

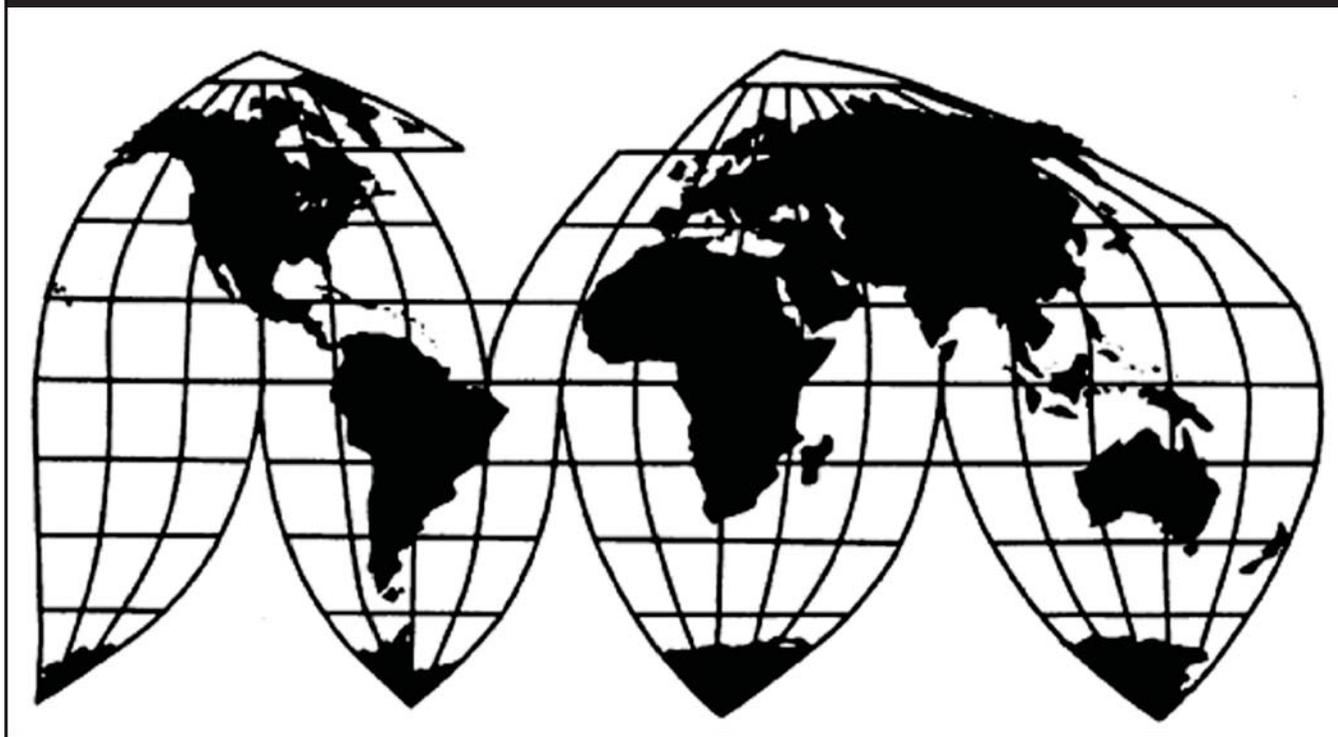
Boltless Steel Shelving Units Prepackaged for Sale from China

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

Publication 4495

October 2014

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Note.—Information that would reveal confidential operations of individual concerns may not be published and therefore has been deleted.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 (Preliminary)

BOLTLESS STEEL SHELVING UNITS PREPACKAGED FOR SALE FROM CHINA

DETERMINATIONS

On the basis of the record¹ developed in the subject investigations, the United States International Trade Commission (“Commission”) determines, pursuant to sections 703(a) and 733(a) of the Tariff Act of 1930 (19 U.S.C. §§ 1671b(a) and 1673b(a)) (“the Act”), that there is a reasonable indication that an industry in the United States is materially injured by reason of imports from China of boltless steel shelving units prepackaged for sale (“boltless steel shelving”), provided for in subheadings 9403.10.00 and 9403.20.00 of the Harmonized Tariff Schedule of the United States, that are alleged to be sold in the United States at less than fair value (“LTFV”) and that are allegedly subsidized by the Government of China.

COMMENCEMENT OF FINAL PHASE INVESTIGATIONS

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

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

BACKGROUND

On August 26, 2014, petitions were filed with the Commission and Commerce by Edsal Manufacturing Co., Inc., Chicago, Illinois, alleging that an industry in the United States is materially injured or threatened with material injury by reason of LTFV and subsidized imports of boltless steel shelving from China. Accordingly, effective August 26, 2014, the Commission instituted countervailing duty investigation No. 701-TA-523 and antidumping duty investigation No. 731-TA-1259 (Preliminary).

Notice of the institution of the Commission's investigations and of a public conference to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the *Federal Register* of September 2, 2014 (79 FR 52040). The conference was held in Washington, DC, on September 16, 2014, and all persons who requested the opportunity were permitted to appear in person or by counsel.

Views of the Commission

Based on the record in the preliminary phase of these investigations, we find that there is a reasonable indication 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 that are allegedly sold in the United States at less than fair value and subsidized by the Government of China.

I. The Legal Standard for Preliminary Determinations

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

II. Background

On August 26, 2014, Edsal Manufacturing Co. Inc. (“Edsal”), the largest U.S. boltless steel shelving producer, filed antidumping and countervailing duty petitions regarding imports of this product from China.³ In addition to Edsal,⁴ several respondent entities participated in these investigations, including several importers of subject merchandise (Whalen LLC (“Whalen”),

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

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

³ The other firms producing boltless steel shelving in the United States are Hallowell a k a List Industries Inc. (“Hallowell”), Hirsh Industries LLC (“Hirsh”), and Tenssco Corp. (“Tenssco”). Confidential Report, Memorandum INV-MM-098 (Oct. 3, 2014), as amended by Memorandum INV-MM-099 (Oct. 7, 2014) (“CR”) at III-1; Public Report, *Boltless Steel Shelving Units Prepackaged for Sale from China*, Inv. Nos. 701-TA-523 and 731-TA-1259 (Preliminary), USITC Pub. 4495 (Oct. 2014) (“PR”) at III-1; Petitions, Vol. I at 2-3.

⁴ Edsal appeared at the conference and submitted a postconference brief.

W.W. Grainger, Inc. and Grainger International, Inc. (collectively “Grainger”), Sears Holding Management Corp., and Whirlpool Corp.); subject foreign producer/exporter Guangdong Guanyu Metal Products Co. Ltd. (“GGMPC”); and subject importer/exporter Meridian International Co., Ltd.⁵

III. Domestic Like Product

A. Background

In determining whether there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury by reason of imports of the subject merchandise, the Commission first defines the “domestic like product” and the “industry.”⁶ 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.”⁷ 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.”⁸ The decision regarding the appropriate domestic like product(s) in an investigation is a factual determination, and the Commission has applied the statutory standard of “like” or “most similar in characteristics and uses” on a case-by-case basis.⁹ No single factor is dispositive, and the Commission may consider other factors it deems relevant based on the facts of a particular investigation.¹⁰ The Commission looks for clear dividing lines among possible like products and disregards minor

⁵ Each of these respondents entered an appearance and became subject to the administrative protective order. Whalen participated in the conference and submitted a postconference brief, and GGMPC submitted a written statement.

⁶ 19 U.S.C. § 1677(4)(A).

⁷ 19 U.S.C. § 1677(10).

⁸ 19 U.S.C. § 1677(4)(A).

⁹ 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).

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

variations.¹¹ Although the Commission must accept Commerce's determination as to the scope of the subsidized and/or dumped imported merchandise,¹² the Commission determines what domestic product is like the imported articles Commerce has identified.¹³

In its notices of initiation, 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

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

¹² See, *e.g.*, *USEC, Inc. v. United States*, 34 Fed. App'x 725, 730 (Fed. Cir. 2002) ("The ITC may not modify the class or kind of imported merchandise examined by Commerce."); *Algoma Steel Corp. v. United States*, 688 F. Supp. 639, 644 (Ct. Int'l Trade 1988), *aff'd*, 865 F.3d 240 (Fed. Cir.), *cert. denied*, 492 U.S. 919 (1989).

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

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 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).¹⁴

Pre-packaged boltless steel shelving is a product that consumers assemble quickly and easily without using tools. Boltless steel shelving provides a sturdy (typically riveted or welded) frame for functional, non-aesthetic storage in garages, basements, and similar locations.¹⁵

¹⁴ 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. Subject boltless steel shelving enters the United States through Harmonized Tariff Schedule of the United States (“HTSUS”) statistical reporting numbers 9403.20.0018 and 9403.20.0020, but may also enter through HTSUS 9403.10.0040. Although it identified these HTSUS reporting numbers for convenience and Customs purposes, Commerce noted that the written scope of the investigations is dispositive. 79 Fed. Reg. 56562, 56567 (Sept. 22, 2014) (initiation of antidumping duty investigation); 79 Fed. Reg. 56567, 56570-71 (Sept. 22, 2014) (initiation of countervailing duty investigation).

¹⁵ CR at I-10 to I-15; PR at I-8 to I-11.

The parties disagree on how to define the domestic like product. Edsal proposes a definition encompassing what it describes as the continuum of boltless steel shelving in prepackaged units that corresponds to the scope.¹⁶ Whalen did not initially disagree,¹⁷ but it ultimately asked the Commission to define the domestic like product as boltless steel shelving with a capacity above “approximately 500 pounds per shelf.”¹⁸

B. Analysis and Conclusion

As previously stated, 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.”¹⁹ As also indicated above, the Commission accepts Commerce’s definition of the scope of the investigation, *i.e.*, the articles under investigation,²⁰ and the Commission defines the domestic like product by determining what U.S. products are “like” the imported articles included in Commerce’s scope.²¹ In this case, the imported articles under investigation include boltless steel shelving meeting the scope description “regardless of ... (6) weight

¹⁶ Edsal argues that all boltless steel shelving is perceived to be the same, even though it is produced in a range of features and sold for a range of prices, because all share the same general physical characteristics and uses, having been produced in the same facilities using similar production processes. It argues that resin, wire, and wood shelving and shelving components are generally made by different firms and distributed in different channels for different uses because their different physical characteristics limit their interchangeability for use as consumer-friendly, easy-to-assemble, functional, storage. Petitioner’s Postconf. Brief at 5-11, Exhibit 1 at 2-3; Confer. Tr. at 13-18 (Liss), 29-31 (Cannon).

¹⁷ During the conference, Whalen initially did not have “any quarrel with the definition of the domestic like product,” asserting that boltless steel shelving does not encompass wire or resin shelving products that do not support high per-shelf capacities. Confer. Tr. at 99-100 (Herlach, Whalen). Subsequently, Whalen differentiated between low- and high-capacity boltless steel shelving and argued that the domestic like product should not include the former since it is not imported from China. When pressed for a definition, Whalen reported that low-capacity shelving included resin and wire shelving and shelving with bolts, *id.* at 107-22 (Whalen), none of which is within the scope.

¹⁸ In support of its proposed definition of the domestic like product, Whalen argues that it is not cost-effective to import low-capacity commoditized boltless steel shelving into what it characterizes as the low-margin U.S. market, so the domestic like product should not include items for which there is no import competition. It also argues that customers do not perceive 300- and 2,000-pound boltless steel shelving as interchangeable, but it does not address any of the other domestic like product factors. Whalen’s Postconference Brief at 3-5.

¹⁹ 19 U.S.C. § 1677(10); *see, e.g., Cleo*, 501 F.3d at 1299; *NEC*, 36 F. Supp. 2d at 383; *Nippon*, 19 CIT at 455; *Timken*, 913 F. Supp. at 584; *Torrington*, 747 F. Supp. at 748-49; *see also* S. Rep. No. 249, 96th Cong., 1st Sess. 90-91 (1979).

²⁰ *E.g., Hosiden*, 85 F.3d at 1567-69.

²¹ *See Torrington*, 747 F. Supp. at 749; *Cleo*, 30 CIT at 1383-89.

capacity,”²² Thus, there is no legal basis for the Commission to exclude from the domestic like product boltless steel shelving with a capacity of less than 500 pounds by defining the domestic like product as only high-capacity boltless steel shelving, even if there are no subject imports of low-capacity boltless steel shelving, a point on which the record is inconclusive.²³

No party advocates defining the domestic like product more broadly than the scope to include other forms of shelving, and, as indicated below, the record does not support such a finding. Even though Whalen did not squarely ask the Commission to consider whether to define two domestic like products (low- and high-capacity boltless steel shelving corresponding to the scope), we also analyze that issue. Based on the record, we define the domestic like product as boltless steel shelving corresponding to the investigations’ scope. As the Commission has previously found in investigations where the scope includes various similar products, a lack of interchangeability between specific products is not inconsistent with finding a single domestic like product.²⁴

Physical Characteristics and Uses. All boltless steel shelving units prepackaged for sale consist of three basic components: vertical posts with pre-made holes or slots; horizontal beams or braces that fit into built-in receptacles in the posts without nuts, bolts, or screws to form a strong, stable steel frame; and flat-surfaced “decking” that sits on the beams.²⁵ The majority of boltless steel shelving falls within several common sizes that vary by depth, width, number of decks, and capacity.²⁶ Other features depend on the characteristics of the posts

²² 79 Fed. Reg. at 56567, 56570-71.

²³ For example, the pricing products in the preliminary phase of these investigations do not cleanly cover Whalen’s proposed definition of low-capacity boltless steel shelving, but the reported data indicate that there are imports from China of products whose capacity ranges of 250 to 1,000 pounds per level overlap with what Whalen considers low-capacity boltless steel shelving. *See, e.g.*, CR/PR at Tables V-5 to V-7 (pricing products 3, 4, and 5).

²⁴ *See, e.g.*, *Certain Seamless Carbon and Alloy Steel Standard, Line, and Pressure Pipe from China*, Inv. Nos. 701-TA-469 and 731-TA-1168 (Final), USITC Pub. 4190 at 8 n.45 (Nov. 2010); *Certain Off-the-Road Tires from China*, Inv. Nos. 701-TA-448 and 731-TA-1117 (Final), USITC Pub. 4031 at 9 (Aug. 2008); *Citric Acid and Certain Citrate Salts from Canada and China*, Inv. Nos. 701-TA-456 and 731-TA-1151 to 1152 (Preliminary), USITC Pub. 4008 at 11 (June 2008); *Carbon and Certain Alloy Steel Wire Rod from China, Germany, and Turkey*, Inv. Nos. 731-TA-1099-1101 (Preliminary), USITC Pub. 3832 at 10 (Jan. 2006); *Outboard Engines from Japan*, Inv. No. 731-TA-1069 (Preliminary), USITC Pub. 3673 at 8 n.40 (Mar. 2004).

²⁵ CR at I-17; PR at I-13; Petitioner’s Postconf. Brief at 6-7; Confer. Tr. at 13-15 (Liss) ; Petitions, Vol. I at 4-6.

²⁶ CR at I-13 (noting a weight capacity per shelf range of hundreds of pounds to over 1,000 pounds), I-17 to I-18; PR at I-10, I-13; Petitioner’s Postconf. Brief at 8, 11, Exhibit 5 (list of common shelving size and deck level combinations); Confer. Tr. at 16-17, 77-78 (Liss).

(steel gauge, profile, hole/slot type and number, coating, finish), beams (steel gauge, profile, coating/finish), and decking (e.g., particle board, laminated particle board, or wire decking).²⁷

All forms of boltless steel shelving are convenient, easy-to-assemble, consumer products that are constructed from steel and intended for functional, non-aesthetic storage in garages and basements, whereas wood shelving is used to display items in living rooms, kitchens, or commercial display areas. Wood, resin, and wire shelving tend to have lower shelving capacities and are typically smaller in size than boltless steel shelving, which is designed to hold hundreds or even over 1,000 pounds per level.²⁸

Manufacturing Facilities, Production Processes and Employees. Edsal produces all varieties of boltless steel shelving using the same equipment, employees, and six basic manufacturing processes.²⁹ Edsal does not use boltless steel shelving manufacturing equipment to produce shelving components that are sold to distributors for use in large-scale custom projects, because those components require different steel thicknesses and profiles.³⁰ Edsal does not manufacture any other types of shelving. ***.³¹

Channels of Distribution. All varieties of boltless steel shelving are prepackaged as a kit and sold to big box stores, home improvement stores, club retailers, department stores, office supply stores, and online retailers for ultimate use by consumers.³² Other types of steel shelving components are sold as bulk product in hundreds of sizes and configurations, generally to industrial purchasers through distributors in the material handling industry (rather than at retail); such steel shelving is not prepackaged in single unit kits but instead is shipped on large pallets and assembled as part of a made-to-order commercial or industrial package that includes design, engineering, and installation services.³³

Interchangeability. For boltless steel shelving, the necessary pieces come packaged together in a single kit; boltless steel shelving is not interchangeable with made-to-order shelving systems for which customers purchase the pieces tailored for their specific project.³⁴

²⁷ CR at I-10 to I-13, I-17 to I-18; PR at I-8 to I-10, I-13; Confer. Tr. at 13-15 (Liss), 41 (Liss) (noting that L-shaped posts comprise the majority of the market). The two most common types of boltless steel shelving are rivet shelving where the beams fit through the sides and welded frame shelving where the beam slides into a welded upright. Confer. Tr. at 15 (Liss).

²⁸ CR at I-13 to I-14, I-18; PR at I-10, I-13; Petitioner's Postconf. Brief at 7; Confer. Tr. at 15 (Liss), 17-18 (Liss), 30 (Cannon), 76 (Liss). Boltless steel shelving is usually stationary, whereas casters typically provide mobility to wire shelving. CR at I-18; PR at I-13; Confer Tr. at 30 (Cannon).

²⁹ CR at I-14 to I-15, I-18; PR at I-10 to I-11, I-13; Petitioner's Postconf. Brief at 10.

³⁰ CR at I-18 to I-19; PR at I-13 to I-14; Petitioner's Postconf. Brief at 10.

³¹ CR at III-8; PR at III-4; CR/PR at Table III-4 (production of (***) represented *** percent of overall facility production in 2013); Petitioner's Postconf. Brief at 10; Confer. Tr. at 17, 31 (Liss).

³² CR at I-18, I-21; PR at I-10, I-15; Confer. Tr. at 17 (Liss).

³³ CR at I-21; PR at I-15; Petitioner's Postconf. Brief at 9-10; Confer. Tr. at 17, 39-40 (Liss).

