>									
Quantity.....	***	***	***	***	***	***	***	***	***
Value.....	***	***	***	***	***	***	***	***	***
Unit value.....	***	***	***	***	***	***	***	***	***
Cost of goods sold (COGS).....	***	***	***	***	***	***	***	***	***
Gross profit of (loss).....	***	***	***	***	***	***	***	***	***
SG&A expenses.....	***	***	***	***	***	***	***	***	***
Operating income or (loss).....	***	***	***	***	***	***	***	***	***
Net income or (loss).....	***	***	***	***	***	***	***	***	***
Capital expenditures.....	***	***	***	***	***	***	***	***	***
Unit COGS.....	***	***	***	***	***	***	***	***	***
Unit SG&A expenses.....	***	***	***	***	***	***	***	***	***
Unit operating income or (loss).....	***	***	***	***	***	***	***	***	***
COGS/sales (fn1).....	***	***	***	***	***	***	***	***	***
Operating income or (loss)/sales (fn1).....	***	***	***	***	***	***	***	***	***

Notes:

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

fn2.--\*\*\*.