³⁴ CR at I-19 to I-22; PR at I-14 to I-15; Petitioner's Postconf. Brief at 8-9; Confer. Tr. at 15-16 (Liss), 31 (Cannon).

Boltless steel shelving, which is designed to be user-friendly, requires no tools, bolts, or screws and can be quickly assembled by the ultimate consumer, so it is not interchangeable with shelving that requires screws, bolts, nuts, and tools for assembly.³⁵ Twelve of seventeen responding importers reported that there are no substitutes for boltless steel shelving.³⁶

Producer and Customer Perceptions. Edsal argues that domestic producers and customers perceive boltless steel shelving as a convenient and sturdy consumer product that differs from made-to-order shelving, commercial or industrial shelving sold in pieces, resin, wire, or wood shelving, or shelving that requires tools, nuts, and bolts to assemble. It argues that most market participants reported no substitutes for boltless steel shelving.³⁷ The record indicates retailers display other shelving products in furniture (wood shelving) or building materials departments (shelving components) instead of in home organization or hardware departments, where they display boltless steel shelving.³⁸

Price. The price of boltless steel shelving falls within a range depending on the product's features and size. Plastic or resin shelving is typically lower priced than boltless steel shelving, whereas wooden shelving is generally more expensive. A large volume of wire shelving is also lower priced than boltless steel shelving, but certain prepackaged heavy chrome wire shelving might be priced similarly to boltless steel shelving.³⁹

Conclusion. Differences in physical characteristics (including ease of assembly, functional appearance, and higher deck capacity) limit the interchangeability of boltless steel shelving with other types of shelving. Some of the other types of shelving are sold in different channels of distribution (distributors) than boltless steel shelving (retailers). Responding producers and importers generally reported that boltless steel shelving differs from other forms of shelving. Edsal, *** the largest U.S. boltless steel shelving producer, uses different machinery to produce shelving components sold for material handling applications, although ***. Boltless steel shelving is generally priced higher than resin shelving and lower than wood shelving, but may overlap with limited higher priced wire shelving. For these reasons, we find a clear dividing line between boltless steel shelving and other forms of shelving.

By contrast, we do not find a clear dividing line between what Whalen refers to as low- and high-capacity boltless steel shelving, a division that it concedes is not supported by any industry definition.⁴⁰ All boltless steel shelving products share similar physical characteristics because all are manufactured using similar production facilities, processes, and employees.

³⁵ CR at I-19 to I-22; PR at I-14 to I-15; Petitioner's Postconf. Brief at 8-9; Confer. Tr. at 15-16 (Liss), 31 (Cannon).

³⁶ CR at I-20; PR at I-14; Petitioner's Postconf. Brief at 9.

³⁷ CR at I-20 to I-21; PR at I-14 to I-15; Petitioner's Postconf. Brief at 9-10; Confer. Tr. at 15-16 (Liss), 31 (Cannon).

³⁸ CR at I-21; PR at I-15; Confer. Tr. at 31 (Cannon), 72-73 (Liss).

³⁹ CR at I-22; PR at I-15; Petitioner's Postconf. Brief at 11; Confer. Tr. at 40-41 (Cannon, Liss).

⁴⁰ Whalen's Postconference Brief at 4.

Even though customers may not perceive all boltless steel shelving products to be completely interchangeable, particularly those with dramatically different capacity, all boltless steel shelving is used for convenient, easy-to-assemble, functional, and non-aesthetic storage in locations like garages and basements, and is priced accordingly.

Therefore, we define the domestic like product as encompassing those boltless steel shelving products described in the scope definition.

IV. Domestic Industry

The domestic industry is defined as the domestic “producers as a whole of a domestic like product, or those producers whose collective output of a domestic like product constitutes a major proportion of the total domestic production of the product.”⁴¹ 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. Four firms produce boltless steel shelving in the United States: Edsal, Hallowell, Hirsh, and Tennsco.⁴²

These investigations raise one domestic industry issue – whether appropriate circumstances exist to exclude a producer from the domestic industry pursuant to Section 771(4)(B) of the Tariff Act. This provision allows the Commission, if appropriate circumstances exist, to exclude from the domestic industry producers that are related to an exporter or importer of subject merchandise or which are themselves importers.⁴³ Exclusion of such a producer is within the Commission’s discretion based upon the facts presented in each investigation.⁴⁴

⁴¹ 19 U.S.C. § 1677(4)(A).

⁴² CR at III-1; PR at III-1; Petitions, Vol. I at 2-3.

⁴³ See *Torrington Co. v. United States*, 790 F. Supp. 1161, 1168 (Ct. Int’l Trade 1992), *aff’d mem.*, 991 F.2d 809 (Fed. Cir. 1993); *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).

⁴⁴ 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*, 790 F. Supp. at 1168.

Petitioner Edsal, which began producing boltless steel shelving in 1985, accounted for the overwhelming share (***) percent) of U.S. production in 2013.⁴⁵ About a decade ago, Edsal established a *** boltless steel shelving production facility in China (Edsal Sandusky Corp. Zhongshan or “Edsal Sandusky”), primarily to serve anticipated demand in China, which apparently never materialized.⁴⁶ Edsal and Whalen dispute the motivation behind Edsal’s growing and sizable importing activities.⁴⁷ They agree that Edsal qualifies as a related party as an importer of subject merchandise with ownership interest in a producer of subject merchandise in China, but they disagree whether it is appropriate to exclude Edsal from the domestic industry.⁴⁸

Edsal ***,⁴⁹ ***,⁵⁰ During the January 2011-June 2014 period of investigation (“POI”), Edsal’s direct imports of subject merchandise from Edsal Sandusky rose both absolutely and relative to its U.S. production.⁵¹ The imports that Edsal arranged for *** also progressively rose over the POI.⁵² As a ratio to its U.S. production, Edsal’s direct imports were *** increasing from *** percent in 2011 to *** percent in 2013, and they were higher in interim 2014 (***) percent)

⁴⁵ CR at III-2; PR at III-1; CR/PR at Table III-1.

⁴⁶ CR at III-2; PR at III-1; Confer. Tr. at 19-21 (Liss).

⁴⁷ Edsal argues that it has been forced to import limited volumes of subject merchandise as a defensive measure since *** to remain competitive with other low-priced imports from China and to preserve business relationships with U.S. purchasers demanding competitive prices. Edsal maintains its imports in a separate inventory, clearly labeling them as “made in China.” CR at III-3; PR at III-2; Petitioner’s Postconf. Brief at 13, Exhibit 1 at 6; Confer. Tr. at 19-21, 46, 68 (Liss), 74-75 (Rosenthal). Whalen asserts that Edsal made a “calculated decision” to benefit financially from imports, given that Edsal opened its factory in China “approximately six years *before* Petitioner claims Chinese imports began injuring the domestic market.” Whalen’s Postconf. Brief at 2, 6-10.

⁴⁸ Edsal asserts that its imports are limited, its interests lie in domestic production, it only imported as a defensive measure, ***, and its exclusion would substantially skew the domestic industry’s data. Petitioner’s Postconf. Brief at 12-13, Exhibit 1 at 3; Confer. Tr. at 19-21, 46, 68 (Liss), 74-75 (Rosenthal). Whalen argues against placing undue weight on the risk of skewing the domestic industry data by excluding Edsal. It argues that Edsal has accrued a “substantial interest” ***. Whalen also claims that Edsal directs its imports to avoid competing with its U.S. operations. Whalen’s Postconf. Brief at 2, 6-10.

⁴⁹ CR at III-13; PR at III-5; CR/PR at Table III-7; Petitioner’s Postconf. Brief at Exhibit 1 at 3, 5 (**); Confer. Tr. at 46-48 (Liss).

⁵⁰ CR at III-13; PR at III-5; CR/PR at Table III-7.

⁵¹ Edsal’s direct imports were *** units in 2011, *** units in 2013, *** units in the first six months of 2013 (“interim 2013”) and *** units in the first six months of 2014 (“interim 2014”), compared to U.S. production of *** units in 2011, *** units in 2013, *** units in interim 2013, and *** units in interim 2014. CR/PR at Table III-7.

⁵² Edsal’s arranged imports of boltless steel shelving *** were *** units in 2011, *** units in 2013, *** units in interim 2013, and *** units in interim 2014. CR/PR at Table III-7 & n.2.

than in interim 2013 (***) percent).⁵³ When combined with its arranged imports, Edsal's increasing import activities are ***; at the same time, Edsal's domestic production is *** than the sum of its direct and arranged imports.⁵⁴ Moreover, Edsal is the petitioning firm, and its U.S. operations experienced *** financial performance over the POI.^{55 56} Additionally, the Commission does not ordinarily exclude a producer that accounts for the vast majority of U.S. production as a related party because such an exclusion would result in a skewed depiction of the domestic industry.⁵⁷ Accordingly, we find that appropriate circumstances do not exist to exclude Edsal from the domestic industry as a related party. We define the domestic industry as all U.S. producers of the domestic like product.⁵⁸

V. Reasonable Indication of Material Injury by Reason of Subject Imports⁵⁹

A. Legal Standard

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

⁵³ CR/PR at Table III-7.

⁵⁴ As a share of domestic production, Edsal's direct and arranged imports of subject merchandise represented *** percent in 2011, *** percent in 2013, *** percent in interim 2013, and *** percent in interim 2014. CR/PR at Table III-7.

⁵⁵ Edsal's operating income as a ratio to net sales ***. CR/PR at Table VI-2.

⁵⁶ Vice Chairman Pinkert does not rely upon Edsal's financial performance as a factor in determining whether there are appropriate circumstances to exclude Edsal from the domestic industry, as it is unclear the extent to which Edsal has derived a specific financial benefit from its status as a related party. *See Allied Mineral Products v. United States*, 28 CIT 1861, 1865-67 (2004). He encourages parties to comment on this issue in any final phase of these investigations.

⁵⁷ *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).

⁵⁸ U.S. industry data are based on questionnaire responses of four firms that accounted for all U.S. boltless steel shelving production in 2013. CR at I-5, III-1; PR at I-3, III-1.

⁵⁹ Pursuant to Section 771(24) of the Tariff Act, imports from a subject country of merchandise corresponding to a domestic like product that account for less than 3 percent of all such merchandise imported into the United States during the most recent 12 months for which data are available preceding the filing of the petition shall be deemed negligible. 19 U.S.C. §§ 1671b(a), 1673b(a), 1677(24)(A)(i), 1677(24)(B). Subject imports from China accounted for *** (***) percent) U.S. imports of boltless steel shelving, by quantity, from July 1, 2013 to June 30, 2014, the most recent twelve-month period prior to the filing of the petitions for which data are available. Derived from CR/PR at Table IV-2. Thus, we find that subject imports from China are not negligible.

investigation.⁶⁰ 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.⁶¹ The statute defines “material injury” as “harm which is not inconsequential, immaterial, or unimportant.”⁶² In assessing whether there is a reasonable indication that the domestic industry is materially injured by reason of subject imports, we consider all relevant economic factors that bear on the state of the industry in the United States.⁶³ 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.”⁶⁴

Although the statute requires the Commission to determine whether there is a reasonable indication that the domestic industry is “materially injured by reason of” unfairly traded imports,⁶⁵ 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.⁶⁶ 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.⁶⁷

⁶⁰ 19 U.S.C. §§ 1671b(a), 1673b(a).

⁶¹ 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 ... {a}nd explain in full its relevance to the determination.” 19 U.S.C. § 1677(7)(B).

⁶² 19 U.S.C. § 1677(7)(A).

⁶³ 19 U.S.C. § 1677(7)(C)(iii).

⁶⁴ 19 U.S.C. § 1677(7)(C)(iii).

⁶⁵ 19 U.S.C. §§ 1671b(a), 1673b(a).

⁶⁶ *Angus Chemical Co. v. United States*, 140 F.3d 1478, 1484-85 (Fed. Cir. 1998) (“{T}he statute does not ‘compel the commissioners’ to employ {a particular methodology}.”), *aff’d* 944 F. Supp. 943, 951 (Ct. Int’l Trade 1996).

⁶⁷ The Federal Circuit, in addressing the causation standard of the statute, has 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 re-affirmed in *Mittal Steel Point Lisas Ltd. v. United States*, 542 F.3d 867, 873 (Fed. Cir. 2008), in which the Federal Circuit, quoting *Gerald Metals, Inc. v. United States*, 132 F.3d 716, 722 (Fed. Cir. 1997), stated that “this court requires evidence in the record ‘to show that the harm occurred “by reason of” the LTFV imports, not by reason of a minimal or tangential contribution to material harm caused by LTFV goods.’” See also *Nippon Steel Corp. v. United States*, 458 F.3d 1345, 1357 (Fed. Cir. 2006); *Taiwan Semiconductor Industry Ass’n v. USITC*, 266 F.3d 1339, 1345 (Fed. Cir. 2001).

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.⁶⁸ In performing its examination, however, the Commission need not isolate the injury caused by other factors from injury caused by unfairly traded imports.⁶⁹ 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.⁷⁰ It is clear

⁶⁸ SAA, H.R. Rep. 103-316, Vol. I at 851-52 (1994) (“{T}he Commission must examine other factors to ensure that it is not attributing injury from other sources to the subject imports.”); S. Rep. 96-249 at 75 (1979) (the Commission “will consider information which indicates that harm is caused by factors other than less-than-fair-value imports.”); H.R. Rep. 96-317 at 47 (1979) (“in examining the overall injury being experienced by a domestic industry, the ITC will take into account evidence presented to it which demonstrates that the harm attributed by the petitioner to the subsidized or dumped imports is attributable to such other factors;” those factors include “the volume and prices of nonsubsidized imports or imports sold at fair value, contraction in demand or changes in patterns of consumption, trade restrictive practices of and competition between the foreign and domestic producers, developments in technology and the export performance and productivity of the domestic industry”); *accord Mittal*, 542 F.3d at 877.

⁶⁹ SAA at 851-52 (“{T}he Commission need not isolate the injury caused by other factors from injury caused by unfair imports.”); *Taiwan Semiconductor*, 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.”).

⁷⁰ 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.⁷¹

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.”^{72 73} Indeed, the Federal Circuit has examined and affirmed various Commission methodologies and has disavowed “rigid adherence to a specific formula.”⁷⁴

The Federal Circuit’s decisions in *Gerald Metals*, *Bratsk*, and *Mittal* all involved cases in which 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.⁷⁵ The additional “replacement/benefit” test

⁷¹ See *Nippon*, 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.”).

⁷² *Mittal*, 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.

⁷³ 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*, held that the Commission is *required*, in certain circumstances when considering present material injury, to undertake a particular kind of analysis of nonsubject imports, albeit without reliance upon presumptions or rigid formulas. *Mittal* explains as follows:

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

542 F.3d at 878.

⁷⁴ *Nucor Corp. v. United States*, 414 F.3d 1331, 1336, 1341 (Fed. Cir. 2005); see also *Mittal*, 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.”).

⁷⁵ *Mittal*, 542 F.3d at 875-79.

looked at whether nonsubject imports might have replaced subject imports without any benefit to the U.S. industry. The Commission applied that specific additional test in subsequent cases, including the *Carbon and Certain Alloy Steel Wire Rod from Trinidad and Tobago* determination that underlies the *Mittal* litigation.

Mittal 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.⁷⁶ 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* 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.⁷⁷

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.⁷⁸ Congress has delegated this factual finding to the Commission because of the agency's institutional expertise in resolving injury issues.⁷⁹

⁷⁶ *Mittal*, 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).

⁷⁷ To that end, after the Federal Circuit issued its decision in *Bratsk*, the Commission began to present published information or send out information requests in final phase investigations to producers in nonsubject countries that accounted for substantial shares of U.S. imports of subject merchandise (if, in fact, there were large nonsubject import suppliers). In order to provide a more complete record for the Commission's causation analysis, these requests typically seek information on capacity, production, and shipments of the product under investigation in the major source countries that export to the United States. The Commission plans to continue utilizing published or requested information in final phase investigations in which there are substantial levels of nonsubject imports.

⁷⁸ We provide in our respective discussions of volume, price effects, and impact a full analysis of other factors alleged to have caused any material injury experienced by the domestic industry.

⁷⁹ *Mittal*, 542 F.3d at 873; *Nippon*, 458 F.3d at 1350, citing *U.S. Steel*, 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.").

B. Conditions of Competition and the Business Cycle

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

1. Demand Conditions

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, and similar locations.⁸⁰ Most U.S. producers and importers reported that there are no substitutes for boltless steel shelving, particularly given its boltless design and high-load capacity.⁸¹ As an end-use good, boltless steel shelving is likely to experience moderate to large changes in quantity demanded in response to changes in price.⁸²

During the conference, Edsal and Whalen disputed whether U.S. demand for boltless steel shelving is increasing or decreasing.⁸³ Questionnaire respondents also disagreed about demand trends during the POI.⁸⁴ Based on the record, demand, as measured by apparent U.S. consumption of boltless steel shelving, increased each year between 2011 and 2013, and was lower in interim 2014 than in interim 2013.⁸⁵

⁸⁰ CR at II-8; PR at II-5.

⁸¹ CR at II-10; PR at II-6 to II-7 (noting that the few questionnaire respondents identifying possible substitutes for boltless steel shelving referred to wire, plastic, resin, or bolted steel shelving; shelving sold as components; and bulk-packaged boltless steel shelving).

⁸² CR at II-8; PR at II-5.

⁸³ Edsal argues that U.S. demand for boltless steel shelving is strong and increasing. Petitioner's Postconf. Brief at 13-14; Confer. Tr. at 18-19 (Liss). Whalen argues that U.S. boltless steel shelving demand is declining. It maintains that heavy discounting and promotions that began for boltless steel shelving about three years ago initially resulted in higher sales but the regularity of the promotions has led to "customer fatigue" and lower volumes in recent periods. Whalen's Postconf. Brief at 2, 17-18; Confer. Tr. at 93-94 (Whalen).

⁸⁴ CR/PR at Table II-3; CR at II-9; PR at II-6 (noting that one U.S. producer reported increasing demand, one reported decreasing demand, and two reported fluctuating demand and that nearly half of responding importers (***) reported no change in U.S. demand for boltless steel shelving).

⁸⁵ Apparent U.S. consumption of boltless steel shelving was *** units in 2011, *** units in 2012, *** units in 2013, *** units in interim 2013, and *** units in interim 2014. CR/PR at Table IV-3, Table C-1.

2. Supply Conditions

During the POI, the U.S. market was supplied by the domestic industry, subject imports from China, and imports from nonsubject countries.⁸⁶

The domestic industry held the *** share of the U.S. market during the POI (between *** and *** percent on an annual basis).⁸⁷ As the largest U.S. producer of boltless steel shelving, Edsal accounted for *** percent of domestic production in 2013.⁸⁸ The domestic industry progressively increased its boltless steel shelving production capacity, ***.⁸⁹ The domestic industry did not operate at full capacity at any point during the POI.⁹⁰

Subject imports from China held the *** share of the U.S. market during the POI (between *** and *** percent).⁹¹ The industry producing subject merchandise in China includes approximately 32 boltless steel shelving producers.⁹² Of the 25 firms issued foreign producer/exporter questionnaires, only four submitted responses (Edsal Sandusky;⁹³ HoiFat (Ningbo) Office Facilities Co., Ltd.; Intradin; and GGMPC).⁹⁴ They reported combined exports to the United States equivalent to *** percent of reported subject imports from China in 2013.⁹⁵ The responding Chinese boltless steel shelving producers reported increasing their collective production capacity over the POI, the entry of new producer (GGMPC) at the end of the POI, and increasing projected production capacity in 2014 and 2015.⁹⁶ As the production capacity of the responding producers in China expanded, their capacity utilization declined.⁹⁷

As discussed above, Edsal imported subject merchandise from its affiliate Edsal Sandusky in China ***, and it arranged for other importers of record to import additional

⁸⁶ CR/PR at Table IV-3.

⁸⁷ CR/PR at Table IV-3, Table C-1.

⁸⁸ CR/PR at Table III-1.

⁸⁹ Derived from CR/PR at Table C-1.

⁹⁰ The domestic industry's capacity utilization was *** percent in 2011, *** percent in 2012, *** percent in 2013, *** percent in interim 2013, and *** percent in interim 2014. CR/PR at Table III-3.

⁹¹ CR/PR at Table IV-3, Table C-1.

⁹² CR at VII-3; PR at VII-3.

⁹³ Whalen disputes Edsal's ***. Whalen's Postconf. Brief at 1. The record reflects that Edsal Sandusky ***. CR at VII-10 to VII-11; PR at VII-6; CR/PR at Table VII-3.

⁹⁴ CR at VII-4; PR at VII-3. According to Edsal, the five largest subject producers in China are ***. Petitions at Exhibit GEN-2 at 5. None of these firms submitted questionnaire responses in the preliminary phase of these investigations. CR at VII-4; PR at VII-3.

⁹⁵ CR at VII-4; PR at VII-3. In any final phase of these investigations, we encourage additional foreign producers/exporters in China to submit data concerning their boltless steel shelving operations.

⁹⁶ The United States represented the largest market for the responding subject producers throughout the POI. CR/PR at Table VII-1; CR at VII-3 to VII-5, VII-11; PR at VII-3 to VII-4, VII-6.

⁹⁷ CR/PR at Table VII-1.

volumes of boltless steel shelving from China. Collectively, these direct and arranged imports accounted for a *** and increasing share of subject imports and apparent U.S. consumption.⁹⁸

Nonsubject imports held the smallest share of the U.S. market during the POI (between *** and *** percent).⁹⁹ Edsal reports the existence of boltless steel shelving manufacturers in Mexico, Canada, Poland, and Australia, but is unaware of any current U.S. imports of boltless steel shelving from nonsubject countries; Whalen reports knowledge of boltless steel shelving imports from Mexico that entered about a decade ago.¹⁰⁰ *** reported importing a *** volume of boltless steel shelving from *** during the POI.¹⁰¹

3. Substitutability and Sales Process

All U.S. producers and *** of *** responding U.S. importers reported that boltless steel shelving manufactured in the United States is at least frequently interchangeable with boltless steel shelving imported from China.¹⁰² The current record suggests a high degree of substitutability between boltless steel shelving made in the United States and imported from China.¹⁰³

Edsal and Whalen agree that price is the most important factor in U.S. boltless steel shelving sales, although Whalen asserts that decking capacity and other factors are also important.¹⁰⁴ All U.S. producers reported that non-price factors are “never” a significant difference between boltless steel shelving sourced from the United States and China, whereas U.S. importers of subject merchandise from China generally reported that there are

⁹⁸ Subject merchandise that Edsal imported directly or arranged for importation accounted for *** percent of total imports from China in 2011, *** percent in 2012, *** percent in 2013, *** percent in interim 2013, and *** percent in interim 2014. CR/PR at Table IV-4. In terms of apparent U.S. consumption, they were equivalent to *** percent of the U.S. market in 2011, *** percent in 2012, *** percent in 2013, *** percent in interim 2013, and *** percent in interim 2014. CR/PR at Table IV-4. We intend to examine these transactions in any final phase of these investigations in order to analyze the relationships at issue, Edsal’s reliance on them, and the impact of these imports on the U.S. market.

⁹⁹ CR/PR at Table IV-3, Table C-1.

¹⁰⁰ Petitioner’s Postconf. Brief at 14-15, Exhibit 1 at 2; Confer. Tr. at 19, 43-44 (Liss), 112 (Whalen).

¹⁰¹ CR at IV-6 & n.7; PR at IV-3 & n.7.

¹⁰² *** U.S. producers reported that boltless steel shelving manufactured in the United States is always interchangeable with boltless steel shelving imported from China, and *** reported they are frequently interchangeable. *** U.S. importers reported that boltless steel shelving manufactured in the United States is always interchangeable with subject merchandise from China, and *** reported they are frequently interchangeable. CR/PR at Table II-4.

¹⁰³ CR at II-11; PR at II-7.

¹⁰⁴ Petitioner’s Postconf. Brief at 15-16, 39, Exhibit 16; Confer. Tr. at 26-29 (Quick); Confer. Tr. at 115 (Whalen).

“sometimes” or “frequently” non-price differences between the two.¹⁰⁵ The domestic industry and importers of subject merchandise from China reported selling boltless steel shelving to all regions in the U.S. market,¹⁰⁶ and both sources sold primarily to end users.¹⁰⁷

The parties agreed that five big box store operators (Home Depot, Lowe’s, Menards, Costco, and Sam’s Club/Walmart) accounted for a substantial share of the U.S. market during the POI. Edsal estimated that these big box store operators represented “roughly *** percent” of its U.S. boltless steel shelving sales in 2013, and Whalen estimated that they accounted for more than 80 percent of the U.S. market.¹⁰⁸ Other purchasers include department stores, office supply stores, and online retailers.¹⁰⁹ According to Edsal, some purchasers have decided to purchase boltless steel shelving directly from the U.S. or foreign factories instead of using an intermediary.¹¹⁰ Whalen, however, asserts that some purchasers still use sales agents or other intermediaries like Whalen that reduce purchasers’ compliance, regulatory, and reputational risks by providing valuable services, such as ***.¹¹¹ The parties disagree about the extent to which purchasers use global sourcing teams that conduct line reviews in China for their boltless steel shelving purchases for the U.S. market.¹¹²

U.S. producers and importers typically quote prices on a free on board (“F.O.B.”) basis; some purchasers are large procurers of freight that make their own freight arrangements.¹¹³ Boltless steel shelving sales usually involve short-term contracts or spot sales.¹¹⁴ Half of U.S. producers offer quantity and total volume discounts, while half of U.S. producers and the majority of U.S. importers offer no discount.¹¹⁵ According to Edsal and Whalen, some retailers offer periods of promotions or discounts to consumers and expect their suppliers to help offset

¹⁰⁵ CR/PR at Table II-5. Quality, product diversity, and logistical support were some of the most frequently cited differences, with a number of importers noting that the subject merchandise from China was superior with respect to these factors. CR at II-12 to II-13, PR at II-8 to II-9. In any final phase of these investigations, we will seek additional information on whether non-price factors affect substitutability between subject imports and the domestic like product.

¹⁰⁶ CR/PR at Table II-2.

¹⁰⁷ CR/PR at Table II-1.

¹⁰⁸ Whalen’s Postconf. Brief at 5-6; Confer. Tr. at 11 (Herlach), 51 (Liss), 85, 109, 119-22 (Whalen); Petitioner’s Postconf. Brief at 25, Exhibit 1 at 3.

¹⁰⁹ CR at II-1; PR at II-1. Responding U.S. importers included ***. CR/PR at Table IV-1.

¹¹⁰ Confer. Tr. at 25 (Quick).

¹¹¹ Whalen’s Postconf. Brief at 10-12; Confer. Tr. at 91 (Whalen).

¹¹² Petitioner’s Postconf. Brief at 25, 30-31, Exhibit 2, Exhibit 13; Confer. Tr. at 23 (Quick), 91-92 (Whalen). We intend to explore further the nature and extent of any direct importing practices in any final phase of these investigations.

¹¹³ Confer. Tr. at 25 (Quick), 55 (Liss); CR at V-2, V-4; PR at V-2, V-3.

¹¹⁴ CR/PR at Table V-2.

¹¹⁵ CR at V-4; PR at V-3.

these promotional and discounted periods, such as for “Black Friday” sales around Thanksgiving.¹¹⁶

4. Raw Materials

Edsal procures the majority of its main raw material, hot-rolled steel, within a 500-mile radius of its facility in Chicago, and it also obtains its wire and particle board decking materials locally. The firm does not enter into long-term contracts for these raw materials.¹¹⁷ The price for domestic hot-rolled sheet generally declined over the POI.¹¹⁸ The domestic industry’s reported cost of goods sold (“COGS”) increased during this period, primarily due to increased raw material costs and changes in product mix.¹¹⁹

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.”¹²⁰

Subject imports from China had a *** presence in the U.S. market during the POI, and their absolute volume increased overall during this period.¹²¹ The volume of subject imports from China was also *** relative to domestic production during the POI.¹²²

¹¹⁶ Confer. Tr. at 63 (Liss), 115 (Whalen) (agreeing that discounts are “an unfortunate part of the business the way it has evolved.”); CR at V-4; PR at V-3.

¹¹⁷ Confer. Tr. at 69-70 (Liss).

¹¹⁸ CR at V-1; PR at V-1; CR/PR at Figure V-1.

¹¹⁹ For example, ***. CR at VI-4, VI-8; PR at VI-2; CR/PR at Table VI-3.

¹²⁰ 19 U.S.C. § 1677(7)(C)(i).

¹²¹ The volume of subject imports was *** units in 2011, *** units in 2012, *** units in 2013, *** units in interim 2013, and *** units in interim 2014. CR/PR at Table IV-3. We note that official import statistics greatly exaggerate the volume of U.S. imports because the relevant tariff statistical reporting numbers correspond to basket categories that include a number of non-boltless steel shelving products. CR at I-9, IV-2 n.5; PR at I-7, IV-2 n.5; Petitions, Vol. I at 9-10; Petitioner’s Postconf. Brief at 3, 13, 17, Exhibit 1 at 1; Confer. Tr. at 35-38 (Cannon). Consequently, U.S. import data are based on questionnaire responses of 17 firms that are believed to have accounted for the vast majority of U.S. boltless steel shelving imports from China in 2013. CR at I-5, IV-1 to IV-2; PR at I-4, IV-1 to IV-2. Edsal’s arguments concerning importer coverage, Petitioner’s Postconf. Brief at 1-2, 20, do not reflect more recent information obtained by staff. See, e.g., CR at IV-1 to IV-2; PR at IV-1.

¹²² The volume of subject imports was equivalent to *** percent of U.S. production in 2011, *** percent in 2012, *** percent in 2013, *** percent in interim 2013, and *** percent in interim 2014. CR/PR at Table IV-2.

Between 2011 and 2013, as apparent U.S. consumption rose *** percent, subject imports from China maintained a substantial share of the U.S. market, which fluctuated on an annual basis.¹²³ The domestic industry's market share fluctuated inversely with subject imports' market share.¹²⁴

We find for purposes of the preliminary phase of these investigations that the volume of subject imports is significant both in absolute terms and relative to consumption and production in the United States. We observe that imports that Edsal imported or arranged accounted for a substantial share of subject imports.¹²⁵ We will explore this further in any final phase investigations and invite the parties to brief the implications, if any, this fact should have on our analysis of material injury by reason of subject imports.

D. Price Effects of the Subject Imports

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

- (I) there has been significant price underselling by the imported merchandise as compared with the price of domestic like products of the United States, and
- (II) the effect of imports of such merchandise otherwise depresses prices to a significant degree or prevents price increases, which otherwise would have occurred, to a significant degree.¹²⁶

As stated above, the current record suggests a high degree of substitutability between subject imports from China and the domestic like product, and that price is an important

¹²³ Subject imports' share of apparent U.S. consumption rose from *** percent in 2011 to *** percent in 2012 and then declined to *** percent in 2013. Their market share was higher in interim 2014 than in interim 2013. It was *** percent in interim 2013, and *** percent in interim 2014. CR/PR at Table IV-3, Table C-1.

¹²⁴ The domestic industry's share of apparent U.S. consumption declined from *** percent in 2011 to *** percent in 2012 and then rose to *** percent in 2013. It was *** percent in interim 2013 and *** percent in interim 2014. By contrast, nonsubject imports' market share remained small and relatively stable, at *** percent in 2011 and 2012 and *** percent in 2013, interim 2013, and interim 2014. CR/PR at Table IV-3, Table C-1.

¹²⁵ By interim 2014, the volume of Edsal's direct and arranged imports of subject merchandise from China accounted for *** percent of total boltless steel shelving imports from China and *** percent of apparent U.S. consumption. CR/PR at Table IV-4.

¹²⁶ 19 U.S.C. § 1677(7)(C)(ii).

consideration in purchasing decisions.¹²⁷ Thus, competition in the U.S. market appears to depend largely on price.

In the preliminary phase of these investigations, the Commission collected quarterly weighted-average sales price data for the POI for both U.S. and subject Chinese boltless steel shelving, and it requested importers to provide quarterly purchase cost data for their imports that were sold directly to retail customers.¹²⁸ Three domestic producers and 13 importers submitted data regarding five boltless steel shelving products.¹²⁹ According to the pricing comparisons, subject imports undersold the domestic like product in *** out of 68 possible quarterly comparisons and oversold it in the remaining *** comparisons.¹³⁰ Based on a comparison of domestic prices to import costs, subject imports were lower in 26 of 69 instances and higher in the remaining 43 instances.¹³¹ We cannot conclude based on the current record that subject imports undersold the domestic like product to a significant degree.

¹²⁷ As also stated above, we will consider the issue of substitutability further in any final phase of these investigations.

¹²⁸ CR at V-4; PR at V-4. The pricing data reported by domestic producers accounted for approximately *** percent of the domestic industry's U.S. shipments of boltless steel shelving during the POI and *** percent of U.S. shipments of subject imports from China in the same period; the cost data reported by importers accounted for *** percent of U.S. shipments of subject imports during the POI. CR at V-5; PR at V-4.

In their comments on the draft final phase questionnaires, we invite the parties to comment on the utility and appropriate method of analysis of purchase cost data in these investigations, particularly given Edsal's request that we adjust any such data for freight and logistics and Whalen's suggestion that sales agents provide value-added services to purchasers. *See, e.g.*, Petitioner's Postconf. Brief at 24-28, Exhibit 1 at 4, Exhibit 13; Confer. Tr. at 31-34 (Cannon), 55 (Liss), 91 (Whalen); Whalen's Postconf. Brief at 10-12.

¹²⁹ The pricing products include the following: (1) 77" width x 24" depth x 72" to 78" height, 4-level rack with steel wire decking, with load capacity of 1,000 to 2,500 pounds per level; (2) 77" width x 24" depth x 72" height, 3-level rack with steel wire decking, with load capacity of 1,000 to 2,500 pounds per level; (3) 36" width x 18" depth x 72" height, 5-level boltless/rivet steel shelving with particle board deck, with load capacity of 250 to 1,000 pounds per level; (4) 48" width x 24" depth x 72" height, 5-level boltless/rivet steel shelving with particle board deck, with load capacity of 250 to 1,000 pounds per level; and (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 to 1,000 pounds per level. CR at V-5; PR at V-4.

¹³⁰ Subject imports' margins of underselling ranged from *** to *** percent during the POI. CR/PR at Table V-9.

¹³¹ In those instances where import costs were lower than the reported price of the domestic like product, the differential ranged from *** percent to *** percent. Derived from CR/PR at Tables V-3 to V-7. Some of the large margins observed may indicate differences in comparability between domestic and imported products. When reviewing the draft questionnaires in the final phase of these investigations, we invite the parties to comment on how pricing products may be defined to ensure

(Continued...)

*** reported having to reduce prices or roll back announced price increases in response to subject imports from China.¹³² The domestic industry alleged *** lost sales totaling \$*** and involving *** units of boltless steel shelving, and it alleged *** instances of lost revenue totaling \$*** and involving *** units of boltless steel shelving.¹³³ Purchasers either did not answer, did not know, or disagreed with the alleged lost sales and lost revenue claims.¹³⁴ Nonetheless, *** purchasers (***) reported switching purchases from U.S. producers to suppliers of boltless steel shelving from China, *** of them (***) reported that price was the reason for the shift, and *** of them (***) reported that U.S. producers reduced their prices in order to compete with prices of boltless steel shelving imported from China.¹³⁵

With respect to whether subject imports depressed prices to a significant degree, we considered changes in U.S. and subject import prices over the POI. According to questionnaire data, the domestic industry's weighted-average prices for all five pricing products decreased overall between January 2011 and June 2014.¹³⁶ Reported weighted-average prices for three of the pricing products imported from China (products 1, 4, and 5) also decreased overall during the POI.¹³⁷ Prices of boltless steel shelving from China declined more than domestic prices for

(...Continued)

comparability. The parties may also wish to consider whether to modify the pricing products to address what some questionnaire respondents reported were non-price differences between the domestic like product and boltless steel shelving imported from China. CR at II-13 at n.13; PR at II-8 at n.13.

¹³² CR at V-17; PR at V-8.

¹³³ CR at V-17 to V-18; PR at V-8; CR/PR at Table V-10, Table V-11. We note that some of the information about lost sales/lost revenue allegations provided in the petitions and summarized in CR/PR at Table V-10 and Table V-11 does not match the information Edsal included in its postconference brief at Exhibit 2. This latter material contained some new allegations and suggested that ***.

¹³⁴ CR/PR at Table V-10, Table V-11.

¹³⁵ CR/PR at Table V-12.

¹³⁶ The domestic industry's price for product 1 decreased irregularly from \$*** per unit in the first quarter of 2011 to \$*** per unit in the second quarter of 2014. CR/PR at Table V-3. Its price for product 2 decreased irregularly from \$*** per unit in the first quarter of 2011 to \$*** per unit in the second quarter of 2014. CR/PR at Table V-4. Its price for product 3 decreased irregularly from \$*** per unit in the first quarter to 2011 to \$*** per unit in the second quarter of 2014. CR/PR at Table V-5. Its price for product 4 decreased irregularly from \$*** per unit in the first quarter of 2011 to \$*** per unit in the second quarter of 2014. CR/PR at Table V-6. Its price for product 5 decreased irregularly from \$*** per unit in the first quarter of 2011 to \$*** in the second quarter of 2014. CR/PR at Table V-7.

¹³⁷ The reported quarterly weighted-average price for product 1 imported from China decreased irregularly from \$*** per unit in the first quarter of 2011 to \$*** per unit in the second quarter of 2014. CR/PR at Table V-3. The quarterly weighted-average price for product 4 imported from China decreased irregularly from \$*** per unit in the first quarter of 2011 to \$*** per unit in the second quarter of 2014. CR/PR at Table V-6. The quarterly weighted-average price for product 5 imported from China decreased

(Continued...)

two of these products (products 4 and 5).¹³⁸ We intend to explore the reason for any price declines in any final phase of these investigations.

We also examined whether subject imports prevented price increases, which would have otherwise occurred, to a significant degree during the POI. As discussed above, apparent U.S. consumption increased *** percent from 2011 to 2013 and was *** percent lower in interim 2014 than in interim 2013.¹³⁹ During that time, the domestic industry's average unit net sales value fluctuated on an annual basis. It was \$*** in 2011, \$*** in 2012, \$*** in 2013, \$*** in interim 2013, and \$*** in interim 2013.¹⁴⁰ By comparison, the domestic industry's unit COGS rose irregularly during the POI. Unit COGS was \$*** in 2011, \$*** in 2012, \$*** in 2013, \$*** in interim 2013, and \$*** in interim 2014.¹⁴¹ The domestic industry's COGS as a ratio to net sales increased steadily, and was *** percent in 2011, *** percent in 2012, *** percent in 2013, *** percent in interim 2013, and *** percent in interim 2014.¹⁴² Consequently, the domestic industry was increasingly unable to price its boltless steel shelving at levels that permitted it to cover its costs during a period of overall increasing apparent U.S. consumption.¹⁴³

Thus, the record shows that U.S. prices declined and that the domestic industry experienced an increase in its COGS to net sales ratio. In any final phase of these investigations, we intend to explore further the role of subject imports as well as other market factors in both of these trends.

(...Continued)

irregularly from \$*** per unit in the first quarter of 2011 to \$*** per unit in the second quarter of 2014. CR/PR at Table V-7.

¹³⁸ Quarterly weighted-average U.S. prices for product 4 declined *** percent over the POI, whereas quarterly weighted-average prices for imports from China of product 4 declined *** percent during this period. Quarterly weighted-average U.S. prices for product 5 declined *** percent over the POI, whereas quarterly weighted-average U.S. prices for imports from China of product 5 declined *** percent during this period. CR/PR at Table V-8.

¹³⁹ CR/PR at Table C-1.

¹⁴⁰ CR/PR at Table VI-1, Table C-1.

¹⁴¹ CR/PR at Table VI-1, Table C-1.

¹⁴² CR/PR at Table VI-1, Table C-1.

¹⁴³ CR/PR at Table IV-3, Table VI-1, Table C-1. In any final phase of these investigations, we invite the parties to discuss the role of *** in any cost-price squeeze that the domestic industry experienced. CR at VI-4; PR at VI-1 to VI-2.

E. Impact of the Subject Imports¹⁴⁴

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

During a period of overall increases in apparent U.S. consumption, the domestic industry’s performance indicators were mixed.¹⁴⁵ The domestic industry increased production capacity throughout the POI.¹⁴⁶ Its U.S. shipments, net sales, and production increased overall during the POI.¹⁴⁷ Employment-related factors increased as well.¹⁴⁸ The domestic industry’s capacity utilization declined.¹⁴⁹

The domestic industry’s financial performance deteriorated during the POI. Sales revenues increased from 2011 to 2013, and were *** lower in interim 2014 than in interim

¹⁴⁴ In its notice initiating the antidumping duty investigation of boltless steel shelving from China, Commerce estimated antidumping duty margins of 40 to 211 percent. 79 Fed. Reg. 56562, 56565 (Sept. 22, 2014).

¹⁴⁵ As discussed above, apparent U.S. consumption increased *** percent between 2011 and 2013. CR/PR at Table IV-3, Table C-1.

¹⁴⁶ Average production capacity was *** units in 2011, *** units in 2012, *** units in 2013, *** units in interim 2013, and *** units in interim 2014.

¹⁴⁷ The domestic industry’s U.S. shipments were *** units in 2011, *** units in 2012, *** units in 2013, *** units in interim 2013, and *** units in interim 2014. Its net sales were *** units in 2011, *** units in 2012, *** units in 2013, *** units in interim 2013, and *** units in interim 2014. The domestic industry’s production was *** units in 2011, *** units in 2012, *** units in 2013, *** units in interim 2013, and *** units in interim 2014. Its inventories were *** during the POI. CR/PR at Table III-3, Table III-5, Table VI-1, Table C-1.

¹⁴⁸ Production-related workers, hours worked, wages and productivity increased over the POI. CR/PR at Table III-3, Table III-8, Table C-1. At the same time, Edsal reported that it had to shut down a particular machine, lay off 150 workers, and reduce its remaining workers’ hours after losing a Black Friday sale *** involving approximately \$5 million of boltless steel shelving sales at the end of the POI. Petitioner’s Postconf. Brief at 34-38; Confer. Tr. at 70-71 (Liss).

¹⁴⁹ The domestic industry’s capacity utilization was *** percent in 2011, *** percent in 2012, *** percent in 2013, *** percent in interim 2013, and *** percent in interim 2014. CR/PR at Table III-3, Table C-1.

2013.¹⁵⁰ The domestic industry's ratio of COGS to net sales ratio rose throughout the POI,¹⁵¹ and its ratio of operating income to net sales declined.¹⁵² Operating income declined from \$*** in 2011 to \$*** in 2012 and then to \$*** in 2013.¹⁵³ The decline in the domestic industry's operating income was the result of the increased unit costs outstripping the increases in unit sales values, and we intend to explore the role of subject imports in these trends in any final phase of these investigations.¹⁵⁴

The POI was characterized by significant volumes of subject imports that were good substitutes for the domestic like product. Two significant purchasers also reported that domestic producers reduced prices in the face of competition from subject imports from China. In light of these considerations and the record as a whole of the preliminary phase of these investigations, we cannot find that the declines in the domestic industry's financial performance were unrelated to subject imports.

In reaching this conclusion, we have considered whether there are factors other than subject imports from China that may have had an adverse impact on the domestic industry during the POI to ensure that we are not attributing any injury from other such factors to the subject imports. As discussed above, apparent U.S. consumption generally increased during the POI,¹⁵⁵ and imports from nonsubject countries had a nominal and steady presence in the U.S. market throughout this period.^{156 157} Therefore, neither demand conditions nor nonsubject imports appear to explain the domestic industry's deteriorating financial performance during the POI.

¹⁵⁰ The domestic industry's sales revenues increased from \$*** in 2011 to \$*** in 2012 and \$*** in 2013, and were \$*** in interim 2013 and \$*** in interim 2014. CR/PR at Table VI-1, Table C-1.

¹⁵¹ The domestic industry's COGS as a ratio to net sales increased steadily, and was *** percent in 2011, *** percent in 2012, *** percent in 2013, *** percent in interim 2013, and *** percent in interim 2014. CR/PR at Table VI-1, Table C-1.

¹⁵² The domestic industry's operating income margin declined from *** percent in 2011 to *** percent in 2012 and *** percent in 2013, and it had an operating income margin of *** percent in interim 2013 and an operating *** percent in interim 2014. CR/PR at Table VI-1, Table C-1.

¹⁵³ The domestic industry had operating income of \$*** in interim 2013 and an operating loss of \$*** in interim 2014. CR/PR at Table VI-1, Table C-1. The domestic industry's capital expenditures declined from 2011 to 2013 and were lower in interim 2014 than in interim 2013. CR/PR at Table VI-5. It *** research and development expenses. CR/PR at Table VI-6.

¹⁵⁴ CR/PR at Table VI-4.

¹⁵⁵ Apparent U.S. consumption of boltless steel shelving was *** units in 2011, *** units in 2012, *** units in 2013, *** units in interim 2013, and *** units in interim 2014. CR/PR at Table IV-3, Table C-1.

¹⁵⁶ Nonsubject imports' market share was *** percent in 2011 and 2012 and *** percent in 2013, interim 2013, and interim 2014. CR/PR at Table IV-3.

¹⁵⁷ Vice Chairman Pinkert does not undertake a *Bratsk/Mittal Steel* analysis in these investigations as he does not find that nonsubject imports were a significant factor in the U.S. market.

As another potential source of any injury, Whalen points to Edsal's aggressive pricing behavior and Edsal's own *** importing activities.¹⁵⁸ As indicated above, we invite party comments on this issue and we intend to revisit this issue in any final phase of these investigations.

Based on the record as a whole in the preliminary phase of these investigations, we do not find clear and convincing evidence that the domestic industry is not materially injured by reason of subject imports or that there is no likelihood that evidence will arise in any final phase of these investigations that will affect our resolution of this issue. Accordingly, we have made affirmative determinations in the preliminary phase of these investigations.

VI. Conclusion

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

¹⁵⁸ Whalen's Postconf. Brief at 1-3, 6, 16-17; Confer. Tr. at 85-90 (Whalen), 129 (Herlach).

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”)¹ from China. The following tabulation provides information relating to the background of these investigations.^{2 3}

Effective date	Action
August 26, 2014	Petitions filed with Commerce and the Commission; institution of Commission investigations (79 FR 52040, September 2, 2014)
September 16, 2014	Commission’s conference
September 22, 2014	Commerce’s notice of initiation of antidumping investigation (79 FR 56562, September 22, 2014) and countervailing duty investigation (79 FR 56567, September 22, 2014)
October 10, 2014	Commission’s vote
October 10, 2014	Commission’s determinations
October 20, 2014	Commission’s views

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

² Pertinent *Federal Register* notices are referenced in appendix A, and may be found at the Commission’s website (www.usitc.gov).

³ A list of witnesses appearing at the Conference is presented in app. 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--

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

. . .

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

. . .

In examining the impact required to be considered under subparagraph (B)(i)(III), the Commission shall evaluate (within the context of the business cycle and conditions of competition that are distinctive to the affected industry) all relevant economic factors which have a bearing on the state of the industry in the United States, including, but not limited to . . . (I) actual and potential decline in output, sales, market share, profits, productivity, return on investments, and utilization of capacity, (II) factors affecting domestic prices, (III) actual and potential negative effects on cash flow, inventories, employment, wages, growth, ability to raise capital, and investment, (IV) actual and potential negative effects on the existing development and production efforts of the domestic industry, including efforts to develop a derivative or more advanced version of the

domestic like product, and (V) in {an antidumping investigation}, the magnitude of the margin of dumping.

Organization of report

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

MARKET SUMMARY

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.⁴ 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 ***.⁵ 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 ***).

Apparent U.S. consumption of boltless steel shelving totaled approximately *** units (\$***) in 2013. U.S. producers' U.S. shipments of boltless steel shelving totaled *** units (\$***) in 2013, and accounted for *** percent of apparent U.S. consumption by quantity and *** percent by value. U.S. imports from China totaled *** units (\$***) in 2013 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 2013 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 2013. U.S. imports are based on

⁴ Petitions, vol. I, p. 7.

⁵ Petitions, exh. GEN-2 (paragraph 17) and GEN-11.

questionnaire responses of 17 firms that are believed to have accounted for the vast majority of U.S. imports of boltless steel shelving from China in 2013.⁶

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).⁷

NATURE AND EXTENT OF ALLEGED SUBSIDIES AND SALES AT LTFV

Alleged subsidies

On September 22, 2014, Commerce published a notice in the *Federal Register* of the initiation of its countervailing duty investigation on boltless steel shelving from China.⁸ Commerce identified the following government programs in China on which it initiated an investigation:

⁶ 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. However, based on individual proprietary Customs entries, staff believes that *** are the only importers of record that have not provided a response to the Commission questionnaire. *** indicated that it imported *** subject product from China ***. Staff telephone interview with ***. *** is estimated to account for approximately *** percent of subject imports from China during 2013 (based on *** landed, duty-paid value reported by Customs). Other firms identified by the petitioner that did not provide a response to the Commission’s questionnaire (***) are not listed by Customs as importers of items under the applicable HTS numbers for boltless steel shelving.

⁷ Petitions, vol. I, p. 4.

⁸ *Boltless Steel Shelving Units Prepackaged for Sale From the People’s Republic of China: Initiation of Countervailing Duty Investigation*, 79 FR 56567, September 22, 2014; and *Enforcement & Compliance Office of AD/CVD Operations Countervailing Duty Investigation Initiation Checklist*, Boltless Steel Shelving from the People’s Republic of China (C-570-019), September 15, 2014, pp. 7-22.

- A. Government Provision of Goods and Services for Less Than Adequate Remuneration
 - 1. Electricity
 - 2. Hot-Rolled Coiled Steel
- B. Tax Programs
 - 1. “Two Free/Three Half” Program for Foreign-Invested Enterprises (“FIEs”)
 - 2. Income Tax Reductions for Export Oriented FIEs
 - 3. Income Tax Benefits for FIEs Based on Geographic Location
 - 4. Local Income Tax Exemption and Reduction Programs for Productive FIEs
 - 5. Income Tax Reduction for High or New Technology Enterprises
 - 6. Income Tax Deductions for Research and Development Expenses Under the Enterprise Income Tax Law
 - 7. Income Tax Credits on Purchases of Domestically Produced Equipment by Domestically Owned Companies
 - 8. Import Tariff and Value-Added Tax (“VAT”) Reductions for FIES and Certain Domestic Enterprises Using Imported Equipment in Encouraged Industries
 - 9. VAT Refunds for FIEs Purchasing Domestically Produced Equipment
- C. Grant Programs
 - 1. Government of China (“GOC”) and Sub-Central Government Subsidies for the Development of Famous brands and China World Top Brands
 - 2. Special Fund for Energy Savings Technology Reform
 - 3. International Market Exploration Fund (SME Fund)
 - 4. Export Assistance/Outward Expansion Grants in Guangdong Province
 - 5. Guangdong Supporting Fund
 - 6. Guangdong Province Funds to Support the Adoption of E-Commerce by Foreign Trade Enterprises
 - 7. Technology to Improve Trade Research and Development Fund
- D. Loan Programs
 - 1. Export Seller’s Credits and Export Buyer’s Credits from the Export-Import Bank of China

Commerce is not initiating an investigation on the alleged program involving Policy Loans in Guangdong Province.

Alleged sales at LTFV

On September 22, 2014, Commerce published a notice in the *Federal Register* of the initiation of its antidumping duty investigation on boltless steel shelving from China.⁹ Commerce has initiated an antidumping duty investigation based on an estimated dumping margin of 40 to 211 percent for boltless steel shelving from China.

⁹ *Boltless Steel Shelving Units Prepackaged for Sale From the People’s Republic of China: Initiation of Antidumping Duty Investigation*, 79 FR 56562, September 22, 2014.

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 (*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;¹⁰
- 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;
- 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 and 9403.20.0020, 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.¹¹

Tariff treatment

Based upon the scope set forth by the Department of Commerce, information available to the Commission indicates that the merchandise subject to these investigations are classifiable 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 (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.¹² The petitioner noted that the subject product may also be imported under statistical reporting number 9403.20.0018, covering household metal furniture other than specified ironing boards and furniture for young children.¹³

¹⁰ The addition of a wall bracket or other device freestanding subject merchandise to a wall does not meet the terms of this exclusion.

¹¹ *Boltless Steel Shelving Units Prepackaged for Sale From the People’s Republic of China: Initiation of Antidumping Duty Investigation*, 79 FR 56562, September 22, 2014, *Boltless Steel Shelving Units Prepackaged for Sale From the People’s Republic of China: Initiation of Countervailing Duty Investigation*, 79 FR 56567, September 22, 2014.

¹² Customs and Border Protection ruling letters NY 800843, August 19, 1994, and NY I87283, October 23, 2002.

¹³ Petitions, vol. I, pp. 9–10.

THE PRODUCT

Description and Applications

Boltless steel shelving units that are prepackaged for sale are used for storage in homes, 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 shelving in which horizontal support members connect to vertical posts without the use of nuts, bolts, screws, and tubular collars (figure I-1). These units are designed for end-user convenience by the boltless system that eliminates the need for tools and a prepackaged unit containing 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).

Figure I-1
Boltless steel shelving unit

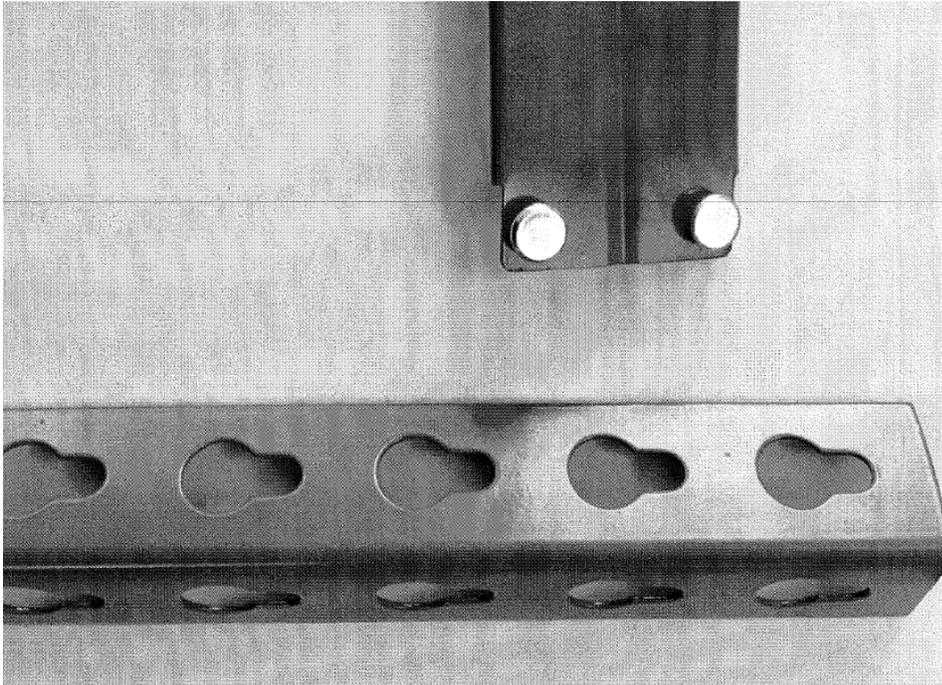


Source: Edsal Manufacturing Co., <http://www.edsal.com/index.php> (accessed September 25, 2014).

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).¹⁴ Boltless steel shelving uses several configurations of beam and brace profiles in order to provide high load capacity and also hold the decking.¹⁵ The Z-beam, C-beam, L-beam, and step beam are commonly used in boltless steel shelving. The Z-beam is trade marked by the petitioner.¹⁶

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. These factors 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;

¹⁴ 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.

¹⁵ Petitioner's postconference brief, exh. 4.

¹⁶ 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.

depths are 18 or 24 inches; and heights are 60, 72, 78, or 84 inches. Whalen stated that it is important to list the capacity of the unit on the packages of boltless steel shelving.¹⁷

Of the five products identified by petitioner as representing a “significant volume of U.S. sales and imports,”¹⁸ the two products with a 77-inch width had per-shelf load capacities that ranged from 1,000–2,500 pounds, and the three products with widths of 34–48 inches had per-shelf load capacities ranged from 250–1,000 pounds.

Boltless steel shelving units are frequently sold with 4–5 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 frame elements, such as posts.¹⁹ 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.²⁰ Boltless steel shelving is designed for utility, and therefore because of its aesthetic appearance, is likely to be used in a “garage, basement, or back room rather than in a kitchen, living room or sales display area.”²¹

Manufacturing process²²

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 beam, braces, and post profiles; these blanks are punched with notch holes and cut to length; formed to the final shape and profile; painted or coated; attached with rivets or welded with supports; and then assembled and packaged.

¹⁷ Conference transcript, p. 118 (Whalen).

¹⁸ Petitions, vol. I, p. 19.

¹⁹ 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).

²⁰ Conference transcript, pp. 39–40 (Liss).

²¹ Petitioner’s postconference brief, p. 7.

²² The information about the manufacturing process is derived from the petitions, vol. I, pp. 7-9, unless otherwise noted.

The slitting process cuts the steel to the desired widths to produce beam and post profiles.²³ 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.²⁴ For higher capacity 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.²⁵ The posts, beams, and braces are either painted, galvanized, powder coated or enameled, or applied with other coatings.²⁶ 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.²⁷ 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 ***.²⁸ 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.²⁹

²³ 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.

²⁴ Conference transcript, pp. 70–71 (Liss).

²⁵ Corrosionpedia, “Phosphating,” <http://www.corrosionpedia.com/definition/876/phosphating> (accessed September 23, 2014).

²⁶ 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).

²⁷ Conference transcript, p. 70 (Liss).

²⁸ ***, foreign producer questionnaire, question II-4c.

²⁹ Conference transcript, p. 97 (Whalen).

DOMESTIC LIKE PRODUCT ISSUES

The petitioner proposes that the domestic like product in these investigations is boltless steel shelving, mirroring the scope definition. It argues 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.³⁰

At the conference, respondent Whalen indicated that it did not "have any quarrel with the definition of the domestic like product," and stated that the products of importers and producers are competitive.³¹ At the same time, Whalen's opinion was that the focus should be on boltless steel shelving with a high capacity per shelf.³² It noted that it does not participate in the lower capacity shelving segment of the market and indicated that it would provide the Commission with a definition of the lower and higher capacity shelving in a postconference brief.³³ 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."³⁴ 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 capacity shelf is not interchangeable with a 2,000-pound capacity shelf."³⁵ Whalen added that lower capacity shelving is more of a commodity product than Edsal's primary product and Whalen's imported product.³⁶ Whalen did not provide any discussion of its proposed domestic like product definition in terms of the Commission's traditional six-factor test.³⁷

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

³⁰ Petitions, vol. I, p. 13.

³¹ Conference transcript, pp. 99–100 (Herlach).

³² Conference transcript, p. 100 (Whalen).

³³ Conference transcript, p. 121 (Herlach). Whalen did note that it thought that the lower capacity shelving discussed at the conference is assembled using bolts. Conference transcript, p. 121 (Whalen).

³⁴ Whalen's postconference brief, p. 5.

³⁵ Whalen's postconference brief, p. 4.

³⁶ 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.

³⁷ Whalen's postconference brief, pp. 3–4.

Physical characteristics and uses

All boltless steel shelving shares similar physical characteristics and uses in that it is all manufactured from flat-rolled steel formed into vertical supports (posts or uprights) and horizontal supports (beams and braces) that provide a strong and sturdy structural frame for the shelving unit and support for the horizontal storage surface (deck or shelf). The petitioner argues that all boltless steel shelving is part of a continuum of products from which the consumer can choose between various standard sizes of depth, width, height, and weight capacity. All boltless steel shelving is alike in that the shelving (1) is primarily a consumer product and is sold as a prepackaged kit with all of the posts and beams necessary to construct a stand-alone shelving unit or an add-on unit; and (2) is designed to be easily and quickly assembled by the end user without the use of screws, nuts, bolts, or other fasteners and without the use of tools, such as a screwdriver or wrench. Other types of shelving (e.g., wood, plastic, or wire shelving) are manufactured using different materials and bolted steel shelving requires the use of fasteners and tools.³⁸

All boltless steel shelving is used for storage in homes, offices, or businesses (generally in garages, basements, or back rooms). It is designed for high capacity storage and utility, rather than for aesthetics, and, for this reason, it is not generally used in kitchens, living rooms, or sales display areas. These factors differentiate boltless steel shelving from wood, plastic, and wire shelving, which tend to have lower shelving capacities, are generally offered in smaller sizes, and are more likely to be found in the living or display areas of the home or business. In the case of wire shelving, the product may also be offered with casters and a variety of other accessories not found for subject boltless steel shelving.³⁹

Manufacturing facilities and production employees

The petitioner indicates that all boltless steel shelving is produced using the same basic manufacturing process, and is produced on the same equipment and by the same employees. Other types of shelving not within the scope definition (e.g., wire, wood, and plastic shelving) are not made by the same manufacturers on the same equipment or with the same employees.⁴⁰ In fact, the shelving components produced for sale in bulk (as opposed to prepackaged kits) to material handling distributors (as opposed to retail distributors) are produced on different equipment at Edsal because they require different profiles and steel thicknesses.⁴¹

³⁸ Petitions, vol. I, p. 14; and petitioner's postconference brief, pp. 6-8.

³⁹ Petitioner's postconference brief, p. 7.

⁴⁰ Petitions, vol. I, p. 15.

⁴¹ Petitioner's postconference brief, p. 10.

Within the product continuum of boltless steel shelving, the petitioner stated that there are dedicated machines to produce specific post and lateral support profiles, and these machines cannot be shifted to make other boltless steel shelving configurations.⁴² The other U.S. producers of boltless steel shelving indicated ***.⁴³

Interchangeability

The petitioner argues that all boltless steel shelving is interchangeable, varying only in dimensions, weight capacity, number of decks, decking type, and other minor physical characteristics. All boltless steel shelving is part of a continuum from which the end user can select the specific prepackaged product with the combination of these physical characteristics that meet their specific storage needs. The petitioner also argues that boltless steel shelving, however, is not readily interchangeable with shelving that requires screws, bolts, and nuts as the primary means of assembly due to its physical characteristics, including its tool-less ease of assembly. The petitioner explains that the individual, complete, prepackaged nature of boltless steel shelving differentiates it from other types of shelving, which are missing one or more of the characteristics that define the subject merchandise, such as steel frame construction, quick and easy boltless assembly, and/or prepackaging of complete units for purchase on an “as is” basis.⁴⁴ The petitioner states that there are no substitutes for boltless steel shelving.⁴⁵

According to responses to the Commission U.S. importers’ questionnaire, twelve firms indicated that there were no substitute products and five firms indicated that substitutes existed. One responded that bulk packaged boltless steel shelving may be purchased for use in certain locations and others indicated that wire shelving, bolted shelving, and racking may be substitutes for boltless steel shelving provided that the user capacity requirements were met or that the assembly could be accomplished with fasteners and tools.⁴⁶

Customer and producer perceptions

The petitioner claims that producers, their customers, and consumers perceive all boltless steel shelving to be the same product, due to its ease of assembly, sturdy design, and storage capacity. It adds that market participants do not perceive other shelving products that require fasteners and tools to assemble to be substitutable for boltless steel shelving.⁴⁷

⁴² Conference transcript, pp. 70–71 (Liss).

⁴³ ***.

⁴⁴ Petitions, vol. I, p. 14; and petitioner’s postconference brief, pp. 7-9.

⁴⁵ Conference transcript, pp. 73–74 (Liss).

⁴⁶ For example, see responses of ***.

⁴⁷ Petitions, vol. I, p. 15; and petitioner’s postconference brief, p. 10.

Channels of distribution

The petitioner notes that all boltless steel shelving is sold through the same channels of distribution, that is, through “big box,” home improvement, department, discount, and office supply stores, as well as through commercial and industrial distributors and e-commerce sites. It explains that the shelving is primarily a prepackaged product that consumers (individuals, businesses, offices, schools, etc.) purchase based on the characteristics that match their storage needs and design preferences. By contrast, the vast majority of components and parts of shelving, which are sold by producers in bulk (rather than in kits) through distributors in the material handling industry (rather than at retail), are sold as made-to-order commercial and industrial material handling and shelving systems. These sales often include design, engineering, and installation services.⁴⁸

The respondent Whalen asserts that the dominant channels of distribution are the five big box companies (Costco, The Home Depot U.S.A., Inc. (“Home Depot”), Lowe’s Companies, Inc. (“Lowe’s”), Menard, Inc. (“Menard”), and Sam’s Club – USA (“Sam’s Club”)) and states that there are several other small retail buyers.⁴⁹ Whalen stated that for the larger, high-capacity boltless steel shelving, the dot.com channel was not a likely channel because, given the weight of the units, the freight cost from such vendors is prohibitive for the potential purchasers.⁵⁰

Price

With respect to price, the petitioner argues that all boltless steel shelving is sold within a reasonable range of similar prices based on a continuum of sizes (depths, widths, number of levels, and capacities) and options for physical characteristics, such as finish type (paint, powder coating etc.), color, and deck types (particle board, laminated particle boards, wire decks, etc.). It noted that shelving components are not priced similarly to boltless steel shelving because the components are sold in bulk to material handling distributors and are aggregated for specific projects by the distributors to include design and installation services. Resin and other plastic shelving tend to be less expensive than boltless steel shelving, while wooden shelving is generally more expensive. The petitioner argues that, although other types of shelving (e.g., wire shelving) may overlap in price somewhat with some subject boltless steel shelving, they are not similar based on their different material inputs, sizes, and capacities and on the perceptions of the retailers and purchases that buy them.⁵¹

⁴⁸ Petitioner’s postconference brief, pp. 8-9.

⁴⁹ Whalen’s postconference brief, pp. 5-6.

⁵⁰ Conference transcript, pp. 92-93 (Whalen). ***. Petitioner’s postconference brief, pp. 18-20 and exh. 1, pp. 3-4.

⁵¹ Petitions, vol. I, p. 15; and petitioner’s postconference brief, p. 11.

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

U.S. MARKET CHARACTERISTICS

Boltless steel shelving is a consumer product sold in a kit designed for quick assembly and used for high capacity storage in homes, garages, offices, and other businesses.¹ Boltless steel shelving 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.² At the conference, importer Whalen identified five big box retailers as the major players that purchase boltless steel shelving: Lowe's, Home Depot, Costco, Menard, Inc. ("Menard's"), and Sam's Club.³ In addition to imports, there are four U.S. producers of boltless steel shelving, with the petitioner representing *** percent of the domestic production in 2013.

CHANNELS OF DISTRIBUTION

U.S. producers and importers sold primarily to end users, as shown in table II-1. However, end users consist of different types of purchasers based on which type of firm is responding to the question. End users to which U.S. producers sell boltless steel shelving consist primarily of retailers, whereas importers' end users are customers since most importers are typically retailers.^{4 5 6}

Table II-1

Boltless steel shelving: U.S. producers' and importers' U.S. shipments, by sources and channels of distribution, 2011-2013, January to June 2013, and January to June 2014

* * * * *

¹ Petitioner's postconference brief, p. 7.

² Conference transcript, p. 17 (Liss).

³ Conference transcript, p. 11 (Whalen).

⁴ Tabulations in Part II regarding general market characteristics include responses for ***, which provided information regarding the market. Although not the importer of record, its responses were included with the importers as it arranges for importation of boltless steel shelving.

⁵ Importer data includes the petitioner's import data.

⁶ Importer *** reported that *** percent of its commercial shipments are to ***. However, its customer list reported that its top ten customers in 2013 were ***, the largest of which accounted for *** percent of its sales of boltless steel shelving. Staff categorized these shipments as shipments to ***.

GEOGRAPHIC DISTRIBUTION

U.S. producers and importers reported selling boltless steel shelving to all regions in the contiguous United States (table II-2). For U.S. producers, *** percent of sales were within 100 miles of their production facility, *** percent were between 101 and 1,000 miles, and *** percent were over 1,000 miles. Importers 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.

Table II-2

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

Region	U.S. producers	Importers
Northeast	3	13
Midwest	4	15
Southeast	3	14
Central Southwest	3	12
Mountain	3	13
Pacific Coast	3	15
Other ¹	3	12
All regions (except Other)	3	12
Reporting firms	4	17

¹ All other U.S. markets, including AK, HI, PR, and VI, among others.

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 factors to this degree of responsiveness of supply are unused capacity and inventories. Factors that hinder responsiveness are the inability to use certain equipment to shift production and the lack of alternative markets.

Industry capacity

U.S. production of boltless steel shelving was *** units in 2011 and reached *** units in 2013. Domestic capacity reported by U.S. producers totaled *** units in 2011 and rose to *** units in 2013. Domestic capacity utilization declined from *** percent in 2011 to *** percent in 2013 and was *** percent in January-June 2014, compared with *** percent in January-June

2013. This moderate 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.

Alternative markets

U.S. producers' exports, as a percentage of total shipments, increased from *** percent in 2011 to *** percent in 2013. U.S. producers' export shipments were *** percent during January-June 2013 and *** percent during January-June 2014. 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. ***, *** 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 2011 to *** percent in 2013. However, inventories, as a percent of U.S. production, were higher at the end of January-June 2014 (*** percent) compared to the end of January-June 2013 (*** percent). These inventory levels suggest that U.S. producers may have a low-to-moderate ability to respond to changes in demand with changes in the quantity shipped from inventories.

Production alternatives

Three of four responding U.S. producers stated that they could switch production from boltless steel shelving to other products. Other products that producers reportedly can produce with the same equipment and/or labor as boltless steel shelving are bolted steel shelving ***, four-post shelving, industrial clip, and other shelving posts. According to ***, "Certain production lines are able to make a variety of parts for different products. Depending on demand, the equipment is scheduled to meet requirements." However, *** stated that "production labor is shifted based on demand for our products. Production equipment is not shifted between 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.⁷

Supply constraints

Three of the four U.S. producers indicated that certain key machinery limit their output, particularly the roll forming, stamping lines, and special tooling equipment.

⁷ Conference transcript, p. 70 (Liss).

Subject imports from China⁸

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 capacity utilization declined from *** percent in 2011 to *** percent in 2012 and was *** percent in 2013. However, data for the first half of 2014 show that capacity utilization was higher than reported in the first half of 2013. Projections show that capacity utilization are expected to generally increase to *** percent in 2015. 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, 2011. Chinese producers' export shipments to third-country markets fell from *** percent in 2011 to *** percent in 2013. However, data for the interim period (i.e., January-June) show that exports to markets other than the United States were higher at *** percent in the first half of 2014 than at *** percent in the first half of 2013. Projections indicate further expansion of sales to markets other than the United States. Countries that these foreign producers shipped to include ***. Therefore, Chinese producers may have moderate-to-large ability to shift shipments between the U.S. market and other markets in response to price changes.

Inventory levels

Chinese producers' inventories *** over the reporting period, with the exception of *** units held in inventory at yearend 2013 and *** units held in inventory in June 2014. These inventory levels suggest that foreign producers may not have ability to respond to changes in demand with changes in the quantity shipped from inventories.

Supply constraints

Most responding Chinese producers indicated that certain key machinery limit their output. Half of responding Chinese producers indicated that labor is also a constraint on supply.

⁸ Exports to the United States reported by the *** responding Chinese producers combined accounted for *** percent of reported U.S. imports of boltless steel shelving from China during 2013.

Nonsubject imports

Imports of boltless steel shelving may be imported into the United States under HTS statistical reporting numbers 9403.20.0018, 9403.20.0020, and 9403.10.0040, which comprise a broad basket of goods. There is no discernable way to determine if boltless steel shelving was imported from nonsubject countries using these data. The petitioner and respondent Whalen stated that, to their knowledge, there are no subject imports from nonsubject countries.⁹ However, *** reported that it imports subject merchandise from ***.

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. The main contributing factor is that it is an end-use good.

End uses

Boltless steel shelving is a final good. It is sold prepackaged in a kit, ready for assembly and installation by the consumer. It is used for high capacity storage in homes, garages, offices, and other businesses.

Business cycles

All U.S. producers and 14 of 16 importers indicated that the market was not subject to business cycles or distinctive conditions of competition other than general economy-wide conditions. Figure II-1 illustrates the quarterly percent change in U.S. real gross domestic product from 2011 to the second quarter of 2014. Two importers, *** and ***, indicated that the market is subject to business cycles, noting seasonal demand spikes in spring and fall.

⁹ Conference transcript, pp. 9 (Cannon), 45 (Liss), and 112 (Whalen).

Figure II-1
U.S. real gross domestic product, quarter-over-quarter percent change, January 2011- June 2014



Source: Bureau of Economic Analysis.

Apparent consumption

Apparent U.S. consumption of boltless steel shelving increased from *** units in 2011 to *** in 2012 to *** units in 2013.

Demand trends

U.S. producers' responses were mixed regarding changes in demand. One reported increasing demand, another reported decreasing demand, and two reported fluctuating demand. Nearly half of responding importers reported no change in U.S. demand for boltless steel shelving since 2011 (table II-3). Responses regarding demand outside the United States were also mixed. *** U.S. producers reported that demand outside the United States fluctuated, while *** reported that there was no change. Of the *** responding importers, *** reported that demand outside the United States increased, *** reported that it decreased, *** reported that it fluctuated, and *** reported that there was no change.

Table II-3
Boltless steel shelving: Firms' responses regarding U.S. demand

* * * * *

Substitute products

Identified substitutes for boltless steel shelving consisted of wire shelving, plastic shelving, resin shelving, bolted steel shelving, shelving sold as components, and bulk-packaged boltless steel shelving. However, considering the boltless design and high load capacity of the

subject product, most U.S. producers and importers reported that there were no substitutes. Both the petitioner and respondent Whalen stated there are no close substitutes for boltless steel shelving.¹⁰

Cost share

Boltless steel shelving is a final good, and, as such, it accounts for all of the cost of a finished good.

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, boltless steel shelving services, etc.). Based on available data, staff believes that there is high degree of substitutability between domestically produced boltless steel shelving and boltless steel shelving imported from China.

Lead times

Boltless steel shelving is sold primarily on a produced-to-order basis. U.S. producers and importers 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. importers. The remaining *** percent of U.S. producers' sales and *** percent of U.S. importers' sales of commercial shipments came from inventories, with lead times averaging *** days for U.S. producers and *** days for importers. The petitioner stated that its domestic lead time ranges from 3 to 14 days, while shipment from its Chinese factory has a lead time of 60 days.¹¹

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 and importers were asked whether the products can "always," "frequently," "sometimes," or "never" be used interchangeably. As shown in table II-4, most U.S. producers reported that domestically produced boltless steel shelving and imported boltless steel shelving are "always"

¹⁰ Conference transcript, pp. 31 (Liss) and 114 (Whalen).

¹¹ Conference transcript, p. 68 (Liss).

interchangeable, while half of importers reported that the products are “frequently” interchangeable.¹²

Table II-4

Boltless steel shelving: Interchangeability between boltless steel shelving produced in the United States and in other countries, by country pairs

* * * * *

Producers and importers were asked to assess how often differences other than price were significant in sales of boltless steel shelving from the United States and China. As seen in table II-5, 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. Half of the responding importers 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.¹³ Some U.S. importers reported that that there are “frequently” and “sometimes” significant differences other than price between boltless steel shelving produced in the United States and nonsubject countries as well as between China and nonsubject countries, respectively.

¹² Narrative responses in the importer questionnaires regarding interchangeability were received from two importers. *** stated that “The types of boltless steel shelving produced in the US versus China are not the same and the local US manufacturer(s) have not had the capacity to produce to the order specifications of ***.” ***

¹³ Narrative responses in the importer questionnaire regarding factors other than price were received from *** importers. *** stated that “Our current imported boltless shelving is of high quality than boltless shelving that was available at the time of decision. It is a thicker steel, better powdercoating, better design features, and color options. We also had issues with domestic supplier product being available and shipping on time.” *** reported “U.S. - China: Smaller minimum order quantity and quicker lead times.” *** stated that “Brand diversity is important to ***.” *** reported that “When a consumer purchases a product, price is not the only factor consumers consider. They obviously also consider differences in quality, speed of delivery, sizing, etc.” *** stated that “Our made in China product has lower quality steel (Q235) but higher gauge to compensate Gauge used by ***.” *** stated that “US-China country pair - Quality, availability, product range, technical support and an established transportation network are additional factors considered advantageous when sourcing boltless steel shelving.” *** reported that “Edsal 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. These delays resulted in lost orders to our company and substantial fines from our customers due to our inability to provide agreed quantities on time. Conversely, our foreign supply chain provides consistently high quality products, on time and with excellent service. The domestic sources were unable or unwilling to compete on these factors.”

Table II-5

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

* * * * *

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 2013.

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 Tenssco Corp. (“Tenssco”). 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, 2013

Firm	Position on petitions	Production location(s)	Share of 2013 production (percent)
Edsal	Petitioner	Chicago, IL	***
Hallowell	***	Deerfield Beach, FL Apopka, FL	***
Hirsh	***	Dover, DE	***
Tenssco	***	Dickson, Tennessee	***
Total			100.0

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 in 2013. 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.¹

Edsal reported that it *** owns Chinese producer Edsal Sandusky Corp. Zhongshan (“Edsal Sandusky”) and that it has imported boltless steel shelving from this Chinese

¹ Conference transcript, pp. 12-13 (Liss).

manufacturer, ***. Edsal first imported boltless steel shelving in ***.² It explained that it established the Chinese production facility approximately ten years ago with the primary goal of supplying boltless steel shelving to the Chinese market. However, the demand growth in China for the product did not take place and the Chinese producer 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.³

*** 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, 2011. ***. Table III-2 summarizes the responses of *** regarding reported industry changes.

Table III-2
Boltless steel shelving: U.S. producers’ changes in operations since 2011

* * * * *

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, 2011-13, January-June 2013, and January-June 2014

* * * * *

Figure III-1
Boltless steel shelving: U.S. producers’ production, capacity, and capacity utilization, 2011-13, January-June 2013, and January-June 2014

* * * * *

² Petitioner’s postconference brief, exhibit 1, p. 6.

³ Petitions, vol. I, p. 16; and conference transcript, pp. 19-21 (Liss).

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 to *** units since 2011. Production of boltless steel shelving also increased from 2011 to 2013 by *** percent, consistent with trends in capacity. However, boltless steel shelving production in January-June 2014 was *** percent lower than in January-June 2013. Capacity utilization fell from *** percent in 2011 to *** percent in 2013, and was even lower at *** percent in January-June 2014.

Edsal, the largest domestic producer of boltless steel shelving accounting for *** percent of annual domestic capacity in 2013, reported that its production capacity was calculated using average measured production rates for key operations as applied consistently over the periods.⁴ It explained ***. It also noted that the domestic industry expansions are keeping pace with demand increases in the U.S. market.⁵ Hallowell, which accounted for *** percent of 2013 boltless steel shelving capacity, explained ***. Hirsh and Tensco reported ***.

Producers were asked to describe the constraints that set the limits on their production capacity. Although Hallowell 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 of overall plant capacity during 2013, respectively, 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. Tensco, which accounted for *** percent of boltless steel shelving in the United States during 2013, represented *** percent of overall U.S. facility capacity during 2013.

*** 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 *** and *** percent during ***. *** accounted for *** percent of overall U.S. plant capacity during 2013.

Table III-4 presents the domestic industry's overall U.S. capacity, production, and capacity utilization of boltless steel shelving and other products combined. The allocated capacity to produce boltless steel shelving (see table III-3) accounted for *** percent of the aggregate 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 2013, whereas boltless steel shelving accounted for *** percent of the total. Although overall

⁴ Conference transcript, pp. 45-46 (Liss).

⁵ Petitioner's postconference brief, p. 14.

capacity mirrored the allocated capacity to produce boltless steel shelving, the production of other products experienced a somewhat different year-to-year trend during 2011-13 than that experienced by boltless steel shelving. Whereas the production of boltless steel shelving increased during each year from 2011 to 2013, the production of other products fell from 2011 to 2012 before increasing in 2013 to a level *** higher than reported in 2011. A similar trend in production was reported for the partial-year periods of 2013 and 2014.

Table III-4

Boltless steel shelving: U.S. producers' overall capacity, production, and capacity utilization, by product, 2011-13, January-June 2013, and January-June 2014

* * * * *

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 ***. Hirsh reported ***. Hirsh did not report data concerning ***. Edsal reported ***.

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, 2011-13, January-June 2013, and January-June 2014

* * * * *

*** U.S. producers 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 2013). The quantity of U.S. producers' U.S. shipments of boltless steel shelving increased by *** percent from *** units in 2011 to *** units 2013, but was *** percent lower in the first half of 2014 than in the comparable period in 2013. The average unit value of U.S. shipments increased from \$*** per unit in 2011 to \$*** per unit in 2012, but fell to \$*** per unit in 2013. The average unit value of commercial U.S. shipments reached its highest point at \$*** per unit in January-June 2014, a period in which relatively lower U.S. commercial shipments were reported.

*** exports of boltless steel shelving. The firm reported that the export destinations for its product are ***. Since 2011, exports have accounted for a *** increasing, share of total domestic industry shipments. Domestic producers' exports accounted for *** percent of the total quantity of shipments in 2011 and *** percent during the first half of 2014. The average unit values of exports, which were consistently higher than reported for commercial shipments, experienced a somewhat different trend than commercial U.S. shipments. The average unit

value of exports increased from \$*** per unit in 2011 to \$*** per unit in 2013, but was lower at \$*** per unit in the first half of 2014 as compared with \$*** in the first half of 2013.

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 2011-13, January-June 2013, and January-June 2014. 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.⁶ Indeed, reported producers' end-of-period inventories as a ratio to production and shipments fell from *** percent in 2011 to *** percent in 2013. The ratios of inventories to production and shipments were higher at *** and *** percent, respectively, during January-June 2014 as compared with January-June 2013.

Table III-6
Boltless steel shelving: U.S. producers' end-of-period inventories and ratios of inventories to U.S. production and shipments, 2011-13, January-June 2013, and January-June 2014

* * * * *

Producers' end-of-period inventories decreased by *** percent from 2011 to 2013. In fact, 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 2011 to 2013 was accounted for by ***, which accounted for *** percent of inventories held at year-end 2011 and *** percent of inventories held at year-end 2013. Producers' inventories were higher in June 2014 than compared with the level reported in June 2013. *** accounted for *** percent of inventories held in June 2014.

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 *** 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. These items ***. These imports

⁶ Conference transcript, p. 22 (Liss).

increased both in terms of absolute quantity and relative to Edsal's U.S. production from 2011 to 2013, and were higher in January-June 2014 than reported during January-June 2013.

Table III-7
Boltless steel shelving: Edsal's U.S. production and imports, 2011-13, January-June 2013, and January-June 2014

* * * * *

U.S. EMPLOYMENT, WAGES, AND PRODUCTIVITY

The petitioner testified that, in addition to the curtailment of production, it has experienced worker layoffs and reductions in the number of shifts as a result of "low-priced imports" from China in increasing volumes.⁷ Specifically, Edsal reported work force reductions of *** employees in *** and shift *** reductions of ***. During 2013, Edsal reported that it employed an average of *** production and related workers and during January-June 2014 it employed an average of *** workers. The petitioner noted the following:

much of the injury the domestic industry has suffered is not reflected in the Commission's database that ends in June 2014. The massive lost sale of the ***.⁸

Table III-8 shows U.S. producers' employment-related data during 2011-13, January-June 2013, and January-June 2014. In the aggregate, U.S. producers reported an overall increase in the number of production and related workers ("PRWs"), total hours worked, and total wages paid from 2011 to 2013. However, hours worked per PRW, as well as hourly wages and unit labor costs, declined overall from 2011 to 2013. The number of PRWs employed and hourly wages during January-June 2014 were higher than reported in the comparable period in 2013; however, total hours worked, hours worked per PRW, total wages paid, and unit labor costs were lower. Productivity remained relatively unchanged at *** units per hour in each of the periods examined, although a *** higher productivity was reported during 2013.

Table III-8
Boltless steel shelving: Average number of production and related workers, hours worked, wages paid to such employees, hourly wages, productivity, and unit labor costs, 2011-13, January-June 2013, and January-June 2014

* * * * *

⁷ Conference transcript, p. 19 (Liss).

⁸ Petitioner's postconference brief, p. 36.

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

U.S. IMPORTERS

The Commission issued importer questionnaires to 46 firms believed to be possible importers of subject boltless steel shelving, as well as to all U.S. producers of boltless steel shelving.¹ Twenty-two firms indicated that they had not imported boltless steel shelving into the United States since January 1, 2011.² Two firms identified by Customs as importers of items entering under the applicable HTS numbers for boltless steel shelving did not respond to the Commission's questionnaire.³ Five firms identified by the petitioner as possible importers of the subject boltless steel shelving did not respond to the Commission's importer questionnaire.⁴ Usable questionnaire responses were received from 17 companies. Staff estimates that the responding importers represent the vast majority of total subject imports from China during

¹ The Commission issued questionnaires to those firms identified in the petitions, along with firms that, based on a review of data provided by U.S. Customs and Border Protection ("Customs"), may have accounted for more than one percent of total imports under HTS statistical reporting numbers 9403.20.0018, 9403.20.0020, and 9403.10.0040 during January 2011-June 2014.

² One firm (***) reported that it is not the importer of record of the merchandise it arranges for importation. Its customers (***) confirmed that such imports arranged by *** were included in their questionnaire responses. Therefore, the import quantity and value data reported by *** were removed from the data presented in this staff report to avoid double-counting issues. The remaining 21 firms that indicated that they had not imported boltless steel shelving into the United States since January 1, 2011 include the following: ***.

³ *** were the only firms identified solely by Customs' documents that did not provide a response to the Commission's questionnaire. Based on the firm's product offerings, *** is not believed to be an importer of the subject boltless steel shelving. ***, accessed on September 23, 2014. *** imported *** shipment of boltless steel shelving from China during ***. *** subsequent imports of the subject merchandise from China were made. Staff telephone interview with ***.

⁴ The following five firms identified in the petitions as possible importers of boltless steel shelving did not provide a response to the Commission's importer questionnaire: ***. Rapid Rack (Gorilla Rack) *** in 2013, ***. *** was issued an importer questionnaire, but it reported ***. Conference transcript, pp. 103-105 (Painter), and telephone conversation with ***, September 18, 2014. According to Customs, *** imported items under the applicable HTS numbers in the following amounts: ***. The other four firms are not listed by Customs as importers of items under the applicable HTS numbers for boltless steel shelving. Regardless, the "dot com" firms are believed to have accounted for a smaller segment of the boltless steel shelving market between January 1, 2011 and June 30, 2014. Conference transcript, p. 93 (Whalen).

2013.⁵ 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 2013.

Table IV-1
Boltless steel shelving: U.S. importers, headquarters, and share of reported 2013 imports, by source

* * * * *

U.S. IMPORTS

Table IV-2 presents 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 preliminary investigations.

⁵ 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 on Customs documents, staff believes that *** are the only importers of record that have not provided a response to the Commission’s questionnaire. *** is believed to account for approximately *** percent of subject imports from China during 2013 (based on company landed, duty-paid value reported by Customs). *** imported only one shipment of boltless steel shelving from China during 2011. The petitioner’s estimate of *** percent coverage of subject imports from China during 2013 is based on fewer questionnaire responses, does not account for certain questionnaire revisions, and does not appear to account for certain firms that certified they did not import. Petitioner’s postconference brief, exhibit 1, Responses to Questions, p. 2. The petitioner lists in its postconference brief 13 firms that it argued did not respond to the Commission’s questionnaire. Petitioner’s postconference brief, p. 20. *** of these firms responded that they did not import boltless shelving (***). *** of the firms the petitioner listed (***) provided data in response to the Commission’s questionnaire, albeit imports of *** products were reportedly sourced from ***. *** of the firms identified by the petitioner did not provide a response (***); however, as previously discussed, staff believes that, of the *** firms listed, only *** is an importer of record for the subject merchandise from China.

Table IV-2
Boltless steel shelving: U.S. imports by source, 2011-13, January-June 2013, and January-June 2014

* * * * *

Subject imports from China rose from a level of *** units in 2011 to *** units in 2012, an increase of *** percent. Imports as reported in 2013 fell to *** units, a level *** percent above import volume levels in 2011.⁶ During the first half of 2014, imports from China were *** percent higher at *** units than reported during the first half of 2013. Imports of boltless steel shelving from other countries (*i.e.*, ***), which accounted for *** percent of total U.S. imports, followed a similar trend as U.S. imports from China.⁷

As a share of total domestic production, U.S. imports of boltless steel shelving from China increased from *** percent in 2011 to *** percent in 2012, but fell to *** percent in 2013. The ratio of U.S. imports from China to U.S. production was higher at *** percent during January-June 2014 than *** percent in the comparable period of 2013.

NEGLIGENCE

The statute requires that an investigation be terminated without an injury determination if imports of the subject merchandise are found to be negligible.⁸ 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

⁶ In its postconference brief, the petitioner disputes the import data provided by ***, arguing that the reported data should show larger volumes and greater increases. Petitioner's postconference brief, pp. 20-23. *** subsequently provided a revision to their import data that addresses the petitioner's concern. *** confirmed that its import data has been correctly reported and accurately reflects the company's ***. *** explained, "****." As previously indicated, *** provided data concerning the U.S. imports of boltless steel shelving that it arranged for importation into the United States but reported that it is not the importer of record for the merchandise. Its customers (***) are the importers of record and confirmed that the imports arranged by *** were included in the import data that were reported in their questionnaire responses. Therefore, the import quantity and value data reported by *** were removed from the data presented in this staff report to avoid double counting the amounts.

⁷ The petitioner testified that there are no known U.S. imports of boltless steel shelving from countries other than China. Conference transcript, p. 45 (Liss). 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 ***.

⁸ 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)).

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.⁹ Imports from China accounted for *** (***) percent of total imports of boltless steel shelving by quantity during 2013.¹⁰

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

According to the petitioner in these investigations, demand for boltless steel shelving in the United States “has been healthy and increasing.”¹¹ It added that, “Unlike other industries in which demand is tied to factors such as residential construction or even the overall economy, demand for boltless steel shelving is driven by price. Retail offers of promotions and discounts for sales of the product tend to drive sales.”¹²

Respondent Whalen argued that the common industry practice of regularly offering discounted prices for boltless steel shelving has “weakened current demand for prepackaged boltless steel shelving.” It added that its overall business is slightly declining.¹³

Table IV-3 presents data on apparent U.S. consumption and U.S. market shares for boltless steel shelving.¹⁴ These data show that apparent U.S. consumption, by quantity, increased by *** percent from 2011 to 2013, but was *** percent lower in January-June 2014 than in January-June 2013. Apparent U.S. consumption, by value, showed similar trends from 2011 to 2013, but was *** percent higher in the first half of 2014 as compared with the first half of 2013. The U.S. producers’ share of the domestic market (in terms of quantity) fell from *** percent in 2011 to *** percent in 2012, rebounded in 2013 to *** percent, but was lower at *** percent during January-June 2014. Conversely, the Chinese share of the domestic market (in terms of quantity) rose from *** percent in 2011 to *** percent in 2012, fell in 2013 to *** percent, but was higher at *** percent during January-June 2014.

Edsal’s direct 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-4.

⁹ Section 771 (24) of the Act (19 U.S.C § 1677(24)).

¹⁰ The petitioner argues that China accounts for all U.S. imports and that there are no other countries that supply the United States with boltless steel shelving. Petitioner’s postconference brief, p. 16.

¹¹ Petitioner’s postconference brief, p. 13.

¹² Petitioner’s postconference brief, p. 14.

¹³ Whalen postconference brief, p. 17.

¹⁴ Due to errors in reported import shipment data, U.S. import data reported in questionnaire responses are used in the calculation of apparent U.S. consumption.

Table IV-3

Boltless steel shelving: U.S. shipments of domestic product, U.S. imports, and apparent U.S. consumption, 2011-13, January-June 2013, and January-June 2014

* * * * *

Table IV-4

Boltless steel shelving: Total imports from China, total apparent U.S. consumption, U.S. imports, by source, share of U.S. imports, and market share, 2011-13, January-June 2013, and January-June 2014

* * * * *

PART V: PRICING DATA

FACTORS AFFECTING PRICES

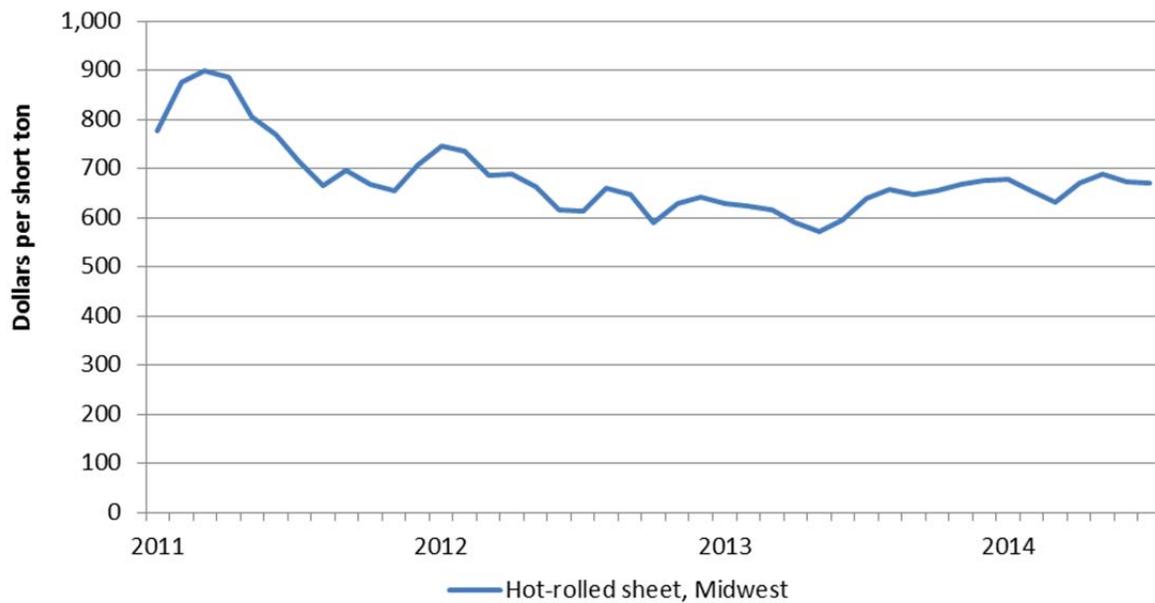
Raw material costs

Boltless steel shelving is primarily made from hot-rolled steel with finishing components for decking, such as wire racks and particle board. The price for domestic hot-rolled sheet increased to \$887 per short ton in 2011, then declined and averaged \$660 per short ton in 2012, \$631 per short ton in 2013, and \$666 per short ton in the first half of 2014 (figure V-1). Half of the U.S. producers reported that raw materials costs had increased while the other half reported that raw materials costs had fluctuated since January 1, 2011. *** 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. Nearly half of the 15 responding importers reported that the cost of raw materials had increased since 2011; four reported that costs had fluctuated; and the remaining reported either no change or decreased raw material costs. Four importers commented that increased raw material costs lead to increased selling prices.^{1 2}

¹ ***.

² Tabulations in Part V regarding general market characteristics include responses for *** which provided information regarding the market. Although not the importer of record, its responses were included with the importers as it arranges for importation of boltless steel shelving. However, it is not included in the price analysis below as its sales were to importers of record that submitted questionnaire responses.

Figure V-1
Average hot-rolled steel sheet prices (Midwest), monthly, January 2011-June 2014



Source: American Metal Market, www.amm.com, retrieved August 2014.

U.S. inland transportation costs

One of four responding U.S. producers and eight of 17 responding importers reported that they typically arrange transportation for their customers. Responding U.S. producers reported that U.S. inland transportation costs ranged from 2 to 15 percent, while importers reported costs of less than 1 to 20 percent.

PRICING PRACTICES

Pricing methods

U.S. producers reported using transaction-by-transaction negotiations, contracts, price lists and other methods for setting their prices. Importers reported using transaction-by-transaction negotiations, set price lists, and other methods for price setting. As presented in

table V-1, U.S. producers were mixed in their price-setting methods while importers sell primarily by other methods.³

Table V-1

Boltless steel shelving: U.S. producers and importers reported price setting methods, by number of responding firms¹

* * * * *

U.S. producers and importers reported selling the vast majority of their boltless steel shelving in the spot market (table V-2).⁴

Table V-2

Boltless steel shelving: U.S. producers' and importers' shares of U.S. commercial shipments by type of sale, 2013

* * * * *

Sales terms and discounts

U.S. producers and importers typically quote prices on an f.o.b. basis. Half of the U.S. producers (two) offer quantity and total volume discounts, while the other half offer no discounts. The majority of responding importers do not offer discounts; however, some importers that sell direct to retail customers and their suppliers may be expected to help offset promotional discounts offered to retail customers. The petitioner described periods of promotions, particularly upcoming Black Friday (day after Thanksgiving) sales, for which retailers have already approached U.S. producers and importers for pricing quotes and the petitioner alleges lost sales and revenue claims associated with such discounts and promotions.⁵ U.S. producers and importers reported a mix of sales terms, including net 30, 60, and 90 days, and, for some retailers, point-of-sale transactions.

PRICE DATA

The Commission requested U.S. producers and importers to provide quarterly data for the total quantity and f.o.b. value of the following boltless steel shelving products shipped to

³ Other methods include: market analysis (***) , net landed cost plus margin (***) , price matching (***) , catalogs (***) , retail sales (***) , and “negotiated price list considers product cost and features, FOB shipping terms, required retail price points” (***) .

⁴ *** reported that all of its sales are on a long-term contract basis. Since table V-2 is calculated based on shipments, and *** had no commercial shipments, its long-term contract data do not appear in the table (see Part II, fn 3).

⁵ Conference transcript, pp. 9 (Cannon), 26-28 (Quick), and 62 (Liss).

unrelated U.S. customers during 2011-13 and the first half of 2014. The Commission also requested importers to provide quarterly data for the total quantity and purchase cost 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

Product 4.—48” Width x 24” 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 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 13 importers provided usable pricing data for sales of the requested products, although not all firms reported pricing for all products for all quarters. Pricing data reported by U.S. producers accounted for approximately *** percent of their shipments of boltless steel shelving by quantity between January 1, 2011 and June 30, 2014. Cost data reported by importers covered *** percent of U.S. shipments of subject imports from China but pricing data reported by importers covered only *** percent of U.S. shipments of subject imports from China in the same period.^{6 7}

⁶ Data includes products that may not have met exact specifications or capacity but the products are viewed to be competitive with the closest definition above. For example, *** reported *** data for products *** which had capacities *** the maximum capacity threshold defined by the pricing products. Importer *** submitted data with *** items it stated were competitive with the pricing definition of product ***. Data for “****” is included in the data presented. Data for “****” which had a purchase cost of approximately \$*** per unit more were not included in the data. It accounted for about *** of its sales of these *** products during the *** quarters for which it reported data (***).

⁷ Importer data includes the petitioner’s import data.

Price data for products 1-5 are presented in tables V-3 to V-7 and figures V-2 to V-6. Import cost data was also requested for direct import comparison. These data are included in the tables below and figures are presented in Appendix D.

Table V-3

Boltless steel shelving: Weighted-average f.o.b. prices and quantities of domestic and imported product 1¹ and margins of underselling/(overselling), by quarters, January 2011-June 2014

* * * * *

Table V-4

Boltless steel shelving: Weighted-average f.o.b. prices and quantities of domestic and imported product 2¹ and margins of underselling/(overselling), by quarters, January 2011-June 2014

* * * * *

Table V-5

Boltless steel shelving: Weighted-average f.o.b. prices and quantities of domestic and imported product 3¹ and margins of underselling/(overselling), by quarters, January 2011-June 2014

Period	United States		China ²			China (cost) ²	
	Price (per unit)	Quantity (units)	Price (per unit)	Quantity (units)	Margin (percent)	Price (per unit)	Quantity (units)
2011:							
Jan.-Mar.	\$***	***	\$60.36	2,535	***	\$31.72	3,406
Apr.-June	***	***	58.23	2,515	***	38.79	5,810
July-Sept.	***	***	60.23	2,417	***	36.38	4,786
Oct.-Dec.	***	***	57.38	2,897	***	35.01	6,612
2012:							
Jan.-Mar.	***	***	59.62	2,194	***	35.46	4,259
Apr.-June	***	***	55.38	3,326	***	46.25	11,785
July-Sept.	***	***	62.59	2,598	***	41.40	4,627
Oct.-Dec.	***	***	56.70	3,418	***	35.23	4,164
2013:							
Jan.-Mar.	***	***	***	***	***	37.78	3,596
Apr.-June	***	***	***	***	***	38.90	4,188
July-Sept.	***	***	***	***	***	33.52	2,496
Oct.-Dec.	***	***	***	***	***	36.42	4,336
2014:							
Jan.-Mar.	***	***	***	***	***	34.14	9,936
Apr.-June	***	***	***	***	***	***	***

¹ 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.

² Prices and quantities presented for the United States and China are the U.S. producers' and U.S. importers' sales of boltless steel shelving. Prices and quantities presented for China (cost) are the U.S. importers' purchase 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 and quantities of domestic and imported product 4¹ and margins of underselling/(overselling), by quarters, January 2011-June 2014

Period	United States		China ²			China (cost) ²	
	Price (per unit)	Quantity (units)	Price (per unit)	Quantity (units)	Margin (percent)	Price (per unit)	Quantity (units)
2011:							
Jan.-Mar.	\$***	***	\$69.83	4,504	***	\$***	***
Apr.-June	***	***	67.04	4,699	***	***	***
July-Sept.	***	***	72.47	4,016	***	***	***
Oct.-Dec.	***	***	69.29	4,286	***	***	***
2012:							
Jan.-Mar.	***	***	69.73	4,158	***	***	***
Apr.-June	***	***	69.51	4,492	***	***	***
July-Sept.	***	***	74.14	3,528	***	***	***
Oct.-Dec.	***	***	65.00	5,630	***	55.45	8,369
2013:							
Jan.-Mar.	***	***	***	***	***	***	***
Apr.-June	***	***	***	***	***	***	***
July-Sept.	***	***	***	***	***	***	***
Oct.-Dec.	***	***	***	***	***	***	***
2014:							
Jan.-Mar.	***	***	***	***	***	***	***
Apr.-June	***	***	60.48	10,317	***	***	***

¹ Product 4: 48" Width x 24" 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.

² Prices and quantities presented for the United States and China are the U.S. producers' and U.S. importers' sales of boltless steel shelving. Prices and quantities presented for China (cost) are the U.S. importers' purchase cost of boltless steel shelving.

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

Table V-7

Boltless steel shelving: Weighted-average f.o.b. prices and quantities of domestic and imported product 5¹ and margins of underselling/(overselling), by quarters, January 2011-June 2014

* * * * *

Figure V-2

Boltless steel shelving: Weighted-average prices and quantities of domestic and imported product 1, by quarters, January 2011-June 2014

* * * * *

Figure V-3

Boltless steel shelving: Weighted-average prices and quantities of domestic and imported product 2, by quarters, January 2011-June 2014

* * * * *

Figure V-4

Boltless steel shelving: Weighted-average prices and quantities of domestic and imported product 3, by quarters, January 2011-June 2014

* * * * *

Figure V-5

Boltless steel shelving: Weighted-average prices and quantities of domestic and imported product 4, by quarters, January 2011-June 2014

* * * * *

Figure V-6

Boltless steel shelving: Weighted-average prices and quantities of domestic and imported product 5, by quarters, January 2011-June 2014

* * * * *

Price trends

Overall, U.S. prices decreased during January 2011 to June 2014, whereas Chinese prices decreased for products 1, 4, and 5, but increased for products 2 and 3. Table V-8 summarizes the price trends, by product and by country. The decrease in domestic prices ranged from *** to *** percent during the period while the change in import prices ranged from a decrease of *** percent to an increase of *** percent.

Table V-8

Boltless steel shelving: Summary of weighted-average f.o.b. prices for products 1-5 from the United States and China

* * * * *

Price comparisons

As shown in table V-9, prices for boltless steel shelving imported from China were below those for U.S.-produced boltless steel shelving in 18 of 68 instances; margins of underselling ranged from 0.7 to 16.4 percent. In the remaining 50 instances, prices for boltless steel shelving from China were between 3.3 and 126.3 percent above prices for the domestic product.

Table V-9

Boltless steel shelving: Instances of underselling/(overselling) and the range and average of margins, by product, January 2011-June 2014

Product	Number of quarters of underselling	Number of quarters of (overselling)	Margins of underselling			Margins of (overselling)		
			Average (percent)	Range (percent)		Average (percent)	Range (percent)	
				Min	Max		Min	Max
1	***	***	--	--	--	***	***	***
2	***	***	***	***	***	***	***	***
3	***	***	--	--	--	***	***	***
4	***	***	--	--	--	***	***	***
5	***	***	***	***	***	--	--	--
Total	18	50	7.8	0.7	16.4	(47.1)	(3.3)	(126.3)

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

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. Staff contacted *** purchasers and a summary of the information obtained is presented in tables V-10 and V-11.⁸

⁸ *** 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 allegation(s) it was referring.

Table V-10

Boltless steel shelving: U.S. producer’s lost sales allegations

* * * * *

Table V-11

Boltless steel shelving: U.S. producer’s lost revenue allegations

* * * * *

Over half of responding purchasers provided comments regarding the allegations. *** stated for its *** allegations, ***.

In response to the *** in which it was named, *** stated, “***”.

*** stated it “makes its buying determinations based on a number of factors, price being one factor.”

*** stated, “The merchants currently in role at *** within this category are not aware of a domestic lost sale in the Fall of 2013 as described above. We were not able to contact the merchant who was in role at the time to confirm whether the allegation is accurate because they are no longer with the company.”

*** stated, “Edsal Manufacturing, Inc. Chicago, IL, is the sole supplier to *** for ***. As such, the per unit purchase prices of *** were the offer prices presented by Edsal and accepted by *** at the time of purchase. *** purchased the items domestically. Edsal indicated that the items were made in China.”

***⁹ ***¹⁰

Purchasers responding to the lost sales 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-12

Boltless steel shelving: Purchasers’ responses regarding shifting supply and price reductions

* * * * *

⁹ Petitioner’s postconference brief, p. 31 and exhibit 5.

¹⁰ Staff telephone interview with ***; and e-mail from ***.

In addition to their responses to the questions above, *** provided additional comments on their purchasing decisions. *** stated "****" *** stated, "****." *** stated it has "****"

PART VI: FINANCIAL EXPERIENCE OF U.S. PRODUCERS

BACKGROUND

Four U.S. producers, Edsal, Hallowell, Hirsh, and Tenssco, 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. Even though Edsal’s fiscal year ends July 31 and Tenssco’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. Even though net sales quantities and values increased continuously from 2011 to 2013, the financial condition of the domestic boltless steel shelving industry deteriorated between 2011 and 2013. Operating profits of the U.S. producers decreased substantially during the same period. While the domestic industry continued to report *** between 2011 and 2013, the level declined from *** in 2011 to *** in 2012, and to *** in 2013. Between 2011 and 2013, the increase in per-unit total cost¹, despite the increase in per-unit sales value (by *** per unit), resulted in a lower per-unit operating income in 2013 (by *** per unit compared to 2011). Accordingly, the operating income margin decreased from *** in 2011 to *** in 2013, reflecting mainly the increase in per-unit total cost (by ***).

Both net sales quantities and values were lower in January-June (“interim”) 2014 than interim 2013. Operating income in interim 2013 (***) changed to *** in interim 2014, due mainly to *** higher per-unit total cost, despite higher per-unit sales value in interim 2014. As a result, the operating income margin, which was *** percent in interim 2013, was *** percent in interim 2014.

Table VI-1
Boltless steel shelving: Results of operations of U.S. producers, fiscal years 2011-13, January-June 2013, and January-June 2014

* * * * *

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 basis. *** between 2011 and 2013 and *** in January-June 2014 than in January-June 2013. ***. While ***. ***.

¹ Total cost is cost of goods sold (“COGS”) and selling, general, and administrative (“SG&A”) expenses combined.

Of the three producers (all except Hallowell), which reported production and sales in all periods, all three experienced *** between 2011 and 2013. ***.² Hirsh's *** compared to those costs in the prior periods. Hirsh responded to Commission staff's inquiry about these increases by noting that ***.³ ***.

No producer reported any inputs purchased from a related firm. ***.⁴

All producers reported operating income between 2011 and 2013 and also in interim 2013, while *** reported operating losses in interim 2014.

Table VI-2

Boltless steel shelving: Results of operations of U.S. producers, by firm, fiscal years 2011-13, January-June 2013, and January-June 2014

* * * * *

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 2011 and 2013 (though they decreased slightly from 2012 to 2013), driven mainly by changes in raw material costs (it 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 decreased somewhat during the same period. Per-unit COGS and per-unit total costs were higher in interim 2014 compared to interim 2013, due to the ***. However, per-unit sales price and cost data by each producer were largely affected by product mix, based on the emails from two of the producers, ***. The ratio of total COGS to net sales increased *** between 2011 and 2013 (from *** percent to *** percent), and was higher in interim 2014 than in interim 2013 (*** percent compared to *** percent).

Table VI-3

Boltless steel shelving: Average unit costs of U.S. producers, fiscal years 2011-13, January-June 2013, and January-June 2014

* * * * *

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-4.⁵ The information for this variance analysis is derived from table VI-1. The analysis

² E-mail from ***, September 12, 2014.

³ E-mail from ***, September 11, 2014.

⁴ E-mail from ***, September 12, 2014.

⁵ 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 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

indicates that the decrease in operating income between 2011 and 2013 (by ***) was the result of the negative effect of increased per-unit costs and expenses, despite increased sales price and volume. The summary at the bottom of the table illustrates that the negative effect of increased costs and expenses (***) , the positive effects of increased prices (***) and higher sales quantities (***) between 2011 and 2013. Comparing the two interim periods, the variance analysis indicates that operating income was lower by (***) which resulted from the combined negative effects of higher costs and expenses (***) and lower sales volume (***) , despite the increased sales price (***) .

Table VI-4
Boltless steel shelving: Variance analysis of operations of U.S. producers, fiscal years 2011-13, January-June 2013, and January-June 2014

* * * * *

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 2011 and 2013. Data for capital expenditures on a firm-by-firm basis are shown in table VI-6. The majority of capital expenditures were reported by ***. *** reported R&D expenses.

Table VI-5
Boltless steel shelving: Capital expenditures and R&D expenses by U.S. producers, fiscal years 2011-13, January-June 2013, and January-June 2014

* * * * *

Table VI-6
Boltless steel shelving: Capital expenditures by U.S. producers, by firms, fiscal years 2011-13, January-June 2013, and January-June 2014

* * * * *

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.

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 2011 and 2013. At the same time, the return on assets decreased between 2011 and 2013 due to lower operating income during the same period. The trend of return on assets during 2011-13 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 2011-13

* * * * *

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.—***

PART VII: THREAT CONSIDERATIONS AND INFORMATION ON NONSUBJECT COUNTRIES

Section 771(7)(F)(i) of the Act (19 U.S.C. § 1677(7)(F)(i)) provides that—

In determining whether an industry in the United States is threatened with material injury by reason of imports (or sales for importation) of the subject merchandise, the Commission shall consider, among other relevant economic factors¹--

- (I) if a countervailable subsidy is involved, such information as may be presented to it by the administering authority as to the nature of the subsidy (particularly as to whether the countervailable subsidy is a subsidy described in Article 3 or 6.1 of the Subsidies Agreement), and whether imports of the subject merchandise are likely to increase,*
- (II) any existing unused production capacity or imminent, substantial increase in production capacity in the exporting country indicating the likelihood of substantially increased imports of the subject merchandise into the United States, taking into account the availability of other export markets to absorb any additional exports,*
- (III) a significant rate of increase of the volume or market penetration of imports of the subject merchandise indicating the likelihood of substantially increased imports,*
- (IV) whether imports of the subject merchandise are entering at prices that are likely to have a significant depressing or suppressing effect on domestic prices, and are likely to increase demand for further imports,*
- (V) inventories of the subject merchandise,*

¹ Section 771(7)(F)(ii) of the Act (19 U.S.C. § 1677(7)(F)(ii)) provides that “The Commission shall consider {these factors} . . . as a whole in making a determination of whether further dumped or subsidized imports are imminent and whether material injury by reason of imports would occur unless an order is issued or a suspension agreement is accepted under this title. The presence or absence of any factor which the Commission is required to consider . . . shall not necessarily give decisive guidance with respect to the determination. Such a determination may not be made on the basis of mere conjecture or supposition.”

- (VI) *the potential for product-shifting if production facilities in the foreign country, which can be used to produce the subject merchandise, are currently being used to produce other products,*
- (VII) *in any investigation under this title which involves imports of both a raw agricultural product (within the meaning of paragraph (4)(E)(iv)) and any product processed from such raw agricultural product, the likelihood that there will be increased imports, by reason of product shifting, if there is an affirmative determination by the Commission under section 705(b)(1) or 735(b)(1) with respect to either the raw agricultural product or the processed agricultural product (but not both),*
- (VIII) *the actual and potential negative effects on the existing development and production efforts of the domestic industry, including efforts to develop a derivative or more advanced version of the domestic like product, and*
- (IX) *any other demonstrable adverse trends that indicate the probability that there is likely to be material injury by reason of imports (or sale for importation) of the subject merchandise (whether or not it is actually being imported at the time).²*

Information on the nature of the alleged subsidies was presented earlier in this report; information on the volume and pricing of imports of the subject merchandise is presented in *Parts IV and V*; and information on the effects of imports of the subject merchandise on U.S. producers' existing development and production efforts is presented in *Part VI*. Information on inventories of the subject merchandise; foreign producers' operations, including the potential for "product-shifting;" any other threat indicators, if applicable; and any dumping in third-country markets, follows. Also presented in this section of the report is information obtained for consideration by the Commission on nonsubject countries.³

² Section 771(7)(F)(iii) of the Act (19 U.S.C. § 1677(7)(F)(iii)) further provides that, in antidumping investigations, ". . . the Commission shall consider whether dumping in the markets of foreign countries (as evidenced by dumping findings or antidumping remedies in other WTO member markets against the same class or kind of merchandise manufactured or exported by the same party as under investigation) suggests a threat of material injury to the domestic industry."

³ *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.)). Based on information
(continued...)

THE INDUSTRY IN CHINA

Background

The Chinese boltless steel shelving industry is comprised of approximately 32 Chinese producers.⁴ According to the petitioner, the five largest Chinese producers of steel shelving are ***.⁵ Chinese producer Edsal Sandusky, established in 2006, is owned by the petitioner.⁶ Although some producers have reportedly exited the Chinese industry,⁷ responding Chinese producer Guangdong Guanyu Metal Products Co., Ltd. (“Guangdong Guanyu”) was founded in May of 2013 and began production ***.⁸

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.⁹ 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”); Intradin (Shanghai) Machinery Co., Ltd. (“Intradin”); and Guangdong Guanyu. The exports to the United States reported by the four responding Chinese producers combined were equivalent to *** percent

(...continued)

reported in Commission questionnaire responses, subject boltless steel shelving accounted for *** percent of total exports from China in 2013, as reported by GTA under subheadings 9403.10 and 9403.20.

⁴ This includes 20 producers identified by the petitioner (USITC staff found one producer identified twice in the petitioner’s list) and 12 producers that were identified by U.S. importers in their responses to Commission questionnaires. Petitions, exh. GEN-7 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, Kunshan Xingyue Zhaoyuan Metal Products Co., Ltd.; Hangzhou Great Star Industrial Co., Ltd.; Kunshan Wheelink Metal Product Co., Ltd.; and Ningbo ETDZ Huixing Trade Co., Ltd. submitted information to Commerce on their exports to the United States of boltless steel shelving produced in China.

⁵ Petitions, exh. GEN-2, p. 5.

⁶ Edsal Sandusky Corporation Zhongshan, “Welcome to the website of Edsal Sandusky Corporation Zhongshan,” <http://www.edsal.com.cn/> (accessed September 25, 2014).

⁷ 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.

⁸ Guangdong Guanyu postconference letter.

⁹ These firms were identified through a review of information submitted in the petitions and contained in proprietary Customs records.

of reported U.S. imports of boltless steel shelving from China during 2013, as calculated from Commission importer questionnaire responses.

The petitioner notes that the Commission is missing foreign producer questionnaire responses “from 16 known producers, including several of the very largest producers and exporters of subject product with significant capacity and idle capacity.”¹⁰ It estimated that the reported data represents *** percent of Chinese production of boltless steel shelving industry. It added 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.¹¹

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 68.4 percent from 617,500 units in 2011 to 1.04 million units in 2013. The firms’ reported capacity was once again higher in January-June 2014 than in January-June 2013. Reported production by the four firms in China increased overall by 7.2 percent from 2011 to 2013, and was 89.7 percent higher in January-June 2014 than in January-June 2013, for the most part reflecting ***. Boltless steel shelving production in China, as reported by the four responding producers, is projected to increase by 58.4 percent from 2013 to 2015. Capacity utilization fell from 62.8 percent in 2011 to 39.9 percent in 2013, but was higher at 60.2 percent in January-June 2014 than reported in January-June 2013. Projections indicate that capacity utilization in China is expected to decline slightly to 57.8 percent in 2015.

In 2013, *** 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 increased overall by *** percent from 2011 to 2013, and were higher in January-June 2014 than in January-June 2013. However, projections indicate that exports to the United States will be lower in 2014 and 2015 than reported in 2013. In 2013, *** percent of total shipments of boltless steel shelving produced in China were exported to markets other than the United States. Edsal Sandusky reported ***. Guangdong Guanyu reported ***. HoiFat reported ***. Intradin reported ***. ***. The aggregate home market shipments of boltless steel shelving accounted for *** percent of total Chinese shipments in 2013.

¹⁰ Petitioner’s postconference brief, p. 4.

¹¹ Petitioner’s postconference brief, pp. 41-42, and exhibit 1, p. 1.

Table VII-1
Boltless steel shelving: Data for producers in China, 2011-13, January-June 2013, and January-June 2014

Item	Actual experience					Projections	
	Calendar year			January-June		Calendar year	
	2011	2012	2013	2013	2014	2014	2015
	Quantity (units)						
Capacity ¹	617,500	790,000	1,040,000	400,000	555,000	1,054,000	1,138,000
Production	387,522	385,459	415,359	176,018	333,858	644,000	658,000
End-of-period inventories	***	***	***	***	***	***	***
Shipments:							
Internal consumption/ Transfers	***	***	***	***	***	***	***
Home market shipments	***	***	***	***	***	***	***
Export shipments to:							
United States	***	***	***	***	***	***	***
All other markets ²	***	***	***	***	***	***	***
Total exports	***	***	***	***	***	***	***
Total shipments	***	***	***	***	***	***	***
	Ratios and shares (percent)						
Capacity utilization	62.8	48.8	39.9	44.0	60.2	61.1	57.8
Inventories/production	***	***	***	***	***	***	***
Inventories/total shipments	***	***	***	***	***	***	***
Share of total shipments:							
Internal consumption/ Transfers	***	***	***	***	***	***	***
Home market shipments	***	***	***	***	***	***	***
Export shipments to:							
United States	***	***	***	***	***	***	***
All other markets ²	***	***	***	***	***	***	***
Total exports	***	***	***	***	***	***	***
Total shipments	***	***	***	***	***	***	***

¹ The production capacity reported is based on operating *** hours per week, *** weeks per year.

² ***

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

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 of responding producers in China, January 2011-June 2014

* * * * *

Edsal Sandusky (the Chinese manufacturer that is *** by the petitioner) accounted for *** percent of reported production in China during January 2011-June 2014. The firm reported that *** percent of its total sales in the most recent fiscal year were sales of boltless steel shelving. The Chinese company reported that during January 2011-June 2014, *** percent of its total shipments were exports to the United States, ***. *** of Edsal Sandusky's total shipments of boltless steel shelving during January 2011-June 2014 was made to the Chinese market. The firm's largest U.S. importers include ***.

Guangdong Guanyu, which began production of boltless steel shelving in China during ***. The firm reported that *** percent of its total sales in the most recent fiscal year were sales of boltless steel shelving. The company reported that during 2013, *** percent of its total shipments were exports to the United States, with *** of the remainder going to other export markets (***). Guangdong Guanyu reported that *** U.S. importer of its boltless steel shelving but noted ***.

HoiFat, ***, accounted for *** percent of reported production in China during January 2011-June 2014. The firm reported that *** percent of its total sales in the most recent fiscal year were sales of boltless steel shelving. The Chinese company reported that during January 2011-June 2014, *** percent of its total shipments were exports to the United States, with *** of the remainder going to other export markets (***). *** of HoiFat's boltless steel shelving was shipped to the Chinese market during January 2011-June 2014. The firm's largest U.S. importers include ***.

Intradin accounted for *** percent of reported production in China during January 2011-June 2014. The firm reported that *** percent of its total sales in the most recent fiscal year were sales of boltless steel shelving. The Chinese company reported that, during January 2011-June 2014, ***. The firm's largest U.S. importer is ***.

In the Commission's questionnaire, producers in China were asked if they experienced any plant openings, plant closings, relocations, expansions, acquisitions, consolidations, prolonged shutdowns or production curtailments, or revised labor agreements since January 1, 2011. The data reported in the questionnaire responses of *** Chinese producers indicate an increase in each of the firms' capacity to produce boltless steel shelving. Intradin reported capacity ***. Edsal Sandusky not only reported ***, it also indicated ***. Chinese producer HoiFat reported ***. The data provided by Guangdong Guanyu *** indicate that the firm began production of boltless steel shelving during ***. Concerning changes to its business, Guangdong Guanyu indicated only that "****."

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. ***

do not anticipate any changes in the future, whereas *** indicated that certain changes to the character of their operations are expected. Table VII-3 summarizes the responses of *** concerning such anticipated changes.

**Table VII-3
Boltless steel shelving: Chinese producers' anticipated changes in operations**

* * * * *

Alternative products

Chinese producers Intradin and HoiFat reported ***, while Chinese producers Edsal Sandusky and Guangdong Guanyu reported ***. Edsal Sandusky indicated ***. Since beginning boltless steel production ***, Guangdong Guanyu reported ***.

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. These data show that, prior to the establishment of production by Guangdong Guanyu in 2013, boltless steel shelving accounted for *** of the reporting firms' overall plant production.

**Table VII-4
Boltless steel shelving: Overall plant capacity, production, and capacity utilization in China, 2011-13, January-June 2013, and January-June 2014**

* * * * *

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 increased overall by *** percent from 2011 to 2013, but were *** percent lower in June 2014 than reported in June 2013. As a share of U.S. imports, inventories fell overall from *** percent in 2011 to *** percent in 2013. The ratio of inventories to U.S. imports was lower during January-June 2014 than reported in January-June 2013. U.S. importers *** accounted for *** percent of total end-of-period inventories of the subject merchandise held in the United States at yearend 2013.

**Table VII-5
Boltless steel shelving: U.S. importers' inventories, 2011-13, January-June 2013, and January-June 2014**

* * * * *

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 June 30, 2014. These data are presented in table VII-6.¹² Reported imports of boltless steel shelving arranged for entry into the United States from China are expected to increase by *** percent from the third to the fourth quarter of 2014. However, reported arranged imports of subject merchandise are expected to fall by *** percent from the fourth quarter of 2014 to the first quarter of 2015. According to reported data, a relatively smaller increase in arranged imports is expected during the second quarter of 2015.

Table VII-6

Boltless steel shelving: U.S. importers' arranged imports, July-September 2014, October-December 2014, January-March 2015, and April-June 2015

* * * * *

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.¹³

¹² The petitioner points out that the data collected on arranged imports in the Commission's questionnaire responses do not account for future sales that were made after the questionnaire responses were submitted to the Commission. It notes that actual imports for full year 2014, which it argues are ***." The petitioner points out, in particular, ***. Petitioner's postconference brief, p. 19.

¹³ Petitioner's postconference brief, exh. 1, p. 2.

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.’”¹⁴

The petitioner stated that there are currently no nonsubject imports of boltless steel shelving, citing both the petitioner’s and Whalen’s testimony and responses to Commission U.S. importers’ questionnaire.¹⁵ However, Whalen did state that approximately ten years ago there were some imports from Mexico.¹⁶ Commission staff determined from questionnaire responses that there are likely imports of boltless steel shelving from ***, but have not yet located specific information regarding the volume of production by the industry in ***.¹⁷

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).¹⁸

¹⁴ *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).

¹⁵ Petitioner’s postconference brief, p. 15; and conference transcript, p. 19 (Liss).

¹⁶ Conference transcript, p. 112 (Whalen) and pp. 43-44 (Liss).

¹⁷ 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).

¹⁸ Petitioner’s postconference brief, exhibit 1, p. 2.

APPENDIX A

FEDERAL REGISTER NOTICES

The Commission makes available notices relevant to its investigations and reviews on its website, www.usitc.gov. In addition, the following tabulation presents, in chronological order, *Federal Register* notices issued by the Commission and Commerce during the current proceeding.

Citation	Title	Link
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>	http://www.gpo.gov/fdsys/pkg/FR-2014-09-02/pdf/2014-20780.pdf
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>	http://www.gpo.gov/fdsys/pkg/FR-2014-09-22/pdf/2014-22491.pdf
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>	http://www.gpo.gov/fdsys/pkg/FR-2014-09-22/pdf/2014-22494.pdf

APPENDIX B

CALENDAR OF THE PUBLIC STAFF CONFERENCE

CALENDAR OF PUBLIC PRELIMINARY CONFERENCE

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 (Preliminary)
Date and Time: September 16, 2014 - 9:30 am

Sessions were held in connection with these preliminary 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)
Respondents (**Mark D. Herlach**, Sutherland Asbill & Brennan LLP)

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

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

Edsal Manufacturing Company

Mitchell Liss, Vice President, Edsal Manufacturing Company

Chris Quick, Sales Director, Edsal Manufacturing Company

Gina Beck, Economist, Georgetown Economic Services

Kathleen R. Cannon)
Paul C. Rosenthal) – OF COUNSEL
R. Alan Luberd)

**In Opposition to the Imposition of
Antidumping and Countervailing Duty Orders:**

Sutherland Asbill & Brennan LLP
Washington, DC
on behalf of

Whalen LLC

Kenneth Whalen, President, Whalen LLC

Mark D. Herlach)
) – OF COUNSEL
Charlie Kruly)

REBUTTAL/CLOSING REMARKS:

Petitioner (**Kathleen W. Cannon**, Kelley, Drye & Warren LLP)
Respondents (**Mark D. Herlach**, Sutherland Asbill & Brennan LLP)

APPENDIX C
SUMMARY DATA

Table C-1
Boltless shelving: Summary data concerning the U.S. market, 2011-13, January to June 2013, and
January to June 2014

* * * * *

APPENDIX D

QUARTERLY DOMESTIC PRICE AND IMPORT COST DATA

Figures D-1 through D-5 present data on domestic sales prices of the five pricing products described in Part V, as well as import cost data for those five products. Import cost data do not reflect sales inside the United States but rather the cost to the importer to import subject merchandise.

Figure D-1

Boltless steel shelving: Weighted-average import costs and quantities of domestic and imported product 1, by quarters, January 2011-June 2014

* * * * *

Figure D-2

Boltless steel shelving: Weighted-average import costs and quantities of domestic and imported product 2, by quarters, January 2011-June 2014

* * * * *

Figure D-3

Boltless steel shelving: Weighted-average import costs and quantities of domestic and imported product 3, by quarters, January 2011-June 2014

* * * * *

Figure D-4

Boltless steel shelving: Weighted-average import costs and quantities of domestic and imported product 4, by quarters, January 2011-June 2014

* * * * *

Figure D-5

Boltless steel shelving: Weighted-average import costs and quantities of domestic and imported product 5, by quarters, January 2011-June 2014

* * * * *